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, 2009

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, 2009

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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 statement of financial position as at December 31, 2009, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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.

Deloitte.

Independent Auditor's Report (continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of **Gulf General Investments Co. (P.S.C.) and Subsidiaries, Dubai** as of December 31, 2009, 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 the group companies which might have materially affected the financial position of the Group or their financial performance.

For Deloitte & Touche

Saba Y. Sindaha
Partner
(Registration No. 410)

Sharjah
March 28, 2010

Consolidated Statement of Financial Position
At December 31, 2009
(In Thousand Arab Emirates Dirhams)

	Notes	December 31, 2009	December 31, 2008 (Restated)	January 1, 2008
ASSETS				
Current assets				
Bank balances and cash	5	**367,225**	277,380	358,193
Held for trading investments	6	**689,826**	1,084,881	1,124,157
Trade and other receivables	7 & 34	**1,937,434**	1,143,213	1,022,859
Re-insurance contract assets		**188,708**	256,402	394,964
Due from related parties	8	**261,559**	74,983	126,481
Inventories	9	**351,551**	764,594	210,262
Development properties	10 & 34	**1,444,865**	1,462,048	1,421
Total current assets		**5,241,168**	5,063,501	3,238,337
Non-current assets				
Notes receivable-post dated cheques		**168,444**	-	-
Available-for-sale investments	6	**734,243**	1,182,220	1,124,632
Held-to-maturity investments	6	**7,954**	7,946	26,925
Investments in associates	11	**543,511**	517,272	173,461
Goodwill	12	**38,920**	37,670	13,254
Investment properties	13	**1,993,031**	1,737,126	1,872,413
Development work-in-progress	14	**-**	387,764	211,607
Land	15	**166,130**	145,296	145,296
Property, plant and equipment	16	**790,890**	347,157	115,054
Discontinued operations	17	**23,291**	23,291	-
Total non-current assets		**4,466,414**	4,385,742	3,682,642
Total Assets		**9,707,582**	9,449,243	6,920,979

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

Consolidated Statement of Financial Position (continued)
At December 31, 2009
(In Thousand Arab Emirates Dirhams)

	Notes	December 31, 2009	December 31, 2008 (Restated)	January 1, 2008
LIABILITIES AND EQUITY				
Current liabilities				
Short term bank borrowings	19	**1,150,532**	1,248,150	729,811
Current portion of bank loans	19	**1,224,035**	634,617	661,484
Finance lease	20	**11,575**	9,055	-
Trade and other payables	21 & 34	**1,302,670**	971,972	904,906
Advance received from customers		**267,103**	309,180	27,831
Insurance contract liabilities		**346,338**	434,691	550,342
Due to related parties	8	**197,530**	143,114	32,039
Total current liabilities		**4,499,783**	3,750,779	2,906,413
Non-current liabilities				
Due to related parties		**11,768**	11,904	-
Trade and other payables	21	**257,343**	303,583	12,269
Long term portion of bank loans	19	**1,013,120**	2,203,938	1,179,828
Finance lease	20	**92,943**	59,462	-
Provision for employees' end of service indemnity	22	**26,048**	20,175	15,467
Total non-current liabilities		**1,401,222**	2,599,062	1,207,564
Total Liabilities		**5,901,005**	6,349,841	4,113,977
Capital and reserves				
Share capital	23	**1,791,333**	1,080,000	540,000
Reserves	24	**833,493**	624,788	535,768
Cumulative change in fair value		**70,444**	52,293	54,722
Retained earnings		**756,693**	966,550	1,331,397
Equity attributable to Owners of the parent		**3,451,963**	2,723,631	2,461,887
Non-controlling interests		**354,614**	375,771	345,115
Total equity		**3,806,577**	3,099,402	2,807,002
Total Equity and Liabilities		**9,707,582**	9,449,243	6,920,979

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

معاوية الشنار

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

Consolidated Statement of Income
For the Year Ended December 31, 2009
(In Thousand Arab Emirates Dirhams)

	Notes	**Year ended December 31, 2009**	Year ended December 31, 2008 (Restated)
Revenue	25 & 34	**4,709,908**	8,402,731
Cost of revenue	26 & 34	**(4,293,796)**	(7,728,074)
Gross profit		**416,112**	674,657
Other operating income		**177,329**	25,621
Selling and distribution expenses		**(21,633)**	(53,461)
General and administrative expenses	27	**(246,781)**	(205,806)
Finance cost		**(127,942)**	(133,139)
Profit for the year from continuing operations		**197,085**	307,872
Discontinued operations			
Profit for the year - discontinued operations	17	**-**	4,845
Profit for the year	28 & 34	**197,085**	312,717
Attributable to:			
Owners of the parent		**210,181**	264,759
Non-controlling interests		**(13,096)**	47,958
		197,085	312,717
Basic earnings per share (in AED)	29	**0.13**	0.17

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

Consolidated Statement of Comprehensive Income
For the Year Ended December 31, 2009
(In Thousand Arab Emirates Dirhams)

	Year ended December 31, 2009	Year ended December 31, 2008 (Restated)
Profit for the year	**197,085**	312,717
Other comprehensive income		
Loss on revaluation of available-for-sale investments	**(122,507)**	(16,042)
Transfer to profit or loss on sale of available-for-sale investments	**140,565**	12,450
Board of Directors' remuneration	**-**	(750)
Total comprehensive income for the year	**215,143**	308,375
Total comprehensive income attributable to:		
Owners of the parent	**228,332**	261,933
Non-controlling interests	**(13,189)**	46,442
	215,143	308,375

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 Statement of Changes in Equity
For the Year Ended December 31, 2009
(In Thousand Arab Emirates Dirhams)

	Share capital	Reserves	Cumulative Change in fair value	Retained earnings	Attributable to Owner's of the parent	Non-controlling interests	Total
Balance at January 1, 2008	540,000	535,768	54,722	1,331,397	2,461,887	345,115	2,807,002
Profit for the year (Restated)	-	-	-	264,759	264,759	47,958	312,717
Other comprehensive loss for the year	-	-	(2,429)	(397)	(2,826)	(1,516)	(4,342)
Total comprehensive income for the year	-	-	(2,429)	264,362	261,933	46,442	308,375
Transfer to reserves	-	89,070	-	(89,070)	-	-	-
Issue of bonus shares	540,000	-	-	(540,000)	-	-	-
Dividends paid	-	-	-	-	-	(1,780)	(1,780)
Funds invested	-	-	-	-	-	63,915	63,915
Discontinued operations	-	-	-	-	-	(18,446)	(18,446)
Disposal of subsidiary	-	-	-	-	-	(7,914)	(7,914)
Current account of non-controlling interests	-	-	-	-	-	(51,561)	(51,561)
Other movements	-	(50)	-	(139)	(189)	-	(189)
	540,000	89,020	-	(629,209)	(189)	(15,786)	(15,975)
Balance at December 31, 2008	1,080,000	624,788	52,293	966,550	2,723,631	375,771	3,099,402
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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 Statement of Changes in Equity (continued)
For the Year Ended December 31, 2009
(In Thousand Arab Emirates Dirhams)

