GULF GENERAL INVESTMENTS CO. (P.S.C.)
AND SUBSIDIARIES

Consolidated financial statements
and independent auditor's report
for the year ended 31 December 2010

GULF GENERAL INVESTMENTS CO. (P.S.C.) AND SUBSIDIARIES

Contents	Pages

Deloitte.

Deloitte & Touche (M.E.)
Corniche Plaza II, 701
P.O. Box 5470
Sharjah, United Arab Emirates

Tel: +971 (0) 6 574 1052
Fax: +971 (0) 6 574 1053
www.deloitte.com

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 "Parent Company") and its Subsidiaries (the "Group"), Dubai, United Arab Emirates** which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated income statement, 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 information.

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, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 judgment, 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 entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

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Deloitte.

INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Gulf General Investments Co. (P.S.C.) and its Subsidiaries, Dubai** as at 31 December 2010, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 22 to the consolidated financial statements which indicates that during the year the Parent Company defaulted on the repayment of bank loans instalments amounting to AED 248.8 million and further did not meet certain covenants set forth in the borrowing agreement with other banks. As disclosed in Note 31 to the consolidated financial statements, the Group is actively engaged with its lenders to restructure its debt obligations and the ability of the Group to continue as a going concern is dependent on a successful outcome of these discussions. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

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 of companies which might have materially affected the financial position of the Group or their financial performance.

Deloitte & Touche

Samir Madbak
Registration No. 386
23 March 2011

Consolidated statement of financial position
At 31 December 2010

	Notes	2010 AED '000	2009 AED '000
ASSETS			
Non-current assets			
Property, plant and equipment	5	**767,593**	790,890
Land	6	**168,240**	166,130
Investment properties	7	**1,772,816**	1,993,031
Goodwill	8	**36,724**	38,920
Discontinued operations	9	**-**	23,291
Investments in associates	10	**337,544**	543,511
Held-to-maturity investments	11	**7,216**	7,954
Available-for-sale investments	11	**418,901**	734,243
Notes receivable-post dated cheques	12	**300,110**	168,444
Total non-current assets		**3,809,144**	4,466,414
Current assets			
Development properties	13	**1,346,401**	1,444,865
Inventories	14	**282,686**	351,551
Due from related parties	15	**141,750**	261,559
Re-insurance contract assets		**171,664**	188,708
Trade and other receivables	16	**1,736,685**	1,937,434
Held for trading investments	11	**558,036**	689,826
Bank balances and cash	17	**356,847**	367,225
Total current assets		**4,594,069**	5,241,168
Total Assets		**8,403,213**	9,707,582

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

Consolidated statement of financial position
At 31 December 2010 (continued)

	Notes	2010 AED '000	2009 AED '000
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	18	**1,791,333**	1,791,333
Reserves	19	**833,493**	833,493
Cumulative change in fair value		**(20,909)**	70,444
(Accumulated losses)/retained earnings		**(186,443)**	756,693
Equity attributable to Owners of the parent		**2,417,474**	3,451,963
Non-controlling interests		**346,307**	354,614
Net equity		**2,763,781**	3,806,577
Non-current liabilities			
Provision for employees' end of service indemnity	20	**29,254**	26,048
Finance lease	21	**79,486**	92,943
Long term portion of bank loans	22	**382,259**	1,013,120
Trade and other payables	23	**257,040**	257,343
Due to related parties		**13,652**	11,768
Total non-current liabilities		**761,691**	1,401,222
Current liabilities			
Due to related parties	15	**97,577**	197,530
Insurance contract liabilities		**290,000**	346,338
Advance received from customers	24	**178,270**	267,103
Trade and other payables	23	**1,125,595**	1,302,670
Finance lease	21	**16,576**	11,575
Current portion of bank loans	22	**2,014,178**	1,224,035
Short term bank borrowings	22	**1,155,545**	1,150,532
Total current liabilities		**4,877,741**	4,499,783
Total Liabilities		**5,639,432**	5,901,005
Total Equity and Liabilities		**8,403,213**	9,707,582

