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GULF GENERAL INVESTMENTS CO. (P.S.C.)
AND SUBSIDIARIES
DUBAI - UNITED ARAB EMIRATES

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2008

Audit . Tax . Consulting . Financial Advisory.

Gulf General Investments Co. (P.S.C.) and Subsidiaries
Dubai - United Arab Emirates

Consolidated Financial Statements and
Independent Auditor's Report
For the Year Ended December 31, 2008

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Ref32713FS08

Independent Auditor's Report

The Shareholders
Gulf General Investments Co. (P.S.C.) and Subsidiaries
Dubai
United Arab Emirates

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **Gulf General Investments Co. (P.S.C.) (the "Company") and Subsidiaries (together the "Group"), Dubai, United Arab Emirates** which comprise the consolidated balance sheet as at December 31, 2008, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The consolidated financial statements of the Group as of December 31, 2007, were audited by another auditor whose report dated January 27, 2008, on which we have relied, expressed an unqualified opinion on those statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Independent Auditor's Report (continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the **Gulf General Investments Co. (P.S.C.) and Subsidiaries, Dubai** as of December 31, 2008, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

Also, in our opinion, the Group has maintained proper books of account and the physical inventory was properly conducted. The information contained in the directors' report relating to the consolidated financial statements is in agreement with the books. We obtained all the information which we considered necessary for our audit. According to the information available to us, there were no contraventions during the year of the U.A.E. Federal Commercial Companies Law No. 8 of 1984, as amended, or the Articles of Association of group companies which might have materially affected the financial position of the Group or their financial performance.

For Deloitte & Touche

SSindaha

Saba Y. Sindaha
Partner
(Registration No. 410)

Sharjah
March 8, 2009

Consolidated Balance Sheet
At December 31, 2008
(In Thousand Arab Emirates Dirhams)

	Notes	December 31, 2008	December 31, 2007
ASSETS			
Current assets			
Bank balances and cash	5	**277,380**	358,193
Held for trading investments	6	**1,084,881**	1,124,157
Trade and other receivables	7	**1,592,620**	1,417,823
Due from related parties	8	**74,983**	126,481
Inventories	9	**764,594**	210,262
Development properties	10	**1,337,048**	1,421
Total current assets		**5,131,506**	3,238,337
Non-current assets			
Available-for-sale investments	6	**1,182,220**	1,124,632
Held-to-maturity investments	6	**7,946**	26,925
Investments in associates	11	**517,272**	173,461
Goodwill	12	**46,477**	13,254
Investment properties	13	**1,737,126**	1,872,413
Development work-in-progress	14	**387,764**	211,607
Land	15	**145,296**	145,296
Property, plant and equipment	16	**347,157**	115,054
Discontinued operations	17	**23,291**	-
Total non-current assets		**4,394,549**	3,682,642
Total Assets		**9,526,055**	6,920,979

The accompanying notes form an integral part of these consolidated financial statements.

Gulf General Investments Co. (P.S.C.) and Subsidiaries
Dubai - United Arab Emirates

Consolidated Balance Sheet (continued)
At December 31, 2008
(In Thousand Arab Emirates Dirhams)

	Notes	December 31, 2008	December 31, 2007
LIABILITIES AND EQUITY			
Current liabilities			
Short term bank borrowings	19	**1,248,150**	729,811
Current portion of bank loans	19	**643,672**	661,484
Trade and other payables	20	**1,612,060**	1,483,079
Due to related parties	8	**143,114**	32,039
Total current liabilities		**3,646,996**	2,906,413
Non-current liabilities			
Due to related parties		**11,904**	-
Trade and other payables	20	**303,583**	12,269
Long term portion of bank loans	19	**2,263,400**	1,179,828
Provision for employees' end of service indemnity	21	**20,175**	15,467
Total non-current liabilities		**2,599,062**	1,207,564
Total Liabilities		**6,246,058**	4,113,977
Capital and reserves			
Share capital	22	**1,080,000**	540,000
Reserves	23	**624,788**	535,768
Investments revaluation reserve		**52,293**	54,722
Retained earnings		**1,147,145**	1,331,397
Equity attributable to the equity holders of the parent		**2,904,226**	2,461,887
Minority interest		**375,771**	345,115
Total equity		**3,279,997**	2,807,002
Total Liabilities and Equity		**9,526,055**	6,920,979

The accompanying notes form an integral part of these consolidated financial statements.

معاوية

Abdulla Juma Al Sari **Chairman**	**Dr. Moawiyah Saleh** **Al - Shunnar** **Vice Chairman**	**Mohammed Al Sari** **Managing Director**

Consolidated Income Statement
For the Year Ended December 31, 2008
(In Thousand Arab Emirates Dirhams)

	Notes	**Year ended December 31, 2008**	Year ended December 31, 2007
Revenue 24	**8,708,326**	5,823,136	
Cost of revenue 25	**(7,853,074)**	(4,961,616)	
Gross profit		**855,252**	861,520
Other operating income		**25,621**	25,641
Selling and distribution expenses		**(53,461)**	(28,830)
General and administrative expenses	26	**(205,806)**	(108,187)
Operating profit	**621,606**	750,144	
Finance cost		**(133,139)**	(124,183)
Profit for the year from continuing operations		**488,467**	625,961
Discontinued operations			
Profit for the year - discontinued operations	17	**4,845**	-
Profit for the year 27	**493,312**	625,961	
Attributable to:			
Equity holders of the parent		**445,354**	555,018
Minority interest	**47,958**	70,943	
		493,312	625,961
Basic earnings per share (in AED)	28	**0.41**	0.51

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity
For the Year Ended December 31, 2008
(In Thousand Arab Emirates Dirhams)

	Share capital	Reserves	Investments revaluation reserve	Retained earnings	Attributable to equity holders of the parent	Minority interest	Total
Balance at December 31, 2006	400,000	305,761	(121,787)	1,070,881	1,654,855	338,866	1,993,721
Gain on available-for-sale investments recognised directly in equity	-	-	113,482	-	113,482	1,215	114,697
Transfer to consolidated income statement on sale of available-for-sale investments	-	-	63,027	-	63,027	-	63,027
Profit for the year	-	-	-	555,018	555,018	70,943	625,961
Gain on revaluation of land	-	119,005	-	-	119,005	-	119,005
Total recognised income and expense for the year	-	119,005	176,509	555,018	850,532	72,158	922,690
Transfer to reserves	-	111,002	-	(111,002)	-	-	-
Issue of bonus shares	140,000	-	-	(140,000)	-	-	-
Dividends paid	-	-	-	(40,000)	(40,000)	-	(40,000)
Board of Directors remuneration	-	-	-	(3,500)	(3,500)	-	(3,500)
Other movements	-	-	-	-	-	(65,909)	(65,909)
	140,000	111,002	-	(294,502)	(43,500)	(65,909)	(109,409)
Balance at December 31, 2007	540,000	535,768	54,722	1,331,397	2,461,887	345,115	2,807,002
	========	=========	=========	========	========	=======	=======

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity (continued)
For the Year Ended December 31, 2008
(In Thousand Arab Emirates Dirhams)

	Share capital	Reserves	Investments revaluation reserve	Retained earnings	Attributable to equity holders of the parent	Minority interest	Total
Balance at December 31, 2007	540,000	535,768	54,722	1,331,397	2,461,887	345,115	2,807,002
Loss on available-for-sale investments recognised directly in equity	-	-	(14,879)	-	(14,879)	(1,163)	(16,042)
Transfer to consolidated income statement on sale of available-for-sale investments	-	-	12,450	-	12,450	-	12,450
Profit for the year	-	-	-	445,354	445,354	47,958	493,312
Total recognised income and expense for the year	-	-	(2,429)	445,354	442,925	46,795	489,720
Transfer to reserves	-	89,070	-	(89,070)	-	-	-
Issue of bonus shares (Note 29)	540,000	-	-	(540,000)	-	-	-
Dividends paid	-	-	-	-	-	(1,780)	(1,780)
Board of Directors remuneration paid by subsidiary	-	--	-	(397)	(397)	(353)	(750)
Funds invested	-		-	-	-	63,915	63,915
Discontinued operations	-	-	-	-	-	(18,446)	(18,446)
Disposal of subsidiary	-	-	-	-	-	(7,914)	(7,914)
Current account of minority shareholders	-	-	-	-	-	(51,561)	(51,561)
Other movements	-	(50)	-	(139)	(189)	-	(189)
	540,000	89,020	-	(629,606)	(586)	(16,139)	(16,725)
Balance at December 31, 2008	**1,080,000**	**624,788**	**52,293**	**1,147,145**	**2,904,226**	**375,771**	**3,279,997**
	=======	========	=======	========	========	=======	=======

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement
For the Year Ended December 31, 2008
(In Thousand Arab Emirates Dirhams)