	Share capital	Reserves	Cumulative change in fair value	Retained earnings	Attributable to Owner's of the parent	Non - controlling interests	Total
Balance at December 31, 2008	1,080,000	624,788	52,293	966,550	2,723,631	375,771	3,099,402
Profit for the year	-	-	-	210,181	210,181	(13,096)	197,085
Other comprehensive income for the year	-	-	18,151	-	18,151	(93)	18,058
Total comprehensive income for the year	-	-	18,151	210,181	228,332	(13,189)	215,143
Transfer to reserves	-	42,038	-	(42,038)	-	-	-
Issue of bonus shares (Note 30)	378,000	-	-	(378,000)	-	-	-
Issue of shares	333,333	166,667	-	-	500,000	-	500,000
Dividends paid	-	-	-	-	-	(9,178)	(9,178)
Funds invested	-	-	-	-	-	7,660	7,660
Other movements	-	-	-	-	-	(6,450)	(6,450)
	711,333	208,705	-	(420,038)	500,000	(7,968)	492,032
Balance at December 31, 2009	**1,791,333**	**833,493**	**70,444**	**756,693**	**3,451,963**	**354,614**	**3,806,577**

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

Consolidated Statement of Cash Flows
For the Year Ended December 31, 2009
(In Thousand Arab Emirates Dirhams)

	Year ended December 31, 2009	Year ended December 31, 2008 (Restated)
Cash flows from operating activities		
Profit for the year	**197,085**	312,717
Adjustments for:		
Depreciation of property, plant and equipment	**55,955**	27,590
Provision for employees' end of service indemnity	**7,214**	7,795
Loss/(profit) from sale of investments in securities	**282,507**	(19,316)
Loss/(gain) on sale of property, plant and equipment	**32**	(315)
Reinsurance contract assets	**77,965**	138,562
Insurance contract liabilities	**(112,904)**	(115,651)
Unrealised loss on investments held for trading	**118,736**	291,929
Changes in fair value of investment properties	**(1,166)**	(125,240)
Profit from discontinued operations	**-**	(4,845)
Gain on disposal of subsidiary	**-**	(12,172)
Impairment on available-for-sale investments	**21,699**	109,047
Allowance for doubtful debts	**9,067**	7,097
Allowance for slow moving inventories	**(317)**	2,515
Loss from investments in associates	**53,363**	22,110
Exchange loss	**519**	2,435
Finance cost	**127,942**	133,139
Operating cash flows before movements in working capital	**837,697**	777,397
Decrease/(increase) in inventories	**413,360**	(524,292)
Increase in trade and other receivables	**(965,430)**	(202,568)
(Increase)/decrease in due from related parties	**(186,576)**	51,512
Increase in trade and other payables	**277,034**	205,673
(Decrease)/increase in advance received from customers	**(42,077)**	281,349
Increase in due to related parties	**54,280**	122,950
Purchase of investment in securities	**(690,691)**	(4,858,535)
Purchase of investment properties	**(202,987)**	(1,139,059)
Development work-in-progress	**-**	(160,942)
Development properties	**(622,106)**	(874,796)
Proceeds from sale of investments in securities	**1,266,811**	4,456,691
Proceeds from sale of investment properties, development work-in-progress and development properties	**611,638**	798,540
Cash generated from/(used in) operations	**750,953**	(1,066,080)
Employees' end of service indemnity paid	**(1,341)**	(1,901)
Interest paid	**(127,942)**	(133,139)
Net cash generated from/(used in) operating activities	**621,670**	(1,201,120)

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

Consolidated Statement of Cash Flows (continued)
For the Year Ended December 31, 2009
(In Thousand Arab Emirates Dirhams)

	Year ended December 31, 2009	Year ended December 31, 2008 (Restated)
Cash flows from investing activities		
Increase in fixed deposits	**(61,952)**	(26,362)
Purchase of property, plant and equipment	**(151,582)**	(253,409)
Purchase of investments in associates	**(217,272)**	(367,665)
Proceeds from sale of property, plant and equipment	**2,256**	1,344
(Increase)/decrease in goodwill	**(1,250)**	6,611
Acquisition of subsidiaries	**12,015**	(33,648)
Net cash out flow on disposal of business	**-**	(32,113)
Net cash used in investing activities	**(417,785)**	(705,242)
Cash flows from financing activities		
Issue of share capital with share premium	**500,000**	-
Dividends paid - subsidiaries	**(9,178)**	(1,780)
Board of Directors' remuneration paid - subsidiaries	**-**	(750)
Bank loans obtained	**717,807**	1,803,156
Bank loans repaid	**(1,319,207)**	(808,157)
Net movement in finance lease	**36,001**	68,517
Increase in notes payable	**303**	257,040
Funds invested in non-controlling interest	**2,350**	58,464
(Decrease)/increase in short term bank borrowings	**(97,618)**	501,476
Non-controlling interest and other movements	**(6,450)**	(51,750)
Net cash (used in)/generated from financing activities	**(175,992)**	1,826,216
Net increase/(decrease) in cash and cash equivalents	**27,893**	(80,146)
Cash and cash equivalents at the beginning of the year	**54,366**	138,700
Adjustment for the bank balances and cash of discontinued operation	**-**	(4,188)
Cash and cash equivalents at the end of the year (see Note 31)	**82,259**	54,366
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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 International Financial Reporting Standards (IFRSs)

2.1 Standards affecting presentation and disclosure

The following new and revised Standards have been adopted in the current year in these consolidated financial statements. Details of other Standards and Interpretations adopted but that have had no effect on these consolidated financial statements are set out in section 2.2.

- IAS 1 (as revised in 2007) *Presentation of Financial Statements* — IAS 1 (2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.
- *Improving disclosures about Financial Instruments (Amendments to IFRS 7 Financial Instruments: Disclosures)* — The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The Group has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional relief offered in these amendments.
- *IFRS 8 Operating Segments* — IFRS 8 is a disclosure standard that has resulted in re-designation of the Group's reportable segments (see Note 35).
- IFRIC 15 *Agreement for the Construction of Real Estate* — The Interpretation addresses how entities should determine whether an agreement for the construction of real estate is within the scope of IAS 11 *Construction Contracts* or IAS 18 *Revenue* and when revenue from the construction of real estate should be recognised (see Note 34).
- IAS 40 (revised) *Investment property* — As part of improvement to IFRS (2008), IAS 40 has been amended to include within its scope investment property in the course of construction (see Note 14).

2. Adoption of new and revised International Financial Reporting Standards (IFRSs) (continued)

2.2 Standards and Interpretations adopted with no effect on the consolidated financial statements

The following new and revised Standards and Interpretations have also been adopted in these consolidated financial statements. Their adoption has not had any significant impact on the amounts reported in these consolidated financial statements but may affect the accounting for future transactions or arrangements.

• Amendments to IFRS 2 *Share-Based Payment - Vesting Conditions and Cancellations*	The amendments clarify the definition of vesting conditions for the purposes of IFRS 2, introduce the concept of "non-vesting" conditions, and clarify the accounting treatment for cancellations.
• IAS 23 (as revised in 2007) *Borrowing Costs*	The principal change to the Standard was to eliminate the option to expense all borrowing costs when incurred.
• Amendments to IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*	The revisions to IAS 32 amend the criteria for debt/equity classification by permitting certain puttable financial instruments and instruments (or components of instruments) that impose on an entity an obligation to deliver to another party a pro-rata share of the net assets of the entity only on liquidation, to be classified as equity, subject to specified criteria being met.
• IFRIC 13 *Customer Loyalty Programmes*	The Interpretation provides guidance on how entities should account for customer loyalty programmes by allocating revenue on sale to possible future award attached to the sale.
• IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*	The Interpretation provides guidance on the detailed requirements for net investment hedging for certain hedge accounting designations.
• Improvements to IFRSs (2008)	Amendments to IFRS 5, IAS 1, IAS 16, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 36, IAS 38, IAS 39 and IAS 41 resulting from May and October 2008 *Annual Improvements to IFRSs majority of which are* effective for annual periods beginning on or after January 1, 2009.