Majid Al Sari
Vice Chairman

Mohammed Al Sari
Managing Director

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

Consolidated income statement
for the year ended 31 December 2010

	Notes	2010 AED '000	2009 AED '000
Revenue	25	**2,853,228**	4,637,294
Cost of revenue	26	**(2,444,594)**	(4,015,691)
(Loss)/gain on changes in fair value and impairment losses			
- Change in fair value of investment properties	7	**(331,847)**	1,166
- Change in fair value of held for trading investments	11	**(187,874)**	(118,736)
- Write down of development properties to net realisable value	13	**(144,490)**	-
- Impairment loss on available-for-sale investments	11	**(8,313)**	(21,699)
- Impairment loss on investment in associates	10	**(25,202)**	(8,363)
- Impairment loss on trade receivables	16	**(99,960)**	(9,067)
Other income		**48,586**	177,329
Selling and distribution expenses		**(34,030)**	(21,633)
General and administrative expenses	27	**(309,610)**	(237,714)
Finance costs		**(186,630)**	(127,942)
Loss recognised on disposal of interest in former associates		**(111,330)**	(12,859)
Share of loss of associates	10	**(18,613)**	(45,000)
Gain recognised on disposal of interest in former subsidiaries	3.4	**26,938**	-
(Loss)/profit for the year	28	**(973,741)**	197,085
Attributable to:			
Equity holders of the parent company		**(943,136)**	210,181
Non-controlling interests		**(30,605)**	(13,096)
		(973,741)	197,085
Basic (loss)/earnings per share (in AED)	29	**(0.53)**	0.13

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

Consolidated statement of comprehensive income for the year ended 31 December 2010

	Notes	2010 AED '000	2009 AED '000
(Loss)/profit for the year		**(973,741)**	197,085
Other comprehensive income			
Loss on revaluation of available-for-sale investments of associates	**10**	**(590)**	-
Net loss on available-for-sale investments recognised directly in equity	**11**	**(136,879)**	(122,507)
Transfer to profit or loss on sale of available-for sale investments		**46,161**	140,565
Total other comprehensive (loss)/income		**(91,308)**	18,058
Total comprehensive (loss)/income for the year		**(1,065,049)**	215,143
Attributable to:			
Equity holders of the parent company		**(1,034,489)**	228,332
Non-controlling interests		**(30,560)**	(13,189)
		(1,065,049)	215,143

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

GULF GENERAL INVESTMENTS CO. (P.S.C.) AND SUBSIDIARIES
Consolidated statement of changes in equity
for the year ended 31 December 2010

	Share capital AED '000	Reserves AED '000	Cumulative change in fair value AED '000	(Accumulated losses)/ retained earnings AED '000	Attributable to Owner's of the parent AED '000	Non - controlling interests AED '000	Total AED '000
Balance at 31 December 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 18)	378,000	-	-	(378,000)	-	-	-
Issue of shares (Note 18)	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 31 December 2009	1,791,333	833,493	70,444	756,693	3,451,963	354,614	3,806,577
Loss for the year	-	-	-	(943,136)	(943,136)	(30,605)	(973,741)
Other comprehensive loss for the year	-	-	(91,353)	-	(91,353)	45	(91,308)
Total comprehensive loss for the year	-	-	(91,353)	(943,136)	(1,034,489)	(30,560)	(1,065,049)
Dividends paid	-	-	-	-	-	(4,247)	(4,247)
Funds invested	-	-	-	-	-	26,500	26,500
	-	-	-	-	-	22,253	22,253
Balance at 31 December 2010	**1,791,333**	**833,493**	**(20,909)**	**(186,443)**	**2,417,474**	**346,307**	**2,763,781**