	Year ended December 31, 2008	Year ended December 31, 2007
Operating activities		
Profit for the year **445,354**	555,018	
Adjustments for:		
Depreciation of property, plant and equipment	**27,590**	17,831
Provision for employees' end of service indemnity	**7,795**	4,767
Profit from sale of investments in securities	**(19,316)**	(45,133)
(Gain)/loss on sale of property, plant and equipment	**(315)**	51,454
Reinsurance contract assets	**138,562**	(213,475)
Insurance contract liabilities	**(115,651)**	256,109
Unrealised loss/(gain) on investments held for trading	**291,929**	(94,199)
Changes in fair value of investment properties	**(125,240)**	(194,492)
Profit from discontinued operations	**(4,845)**	-
Gain on disposal of subsidiary	**(12,172)**	-
Impairment on available-for-sale investments	**109,047**	-
Allowance for doubtful debts	**7,097**	1,238
Allowance for slow moving inventories	**2,515**	-
Loss/(profit) from investments in associates	**22,110**	(8,558)
Exchange loss **2,435**	-	
Finance cost	**133,139**	124,183
Operating cash flows before movements in working capital	**910,034**	454,743
(Increase)/decrease in inventories	**(524,292)**	36,122
Increase in trade and other receivables	**(395,573)**	(202,947)
Decrease/(increase) in due from related parties	**51,512**	(123,623)
Increase in trade and other payables	**383,239**	409,876
Increase in due to related parties	**122,950**	4,392
Cash generated from operations	**547,870**	578,563
Employees' end of service indemnity paid	**(1,901)**	(243)
Interest paid	**(133,139)**	(124,183)
Net cash from operating activities	**412,830**	454,137

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement (continued)
For the Year Ended December 31, 2008
(In Thousand Arab Emirates Dirhams)

	Year ended December 31, 2008	Year ended December 31, 2007 Restated
Investing activities		
Increase in fixed deposits	**(26,362)**	(156,597)
Purchase of investment in securities	**(4,858,535)**	(3,685,530)
Purchase of investment properties	**(1,139,059)**	(1,096,574)
Development work-in-progress	**(160,942)**	(126,227)
Development properties	**(874,796)**	(2,863)
Proceeds from sale of investments in securities	**4,456,691**	3,287,206
Proceeds from sale of investment properties, development work-in-progress and development properties	**923,540**	543,476
Purchase of property, plant and equipment	**(253,409)**	(55,480)
Purchase of land **-**	(6,620)	
Purchase of investments in associates	**(367,665)**	(145,230)
Proceeds from sale of property, plant and equipment	**1,344**	3,687
Increase in goodwill **(2,196)**	(9,254)	
Acquisition of subsidiaries	**(33,648)**	-
Net cash out flow on disposal of business	**(32,113)**	-
Net cash used in investing activities	**(2,367,150)**	(1,450,006)
Financing activities		
Dividends paid	**(1,780)**	(40,000)
Board of Directors' remuneration paid	**(750)**	(1,400)
Bank loans obtained **1,871,673**	1,203,150	
Bank loans repaid **(808,157)**	-	
Increase in notes payable	**257,040**	-
Funds invested in minority shareholders	**58,464**	-
Increase/(decrease) in short term bank borrowings	**501,476**	(123,458)
Minority interest and other movements	**(3,792)**	6,249
Net cash from financing activities	**1,874,174**	1,044,541
Net (decrease)/increase in cash and cash equivalents	**(80,146)**	48,672
Cash and cash equivalents at the beginning of the year	**138,700**	90,028
Adjustment for the bank balances and cash of discontinued operation	**(4,188)**	-
Cash and cash equivalents at the end of the year (see Note 30)	**54,366**	138,700
	========	========

The accompanying notes form an integral part of these consolidated financial statements.

1. General information

Gulf General Investments Co. (P.S.C.) - Dubai (the "Company") is formed pursuant to Emiri Decree No. 2/73 dated July 27, 1973 and is incorporated as a Public Shareholding Company. The Company operates in the United Arab Emirates under a trade license issued by the Department of Economic Development of the Government of Dubai. The "Group" comprises Gulf General Investments Co. (P.S.C.) and its subsidiaries. The address of the Company's registered office is P. O. Box 22588, Dubai, United Arab Emirates.

The principal activities of the Company are:

- Industrial holding and trust companies
- Commercial holding and trust companies
- Real estate agent
- Real estate development services, and
- General trading

The duration of the Company is ninety nine years commencing from the date of issuance of the above Emiri Decree.

2. Adoption of new and revised Standards

Interpretations effective in the current year

In the current year, the Group has adopted the amendments to IAS 39 Financial Instruments: *Recognition and Measurement* and IFRS 7 Financial Instruments: *Disclosures* which are effective from July 1, 2008. The impact of adoption of these amendments has been to expand the disclosures provided in these consolidated financial statements regarding the Group's reclassified financial instruments (see Note 6).

Three Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are: IFRIC 11 – IFRS-2: *Group Treasury Shares Transactions*, IFRS 12: *Service Concession Arrangements*, and IFRIC 14 – IAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. The adoption of these Interpretations had not led to any changes in the Group's accounting policies.

Standards and interpretations in issue but not yet adopted

At the date of authorisation of these consolidated financial statements, the following Standards and Interpretations were in issue but not yet effective:

IAS 1 (Revised)	*Presentation of Financial Statements* (effective for accounting periods beginning on or after January 1, 2009)
IAS 16 (Revised)	*Property, Plant and Equipment* (effective for accounting periods beginning on or after January 1, 2009)
IAS 19 (Revised)	*Employee Benefits* (effective for accounting periods beginning on or after January 1, 2009)

2. Adoption of new and revised Standards (continued)

Standards and interpretations in issue but not yet adopted (continued)

IAS 20 (Revised)	*Government Grants and Disclosure of Government Assistance* (effective for accounting periods beginning on or after January 1, 2009)
IAS 23 (Revised)	*Borrowing Costs* (effective for accounting periods beginning on or after January 1, 2009)
IAS 27 (Revised)	*Consolidated and Separate Financial Statements* (effective for accounting periods beginning on or after January 1, 2009)
IAS 28 (Revised)	*Investments in Associates* (effective for accounting periods beginning on or after January 1, 2009)
IAS 29 (Revised)	*Financial Reporting in Hyperinflationary Economies* (effective for accounting periods beginning on or after January 1, 2009)
IAS 31 (Revised)	*Interest in Joint Ventures* (effective for accounting periods beginning on or after January 1, 2009)
IAS 32 (Revised)	*Financial Instruments: Presentation* (effective for accounting periods beginning on or after January 1, 2009)
IAS 36 (Revised)	*Impairment of Assets*: (effective for accounting periods beginning on or after January 1, 2009)
IAS 38 (Revised)	*Intangible Assets* (effective for accounting periods beginning on or after January 1, 2009)
IAS 39 (Revised)	*Financial Instruments: Recognition and Measurement:* (effective for accounting periods beginning on or after January 1, 2009)
IAS 40 (Revised)	*Investment Property* (effective for accounting periods beginning on or after January 1, 2009)
IAS 41 (Revised)	*Agriculture* (effective for accounting periods beginning on or after January 1, 2009)
IFRS 1 (Revised)	*First time Adoption of International Financial Reporting Standards* (effective for accounting periods beginning on or after January 1, 2009)
IFRS 2 (Revised)	*Share-based Payment* (effective for accounting periods beginning on or after January 1, 2009)
IFRS 3 (Revised)	*Business Combinations* (effective for accounting periods beginning on or after July 1, 2009)
IFRS 5 (Revised)	*Non-current Assets Held for Sale and Discontinued Operations* (effective for accounting periods beginning on or after July 1, 2009)
IFRS 7	*Financial instruments: Disclosures* (effective for accounting periods beginning on or after January 1, 2009)

2. Adoption of new and revised Standards (continued)

Standards and interpretations in issue but not yet adopted (continued)

IFRS 8	*Operating Segments* (effective for accounting periods beginning on or after January 1, 2009)
IFRIC 13	*Customer Loyalty Programmes* (effective for accounting periods beginning on or after July 1, 2008)
IFRIC 15	*Agreements for the Construction of Real Estate (*effective for accounting periods beginning on or after January 1, 2009)
IFRIC 16	*Hedges of a Net Investment in a Foreign Operation* (effective for accounting periods beginning on or after October 1, 2008)
IFRIC 17	*Distribution of Non-cash Assets to Owners* (effective for accounting periods beginning on or after July 1, 2009)
IFRIC 18	*Transfer of Assets from Customers* (effective for transfers received on or after July 1, 2009)

The directors anticipate that the adoption of these Standards and Interpretations as applicable will be adopted in the Group’s consolidated financial statements for the period commencing January 1, 2009 or as and when applicable and that the adoption of those Standards and Interpretations will have no material impact on the consolidated financial statements of the Group in the period of initial application, other than IFRIC 15 – Agreements for the construction of Real Estate.

3. Significant accounting policies

Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS).

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of investment property, land and certain financial instruments. The principal accounting policies adopted are set out below:

Basis of consolidation

The consolidated financial information of Gulf General Investments Co. (P.S.C.) and Subsidiaries (the "Group") incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

3. Significant accounting policies (continued)

Basis of consolidation (continued)

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

The results of subsidiaries acquired or disposed off during the year are included in the consolidated income statement from the effective date of acquisition or upto the effective date of disposal, as appropriate.