2. Adoption of new and revised International Financial Reporting Standards (IFRSs) (continued)

2.3 Standards and Interpretations in issue not yet effective and not early adopted

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

New Standards and amendments to Standards:

	Effective for annual periods beginning on or after
• IFRS 1 (revised) *First Time Adoption of IFRS* and IAS 27 (revised) *Consolidated and Separate Financial Statements* – Amendment relating to Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	July 1, 2009
• IFRS 1 (revised) *First Time Adoption of IFRS* – Amendment on additional exemptions for First-time Adopters	January 1, 2010
• IFRS 2 (revised) *Share-Based Payment* – Amendment relating to Group cash-settled Share-based payments	January 1, 2010
• IFRS 3 (revised) *Business Combinations* – Comprehensive revision on applying the acquisition method and consequential amendments to IAS 27 (revised) *Consolidated and Separate Financial Statements*, IAS 28 (revised) *Investments in Associates* and IAS 31 (revised) *Interests in Joint Ventures*	July 1, 2009
• IFRS 9 Financial Instruments: Classification and Measurement (intended as complete replacement for IAS 39 and IFRS 7)	January 1, 2013
• IAS 24 Related Party Disclosures – Amendment on disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a Government	January 1, 2011
• IAS 32 (revised) Financial Instruments: Presentation – Amendments relating to classification of Rights Issue	February 1, 2010
• IAS 39 (revised) Financial Instruments: Recognition and Measurement – Amendments relating to Eligible Hedged Items (such as hedging Inflation risk and Hedging with options)	July 1, 2009

2. Adoption of new and revised International Financial Reporting Standards (IFRSs) (continued)

2.3 Standards and Interpretations in issue not yet effective and not early adopted (continued)

New Standards and amendments to Standards: (continued)

Amendments to IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38 and IAS 39 resulting from April 2009 *Annual Improvements to IFRSs*.	Majority effective for annual periods beginning on or after January 1, 2010

New Interpretations and amendments to Interpretations:

	Effective for annual periods beginning on or after
• IFRIC 17: *Distributions of Non-cash Assets to Owners*	July 1, 2009
• IFRIC 18: *Transfers of Assets from Customers*	July 1, 2009
• IFRIC 19: *Extinguishing Financial Liabilities with Equity Instruments*	July 1, 2010
• Amendment to IFRIC 14: *IAS 19: The limit on a defined Benefit Asset, Minimum Funding Requirement and their interaction*	January 1, 2011
• Amendment to IFRIC 9 (revised): *Reassessment of Embedded Derivatives* relating to assessment of embedded derivatives in case of reclassification of a financial asset out of the 'FVTPL' category	July 1, 2009
• Amendment to IFRIC 16: *Hedges of a Net Investment in a Foreign Operation*	July 1, 2009

Management anticipates that these amendments will be adopted in the Group's consolidated financial statements for the period commencing January 1, 2010 or as and when applicable and adoption of these standards and interpretation in future periods will have no material impact on the consolidated financial statements of Group in the period of initial application other than IFRS 9.

IFRS 9 introduces new requirements for the classification and measurement of financial assets, new criteria for amortised cost measurement, a new measurement category – fair value through other comprehensive income, impairment assessment only for amortised cost assets, eliminates the category available - for sale assets, eliminates held - to maturity assets and tainting rules, eliminates embedded derivatives in financial assets and eliminates unquoted equity investments measured at cost less impairment. Management is currently assessing this standard which may have an impact on the consolidated financial statements of the Group as described above.

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.

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 statement of income 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.

Non-controlling interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3. Significant accounting policies (continued)

Basis of consolidation (continued)

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

Subsidiaries

Details of the Company's subsidiaries at December 31, 2009 are as follows:

Name of the subsidiary	Place of incorporation	Proportion of ownership (%)	Principal activities
Emirates Lube Oil Co. Ltd. (L.L.C.) and subsidiaries	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
L.A.I. General Trading L.L.C. – Dubai	U.A.E.	50	General trading
Al Sagr National Insurance Co. P.S.C. and subsidiaries	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
Layia Hotels Management (L.L.C.)	U.A.E.	51	Hotels management
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, 2009 are as follows: (continued)

Name of the subsidiary	Place of incorporation	Proportion of ownership (%)	Principal activities
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
Retail Arabia International L.L.C.	U.A.E.	50	Trading in toys
ELCO Richmond Asphalt Product Trading	U.A.E.	50	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.

3. Significant accounting policies (continued)

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at 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. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

3. Significant accounting policies (continued)

Goodwill (continued)

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. 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 its carrying amount, 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.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

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.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, 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 recognised only to the extent that the Group has incurred legal or constructive obligation or made payments on behalf of associates.

3. Significant accounting policies (continued)

Investment in associates (continued)

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 profit or loss.

When 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.

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.

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.

3. Significant accounting policies (continued)

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/properties

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

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods/properties;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods/properties 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 end of reporting 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.

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 statement of income when incurred.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group’s net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group’s net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group’s general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

3. Significant accounting policies (continued)

Leasing (continued)

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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 Group 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 reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting 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 statement of income 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 statement of income on disposal of the net investment.

Provision for employees' end of service indemnity

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

3. Significant accounting policies (continued)

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. Fedral 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. These 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 statement of income.

Statutory reserve

In accordance with United Arab Emirates Federal Commercial Companies Law No. 8 of 1984, as amended, the parent Company is required to establish a statutory reserve by appropriation of 10% of profit for each year until the reserve equals 50% of the paid up share capital. This reserve is not available for distribution except as stipulated by the Law.

Additional reserve

The parent 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. Subsequent to its initial recognition, development work-in-progress is measured at fair value. Gains and losses arising for change in the fair value of development work-in-progress are included in the statement of income in the period when they arise. Upon completion of construction such properties are transferred to investment properties.

Consequent to the adoption of IAS 40 (revised), the Group has transferred the balance in the development work-in-progress to investment property (see Note 14).

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 statement of income 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.

Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment properties are included in the consolidated statement of income.

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 statement of income.

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, 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 statement of income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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 statement of income, 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.

3. Significant accounting policies (continued)

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 end of the reporting period, 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

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

Financial assets of the Company are classified into the following specified categories: cash and cash equivalents, financial assets ‘at fair value through profit or loss’ (FVTPL), ‘available-for-sale’ (AFS) financial assets held to maturity and ‘loans and receivables’. 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 to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for financial assets other than those financial assets classified as at FVTPL.

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.

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the ‘investment and other income/loss’ line item in the consolidated statement of income.

3. Significant accounting policies (continued)

Financial assets (continued)

AFS financial assets

Listed shares held by the Group that are traded in an active market are classified as being AFS and are stated at fair value. The Group also has investments in unlisted shares that are not traded in an active market but are also classified as AFS financial assets and stated at fair value because Management considers that fair value can be reliably measured. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the cumulative change in fair value with the exception of impairment losses, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the cumulative change in fair value is reclassified to profit or loss.

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.

Loans and receivables

Insurance and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are initially measured at fair value, plus transaction costs and subsequently measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. 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 asset have been affected.

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

3. Significant accounting policies (continued)

Impairment of financial assets (continued)

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, 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 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 profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

With the exception of AFS equity instruments, 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 profit or loss to the extent that the carrying amount of the financial asset 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 AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

Derecognition of financial assets

The Company 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 Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

3. Significant accounting policies (continued)

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 parent Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

The Group has classified the following financial liabilities as 'other financial liabilities': trade and other payables and due to related parties.

Other financial liabilities 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.

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 to the net carrying amount on initial recognition.