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

Consolidated statement of cash flows
for the year ended 31 December 2010

	2010 AED '000	2009 AED '000
Cash flows from operating activities		
(Loss)/profit for the year	**(973,741)**	197,085
Adjustments for:		
Depreciation of property, plant and equipment	**66,439**	55,955
(Gain)/loss on sale of property, plant and equipment	**(103)**	32
Provision of employees end of service indemnity	**5,586**	7,214
Loss from sale of investments in securities	**81,924**	269,648
Loss on disposal of investment in associates	**111,330**	12,859
Gain on disposal of investment in subsidiaries	**(26,938)**	-
Gain on disposal of investment properties and development properties	**(90,381)**	(602,022)
Unrealised loss on investments held for trading	**187,874**	118,736
Changes in fair value of investment properties	**331,847**	(1,166)
Write down of development properties to net realisable value	**144,490**	-
Impairment on available-for sale investments	**8,313**	21,699
Allowance for doubtful debts	**99,960**	9,067
Allowance for slow moving inventories	**567**	(317)
Share of loss of associates	**18,613**	45,000
Impairment loss on investment in associates	**25,202**	8,363
Exchange loss	**-**	519
Bargain purchase gain	**(1,799)**	-
Finance cost	**186,630**	127,942
Operating cash flow before changes in operating assets and liabilities	**175,813**	270,614
Reinsurance contract assets	**17,044**	77,965
Insurance contract liabilities	**(56,338)**	(112,904)
Decrease in inventories	**20,899**	413,360
Increase in trade and other receivables	**(41,812)**	(965,430)
Decrease/(increase) in due from related parties	**138,925**	(186,576)
(Decrease)/increase in trade and other payables	**(156,772)**	277,034
Decrease in advance received from customers	**(88,833)**	(42,077)
(Decrease)/increase in due to related parties	**(36,362)**	54,280
Purchase of investment in securities	**(103,965)**	(690,691)
Purchase of investment properties	**(251,284)**	(202,987)
Purchase of development properties	**(421,977)**	(622,106)
Proceed from sale of investments in securities	**183,502**	1,142,000
Proceed from sale of investment properties and development properties	**607,783**	1,213,660
Net cash (used in)/generated by operating activities	**(13,377)**	626,142
Employees' end of service indemnity paid	**(2,046)**	(1,341)
Interest paid	**(186,630)**	(127,942)
Net cash (used in)/generated by operating activities	**(202,053)**	496,859

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

Consolidated statement of cash flows
for the year ended 31 December 2010 (continued)

	2010 AED '000	2009 AED '000
Cash flows from investing activities		
Decrease/(increase) in fixed deposits	**6,337**	(61,952)
Purchase of property, plant and equipment	**(54,192)**	(151,582)
Proceeds from sale of property, plant and equipment	**7,288**	2,256
Purchase of land	**(2,110)**	-
Purchase of investments in associates	**(108,857)**	(217,272)
Proceeds from disposal of investment in associates	**158,593**	124,811
Increase in goodwill	**-**	(1,250)
Acquisition of subsidiaries	**-**	12,015
Net cash inflow on disposal of business	**739**	-
Net cash generated by/(used in) investing activities	**7,798**	(292,974)
Cash flows from financing activities		
Issue of share capital with share premium	-	500,000
Dividends paid - subsidiaries	**(4,247)**	(9,178)
Net movement in bank loans	**159,282**	(601,400)
Net movement in finance lease	**(8,456)**	36,001
Increase in notes payable	**-**	303
Funds invested in non-controlling interest	**26,500**	2,350
Increase/(decrease) in short term bank borrowings	**17,135**	(97,618)
Non-controlling interest and other movements	**-**	(6,450)
Net cash generated by/(used in) financing activities	**190,214**	(175,992)
Net (decrease)/increase in cash and cash equivalents	**(4,041)**	27,893
Cash and cash equivalents at the beginning of the year	**82,259**	54,366
Cash and cash equivalents at the end of the year (Note 30)	**78,218**	82,259

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

Notes to the consolidated financial statements for the year ended 31 December 2010