All significant intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Subsidiaries

Details of the Company's subsidiaries at December 31, 2008 are as follows:

Name of the subsidiary	Place of incorporation	Proportion of ownership (%)	Principal activities
Emirates Lube Oil Co. Ltd. (L.L.C.)	U.A.E.	100	Manufacturing of and trading in oil, lubricants and grease
Gulf Prefab Houses Factory (L.L.C.)	U.A.E.	100	Manufacturing of prefab houses, concrete, carpentry, restaurant, ovens, kitchens, central airconditioning systems
Horizon Metallic Industries L.L.C.	U.A.E.	100	Manufacturing metallic cans, refill and drums
Crown Lubricants Co. (L.L.C.)	U.A.E.	100	Trading in lubricants
Emirates Crown Lubricants Co. (L.L.C.)	U.A.E.	50	Trading in lubricants

3. Significant accounting policies (continued)

Basis of consolidation (continued)

Details of the Company's subsidiaries at December 31, 2008 are as follows: (continued)

Name of the subsidiary	Place of incorporation	Proportion of ownership (%)	Principal activities
L.A.I. General Trading L.L.C. – Dubai	U.A.E.	50	General trading
Al Sagr National Insurance Co. P.S.C.	U.A.E.	53	The writing of insurance of all types
Dubai Al Ahlia Quick Transport L.L.C.	U.A.E.	50	Transportation of general materials by trucks
Emirates Lube India Private Limited	India	100	Trading in lubricants
Layia Hotels Management (L.L.C.)	U.A.E.	51	Hotels management
Amalia Perfume Trading and Manufacturing Co. L.L.C.	U.A.E.	50	Perfumes trading
Acorn Industries Co. L.L.C.	U.A.E.	50	Vehicle body manufacturing, steel, structure parts
Middle East World Factories Equip. L.L.C.	U.A.E.	51	Import and re-export, factories equipment, machinery supplier, trading merchants, spare parts, equipments of factories
Quality International Company L.L.C.	U.A.E.	50	Engineering, specialised in stainless steel, power and desalination
Lloyds Engineering Co. L.L.C.	U.A.E.	50	Steel fabrication
Horizon Aluminium Industries L.L.C.	U.A.E.	50	Building metal products manufacturing
Gulf Engineering Services L.L.C.	U.A.E.	50	Services, securities and maintenance (MEP)
Gulf General Steel Co. L.L.C.	U.A.E.	100	Trading in all kinds of steel products
Horizon Energy Co. L.L.C.	U.A.E.	100	Trading in lubricants
Gulf Dura Industries Co. L.L.C.	U.A.E.	100	Manufacturing and trading of plastic goods.

3. Significant accounting policies (continued)

Basis of consolidation (continued)

Details of the Company's subsidiaries at December 31, 2008 are as follows: (continued)

Name of the subsidiary	Place of incorporation	Proportion of ownership (%)	Principal activities
ELCO Richmond Asphalt Product Trading	U.A.E.	51	Trading in bitumen
National Aluminum Extrusion. L.L.C.	U.A.E.	51	Aluminum Extrusion
East Auto Spare Parts and General Trading Co. L.L.C.	U.A.E.	50	Spare Parts Trading Co.

Investment in Al Sagr National Insurance Co. P.S.C. is registered in the name of related parties in trust and for the benefit of the Group.

Certain percentage of investments in 100% owned subsidiaries are held by the Company through nominee arrangements. The subsidiaries on which the Company has 50% ownership interest are consolidated based on control.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree’s identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group’s interest in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in consolidated income statement.

The interest of minority shareholders in the acquiree is initially measured at the minority’s proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

3. Significant accounting policies (continued)

Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Investment in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies of that investee.

The Group's investment in its associates is accounted for and assets and liabilities of associates are incorporated in these consolidated financial statements under equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised. The financial performance of its associates are recorded in the consolidated income statement.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in consolidated income statement.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

3. Significant accounting policies (continued)

Interests in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control, that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

Where a group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the consolidated financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using proportionate consolidation, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5: Non-current Assets Held for Sale and Discontinued Operations. The Group's share of the assets and liabilities, income and expenses, of jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a subsidiary.

Where the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

3. Significant accounting policies (continued)

Revenue recognition (continued)

Sale of goods (continued)

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from rendering of services is recognised when the outcome of the transaction can be estimated reliably, by reference to the stage of completion of the transaction at the balance sheet date.

Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Interest income

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the interest rate applicable.

Rental income

Rental income from investment properties is recognised on a straight line basis over the term of the relevant lease.

Sale of properties

Revenue from the sale of properties under the sale agreements is recognised in the consolidated income statement when the amounts received from the buyer equals 20% and more of the value of sale agreements and the significant risks and rewards of ownership are transferred to the buyers.

3. Significant accounting policies (continued)

Revenue recognition (continued)

Insurance revenue

Premiums on general insurance policies are accounted for on the date of writing of policies and are adjusted for unearned premium.

Commissions and other costs directly related to the acquisition and renewal of insurance contracts are charged to the consolidated income statement when incurred.

Operating leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated income statement on a straight line basis over the shorter of the lease term or the estimated useful life of the asset.

Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Thousands of Arab Emirates Dirhams (“AED”), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity’s functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in consolidated income statement in the year in which they arise except for:

- Exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in consolidated income statement on disposal of the net investment.

3. Significant accounting policies (continued)

Provision for employees' end of service indemnity

Provision for employees' end of service indemnity is made in accordance with the U.A.E. labour laws, and is based on current remuneration and cumulative years of service at the balance sheet date.

Defined contribution plan

UAE national employees of the Group are members of the Government-managed retirement pension and social security benefit scheme pursuant to U.A.E. labour law no. 7 of 1999. The Group is required to contribute 12.5% of the "contribution calculation salary" of payroll costs to the retirement benefit scheme to fund the benefits. The employees and the Government contribute 5% and 2.5% of the "contribution calculation salary" respectively, to the scheme. The only obligation of the Group with respect to the retirement pension and social security scheme is to make the specified contributions. The contributions are charged to consolidated income statement.

Statutory reserve

In accordance with United Arab Emirates Federal Commercial Companies Law No. 8 of 1984, as amended, each limited liability company in the Group has established a statutory reserve by appropriation of 10% of their net profit for each year until the reserve equals 50% of their share capital. This reserve is not available for distribution except as stipulated by the Law.

Additional reserve

The Company's Articles of Association require that 10% of the annual net profit be appropriated to an additional reserve until a decision by the Ordinary General Assembly Meeting on the strength of proposal by the Board of Directors or if such reserve equals 50% of paid-up share capital of the Company.

Development work-in-progress

Properties in the course of construction for rental or appreciation in value are carried at cost, less any recognised impairment loss. Cost includes all direct costs relating to project and professional fees, administrative cost, borrowing cost and other expenses from the start of the projects up to completion are capitalised and classified under projects under construction. Completion is defined as the earlier of issuance of a certificate of the practical completion or when management considers the project to be completed. Upon completion of construction such properties are transferred to investment properties.

3. Significant accounting policies (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in consolidated income statement in the year in which they are incurred.

Development properties

Properties that are being constructed/developed for sale are classified as development properties. Unsold properties are stated at the lower of cost or net realisable value. Properties in the course of development for sale are stated at cost plus attributable profit/(loss) less progress billing. The cost of development properties comprises the cost of land and other related expenditure and borrowing costs which are capitalised until the properties are ready for its intended use.

Property, plant and equipment

Property, plant and equipment, except properties under construction, are stated at their cost, less any subsequent accumulated depreciation and any subsequent identified impairment losses.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group’s accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost of assets, other than properties under construction, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

3. Significant accounting policies (continued)

Property, plant and equipment (continued)

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in the circumstances indicate the carrying value may not be recoverable. If any such indication of impairment exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in consolidated income statement.

Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are stated at their fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment properties are included in the consolidated income statement.

Impairment of tangible and intangible assets other than goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in consolidated income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

3. Significant accounting policies (continued)

Impairment of tangible and intangible assets other than goodwill (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in consolidated income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Raw materials and spare parts

Raw materials and spare parts are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing them to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Finished and semi-finished goods

Finished and semi-finished goods are stated at lower of cost (comprising direct labour, material cost, direct expenses and an appropriate allocation of production overheads) and the net realisable value, which is arrived at after providing for anticipated losses, if any, when the possibility of loss is ascertained.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Financial assets

The Group's financial assets include cash and cash equivalents, trade and other receivables (other than prepaid expenses and advances to suppliers) and due from related parties. These are classified as loans and receivables. The financial assets also include, at fair value through profit or loss (FVTPL) – held for trading, available-for-sale investments and held to maturity investments. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

3. Significant accounting policies (continued)

Financial assets (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Trade and other receivables

Trade and other receivables that have fixed or determinable payment are measured at amortised cost using the effective interest method, less any impairment.

Due from related parties

Due from related parties that have fixed or determinable payments are measured at amortised cost using the effective interest method, less any impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Investments in securities

Investments of the Group are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

The Group classifies its investment securities in the following categories: financial assets at fair value through profit or loss (FVTPL) - held for trading, held-to-maturity investments and available-for-sale investments. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at FVTPL

Financial assets are classified as at FVTPL where the financial assets is either held for trading or designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short- term profit taking.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in consolidated income statement.