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.

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 AFS financial asset.

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 end of reporting date.

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

Critical judgements in applying accounting policies (continued)

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainity at the end of the reporting period, that have a significant rise of causing a material adjustment to the carrying amounts of assets and liabilities with the next financial year, are discussed below:

Investment properties and development work-in-progress

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

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 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 statement of income. Any difference between the amounts actually collected in the future periods and the amounts expected will be recognised in the consolidated statement of income at the time of collection.

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

Key sources of estimation uncertainty (continued)

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.

Impairment of financial assets

The Group determines whether AFS financial assets 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 21,699 thousand (2008: AED 109,047 thousand) as impairment loss on AFS financial assets for the year, based on the analysis of impairment test performed on AFS financial assets based on conditions prevailing in U.A.E.

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 end of the reporting date and for the expected ultimate cost of claims incurred but not reported ('IBNR') at the end of reporting 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 reporting date, 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 statement of income.

5. Bank balances and cash

	December 31,		January 1,
	2009	2008	2008
	AED '000	AED '000	AED '000
Cash on hand	**1,889**	2,448	1,796
Bank balances:			
Current accounts	**55,292**	51,918	114,284
Call account	**311**	-	-
Deposit accounts	**309,733**	223,014	242,113
	365,336	274,932	356,397
	367,225	277,380	358,193
Bank balances:			
In U.A.E.	**329,247**	271,527	318,482
In other countries	**36,089**	3,405	37,915
	365,336	274,932	356,397

Deposits include fixed deposits of AED 171,821 thousand (2008: AED 215,514 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 10,000 thousand (2008: AED 7,500 thousand) hypothecated to the order of the Insurance Authority of U.A.E.

6. Investments

Held for trading investments

	2009 AED '000	2008 AED '000
Fair value at the beginning of the year	**1,084,881**	1,124,157
Acquired on acquisition of a subsidiary	**647**	-
Transfer to available-for-sale investments	**-**	(85,985)
Purchased during the year	**646,949**	3,565,109
Sold during the year	**(923,492)**	(3,222,632)
Exchange difference	**(423)**	(3,839)
Decrease in fair value	**(118,736)**	(291,929)
Fair value at the end of the year	**689,826**	1,084,881

Available-for-sale investments

	2009 AED '000	2008 AED '000
Fair value at the beginning of the year	**1,182,220**	1,124,632
Acquired on acquisition of a subsidiary	**182**	-
Purchased during the year	**43,734**	1,289,865
Sold during the year	**(347,591)**	(1,194,577)
Transferred from held for trading	**-**	85,985
Exchange difference	**(96)**	1,404
Impairment loss	**(21,699)**	(109,047)
Decrease in fair value	**(122,507)**	(16,042)
Fair value at the end of the year	**734,243**	1,182,220

Held-to-maturity investments

	2009 AED '000	2008 AED '000
Cost at the beginning of the year	**7,946**	26,925
Purchased during the year	**8**	3,561
Discontinued operations	**-**	(22,540)
Cost at the end of the year	**7,954**	7,946

6. Investments (continued)

Geographical distributions of investments:

	December 31, 2009	December 31, 2008	January 1, 2008
	AED '000	AED '000	AED '000
In U.A.E.	**1,346,595**	1,954,111	1,675,388
In other countries	**85,428**	320,936	600,326
	1,432,023	2,275,047	2,275,714

During the year 2008, Board of Directors of the Group has reconsidered its investment strategy, 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, held for trading investments for which the change in fair value is recognised in the consolidated statement of income to available-for-sale investments for which the change in the fair value is recognised under equity as cumulative change in fair values.

	2009	2008
	AED '000	AED '000
Fair value of reclassified investments at the beginning of the year	**36,608**	-
Investment reclassified during the year	**-**	85,985
Sold during the year	**(23,209)**	-
Change in fair value during the year	**7,161**	(49,377)
Fair value of reclassified investments at the end of the year	**20,560**	36,608

As a result of the above reclassification, the net profit for the year ended December 31, 2009 has decreased by AED 7,161 thousand (2008: net profit increased by AED 49,377 thousand).

Held for trading investments and available-for-sale investments include investments of AED 272,117 thousand (2008: AED 280,323 thousand) pledged to local banks (see Note 19) and investments of AED 59,041 thousand (2008: AED 79,242 thousand) registered in the name of related parties in trust and for the benefit of the Group.

7. Trade and other receivables

	December 31, 2009 AED '000	December 31, 2008 AED '000 (Restated)	January 1, 2008 AED '000
Trade receivables	**1,517,165**	608,234	625,898
Allowance for doubtful debts	**(29,080)**	(20,013)	(12,725)
	1,488,085	588,221	613,173
Notes receivable – post dated cheques	**164,447**	240,139	124,713
Prepayment and other receivables	**284,902**	314,853	284,973
	1,937,434	1,143,213	1,022,859

Movement in the allowance for doubtful debts are as follows:

	2009 AED '000	2008 AED '000
Balance at the beginning of the year	**20,013**	12,725
Acquired on acquisition of subsidiaries	-	1,474
Discontinued operations	-	(394)
Allowances made	**9,067**	7,097
Amounts written off as uncollectable	**-**	(889)
Balance at the end of the year	**29,080**	20,013

The Board of Directors have performed the impairment test on the trade and other receivables and have concluded that the allowance maintained for doubtful debts as of December 31, 2009 is adequate.

8. Related party transactions

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

	December 31, 2009	December 31, 2008	January 1, 2008
	AED '000	AED '000	AED '000
Due from related parties			
Al Qala First Investment - Jordan	**5,068**	35,688	35,688
Fal Oil Company Ltd. Sharjah	**-**	-	5,360
Arab Real Estate Development Co. PSC - Jordan	**121,311**	-	83,029
Horizon Aluminium Industries Co. L.L.C. – Dubai	**-**	-	1,973
Awtad Co.	**-**	1,488	-
Investment Group (PVT) Ltd. (L.L.C.)	**87,201**	7,980	-
The Arcade Land Development Co.	**6,766**	3,300	-
United Arab Investors Co. P.S.C.	**-**	17,250	-
Gulf General Investment Co. – Jordan	**33,367**	-	-
Gulf Castle	**3,125**	-	-
Other related parties	**4,721**	9,277	431
	261,559	74,983	126,481
	========	========	========

Due to related parties

	December 31, 2009	December 31, 2008	January 1, 2008
	AED '000	AED '000	AED '000
Fal Oil Company Ltd. - Sharjah	**40,675**	48,941	-
Mechanical Engineering Services L.L.C. - Dubai	**3,292**	4,012	2,206
Investment Group (Pvt.) Ltd. – Sharjah	**-**	-	11,461
Sagr Al Bayda'a Trading Agency	**40,082**	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	**13,463**	7,929	-
Richmond Merchantile Ltd FZC	**63,547**	-	-
Retail Arabia Symphony	**3,482**	-	-
Middle East Retail Co.	**4,026**	-	-
GGICO Investment Co.	**2,934**	-	-
Retail Arabia Ltd.	**14,481**	-	-
Other related parties	**11,548**	9,829	284
	197,530	143,114	32,039
	========	========	========

8. Related party transactions (continued)

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 owned by related parties.