1. General information

Gulf General Investments Co. (P.S.C.) - Dubai (the "Parent Company") is formed pursuant to Emiri Decree No. 2/73 dated July 27, 1973 and is incorporated as a Public Shareholding Company. The Parent 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 Parent 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 Parent 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 New and revised IFRSs applied with no material effect on the consolidated financial statements

The following new and revised IFRSs have been adopted in these consolidated financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

New and revised IFRSs	Summary of requirement
Amendments to IFRS 1 *First-Time Adoption of International Financial Reporting Standards – Additional Exemptions for First-Time Adopters*	The amendments provide two exemptions when adopting IFRSs for the first time relating to oil and gas assets, and the determination as to whether an arrangement contains a lease.
Amendments to IFRS 2 *Share-Based Payment – Group Cash-Settled Share-Based Payment Transactions*	The amendments clarify the scope of IFRS 2, as well as the accounting for group cash-settled share-based payment transactions in the separate financial statements of an entity receiving the goods or services when another group entity or shareholder has the obligation to settle the award.
Amendment to IFRS 3 (revised) *Business Combinations* 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*	Comprehensive revision on applying the acquisition method.

Notes to the consolidated financial statements for the year ended 31 December 2010 (continued)

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

2.1 New and revised IFRSs applied with no material effect on the consolidated financial statements (continued)

New and revised IFRSs	Summary of requirement
Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* (as part of *Improvements to IFRSs* issued in 2008)	The amendments clarify that all the assets and liabilities of a subsidiary should be classified as held for sale when the Group is committed to a sale plan involving loss of control of that subsidiary, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.
Amendments to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*	The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options.
IFRIC 17 *Distributions of Non-Cash Assets to Owners*	The Interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders.
IFRIC 18 *Transfers of Assets from Customers*	The Interpretation addresses the accounting by recipients for transfers of property, plant and equipment from 'customers' and concludes that when the item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognise the asset at its fair value on the date of the transfer, with the credit being recognised as revenue in accordance with IAS 18 *Revenue*.
Improvements to IFRSs issued in 2009	The application of Improvements to IFRSs issued in 2009 which amended IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9 and IFRIC 16 has not had any material effect on amounts reported in the consolidated financial statements.

2.2 New and revised IFRSs in issue but not yet effective and not early adopted

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 1 relating to *Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters*	1 July 2010
Amendments to IFRS 7 *Financial Instruments: Disclosures*, relating to Disclosures on Transfers of Financial Assets	1 July 2011
IFRS 9 *Financial Instruments* (as amended in 2010)	1 January 2013
IAS 24 *Related Party Disclosures* (revised in 2009)	1 January 2011

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

2.2 New and revised IFRSs in issue but not yet effective and not early adopted (continued)

New and revised IFRSs	**Effective for annual periods beginning on or after**
Amendments to IAS 32 Financial Instruments: Presentation, relating to Classification of Rights Issues	1 February 2010
Amendments to IFRIC 14 relating to Prepayments of a Minimum Funding Requirement	1 January 2011
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2010
Improvements to IFRSs issued in 2010 covering amendments to IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34 and IFRIC 13	1 January 2011, except IFRS 3 and IAS 27 which are effective 1 July 2010
Deferred Tax: Recovery of Underlying Assets – *Amendments to* IAS 12: *Income Taxes*	1 January 2012
Amendments to IFRS 1: *Removal of Fixed Dates for First-time Adopter*	1 July 2011
Amendments to IFRS 1 : Severe Hyperinflation	1 July 2011

Management anticipates that these amendments will be adopted in the Group's consolidated financial statements for the period beginning 1 January 2011 or as and when they are applicable and adoption of these standards and interpretations may have no material impact on the consolidated financial statements of the Group in the period of initial application.

3. Summary of significant accounting policies

3.1 Statement of compliance

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

3.2 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. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies are set out below:

Notes to the consolidated financial statements
for the year ended 31 December 2010 (continued)

3. Summary of significant accounting policies (continued)

3.3 Basis of consolidation

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

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

Where necessary, adjustments are made to the financial statements of group companies to bring their accounting policies in line with those used by other members of the Group.