3. Significant accounting policies (continued)

Financial assets (continued)

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Held-to-maturity investments are recorded at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis. Where the Group decides to sell other than an insignificant amount of held-to-maturity assets, the entire category is considered to be tainted and reclassified as available-for-sale.

Available-for-sale investments

Available-for-sale investments which are listed shares held by the Group traded in an active market are stated at fair value and unquoted available-for-sale investments are stated at cost. Gains and losses arising from the changes in the fair value are recognised directly in the equity in the investments revaluation reserve with the exception of impairment losses. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in consolidated income statement.

The fair value of available-for-sale investments denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in consolidated income statement, and other changes are recognised in equity.

Reclassification of investments held for trading to available-for-sale investments

During the year, inline with the amendments to IAS 39, the Group has reclassified part of investments held for trading to available-for-sale investments (see Note 6).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

3. Significant accounting policies (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For unlisted shares classified as available-for-sale investments a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in consolidated income statement.

With the exception of available-for-sale investments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through consolidated income statement to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale investments, impairment losses previously recognised through consolidated income statement are not reversed through consolidated income statement. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

3. Significant accounting policies (continued)

Financial assets (continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

Financial liabilities and equity instruments issued by the Group

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Bank borrowings, trade and other payables and due to related parties, are classified as 'other financial liabilities'.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Bank borrowings

Interest-bearing bank borrowings are recorded at the proceeds received, net of direct issue costs. Finance charges, are accounted for on an accrual basis.

Trade and other payables

Trade and other payables are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

3. Significant accounting policies (continued)

Financial liabilities (continued)

Due to related parties

Due to related parties is initially measured at fair value, net of transaction costs and is subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Dividend distribution

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Group's shareholders.

Segment information

Business segment

The Group's policy of differentiation between the work segments which are considered as primary segments by taking into consideration the nature of services and product from these segments, production machinery used, organisation and administrative hierarchy and internal system relating to the internal financial reports about it.

Geographical segment

The Group's policy of differentiation between the geographical segments which are considered as secondary segments taking into consideration the economic consequences, the related risk for each geographical segment and the ruling regulations of commercial exchange and geographical segments, have been presented according to client locations.

Financial information of segments has been presented in net amount after eliminating the internal balances and transactions.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in consolidated financial statements.

Classification of investments

Management decides on acquisition of a financial asset whether it should be classified as FVTPL - held for trading, held to maturity investments, loans and receivables or available-for-sale investments.

Property, plant and equipment

The cost of property, plant and equipment is depreciated over the estimated useful life, which is based on expected usage of the asset, expected physical wear and tear, the repair and maintenance program and technological obsolescence arising from changes and the residual value. The management has not considered any residual value, other than for vessels, as it is deemed immaterial.

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on recent market transactions on an arm's length basis, fair value of another instrument that is substantially the same, expected cash flows discounted at current rates for similar instruments or other valuation models.

Classification of development properties

Management decides on acquisition of a property or land whether it should be classified as development work-in-progress or development property. Development properties are grouped under current assets as intention of management is to sale it within one year from the balance sheet date .

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

Critical judgements in applying accounting policies (continued)

Investment properties

The group hires the services of independent valuers to obtain estimates for the market value of investment properties for the purposes of their impairment review and disclosures in the consolidated financial statements.

Key sources of estimation uncertainty

Impairment of goodwill

Goodwill is tested annually for impairment and at other times when such indications exist. The impairment calculation requires the use of estimates. Management has performed impairment test during the year and based on the estimated profit and expansion plans of related entities, have concluded that expected future cash flows to arise from each subsidiaries will be adequate, accordingly no impairment is required.

Impairment of development work-in-progress

The Group determines whether development work-in-progress is impaired at least on an annual basis. This requires an estimation of the "value in use" of the development work-in-progress. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the development work-in-progress. If expected future cash flows are more than the value in use of development work in progress, no impairment loss is recognised in the books.

Impairment of trade receivables

An estimate of the collectible amount of trade receivables is made when collection of the full amount is no longer probable. This determination of whether these trade receivables are impaired, entails the Group evaluating, the credit and liquidity position of the customers, historical recovery rates and collateral requirements from certain customers in certain circumstances. The difference between the estimated collectible amount and the book amount is recognised as an expense in the consolidated income statement. Any difference between the amounts actually collected in the future periods and the amounts expected will be recognised in the consolidated income statement at the time of collection.

Inventories

Inventories are stated at the lower of cost and net realisable value. Adjustments to reduce the cost of inventory to its realisable value, if required, are made at the product group level for estimated excess, obsolescence or impaired balances. Factors influencing these adjustments include changes in demand, product pricing, physical deterioration and quality issues.

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty (continued)

Impairment of financial assets

The Group determines whether available-for-sale investments are impaired when there has been a significant or prolonged decline in their fair value below cost. This determination of what is significant or prolonged requires judgement. In making this judgement and to record whether impairment occurred, the Group evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology and operational and financial cash flows.

The management has considered an amount of AED 109,047 thousand as impairment loss on available-for-sale investments for the year, based on the analysis of impairment test performed on available-for-sale investments based on conditions prevailing in U.A.E. and internationally after the third quarter of 2008.

The ultimate liability arising from claims made under insurance contracts

The estimation of ultimate liability arising from the claims made under insurance contracts is the Group's most critical accounting estimate. There are sources of uncertainty that need to be considered in the estimate of the liability that the Group will eventually pay for such claims. Estimates have to be made both for the expected ultimate cost of claims reported at the balance sheet date and for the expected ultimate cost of claims incurred but not reported ('IBNR') at the balance sheet date. Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Group and management estimates based on past claims settlement trends for the claims incurred but not reported. At each reporting date, prior year claims estimates are reassessed for adequacy and changes are made to the provision.

Liability adequacy test

At each balance sheet, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities. The Group makes use of the best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities in evaluating the adequacy of the liability. Any deficiency is immediately charged to the consolidated income statement.

5. Bank balances and cash

	December 31,	
	2008	2007
	AED '000	AED '000
Cash on hand	**2,448**	1,796
Bank balances:		
Current accounts	**51,918**	114,284
Deposit accounts	**223,014**	242,113
	274,932	356,397
	277,380	358,193
Bank balances:		
In U.A.E.	**271,527**	318,482
In other countries	**3,405**	37,915
	274,932	356,397

Deposits include fixed deposits of AED 215,514 thousand (2007: AED 211,993 thousand) held under lien (see Note 19) with a local bank against facilities granted to the Group and also include a fixed deposit amounting to AED 7,500 thousand (2007: AED 7,500 thousand) hypothecated to the order of the Ministry of Economy of the U.A.E. in accordance with Federal Law No (9) of 1984.

6. Investments

Held for trading investments

	2008	2007
	AED '000	AED '000
Fair value at the beginning of the year	**1,124,157**	1,004,748
Restated to available-for-sale investments (see below)	**-**	(85,327)
Transfer to available- for-sale investments	**(85,985)**	-
Purchased during the year	**3,565,109**	2,941,807
Sold during the year	**(3,222,632)**	(2,831,270)
Exchange difference	**(3,839)**	-
(Decrease)/increase in fair value	**(291,929)**	94,199
Fair value at the end of the year	**1,084,881**	1,124,157

Available-for-sale investments

	2008	2007
	AED '000	AED '000
Fair value at the beginning of the year	**1,124,632**	537,256
Restated from held for trading (see below)	**-**	85,327
Purchased during the year	**1,289,865**	736,343
Sold during the year	**(1,194,577)**	(348,991)
Transferred from held for trading	**85,985**	-
Exchange difference	**1,404**	-
Impairment loss	**(109,047)**	-
(Decrease)/increase in fair value	**(16,042)**	114,697
Fair value at the end of the year	**1,182,220**	1,124,632

Held-to-maturity investments

	2008	2007
	AED '000	AED '000
Cost at the beginning of the year	**26,925**	19,545
Purchased during the year	**3,561**	7,380
Discontinued operations	**(22,540)**	-
Cost at the end of the year	**7,946**	26,925

6. Investments (continued)

Geographical distributions of investments:

	2008	2007
	AED '000	AED '000
In U.A.E.	**1,954,111**	1,675,388
In other countries	**320,936**	600,326
	2,275,047	2,275,714

- As at December 31, 2007, available-for-sale investment of AED 85,327 thousand was wrongly classified as held for trading. The change in fair value on this investment as at December 31, 2007 was correctly accounted under equity and accordingly there has been no impact on the profit for the year or investment revaluation reserve.

  The above is now corrected and classified retrospectively and the comparative information for the year 2007 has been restated. The correction had the effect of increasing the available-for-sale investments and decreasing held for trading investments by AED 85,327 thousand as at December 31, 2007.