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,	
	2009	2008
	AED '000	AED '000
Proceeds from sale of investment properties to a related party	**-**	456,012
Sale of investment properties	**26,000**	304,117

Compensation of directors/key management personnel:

	Year ended December 31,	
	2009	2008
	AED '000	AED '000
Key management salaries and benefits	**7,620**	8,820

9. Inventories

	December 31,		January 1,
	2009	2008	2008
	AED '000	AED '000	AED '000
Raw materials	**189,650**	401,388	156,382
Work-in-progress	**45,350**	35,771	9,935
Finished products	**109,524**	326,566	15,014
	344,524	763,725	181,331
Allowance for slow moving inventories	**(2,329)**	(2,646)	(131)
	342,195	761,079	181,200
Stores and spares	**8,722**	1,648	18,624
Goods in transit	**634**	1,867	10,438
	351,551	764,594	210,262
	=========	=========	========

9. Inventories (continued)

Movements in the allowance for slow moving inventories are as follows:

	2009	2008
	AED '000	AED '000
Balance at the beginning of the year	**2,646**	131
Allowance made during the year	**-**	2,596
Allowance reversed during the year	**(317)**	(81)
Balance at the end of the year	**2,329**	2,646

10. Development properties

	2009	2008
	AED '000	AED '000 (Restated)
Cost at the beginning of the year	**1,462,048**	1,421
Transferred (to)/from investment properties	**(296,728)**	462,252
Addition during the year	**622,106**	999,796
Sales during the year	**(342,561)**	(1,421)
Cost at the end of the year	**1,444,865**	1,462,048

Borrowings costs on funds borrowed for obtaining the qualifying asset amounting to AED 94,001 thousand has been capitalised. The weighted average capitalisation rate of funds borrowed generally is EIBOR or LIBOR plus applicable margin from 0.50% to 4.50%.

Development properties have been valued as of December 31, 2009 by an independent valuer as part of impairment testing by the management. The Board of Directors have reviewed the above report of the independent valuer and have concurred that no impairment loss needs to be considered in the consolidated financial statements of the Group for the year ended December 31, 2009.

11. Investments in associates

	December 31, 2009 AED '000	December 31, 2008 AED '000	January 1, 2008 AED '000
-At equity method	**386,630**	374,789	82,853
-At cost (entities in start-up stage)	**156,881**	142,483	90,608
	543,511	517,272	173,461

Movements in investments were as follows:

	2009 AED '000	2008 AED '000
Balance at the beginning of the year	**517,272**	173,461
Additions during the year	**217,272**	367,665
Disposals during the year	**(137,670)**	(7,716)
Transferred from subsidiary	**-**	7,914
Discontinued operations	-	(1,942)
Impairment during the year	**(8,363)**	-
Share of loss for the year	**(45,000)**	(22,110)
Balance at the end of the year	**543,511**	517,272

The details of these associates are as follows:

Name of the associate	Place of incorporation	Ownership (%)	December 31, 2009 AED '000	December 31, 2008 AED '000
Al Qalaa First Investment Company	Jordan	30.7	-	-
Arab Real Estate Development P.S.C. (Arab Corp)	Jordan	36.3	**139,960**	148,256
Ghadeh General Trading & Contracting Co. L.L.C. (Khalid Mustafa Karam Sons & Partners)	Kuwait	38	**29,362**	28,272
Oil Laboratories & Marine Surveyors Co. Ltd.	U.A.E.	25	**832**	630
Al Sagr Company for Co-operative Insurance (SCCI)	K.S.A.	-	**50,993**	51,584
International Tassnim Investment Co.	Morocco	10	**-**	2,770
Awtad Co. L.L.C.	U.A.E.	25	**89,766**	3,735
Jordan & Emirates Dimention for Investment Trading	Jordan	20	**27,526**	18,655
Global Financial Investments S.A.O.G.	Oman	27	**130,405**	137,759
Ithraa Capital L.L.C.	U.A.E.	25	**8,363**	46,876
Eastern Sky Jets FZCO	U.A.E.	50	**-**	6,540
Gulf Baader Capital Market L.L.C.	U.A.E.	25	**7,308**	8,288

11. Investments in associates (continued)

The details of these associates are as follows (continued):

Name of the associate	Place of incorporation	Ownership (%)	December 31, 2009 AED '000	December 31, 2008 AED '000
Distinguished Co. For Trading and Distribution of Petrol and Energy Products	Jordan	25	**1,320**	1,320
The Archade Land Development Co. L.L.C.	U.A.E.	50	**50,000**	50,000
GGICO Investment Co.	U.A.E.	99	**2,970**	3,000
Horizon Industries Co., Jordan	Jordan	50	**2,601**	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
Green Air Technology L.L.C.			**244**	-
Else Oil Co. L.L.C.	U.A.E.	50	**1,861**	1,861
			543,511	517,272

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

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

	December 31, 2009 AED '000	December 31, 2008 AED '000	January 1, 2008 AED '000
Total assets	**1,357,115**	1,599,264	809,689
Total liabilities	**(699,235)**	(763,379)	(589,918)
Net assets	**657,880**	835,885	219,771
Groups share of associates' net assets	**315,450**	302,681	66,380
Goodwill arising on acquisition	**71,180**	72,108	16,473
	386,630	374,789	82,853

	Year ended December 31, 2009 AED '000	Year ended December 31, 2008 AED '000
Revenue	**107,633**	575,302
Loss for the year	**(82,395)**	(79,600)
Group's share of associates' loss for the year	**(45,000)**	(22,110)

12. Goodwill

	December 31, 2009 AED '000	December 31, 2008 AED '000	January 1, 2008 AED '000
Goodwill on acquisition of:			
Dubai Al Ahlia Quick Transport L.L.C.	**4,000**	4,000	4,000
Acron Industries Co. L.L.C.	**7,500**	7,500	7,500
Middle East World Factories Equip L.L.C.	**500**	500	500
Amalia Perfumes Trading and Manufacturing Co. L.L.C.	**2,504**	1,254	1,254
Lloyds Engineering Co. L.L.C.	**1,364**	1,364	-
Quality International Company L.L.C.	**20,856**	20,856	-
East Auto Spare Parts L.L.C.	**2,196**	2,196	-
	38,920	37,670	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 2009.

13. Investment properties

	Land AED '000	Buildings AED '000	Total AED '000
Fair value at January 1, 2008	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
Added on acquisition of a subsidiary	-	6,194	6,194
Transferred from development work-in-progress	-	387,764	387,764
Transferred from development properties	123,187	173,541	296,728
Transferred to property, plant and equipment	-	(349,023)	(349,023)
Transferred to land	(20,834)	-	(20,834)
Purchases during the year	32,112	170,875	202,987
Sales during the year	(4,357)	(264,720)	(269,077)
Increase in fair value	-	1,166	1,166
Fair value at December 31, 2009	**811,823**	**1,181,208**	**1,993,031**

13. Investment properties (continued)

Investment properties by geographical location

	December 31, 2009	December 31, 2008	January 1, 2008
	AED '000	AED '000	AED '000
In U.A.E.	**1,935,419**	1,679,619	1,858,039
In other countries	**57,612**	57,507	14,374
	1,993,031	1,737,126	1,872,413

Investment properties have been valued as of December 31, 2009 by an independent valuer. The Board of Directors have reviewed the above report of the independent valuer and have concurred that no change in fair value needs to be considered in the consolidated financial statements of the Group for the year ended December 31, 2009.

Borrowings costs on funds borrowed for obtaining the qualifying asset amounting to AED 27,999 thousand has been capitalised. The weighted average capitalisation rate of funds borrowed generally is EIBOR or LIBOR plus applicable margin from 0.50% to 4.50%.

Investment properties amounting to AED 343,472 thousand (2008: AED 440,594 thousand) are registered in the name of related parties in trust and for the benefit of the Group. Investment properties amounting to AED 727,150 thousand (2008: AED 804,127 thousand) are mortgaged to banks towards credit facilities granted to the Group (see Note 19).