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.

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 Parent Company.

When the Parent Company 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.

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

3.4 Subsidiaries

Details of the Parent Company's subsidiaries at 31 December 2010 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

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Notes to the consolidated financial statements for the year ended 31 December 2010 (continued)

3. Summary of significant accounting policies (continued)

3.4 Subsidiaries (continued)

Details of the Parent Company's subsidiaries at 31 December 2010 are as follows (continued):

Name of the subsidiary	Place of incorporation	Proportion of ownership (%)	Principal activities
L.A.I. General Trading L.L.C. – Dubai	U.A.E.	50	General trading
Al Sagr National Insurance Co. P.S.C. 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.
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

3. Summary of significant accounting policies (continued)

3.4 Subsidiaries (continued)

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 Parent Company.

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

During the year, interests in Horizon Metallic Industries L.L.C. and East Auto Spare Parts and General Trading Co. L.L.C. was disposed off and the net gain of AED 11,339 thousand along with gain on transfer of net assets of discontinued operation (Note 9) amounting to AED 15,599 thousand were considered in the profit or loss for the year.

3.5 Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in consolidated statement of income.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

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. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed 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 interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

3. Summary of significant accounting policies (continued)

3.5 Business combination (continued)

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains 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 (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Business combinations that took place prior to 1 January 2010 were accounted for in accordance with the previous version of IFRS 3.

3.6 Goodwill

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

3. Summary of significant accounting policies (continued)

3.6 Goodwill (continued)

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is 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 based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the consolidated statement of income on disposal.

3.7 Investments 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, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds 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), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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 an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount 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.

3. Summary of significant accounting policies (continued)

3.7 Investments in associates (continued)

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3.8 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 (i.e. when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control).

When 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 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 in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. The Group's share of the assets, liabilities, income and expenses of jointly controlled entities is combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising in a business combination (see 3.5 and 3.6 above).

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group' consolidated financial statements only to the extent of interests in the joint venture.

3.9 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.

3. Summary of significant accounting policies (continued)

3.9 Revenue recognition (continued)

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.

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.

3. Summary of significant accounting policies (continued)

3.10 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.

3.10.1 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.

3.10.2 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.

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.

3.11 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 Arab Emirates Dirhams ("AED"), which is the functional currency of the Group and the presentation currency for the consolidated financial statements.

Notes to the consolidated financial statements
for the year ended 31 December 2010 (continued)

3. Summary of significant accounting policies (continued)

3.11 Foreign currencies (continued)

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that 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 profit or loss 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 initially in other comprehensive income and reclassified from equity to profit or loss on repayment of monetary items.

3.12 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 profit or loss in the year in which they are incurred.

3.13 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the profit or loss in the period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the assets' cost to their residual values over their estimated useful lives as follows:

Notes to the consolidated financial statements
for the year ended 31 December 2010 (continued)

3. Summary of significant accounting policies (continued)

3.13 Property, plant and equipment (continued)

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

Freehold land is not depreciated.

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.

The gain or loss arising on the 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 the profit or loss.

3.14 Capital work in progress

Properties or assets in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes all direct costs attributable to the design and construction of the property including related staff costs, and for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. When the assets are ready for intended use, the capital work in progress is transferred to the appropriate property, plant and equipment category and is depreciated in accordance with the Group's policies.

3.15 Investment property

Investment property, which is property 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 property are included in the profit or loss in the period in which they arise.

3.16 Investment properties under development

Investment properties under development that are being constructed or developed for future use as investments property are measured initially at cost including all direct costs attributable to the design and construction of the property including related staff costs. Subsequent to initial recognition, investment properties under development is measured at fair value. Gains and losses arising from changes in the fair value of investment properties under development are included in the profit or loss in the period in which they arise. Upon completion of construction or development, such properties are transferred to investment properties.