- The Board of Directors of the Group has reconsidered its investment strategy (effective July 1, 2008), accordingly the Group adopted the amendments to IAS 39 issued by the International Accounting Standards Board which permits an entity to reclassify, in particular circumstances, investments held for trading for which the change in fair value is recognised in the consolidated income statement to available-for-sale investments for which the change in the fair value is recognised under equity as investments revaluation reserve. Accordingly, management has transferred part of investments held for trading having a fair value of AED 85,985 thousand as of July 1, 2008 to available-for-sale investments per details below:

	Amount
	AED '000
Fair value as of July 1, 2008	**85,985**
Change in fair value during the six month period ended December 31, 2008	**(49,377)**
Fair value of investments reclassified as of December 31, 2008	**36,608**

As a result of the above reclassification, the net profit for the year ended December 31, 2008 has increased by AED 49,377 thousand.

6. Investments (continued)

Held for trading investments and available-for-sale investments include investments of AED 280,323 thousand (2007: AED 161,843 thousand) pledged to local banks (see Note 19) and investments of AED 79,242 (2007: AED 176,976 thousand) registered in the name of related parties in trust and for the benefit of the Group.

7. Trade and other receivables

	December 31, 2008 AED '000	December 31, 2007 AED '000
Trade receivables	**801,239**	625,898
Allowance for doubtful debts	**(20,013)**	(12,725)
	781,226	613,173
Notes receivable – post dated cheques	**240,139**	124,713
Reinsurance contract assets	**256,402**	394,964
Prepayment and other receivables	**314,853**	284,973
	1,592,620	1,417,823

Movement in the allowance for doubtful debts are as follows:

	2008 AED '000	2007 AED '000
Balance at the beginning of the year	**12,725**	12,152
Acquired on acquisition of subsidiaries	**1,474**	-
Discontinued operations	**(394)**	-
Allowances made	**7,097**	1,238
Amounts written off as uncollectable	**(889)**	(665)
Balance at the end of the year	**20,013**	12,725

8. Related party transactions

At the balance sheet date, amounts due from/to related parties were as follows:

	December 31,	
	2008	2007
	AED '000	AED '000
Due from related parties		
Al Qala First Investment - Jordan	**35,688**	35,688
Fal Oil Company Ltd. – Sharjah	**-**	5,360
Arab Real Estate Development Co. PSC - Jordan	**-**	83,029
Horizon Aluminium Industries Co. L.L.C. - Dubai	**-**	1,973
Awtad Co.	**1,488**	-
Investment Group (PVT) Ltd. (L.L.C.)	**7,980**	-
The Arcade Land Development Co.	**3,300**	-
United Arab Investors Co. P.S.C.	**17,250**	-
Other related parties	**9,277**	431
	74,983	126,481
	========	========

Due to related parties

	December 31,	
	2008	2007
	AED '000	AED '000
Fal Oil Company Ltd. - Sharjah	**48,941**	-
Mechanical Engineering Services L.L.C. - Dubai	**4,012**	2,206
Investment Group (Pvt.) Ltd. - Sharjah	**-**	11,461
Sagr Al Bayda'a Trading Agency	**6,846**	-
Ahmed Yousuf Habib Al Yousuf	**8,547**	-
Arab Real Estate Development Co.	**57,010**	-
National Aluminium Extrusion Co. L.L.C. – Dubai	**-**	15,297
Dubai Al Ahlia Transport Division - Dubai	**-**	2,791
HAPCO Group FZCO	**7,929**	-
Other related parties	**9,829**	284
	143,114	32,039
	==========	=========

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the year for bad or doubtful debts in respect of the amounts owed by related parties.

8. Related party transactions (continued)

Transactions:

During the year, the Group entered into the following transactions with related parties who are not members of the Group:

	Year ended December 31,	
	2008	2007
	AED '000	AED '000
Proceeds from sale of investment properties to a related party	**456,012**	32,931
Proceeds from sale of flats to shareholders	-	39,800
Sales	-	17,289
Purchases	-	8,977
Net funds paid	-	38,731
Net services received	-	566
Sale of investment properties	**304,117**	115,960

Transactions with related parties were entered into on terms agreed with the management.

Compensation of directors/key management personnel:

	Year ended December 31,	
	2008	2007
	AED '000	AED '000
Directors' remuneration	**-**	3,500
Key management salaries and benefits	**8,820**	5,632

9. Inventories

	December 31,	
	2008	2007
	AED '000	AED '000
Raw materials	**401,388**	156,382
Work-in-progress	**35,771**	9,935
Finished products	**326,566**	15,014
	763,725	181,331
Allowance for slow moving inventories	**(2,646)**	(131)
	761,079	181,200
Stores and spares	**1,648**	18,624
Goods in transit	**1,867**	10,438
	764,594	210,262
	==========	==========

9. Inventories (continued)

Movement in allowance for slow moving inventories:

	2008 AED '000	2007 AED '000
Opening balance	**131**	134
Allowance made during the year	**2,596**	-
Allowance reversed during the year	**(81)**	(3)
Closing balance	**2,646**	131

10. Development properties

	2008 AED '000	2007 AED '000
Cost at the beginning of the year	**1,421**	179,442
Transferred from investment properties	**462,252**	-
Addition during the year	**874,796**	2,863
Sale during the year	**(1,421)**	(180,884)
Cost at the end of the year	**1,337,048**	1,421

11. Investments in associates

	2008 AED '000	2007 AED '000
-At equity method	**374,789**	82,853
-At cost (entities in start-up stage)	**142,483**	90,608
	517,272	173,461

Movements in investments were as follows:

	2008	2007
Opening balance	**173,461**	148,430
Additions during the year	**367,665**	16,473
Disposals during the year	**(7,716)**	-
Transferred from subsidiary	**7,914**	-
Discontinued operations	**(1,942)**	-
Share of (loss)/profit for the year	**(22,110)**	8,558
Balance at the end of the year	**517,272**	173,461

11. Investments in associates (continued)

The details of these associates are as follows:

Name of the associate	Place of incorporation	Ownership (%)	December 31, 2008 AED '000	December 31, 2007 AED '000
Horizon Aluminium Ind. Co. L.L.C.	U.A.E.	49	-	1,024
Gulf Engineering Services L.L.C.	U.A.E.	50	-	1,010
Al Qalaa First Investment Company	Jordan	30.7	-	6,408
Arab Real Estate Development P.S.C. (Arab Corp)	Jordan	36.3	148,256	48,422
Ghadeh General Trading & Contracting Co. L.L.C. (Khalid Mustafa Karam Sons & Partners)	Kuwait	38	28,272	25,667
Oil Laboratories & Marine Surveyors Co. Ltd.	U.A.E.	25	630	322
Al Sagr Company for C-operative Insurance (SCCI)	K.S.A.	-	51,584	52,920
Najm Project for Motor Insurance Development	K.S.A.	-	-	1,942
National Aluminium Extrusion Co. L.L.C.	U.A.E.	51	-	25,500
International Tassnim Investment Co.	Morocco	10	2,770	2,770
Gulf Dura Industries L.L.C.	U.A.E.	100	-	7,476
Awtad Co. L.L.C.	U.A.E.	25	3,735	-
Jordan & Emirates Dimention for Investment Trading	Jordan	20	18,655	-
Global Financial Investments S.A.O.G.	Oman	27	137,759	-
Ithraa Capital L.L.C.	U.A.E.	25	46,876	-
Eastern Sky Jets FZCO	U.A.E.	50	6,540	-
Gulf Baader Capital Market L.L.C.	U.A.E.	25	8,288	-
Distinguished Co. For Trading and Distribution of Petrol and Energy Products	Jordan	25	1,320	-
The Archade Land Development Co. L.L.C.	U.A.E.	50	50,000	-
GGICO Investment Co.	U.A.E.	99	3,000	-
Horizon Industries Co., Jordan	Jordan	50	2,601	-
Berlin for Plastic Products Industry L.L.C.	U.A.E.	60	1,000	-
Retail Arabia International L.L.C.	U.A.E.	50	4,125	-
Else Oil Co. L.L.C.	U.A.E.	50	1,861	-
			517,272	173,461
			========	========

Investment in associates includes payments made against the share capital of the companies under formation.

11. Investments in associates (continued)

Summarised financial information in respect of the Group's associate which are accounted by equity method is set out below:

	December 31,	
	2008	2007
	AED '000	AED '000
Total assets	**1,599,264**	809,689
Total liabilities	**(763,379)**	(589,918)
Net assets	**835,885**	219,771
Groups share of associates' net assets	**302,681**	66,380
Goodwill arising on acquisition	**72,108**	16,473
	374,789	82,853

	Year ended December 31,	
	2008	2007
	AED '000	AED '000
Revenue	**575,302**	174,526
(Loss)/profit for the year	**(79,600)**	59,322
Group's share of associates' (loss)/profit for the year	**(22,110)**	8,558

12. Goodwill

	December 31,	
	2008	2007
	AED '000	AED '000
Goodwill on acquisition of:		
Dubai Al Ahlia Quick Transport L.L.C.	**4,000**	4,000
Acron Industries Co. L.L.C.	**7,500**	7,500
Middle East World Factories Equip L.L.C.	**500**	500
Amalia Perfumes Trading L.L.C.	**1,254**	1,254
Lloyds Engineering L.L.C.	**1,364**	-
Quality International Company L.L.C.	**29,663**	-
East Auto Spare Parts L.L.C.	**2,196**	-
	46,477	13,254

The consolidated financial statements include the results of all acquired companies from the date of acquisition.