14. Development work-in-progress

	2009	2008
	AED '000	AED '000
Balance at the beginning of the year	**387,764**	211,607
Transferred (to)/from investment properties	**(387,764)**	367,263
Additions during the year	**-**	160,942
Disposals during the year	**-**	(352,048)
Balance at the end of the year	**-**	387,764

14. Development work-in-progress (continued)

As part of improvements to IFRSs (2008), IAS 40 has been amended to include within its scope investment property in the course of construction. Therefore, following the adoption of the amendments and in line with the Group's general accounting policy, development work-in-progress is measured at fair value, which approximate the carrying amounts at the transfer date. Therefore no changes in fair value recognised in profit or loss.

The policy has been applied prospectively from January 1, 2009 in accordance with the relevant transitional provisions. Accordingly, the balance in development work-in-progress as at January 1, 2009 has been transferred to Investment properties.

15. Land

Land amounting to AED 166,130 thousand (2008: AED 145,296 thousand) which is used by the Group 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 (2008: 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	Other assets AED '000	Properties under construction AED '000	Total AED '000
Cost								
At January 1, 2008	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
Added on acquisition of subsidiary	-	-	302	1,625	-	-	-	1,927
Additions during the year	7,873	37,797	7,921	6,319	8,766	6,869	76,037	151,582
Transfer from investment properties	349,023	-	-	-	-	-	-	349,023
Transfers	19,676	25,086	210	119	-	5,202	(50,293)	-
Disposals	-	(6)	(4,222)	(377)	-	(4)	-	(4,609)
At December 31, 2009	**446,327**	**134,253**	**115,190**	**34,802**	**49,581**	**22,548**	**108,080**	**910,781**

16. Property, plant and equipment (continued)

	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	Other assets AED '000	Properties under construction AED '000	Total AED '000
Accumulated depreciation								
At January 1, 2008	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
Added on acquisition of subsidiary	-	-	200	356	-	-	-	556
Charge for the year	15,780	14,991	15,229	4,785	1,266	3,904	-	55,955
Eliminated on disposals	-	(2)	(2,011)	(307)	-	(1)	-	(2,321)
At December 31, 2009	**21,985**	**35,312**	**41,080**	**11,534**	**4,157**	**5,823**	**-**	**119,891**
Carrying amount								
At December 31, 2009	**424,342**	**98,941**	**74,110**	**23,268**	**45,424**	**16,725**	**108,080**	**790,890**
At December 31, 2008	63,550	51,053	83,317	20,416	37,924	8,561	82,336	347,157

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
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 2010 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:

	2009 **AED '000**	2008 AED '000
Current assets	**4,230**	3,077
Non-current assets	**19,558**	20,532
Current liabilities	**3,803**	1,096
Non-current liabilities	**13,842**	15,582
Income	**8,872**	5,794
Expenses	**9,689**	5,766

19. Bank borrowings

	December 31,	
	2009 **AED '000**	2008 AED '000
Short term bank borrowings		
Bank overdrafts	**728,926**	621,255
Trust receipts	**279,058**	518,414
Bills discounted	**139,869**	106,934
Acceptances	**2,679**	1,547
	1,150,532	1,248,150

19. Bank borrowings (continued)

	December 31, 2009 AED '000	December 31, 2008 AED '000
Term loans	**2,237,155**	2,838,555
Term loans are repayable as follows:		
On demand or within one year	**1,224,035**	634,617
In the second year	**472,139**	1,173,556
In the third to fifth years inclusive	**529,553**	1,000,943
After five years	**11,428**	29,439
	2,237,155	2,838,555
Less : Amount due for settlement within 12 months	**(1,224,035)**	(634,617)
Amount due for settlement after 12 months	**1,013,120**	2,203,938

Term loan facilities bear interest at EIBOR and LIBOR plus applicable margins from 0.50% to 4.5%.

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.

Management of the Group is currently under negotiation with banks regarding a covenant. Current portion of long term loans includes an amount AED 385,457 thousand which was originally due for repayment in 2011 and subsequent years. As at December 31, 2009, the Group has not met one of the covenants stipulated in the long term loan agreement with banks and accordingly this amount was reclassified as a current liability in accordance with the requirements of IAS 1 – "Presentation of Financial Statement'.

20. Finance lease

The Group has entered into a leasing arrangement with a leasing company registered in the United Arab Emirates to finance the purchase of a vessel and certain plant equipments. The term of the lease is 10 years and payments due under leasing arrangement are as follows:

	Minimum lease payment		**Present value of minimum lease payment**	
	December 31,		**December 31,**	
	2009	2008	**2009**	2008
	AED ’000	AED ’000	**AED ’000**	AED ’000
Not later than one year	**16,794**	13,800	**11,575**	9,055
Later than one year but not later than five years	**78,376**	55,202	**62,064**	43,604
Later than five years	**34,905**	17,959	**30,879**	15,858
	130,075	86,961	**104,518**	68,517
Less: Future finance costs	**(25,557)**	(18,444)	-	-
Present value of minimum lease payments	**104,518**	68,517	**104,518**	68,517

	December 31,	
	2009	2008
	AED ’000	AED ’000
Included in the financial statements as:		
Current portion of finance lease liability	**11,575**	9,055
Non-current portion of finance lease liability	**92,943**	59,462
	104,518	68,517

The finance charges will be calculated based on 3 months EIBOR plus 3.5% margin.

At the end of the reporting period, the title deed of the vessel is in the name of the Group and the transfer of the title deed in the name of the lessor as required by finance lease agreement is in progress.

21. Trade and other payables

	December 31, 2009 AED '000	December 31, 2008 AED '000 (Restated)	January 1, 2008 AED '000
Current portion			
Trade accounts payable	**653,314**	344,482	532,438
Due to non-controlling interests	**93,043**	87,021	11,760
Post dated cheques issued	**256,144**	247,384	212,674
Rent received in advance	**27,562**	16,925	17,766
Accrued expenses	**78,244**	116,355	80,578
Provisions and other payables	**137,198**	135,865	42,132
Retentions payable	**57,165**	23,940	7,558
	1,302,670	971,972	904,906
Non-current portion			
Post dated cheques issued	**-**	46,543	12,269
Notes payable	**257,343**	257,040	-
	257,343	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.

22. Provision for employees' end of service indemnity

Movement in the net liability were as follows:

	2009 AED '000	2008 AED '000
Balance at the beginning of the year	**20,175**	15,467
Added on the acquisition of subsidiary	**-**	1,301
Eliminated on disposals of subsidiary	**-**	(90)
Charge for the year	**7,214**	7,795
Adjustment for discontinued operations	**-**	(2,397)
Amounts paid	**(1,341)**	(1,901)
Balance at the end of the year	**26,048**	20,175

23. Share capital

	December 31, 2009 AED '000	December 31, 2008 AED '000
Issued and fully paid:		
1,791 million ordinary shares of AED 1 each (December 31, 2008: 1,080 million ordinary shares of AED 1 each)	**1,791,333**	1,080,000

During the year, the share capital of the Company was increased by AED 711 million by the issue of 378 million bonus shares (2008: AED 540 million) of AED 1 each and by conversion of AED 333 million nominal value mandatory convertible-into-shares bonds.

The Shareholders in the Extraordinary General Assembly Meeting held on March 30, 2009 approved to issue 333,333,333 mandatory convertible into share bonds to the existing shareholders with a nominal value of AED 1 and at an issue premium of AED 50 fils, paid in full.