3.17 Development properties

Development properties consists of property being developed principally for sale and is stated at the lower of cost or net realisable value. Cost comprises all direct costs attributable to the design and construction of the property including direct staff costs. Net realisable value is the estimated selling price in the ordinary course of the business less estimated costs to complete and applicable variable selling expenses.

Notes to the consolidated financial statements
for the year ended 31 December 2010 (continued)

3. Summary of significant accounting policies (continued)

3.18 Inventories

3.18.1 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.

3.18.2 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.

3.19 Impairment of tangible and intangible assets excluding 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. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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 (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 profit or loss, 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 profit or loss, 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.

3.20 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 that 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, (where the effect of time value of money is material).

3. Summary of significant accounting policies (continued)

3.20 Provisions (continued)

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.21 Employee benefits

3.21.1 Defined contribution plan

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

3.21.2 Annual leave and leave passage

An accrual is made for the estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by eligible employees up to the end of the year.

3.21.3 Provision for employees' end of service indemnity

Provision is also made for the full amount of end of service benefit due to non-UAE national employees in accordance with the UAE Labour Law and is based on current remuneration and their period of service at the end of the reporting period.

The accrual relating to annual leave and leave passage is disclosed as a current liability, while the provision relating to end of service benefit is disclosed as a non-current liability.

3.22 Financial instruments

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instrument.

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 are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets 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.

Notes to the consolidated financial statements
for the year ended 31 December 2010 (continued)

3. Summary of significant accounting policies (continued)

3.23 Financial assets

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.

The Group has classified the following financial assets as 'loans and receivables': cash and cash equivalents, trade and other receivables, due from related parties.

3.23.1 Bank balances and cash

Bank balances and cash include cash on hand and deposits held with banks (excluding deposits held under lien) with original maturities of three months or less.

3.23.2 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 Group 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 Group'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 consolidated statement of income.

Notes to the consolidated financial statements
for the year ended 31 December 2010 (continued)

3. Summary of significant accounting policies (continued)

3.23 Financial assets (continued)

3.23.3 Available-for-sale financial assets (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 other investments 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 values 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 values is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

3.23.4 Loans and receivables

Loans and receivables are measured at amortised costs 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.

3.23.5 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.

3.23.6 Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

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

3. Summary of significant accounting policies (continued)

3.23 Financial assets (continued)

3.23.6 Impairment of financial assets (continued)

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, 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 Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, 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 loss recognised 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. For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

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

For financial assets measured at amortised cost, 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 investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of 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.

3.23.7 Derecognition of financial assets

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

Notes to the consolidated financial statements
for the year ended 31 December 2010 (continued)

3. Summary of significant accounting policies (continued)

3.24 Financial liabilities and equity instruments issued by the group

3.24.1 Classification as debt and equity instruments

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

3.25 Equity instruments

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

3.26 Financial liabilities

The Group has classified the following financial liabilities as ‘other financial liabilities’: finance lease liabilities, trade and other payables and due to related parties and 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 except for short term payable when the recognition of interest would be immaterial.

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.

3.26.1 Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or expired.

3.27 Dividend distribution

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

3.28 Derivative financial instruments

Derivatives financial instruments are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. All the derivatives financial instruments are carried at their fair values as financial assets where the fair values are positive and as financial liabilities where the fair values are negative. A derivative financial instrument is presented as non-current assets or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivative financial instruments are presented as current assets or current liabilities. The resulting gain or loss is recognised in statement of income immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in statement of income depends on the nature of hedge relationship.

4. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 3 to these consolidated financial statements, 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.

The significant judgements and estimates made by management, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below:

4.1 Critical judgments in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see 4.2 below), that the management have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

4.1.1 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.

4.1.2 Fair value of derivative financial instruments

At 31 December 2010 the Group has outstanding interest rate swap. The fair value has been determined as such in accordance with best market practice and using observable market data.

4.1.3 Valuation of unquoted investments

Valuation of unquoted 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.