The Board of Directors have subjected the goodwill for an impairment test and have concluded that no impairment charge to be considered for the year in 2008.

13. Investment properties

	Land AED '000	Buildings AED '000	Total AED '000
Balance at December 31, 2006	276,588	640,397	916,985
Transferred to buildings	(13,906)	13,906	-
Transferred from development work-in-progress	-	26,954	26,954
Purchases during the year	499,608	596,966	1,096,574
Sales during the year	(85,739)	(276,853)	(362,592)
Increase in fair value	91,567	102,925	194,492
Fair value at December 31, 2007	768,118	1,104,295	1,872,413
Transferred to development work-in-progress	(367,263)	-	(367,263)
Transferred to development properties	(462,252)	-	(462,252)
Purchases during the year	725,496	413,563	1,139,059
Sales during the year	(107,624)	(462,447)	(570,071)
Increase in fair value	125,240	-	125,240
Fair value at December 31, 2008	**681,715**	**1,055,411**	**1,737,126**
	========	=========	=========

Investment properties by geographical location

	December 31, 2008 AED '000	2007 AED '000
In U.A.E. **1,679,619**	1,858,039	
In other countries	**57,507**	14,374
	1,737,126	1,872,413
	==========	==========

The fair value of the Group's investment property at the balance sheet date has been arrived at on the basis of a valuation carried out at that date by independent valuers that are not related to the Group. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

The Board of Directors have considered a fair value increase of AED 125,240 thousand based on market conditions prevailing in U.A.E. after the third quarter of 2008 after analysing the report of the independent valuers.

Investment properties amounting to AED 440,594 thousand (2007: AED 510,653 thousand) are registered in the name of related parties in trust and for the benefit of the Group. Investment properties amounting to AED 804,127 (2007: AED 652,848 thousand) are mortgaged to banks towards credit facilities granted to the Group (see Note 19).

14. Development work-in-progress

	2008	2007
	AED '000	AED '000
Balance at the beginning of the year	**211,607**	112,334
Transferred from/ (to) investment properties	**367,263**	(26,954)
Additions during the year	**160,942**	126,227
Disposals during the year	**(352,048)**	-
Balance at the end of the year	**387,764**	211,607
	==========	=========

Development work-in-progress are on plots of lands located in U.A.E.

Development work-in-progress includes the value of land amounting to AED Nil thousand (2007: AED 5,988 thousand) registered in the name of a related party in trust and for the benefit of the Group.

Development work-in-progress includes payments made for acquiring interest in some real estate project based in U.A.E.. As of the balance sheet date, work on some project has not started. The title deed of plots of land amounting AED 96,748 thousand has not been transferred in the name of the Group. The procedure of getting title deed in name of Group is under progress.

The Board of Directors have subjected the development work-in-progress for an impairment and have concluded that no impairment charge to be considered for the year in 2008.

15. Land

Land amounting to AED 145,054 thousand (2007: AED 145,054 thousand) represents the value of plots of land in the Emirates of Sharjah and Dubai. In 2007, the above mentioned land had been revalued and the difference resulting from this revaluation amounting AED 119,005 thousand was credited to land revaluation reserve.

The above include plots of land for AED 128,053 thousand (2007: AED 128,053 thousand) mortgaged to local banks against credit facilities granted to the Group (see Note 19).

Freehold plots of land are not depreciated.

16. Property, plant and equipment

	Buildings, sheds and prefab houses AED '000	Plant and equipment AED '000	Motor vehicles, ships and trucks AED '000	Furniture and fixture AED '000	Storage tanks AED '000	Marine tanks AED '000	Other assets AED '000	Properties under construction AED '000	Total AED '000
Cost									
At December 31, 2006	33,405	61,804	47,523	8,364	23,523	1,860	5,457	9,403	191,339
Additions during the year	12,313	12,287	18,460	4,724	268	-	2,593	4,835	55,480
Disposals/transfers	(30,024)	(45,215)	(4,606)	(4,322)	(8,486)	(1,860)	(2,857)	-	(97,370)
At December 31, 2007	15,694	28,876	61,377	8,766	15,305	-	5,193	14,238	149,449
Added on acquisition of subsidiary	527	7,848	3,109	1,911	-	-	333	391	14,119
Additions during the year	53,812	34,703	48,030	17,788	25,510	-	5,859	67,707	253,409
Discontinued operations	-	-	(138)	(665)	-	-	(435)	-	(1,238)
Eliminated on disposal of subsidiary	-	-	-	(151)	-	-	(469)	-	(620)
Disposals	(278)	(51)	(1,399)	(533)	-	-	-	-	(2,261)
At December 31, 2008	**69,755**	**71,376**	**110,979**	**27,116**	**40,815**	**-**	**10,481**	**82,336**	**412,858**
Accumulated depreciation									
At December 31, 2006	8,130	25,626	9,142	5,603	5,711	1,568	3,013	-	58,793
Charge for the year	2,910	4,497	7,501	1,350	925	29	619	-	17,831
Eliminated on disposals/transfers	(8,217)	(21,012)	(1,692)	(3,291)	(4,344)	(1,597)	(2,076)	-	(42,229)
At December 31, 2007	2,823	9,111	14,951	3,662	2,292	-	1,556	-	34,395
Added on acquisition of subsidiary	241	3,009	1,388	816	-	-	159	-	5,613
Charge for the year	3,269	8,234	11,946	2,981	599	-	561	-	27,590
Discontinued operations	-	-	(74)	(177)	-	-	(169)	-	(420)
Eliminated on disposal of subsidiary	-	-	-	(58)	-	-	(187)	-	(245)
Eliminated on disposals	(128)	(31)	(549)	(524)	-	-	-	-	(1,232)
At December 31, 2008	**6,205**	**20,323**	**27,662**	**6,700**	**2,891**	**-**	**1,920**	**-**	**65,701**
Carrying amount									
At December 31, 2008	**63,550**	**51,053**	**83,317**	**20,416**	**37,924**	**-**	**8,561**	**82,336**	**347,157**
	=======	=======	=========	=========	========	========	========	=========	=========
At December 31, 2007	12,871	19,765	46,426	5,104	13,013	-	3,637	14,238	115,054
	=======	=======	=========	=========	========	========	========	=========	=========

16. Property, plant and equipment (continued)

Properties under construction represent expenditure incurred on building, plant and machinery.

The rates considered in the calculation of depreciation for the assets are as follows:

	Percentage
Buildings, sheds and prefab houses	7.5 to 20
Plant and equipment	5 to 20
Motor vehicles, ships and trucks	10 to 25
Furniture and fixture	15 to 25
Storage tanks	5
Marine tanks	15
Other assets	12.5 to 20

17. Discontinued operations

The operations of one of the Company's indirect subsidiary Al Sagr Saudi Insurance Company were discontinued with effect from December 28, 2008. The assets and liabilities of Al Sagr Saudi Insurance Company will be transferred to the newly formed Company Al Sagr Company for Co-operative Insurance upon completion of the valuation procedures instructed by the Saudi Arabian Monetary Agency ("SAMA").

The transfer of net assets from Al Sagr Saudi Insurance Company to the new Company and the payment process has not yet been announced by the SAMA. Al Sagr Saudi Insurance Company will transfer all the assets and liabilities to Al Sagr Company for Co-operative Insurance, once the valuation of the Company has been approved by the SAMA valuation committee. It is most probable that the valuation process will be completed during 2009 and the Company will transfer its assets and liabilities after that date.

18. Joint ventures

The Group has interest in the following joint ventures:

Name of joint venture	Place of incorporation and operation	Proportion of ownership interest	Principal activity
Carbon Energy Inc.	Panama	50%	Shipping
Mercantile Shipping	Panama	50%	Shipping

The following amounts are included in the Group's consolidated financial statements as a result of the proportionate consolidation of the above joint ventures:

	2008 **AED '000**	2007 AED '000
Current assets	**3,077**	-
Non-current assets	**20,532**	-
Current liabilities	**1,096**	-
Non - current liabilities	**15,582**	-
Income	**5,794**	-
Expenses	**5,766**	-

19. Bank borrowings

	December 31,	
	2008 **AED '000**	2007 AED '000
Short term bank borrowings		
Bank overdraft	**621,255**	522,072
Trust receipts	**518,414**	207,739
Bills discounted	**106,934**	-
Acceptances	**1,547**	-
	1,248,150	729,811

19. Bank borrowings (continued)

	December 31, 2008 AED '000	December 31, 2007 AED '000
Term loans	**2,907,072**	1,841,312
Term loans are repayable as follows:		
On demand or within one year	**643,672**	661,484
In the second year	**1,173,556**	388,686
In the third to fifth years inclusive	**1,060,405**	691,892
After five years	**29,439**	99,250
	2,907,072	1,841,312
Less : Amount due for settlement within 12 months	**(643,672)**	(661,484)
Amount due for settlement after 12 months	**2,263,400**	1,179,828

Term loan facilities bear interest at EIBOR and LIBOR plus applicable margins from 0.55% to 3%.