The mandatory conversion into shares has been effected during the year and AED 333,333,333 nominal value has been transferred to the share capital and issue premium of AED 166,666,667 has been transferred to statutory reserve as required by U.A.E. Federal Commercial Companies Law No. 8 of 1984 as amended (see Note 24).

24. Reserves

	Share premium AED '000	Statutory reserve AED '000	Additional reserve AED '000	Land revaluation reserve AED '000	Total AED '000
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
Transfer during the year	-	21,019	21,019	-	42,038
Issue of shares	166,667	-	-	-	166,667
Transfer (see Note 23)	(166,667)	166,667	-	-	-
At December 31, 2009	**-**	**450,298**	**264,190**	**119,005**	**833,493**

25. Revenue

	Year ended December 31,	
	2009	2008
	AED '000	AED '000 (Restated)
Manufacturing income	**1,284,263**	1,270,971
Sale of development properties, development work-in-progress and investment properties	**1,213,660**	1,299,552
Sale of investments in securities	**1,266,811**	4,444,241
Sale of subsidiaries	**-**	12,172
Insurance income	**348,846**	293,830
Trading income	**382,327**	727,468
Loss from investment in associates	**(45,000)**	(22,110)
Impairment loss on investment in associate	**(8,363)**	-
Rental income	**47,012**	43,717
Fair value gain on investment properties	**1,166**	125,240
Dividend income	**20,060**	47,596
Interest on fixed deposits	**11,980**	8,418
Service income	**187,146**	151,636
	4,709,908	8,402,731

26. Cost of revenue

	Year ended December 31,	
	2009	2008
	AED '000	AED '000 (Restated)
Cost of goods manufactured and sold	**1,141,343**	1,091,575
Cost of development properties, development work-in-progress and investment properties sold	**611,638**	798,540
Cost of investments in securities sold	**1,549,318**	4,424,925
Cost of insurance	**309,909**	235,121
Cost of trading	**436,921**	680,996
Cost of services	**104,232**	95,941
Impairment loss on available-for-sale investment	**21,699**	109,047
Fair value loss on held for trading investments	**118,736**	291,929
	4,293,796	7,728,074

27. General and administrative expenses

	Year ended December 31,	
	2009	2008
	AED '000	AED '000
Staff costs	**83,987**	56,121
Pre-operating cost	**917**	9,276
Maintenance and depreciation of property, plant and equipment	**38,630**	18,494
Allowance for doubtful debts	**9,067**	7,097
Allowance for slow moving inventories	**(317)**	2,515
Miscellaneous expenses	**114,497**	112,303
	246,781	205,806

28. Profit for the year

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

	Year ended December 31,	
	2009	2008
	AED '000	AED '000
Staff costs	**83,987**	56,121
Depreciation of property, plant and equipment	**55,955**	27,590

29. Basic earnings per share

	Year ended December 31,	
	2009	2008
Profit for the year attributable to Owners of the parent (in AED '000)	**210,181**	264,759
Number of shares (in thousands)	**1,675,912**	1,528,028
Basic earnings per share (in AED)	**0.13**	0.17

The denominator, for the purpose of calculating basic earnings per share for 2008, has been adjusted to reflect the capitalisation issue of 378 million bonus shares in 2009 (see Note 23).

30. Proposed dividends

	2009	2008
	AED '000	AED '000
Bonus shares	-	378,000
Dividends per share	**-**	AED 0.35

31. Cash and cash equivalents

	December 31,	
	2009	2008
	AED '000	AED '000
Bank balances and cash (see Note 5)	**367,225**	277,380
Fixed deposits under lien/deposits with maturity over three months	**(284,966)**	(223,014)
	82,259	54,366

32. Operating lease commitments

At the end of reporting date, the minimum lease commitments of the Group were as follows:

	December 31,	
	2009	2008
	AED '000	AED '000
Within one year	**2,861**	2,861
In second to fifth years	**11,446**	11,446
After five years	**118,754**	121,615
	133,061	135,922

33. Commitments and contingent liabilities

Contingent liabilities and commitments as of the end of reporting date are as follows:

	December 31,	
	2009	2008
	AED '000	AED '000
Building construction contracts	**550,972**	944,232
Letters of credit	**38,104**	87,413
Letters of guarantee	**585,877**	715,025
Investment purchase contracts	**327,823**	683,849
Discounted cheques	**83,058**	15,580

34. Adoption of IFRIC-15 Agreements for the Construction of Real Estate

The Group has revised its revenue recognition policy in compliance with IFRIC 15 which is applicable with effect from January 1, 2009.

Accordingly the comparative figures have been restated and adjusted the opening balance of retained earnings as required by IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors and IFRIC 15. The effects of the change in accounting policy are given below:

Consolidated statement of income

	For the year ended December 31, 2008		
	As previously reported	**Adjustment**	**Restated**
	AED '000	**AED '000**	**AED '000**
Revenue	8,708,326	(305,595)	8,402,731
Cost of revenue	7,853,074	(125,000)	7,728,074
Profit for the year	493,312	(180,595)	312,717
Profit for the year attributable to the parent	445,354	(180,595)	264,759

34. Adoption of IFRIC-15 Agreements for the Construction of Real Estate (continued)

Consolidated statement of financial position

	December 31, 2008		
	As previously reported	**Adjustment**	**Restated**
	AED '000	**AED '000**	**AED '000**
Trade and other receivables	1,336,218	(193,005)	1,143,213
Development properties	1,337,048	125,000	1,462,048
Trade and other payables	1,162,965	112,590	1,275,555
Retained earnings	1,147,145	(180,595)	966,550

Impact on 2009 results

As the risks and rewards on development properties were transferred during 2009, the revenue, cost of revenue and profit for the year ended December 31, 2009 were increased by AED 305,595 thousand, AED 125,000 thousand and AED 180,595 thousand respectively with a decrease of similar amounts in the respective accounts in 2008.

35. Segment information

The new standard which replaced IAS 14 'segment reporting' requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has not resulted in any significant change to the reportable segments presented by the Group as the segments reported by the Group were consistent with the internal reporting provided to the chief operating decision maker.

35. Segment information (continued)

	Manufacturing		Investments		Services and others		Total		January 1,
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	2008
	AED '000	AED '000	**AED '000**	AED '000 (Restated)	**AED '000**	AED '000	**AED '000**	AED '000 (Restated)	AED '000
Income									
Total income	**1,284,263**	1,270,971	**2,507,326**	5,950,408	**918,319**	1,181,352	**4,709,908**	8,402,731	
Result									
Segment result	**142,920**	179,396	**205,935**	325,967	**67,257**	169,294	**416,112**	674,657	
Unallocated general expenses	**-**	**-**	**-**	**-**	**-**	**-**	**(396,356)**	(392,406)	
Other income	**12,214**	10,624	**154,753**	6,112	**10,362**	8,885	**177,329**	25,621	
Discontinued operations							**-**	4,845	
Profit for the year							**197,085**	312,717	
Pertaining to non-controlling interests							**13,096**	(47,958)	
Profit for the year - parent							**210,181**	264,759	
Other information:									
Segment assets	**618,804**	1,167,550	**5,374,287**	4,775,068	**1,751,306**	2,308,112	**7,744,397**	8,250,730	5,729,152
Unallocated corporate assets	-	-	-	-	-	-	**1,963,185**	1,198,513	1,191,827
Consolidated total assets							**9,707,582**	9,449,243	6,920,979
Segment liabilities	**293,031**	1,437,191	**3,338,503**	1,836,103	**816,598**	1,595,165	**4,448,132**	4,868,459	2,798,077
Unallocated corporate liabilities	-	-	-	-	-	-	**1,452,873**	1,481,382	1,315,900
Total segment liabilities							**5,901,005**	6,349,841	4,113,977
Capital expenditure	**54,678**	134,970	**4,854**	22,371	**92,050**	110,187	**151,582**	267,528	55,480
Depreciation	**16,861**	6,315	**15,103**	1,890	**23,991**	19,385	**55,955**	27,590	

35. Segment information (continued)

Information about the corporate geographical sales is as follows:

	Year ended December 31, 2009 AED '000	2008 AED '000
United Arab Emirates	**4,240,063**	7,128,285
GCC countries except U.A.E.	**20,646**	113,734
Middle East	**133,498**	206,748
Africa	**71,559**	84,056
Asia	**27,673**	36,076
Other countries	**216,469**	833,832
	4,709,908	8,402,731

36. 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 2008.