4.1.4 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 an 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.

Management has considered an amount of AED 8,313 thousand (2009: AED 21,699 thousand) as impairment loss on AFS financial assets for the year, based on the analysis of impairment test performed on available-for-sale financial assets based on conditions prevailing in U.A.E.

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

4.1 Critical judgments in applying accounting policies (continued)

4.1.5 Classification of properties

In the process of classifying properties, management has made various judgments. Judgment is needed to determine whether a property qualifies as an investment property, property, plant and equipment and/or property held for resale. The Group develops criteria so that it can exercise that judgment consistently in accordance with the definitions of investment property, property, plant and equipment and property held for resale. In making its judgment, management considered the detailed criteria and related guidance for the classification of properties as set out in IAS 2, IAS 16 and IAS 40, in particular, the intended usage of property as determined by the management. Development properties are grouped under current assets as intention of the management is to sell it within one year from the end of the reporting date.

4.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4.2.1 Fair value of investment properties and investment properties under development

The best evidence of fair value is current prices in an active market for similar properties. In the absence of such information, the Group determined the amount within a range of reasonable fair value estimates. In making its judgment, the Group considered recent prices of similar properties in the same location and similar conditions, with adjustments to reflect any changes in the nature, location or economic conditions since the date of the transactions that occurred at those prices. Such estimation is based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

The determination of the fair value of revenue-generating properties requires the use of estimates such as future cash flows from assets (such as leasing, tenants' profiles, future revenue streams, capital values of fixtures and fittings, and the overall repair and condition of the property) and discount rates applicable to those assets. In addition, development risks (such as construction and leasing risks) are also taken into consideration when determining the fair value of investment properties under development. These estimates are based on local market conditions existing at the end of the reporting period.

The continuing volatility in the global financial system and in real estate industry has contributed to the significant reduction in transaction volumes in the UAE. Therefore, in arriving at their estimates of market values as at 31 December 2010, the valuers have used their market knowledge and professional judgement and have not only relied solely on historic transactional comparables. In these circumstances, there is greater degree of uncertainty than which exists in a more active market in estimating market values of investment and development properties.

Notes to the consolidated financial statements
for the year ended 31 December 2010 (continued)

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

4.2 Key sources of estimation uncertainty (continued)

4.2.2 Useful lives of property, plant and equipment

Management reviews the residual values and estimated useful lives of property, plant and equipment at the end of each annual reporting period in accordance with IAS 16. Management determined that current year expectations do not differ from previous estimates based on its review.

4.2.3 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. In the absence of an active market for these investments or any recent transactions that could provide evidence of the current fair value, these investments are carried at cost less recognised impairment losses, if any. Management believes that the carrying values of these unquoted equity investments are not materially different from their fair values.

4.2.4 Impairment of investments in joint ventures and associates

Management regularly reviews its investments in joint ventures and associates for indicators of impairment. This determination of whether investments in joint ventures and associates are impaired entails Management's evaluation of the specific investee's profitability, liquidity, solvency and ability to generate operating cash flows from the date of acquisition and until the foreseeable future. The difference between the estimated recoverable amount and the carrying value of investment is recognised as an expense in profit or loss. Management is satisfied that no impairment provision is necessary on its investments in joint ventures and associates.

4.2.5 Impairment of trade and other receivables

An estimate of the collectible amount of trade and other receivables is made when collection of the full amount is no longer probable. This determination of whether the receivables are impaired entails Management's evaluation of the specific credit and liquidity position of the customers and related parties and their historical recovery rates, including discussion with legal department and review of current economic environment. Management is satisfied that no additional impairment is required on its trade and other receivables in excess of amount already provided.

4.2.6 Inventories

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

4.2.7 Derivative financial instruments

The fair values of derivative financial instruments measured at fair value are generally obtained by reference to quoted market prices, discounted cash flow models and recognised pricing models as appropriate.

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

4.2 Key sources of estimation uncertainty (continued)

4.2.8 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.