The interest rates on the short term bank borrowings are at interest rates per annum subject to review on an annual basis.

Short term bank borrowings are secured by the followings:
- Pledge on fixed deposits.
- Promissory note in favour of the banks.
- Assignment of insurance policies in favour of the banks.
- Hypothecation over goods financed by trust receipts.
- Pledge of investment in securities and investment in subsidiary.

Term loans are secured by the followings:

Loan facilities relating to buildings construction are secured by mortgage of properties and constructions financed by these loans. Banks providing these facilities are the first beneficiary from the properties and construction and have the right to receive the rental income from the buildings. In addition, insurance policies are endorsed in favour of these banks, reputation of the Group and irrevocable bank guarantee from other bank. The bank's facilities are further subject to certain financial/ non-financial covenants.

20. Trade and other payables

	December 31, 2008 AED '000	December 31, 2007 AED '000
Current portion		
Trade accounts payable	**344,482**	532,438
Due to minority shareholders	**87,021**	11,760
Post dated cheques issued	**247,384**	212,674
Rent received in advance	**16,925**	17,766
Accrued expenses	**116,355**	80,578
Provisions and other payables	**144,672**	42,132
Retentions payable	**23,940**	7,558
Advance received from customers	**196,590**	27,831
Insurance contract liabilities	**434,691**	550,342
	1,612,060	1,483,079
Non-current portion		
Post dated cheques issued	**46,543**	12,269
Notes payable	**257,040**	-
	303,583	12,269

Notes payable represents capital protected notes bearing interest rates of LIBOR +0.25% and secured by investment in quoted securities of the Group.

21. Provision for employees' end of service indemnity

Movements in the net liability were as follows:

	2008 AED '000	2007 AED '000
Balance, at the beginning of the year	**15,467**	10,943
Added on the acquisition of subsidiary	**1,301**	-
Eliminated on disposals of subsidiary	**(90)**	-
Charge for the year	**7,795**	4,767
Adjustment for discontinued operations	**(2,397)**	-
Amounts paid	**(1,901)**	(243)
Balance, at the end of the year	**20,175**	15,467

An actuarial valuation has not been performed as the impact of discount rates and future increase in benefits are not likely to be material.

22. Share capital

	December 31, 2008 AED '000	2007 AED '000
Issued and fully paid:		
1,080 million ordinary shares of AED 1 each (December 31, 2007: 540 million ordinary shares of AED 1 each)	**1,080,000**	540,000
	========	========

During the year, a capitalisation issue of one bonus share for every one share in issue resulted in an increase in issued share capital of AED 540 million and an equal reduction in retained earnings.

23. Reserves

.	Statutory reserve AED '000	Additional reserve AED '000	Land revaluation reserve AED '000	Total AED '000
At December 31, 2006	162,626	143,135	-	305,761
Transfer during the year	55,501	55,501	119,005	230,007
At December 31, 2007	218,127	198,636	119,005	535,768
Transfer during the year	44,535	44,535	-	89,070
Other movements	(50)	-	-	(50)
At December 31, 2008	**262,612**	**243,171**	**119,005**	**624,788**
	=======	=======	======	======

24. Revenue

	Year ended December 31, 2008 AED '000	2007 AED '000
Manufacturing income	**1,270,971**	1,001,389
Sale of development properties, development work-in-progress and investment properties	**1,605,147**	775,024
Sale of investments in securities and dividends	**4,500,255**	3,287,206
Sale of subsidiaries	**12,172**	-
Insurance income	**293,830**	222,601
Trading income	**727,468**	205,348
(Loss)/profit from investment in associates	**(22,110)**	8,558
Rental income	**43,717**	34,319
Fair value gain on investment properties	**125,240**	194,492
Service income	**151,636**	-
Fair value gain on held for trading investments	**-**	94,199
	8,708,326	5,823,136

25. Cost of revenue

	Year ended December 31, 2008 AED '000	2007 AED '000
Cost of goods manufactured and sold	**1,091,575**	870,651
Cost of development properties, development work-in-progress and investment properties sold	**923,540**	543,476
Cost of investments in securities sold	**4,424,925**	3,242,073
Cost of insurance	**235,121**	176,137
Cost of trading	**680,996**	129,279
Cost of services	**95,941**	-
Impairment loss on available for sale investment	**109,047**	-
Fair value loss on held for trading investments	**291,929**	-
	7,853,074	4,961,616

26. General and administrative expenses

	Year ended December 31,	
	2008	2007
	AED '000	AED '000
Staff costs	**56,121**	38,902
Pre-operating cost	**9,276**	-
Maintenance and depreciation on building, property and equipment	**18,494**	11,125
Allowance for doubtful debts	**7,097**	1,238
Allowance for slow moving inventories	**2,515**	-
Miscellaneous expenses	**112,303**	56,922
	205,806	108,187

27. Profit for the year

Profit for the year is arrived after charging the following expenses:

	Year ended December 31,	
	2008	2007
	AED '000	AED '000
Staff cost **56,121**	38,902	
Depreciation of property, plant and equipment	**27,590**	17,831

28. Basic earnings per share

	Year ended December 31,	
	2008	2007
Profit for the year attributable to equity holders of the parent (in AED '000)	**445,354**	555,018
Number of shares (in thousands)	**1,080,000**	1,080,000
Basic earnings per share (in AED)	**0.41**	0.51

The denominator, for the purpose of calculating basic earnings per share for 2007, has been adjusted to reflect the capitalisation issue of 540 million bonus shares in 2008 (see Note 22).

29. Proposed dividends

	2008 AED '000	2007 AED '000
Bonus shares (2008 – 35% of issued capital; 2007 – 100% of issued capital)	**378,000**	540,000
Dividends per share	**AED 0.35**	AED 1.00

The above proposed dividends are subject to the approval of the Shareholders at the Annual General Meeting and has not been included as a liability in the consolidated financial statements.

30. Cash and cash equivalents

	December 31,	
	2008 AED '000	2007 AED '000
Bank balances and cash (see Note 5)	**277,380**	358,193
Fixed deposits under lien/deposits with maturity over three months	**(223,014)**	(219,493)
	54,366	138,700

31. Operating lease commitments

At the balance sheet date, the minimum lease commitments of the Group were as follows:

	December 31,	
	2008 AED '000	2007 AED '000
Within one year	**2,861**	1,469
In second to fifth years	**11,446**	4,923
After five years	**121,615**	50,304
	135,922	56,696

32. Commitments and contingent liabilities

Contingent liabilities and commitments as of the balance sheet date are as follows:

	December 31,	
	2008	2007
	AED '000	AED '000
Building construction contracts	**944,232**	128,483
Letters of credit	**87,413**	91,776
Letters of guarantee	**715,025**	247,913
Investment purchase contracts	**683,849**	1,090,039
Discounted cheques	**15,580**	17,606

The Group holds undated cheques amounting to AED 21,450 thousand (2007: AED 12,245 thousand) received from customers and contracting companies as a security in case of defaulted clients and contracting companies.

Notes to the Consolidated Financial Statements (continued)
For the Year Ended December 31, 2008

33. Segment information

	Manufacturing		Investments		Services and others		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	AED '000	AED '000	**AED '000**	AED '000	**AED '000**	AED '000	**AED '000**	AED '000
Income								
Total income	**1,270,971**	1,000,564	**6,256,003**	4,639,933	**1,181,352**	182,639	**8,708,326**	5,823,136
Result								
Segment result	**179,396**	129,913	**506,562**	609,074	**169,294**	122,533	**855,252**	861,520
Unallocated general expenses	**-**	-	**-**	-	**-**	-	**(392,406)**	(261,200)
Operating profit							**462,846**	600,320
Other income	**10,624**	13,598	**6,112**	9,450	**8,885**	2,593	**25,621**	25,641
Discontinued operations							**4,845**	-
Net profit from operations							**493,312**	625,961
Minority interest							**(47,958)**	(70,943)
Net profit for the year							**445,354**	555,018
Other information:								
Segment assets	**1,167,550**	1,098,297	**4,843,073**	3,556,365	**2,308,112**	1,074,490	**8,318,735**	5,729,152
Unallocated corporate assets							**1,207,320**	1,191,827
Consolidated total assets							**9,526,055**	6,920,979
Segment liabilities	**1,437,191**	606,444	**1,723,513**	1,433,951	**1,595,165**	757,682	**4,755,869**	2,798,077
Unallocated corporate liabilities							**1,490,189**	1,315,900
Total segment liabilities							**6,246,058**	4,113,977
Capital expenditure	**134,970**	48,883	**22,371**	812	**110,187**	5,785		
Depreciation & amortisation	**6,315**	9,335	**1,890**	137	**19,385**	8,359		

33. Segment information (continued)

Information about the corporate geographical sales is as follows:

	Year ended December 31, 2008 AED '000	2007 AED '000
United Arab Emirates	**7,433,880**	5,552,073
GCC countries except U.A.E.	**113,734**	43,423
Middle East	**206,748**	74,909
Africa	**84,056**	126,141
Asia	**36,076**	23,163
Other countries	**833,832**	3,427
	8,708,326	5,823,136

34. Capital risk management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders. The Group's overall strategy remains unchanged from 2007.