The capital structure of the Group consists of bank borrowings, bank balances and cash and equity, comprising issued capital, reserves (other than land revaluation and cumulative change in fair value) 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, 2009 AED '000	2008 AED '000
Debt (i)	**3,492,205**	4,155,222
Cash and cash equivalents	**(82,259)**	(54,366)
Net debt	**3,409,946**	4,100,856
Equity (ii)	**3,806,577**	3,099,402
Net debt to equity ratio (times)	**0.89**	1.32

36. Capital risk management (continued)

(i) Debt is defined as bank borrowings (see Note 19) and includes finance lease liability.
(ii) Equity includes share capital, statutory reserve and retained earnings, cumulative change in fair value, land revaluation reserve and non controlling interest.

37. 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, 2009						
Bank balance and cash	367,225	-	-	-	-	367,225
Held for trading investments	-	-	689,826	-	-	689,826
Trade and other receivables	1,960,526	-	-	-	145,352	2,105,878
Reinsurance contract assets	-	-	-	-	188,708	188,708
Due from related parties	261,559	-	-	-	-	261,559
Inventories	-	-	-	-	351,551	351,551
Development properties	-	-	-	-	1,444,865	1,444,865
Available-for-sale investments	-	-	-	734,243	-	734,243
Held-to-maturity investments	-	7,954	-	-	-	7,954
Investments in associates	-	-	-	-	543,511	543,511
Goodwill	-	-	-	-	38,920	38,920
Investment properties	-	-	-	-	1,993,031	1,993,031
Land	-	-	-	-	166,130	166,130
Property, plant and equipment	-	-	-	-	790,890	790,890
Discontinued operations	-	-	-	-	23,291	23,291
Total assets	**2,589,310**	**7,954**	**689,826**	**734,243**	**5,686,249**	**9,707,582**
	========	========	========	========	=========	========

37. Financial instruments (continued)

Categories of financial instruments (continued)

Assets	Loans and receivables	Held-to-maturity	Held for trading	Available-for-sale	Non-financial instruments	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	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 (Restated)	828,360	-	-	-	314,853	1,143,213
Re-insurance contract assets	-	-	-	-	256,402	256,402
Due from related parties	74,983	-	-	-	-	74,983
Inventories	-	-	-	-	764,594	764,594
Development properties (Restated)	-	-	-	-	1,462,048	1,462,048
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	-	-	-	-	37,670	37,670
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	1,180,723	7,946	1,084,881	1,182,220	5,993,473	9,449,243

37. Financial instruments (continued)

Categories of financial instruments (continued)

Liabilities and equity December 31, 2009	Financial instruments AED'000	Non-financial instruments AED'000	Total AED'000
Bank borrowings	3,387,687	-	3,387,687
Finance lease	104,518	-	104,518
Trade and other payables	1,532,451	27,562	1,560,013
Advance received from customers	-	267,103	267,103
Insurance contract liability	-	346,338	346,338
Due to related parties	209,298	-	209,298
Provision for employees' end of service indemnity	-	26,048	26,048
Equity	-	3,806,577	3,806,577
Total liabilities and equity	**5,233,954**	**4,473,628**	**9,707,582**
December 31, 2008			
Bank borrowings	4,086,705	-	4,086,705
Finance lease	68,517	-	68,517
Trade and other payables (Restated)	1,258,630	16,925	1,275,555
Advance received from customers	-	309,180	309,180
Insurance contract liability	-	434,691	434,691
Due to related parties	155,018	-	155,018
Provision for employees' end of service indemnity	-	20,175	20,175
Equity (Restated)	-	3,099,402	3,099,402
Total liabilities and equity	5,568,870	3,880,373	9,449,243

The directors consider that the carrying amounts of the financial assets and financial liabilities recorded in the financial statements approximate their fair values.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

37. Financial instruments (continued)

Categories of financial instruments (continued)

	Level 1 AED '000	Level 2 AED '000	Level 3 AED '000	Total AED '000
Financial assets at FVTPL				
Assets held for trading	398,379	291,447	-	689,826
Available-for-sale financial assets				
Quoted equities	701,925	-	-	701,925
Unquoted equities	-	32,318	-	32,318
	1,100,304	**323,765**	**-**	**1,424,069**

There were no transfers between each of level during the year. There are no financial liabilities which should be measured at fair value and accordingly no disclosure is made in the above table.

There are no movement in the fair value of financial assets categorised under level 3 from 2008, accordingly, no reconciliation has been provided.

Interest rate risk management

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

At December 31, 2009, bank deposits carried interest rates ranging from 4.75% to 7.25% per annum (2008: 4.75% to 7.25% per annum). The interest rates on bank borrowings are linked to EIBOR for some facilities and LIBOR for other facilities plus applicable margin from 0.50% to 4.50%.

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.

37. 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 73 million (December 31, 2008: AED 118 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 69 million (2008: AED 108 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 statement of financial position 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.

37. 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 reporting 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 end of reporting date based on contractual repayment arrangements was as follows:

Financial assets

December 31, 2009

	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	57,492	-	309,733	-	-	367,225
Held for trading investments	-	1,000	688,826	-	-	689,826
Trade and other receivables	302,100	586,664	903,318	168,444	-	1,960,526
Due from related parties	33,367	43,846	184,346	-	-	261,559
Available-for-sale investments	-	-	-	734,243	-	734,243
Held to maturity investments	-	-	-	7,954	-	7,954
Total	**392,959**	**631,510**	**2,086,223**	**910,641**	**-**	**4,021,333**

37. Financial instruments (continued)

Liquidity risk management (continued)

Financial assets (continued)

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 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 (Restated)	383,330	317,678	127,352	-	-	828,360
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**	**1,006,098**	**965,708**	**713,305**	**-**	**3,455,770**

Financial liabilities

December 31, 2009

	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 and finance lease	75,217	142,548	2,168,377	1,063,756	42,307	3,492,205
Trade and other payables	154,950	277,304	843,157	-	257,040	1,532,451
Due to related parties	18,776	18,274	160,480	-	11,768	209,298
Total	**248,943**	**438,126**	**3,172,014**	**1,063,756**	**311,115**	**5,233,954**

37. Financial instruments (continued)

Liquidity risk management (continued)

Financial liabilities (continued)

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 and finance lease	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	37,736	257,040	1,258,630
Due to related parties	15,502	77,509	62,007	-	-	155,018
Total	203,760	637,041	2,169,893	2,271,697	286,479	5,568,870

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.

38. Approval of consolidated financial statements

The consolidated financial statements were approved by the Board of Directors and authorised for issue on March 28, 2010.

39. Comparative amounts

The Group has adopted IFRIC-15 with effect from January 1, 2009. Accordingly, 2008 financial statements has been restated. Group has disclosed three year comparative in line with IAS-1.