The capital structure of the Group consists of bank borrowings, bank balances and cash and equity, comprising issued capital, reserves (other than property and investment revaluation reserve) and retained earnings.

Gearing ratio

The Group reviews the capital structure on a semi-annual basis. As part of this review, the Group considers the cost of capital and the risks associated with capital.

The gearing ratio at the year end was as follows:

	December 31, 2008 AED '000	2007 AED '000
Debt (i)	**4,155,222**	2,571,123
Cash and cash equivalents	**(54,366)**	(138,700)
Net debt	**4,100,856**	2,432,423
Equity (ii)	**3,279,997**	2,807,002
Net debt to equity ratio (times)	**1.25**	0.87

34. Capital risk management (continued)

(i) Debt is defined as bank borrowings (see Note 19).
(ii) Equity includes share capital, statutory reserve and retained earnings (excluding investments revaluation reserve and property revaluation reserve and before minority interest).

35. Financial instruments

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the consolidated financial statements.

Categories of financial instruments

Assets	**Loans and receivables AED'000**	**Held-to-maturity AED'000**	**Held for trading AED'000**	**Available-for-sale AED'000**	**Non-financial instruments AED'000**	**Total AED'000**
December 31, 2008						
Bank balance and cash	277,380	-	-	-	-	277,380
Held for trading investments	-	-	1,084,881	-	-	1,084,881
Trade and other receivables	1,021,365	-	-	-	571,255	1,592,620
Due from related parties	74,983	-	-	-	-	74,983
Inventories	-	-	-	-	764,594	764,594
Development properties	-	-	-	-	1,337,048	1,337,048
Available-for-sale investments	-	-	-	1,182,220	-	1,182,220
Held to maturity investments	-	7,946	-	-	-	7,946
Investments in associates	-	-	-	-	517,272	517,272
Goodwill	-	-	-	-	46,477	46,477
Investment properties	-	-	-	-	1,737,126	1,737,126
Development work – in – progress	-	-	-	-	387,764	387,764
Land	-	-	-	-	145,296	145,296
Property, plant and equipment	-	-	-	-	347,157	347,157
Discontinued operations	-	-	-	-	23,291	23,291
Total assets	**1,373,728**	**7,946**	**1,084,881**	**1,182,220**	**5,877,280**	**9,526,055**

35. Financial instruments (continued)

Categories of financial instruments (continued)

Assets	**Loans and receivables**	**Held-to-maturity**	**Held for trading (Restated)**	**Available-for-sale (Restated)**	**Non-financial instruments**	**Total**
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
December 31, 2007						
Bank balance and cash	358,193	-	-	-	-	358,193
Held for trading investments	-	-	1,124,157	-	-	1,124,157
Trade and other receivables	737,886	-	-	-	679,937	1,417,823
Due from related parties	126,481	-	-	-	-	126,481
Inventories	-	-	-	-	210,262	210,262
Development properties	-	-	-	-	1,421	1,421
Available-for-sale investments	-	-	-	1,124,632	-	1,124,632
Held to maturity investments	-	26,925	-	-	-	26,925
Investment in associates	-	-	-	-	173,461	173,461
Goodwill	-	-	-	-	13,254	13,254
Investment properties	-	-	-	-	1,872,413	1,872,413
Development work – in – progress	-	-	-	-	211,607	211,607
Land	-	-	-	-	145,296	145,296
Property, plant and equipment	-	-	-	-	115,054	115,054
Total assets	**1,222,560**	**26,925**	**1,124,157**	**1,124,632**	**3,422,705**	**6,920,979**

35. Financial instruments (continued)

Categories of financial instruments (continued)

Liabilities and equity	**At amortised cost**	**Non-financial instruments**	**Total**
December 31, 2008	AED'000	AED'000	AED'000
Bank borrowings	4,155,222	-	4,155,222
Trade and other payables	1,267,437	648,206	1,915,643
Due to related parties	155,018	-	155,018
Provision for employees' end of service indemnity	-	20,175	20,175
Equity	-	3,279,997	3,279,997
Total liabilities and equity	**5,577,677**	**3,948,378**	**9,526,055**
December 31, 2007			
Bank borrowings	2,571,123	-	2,571,123
Trade and other payables	899,409	595,939	1,495,348
Due to related parties	32,039	-	32,039
Provision for employees' end of service indemnity	-	15,467	15,467
Equity	-	2,807,002	2,807,002
	-	-	
Total liabilities and equity	3,502,571	3,418,408	6,920,979

Interest rate risk management

The Group's exposure to interest rate risk relates to its bank deposits and bank borrowings.

At December 31, 2008, bank deposits carried interest rates ranging from 4.75% to 7.25% per annum (2007: 2.79% to 5.75% per annum). The interest rates on bank borrowings are linked to EIBOR for some facilities and LIBOR for other facilities plus applicable margin from 0.55% to 3%.

Financial risk management objectives

The management of the Group monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk and liquidity risk.

35. Financial instruments (continued)

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Market risk exposures are measured using sensitivity analysis.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

Equity price risk

The Group is exposed to equity price risks arising from equity investments.

Equity price sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risks at the reporting date.

If equity prices had been 10% higher/lower, equity reserves would increase/decrease by AED 118 million (December 31, 2007: AED 112 million) for the Group as a result of the changes in fair value of available-for-sale investments.

For the held for trading investments if the prices had been 10% higher/ lower, the profit of the Group would increase/ decrease by AED 108 million (2007: AED 112 million).

Foreign currency risk management

There are no significant exchange rate risks as substantially financial assets and financial liabilities are denominated in Arab Emirates Dirhams or US Dollars to which the Dirham is fixed.

Credit risk management

The Group's principal financial assets are banks' current and deposit accounts and trade and other receivables.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

35. Financial instruments (continued)

Credit risk management (continued)

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below includes the maturity profile of the Group's financial instruments. The contractual maturities of the financial instruments have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is maintained. The maturity profile of the financial assets and liabilities at the balance sheet date based on contractual repayment arrangements was as follows:

35. Financial instruments (continued)

Liquidity risk management (continued)

Financial assets

December 31, 2008

	Upto 1 month	**1 month - 3 months**	**3 months - 1 year**	**1 year - 5 years**	**Above 5 years**	**Total**
	AED '000	**AED '000**	**AED '000**	**AED '000**	**AED '000**	**AED '000**
Bank balance and cash	54,366	-	223,014	-	-	277,380
Held for trading investments	325,464	650,929	108,488	-	-	1,084,881
Trade and other receivables	383,330	510,683	127,352	-	-	1,021,365
Due from related parties	7,499	37,491	29,993	-	-	74,983
Available-for-sale investments	-	-	472,888	709,332	-	1,182,220
Held to maturity investments	-	-	3,973	3,973	-	7,946
Total	**770,659**	**1,199,103**	**965,708**	**713,305**	**-**	**3,648,775**

December 31, 2007

	Upto 1 month	1 month - 3 months	3 months - 1 year	1 year - 5 years	Above 5 years	Total
	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000
Bank balance and cash	138,700	-	219,493	-	-	358,193
Held for trading investments	337,247	674,494	112,416	-	-	1,124,157
Trade and other receivables	339,855	368,943	29,088	-	-	737,886
Due from related parties	12,648	63,241	50,592	-	-	126,481
Available-for-sale investments	-	-	449,853	674,779	-	1,124,632
Held to maturity investments	-	-	13,462	13,463	-	26,925
Total	**828,450**	**1,106,678**	**874,904**	**688,242**	**-**	**3,498,274**

35. Financial instruments (continued)

Liquidity risk management (continued)

Financial liabilities

December 31, 2008

	Upto 1 month AED '000	1 month - 3 Months AED '000	3 months - 1 year AED '000	1 year - 5 years AED '000	Above 5 years AED '000	Total AED '000
Bank borrowings	18,045	142,570	1,731,207	2,233,961	29,439	4,155,222
Trade and other payables	170,213	416,962	376,679	46,543	257,040	1,267,437
Due to related parties	15,502	77,509	62,007	-	-	155,018
Total	**203,760**	**637,041**	**2,169,893**	**2,280,504**	**286,479**	**5,577,677**

December 31, 2007

	Upto 1 month AED '000	1 month - 3 Months AED '000	3 months - 1 year AED '000	1 year - 5 years AED '000	Above 5 years AED '000	Total AED '000
Bank borrowings	3,229	81,258	1,306,808	1,080,578	99,250	2,571,123
Trade and other payables	144,975	304,729	437,436	12,269	-	899,409
Due to related parties	3,204	16,019	12,816	-	-	32,039
Total	151,408	402,006	1,757,060	1,092,847	99,250	3,502,571

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35. Financial instruments (continued)

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

36. Approval of consolidated financial statements

The consolidated financial statements were approved by the Board of Directors and authorised for issue on March 8, 2009.

37. Comparative amounts

Certain amounts for the prior year were reclassified to conform to current year's presentation.