4.2.9 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.

4.2.10 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.

Notes to the consolidated financial statements
for the year ended 31 December 2010 (continued)

5. 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 fixtures AED '000	Storage tanks AED '000	Other assets AED '000	Properties under construction AED '000	Total AED '000
Cost								
At 31 December 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 (Note 7)	349,023	-	-	-	-	-	-	349,023
Transfers	19,676	25,086	210	119	-	5,202	(50,293)	-
Disposals	-	(6)	(4,222)	(377)	-	(4)	-	(4,609)
At 31 December 2009	446,327	134,253	115,190	34,802	49,581	22,548	108,080	910,781
Eliminated on disposal of subsidiaries	(708)	(6,773)	(861)	(481)	-	(439)	-	(9,262)
Additions during the year	10,634	5,565	1,933	13,426	63	22,571	-	54,192
Disposals	-	(2,922)	(4,413)	(572)	-	(140)	-	(8,047)
Transfers	23,443	18,557	-	-	11,407	2,386	(55,793)	-
At 31 December 2010	**479,696**	**148,680**	**111,849**	**47,175**	**61,051**	**46,926**	**52,287**	**947,664**

Notes to the consolidated financial statements for the year ended 31 December 2010 (continued)

5. 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 fixtures AED '000	Storage tanks AED '000	Other assets AED '000	Properties under construction AED '000	Total AED '000
Accumulated depreciation								
At 31 December 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 31 December 2009	21,985	35,312	41,080	11,534	4,157	5,823	-	119,891
Eliminated on disposal of subsidiaries	(285)	(4,304)	(436)	(314)	-	(58)	-	(5,397)
Charge for the year	23,562	15,109	13,183	7,545	2,912	4,128	-	66,439
Eliminated on disposals	-	(127)	(446)	(289)	-	-	-	(862)
At 31 December 2010	**45,262**	**45,990**	**53,381**	**18,476**	**7,069**	**9,893**	**-**	180,071
Carrying amount								
At 31 December 2010	**434,434**	**102,690**	**58,468**	**28,699**	**53,982**	**37,033**	**52,287**	767,593
At 31 December 2009	424,342	98,941	74,110	23,268	45,424	16,725	108,080	790,890

Properties under construction represent expenditure incurred on buildings and plant equipment.

Notes to the consolidated financial statements
for the year ended 31 December 2010 (continued)

6. Land

Land represents plots of land in the Emirates of Sharjah and Dubai used by the Group. 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 (Note 19).

The above include plots of land for AED 128,053 thousand (2009: AED 128,053 thousand) mortgaged to local banks against credit facilities granted to the Group (Note 22).

7. Investment properties

	Land AED '000	Buildings AED '000	Total AED '000
Fair value at 31 December 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 (Note 13)	123,187	173,541	296,728
Transferred to property, plant and equipment (Note 5)	-	(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 31 December 2009	811,823	1,181,208	1,993,031
Transferred from development properties (Note 13)	28,616	-	28,616
Bargain purchase gain	-	1,799	1,799
Purchases during the year	130,225	121,059	251,284
Sales during the year	(89,845)	(80,222)	(170,067)
Decrease in fair value	(235,485)	(96,362)	(331,847)
Fair value at 31 December 2010	**645,334**	**1,127,482**	**1,772,816**

Investment properties by geographical location

	2010 AED '000	2009 AED '000
In U.A.E.	**1,683,496**	1,935,419
In other countries	**89,320**	57,612
	1,772,816	1,993,031

Investment properties have been valued as of 31 December 2010 by an independent valuer. The Board of Directors have adopted the above valuation report of the independent valuer and accordingly, a decrease in fair value of AED 331,847 thousand was recognised in profit or loss.

Notes to the consolidated financial statements for the year ended 31 December 2010 (continued)

7. Investment properties (continued)

Borrowings costs on funds borrowed for obtaining the qualifying asset amounting to AED 56,879 thousand (2009: 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 337,508 thousand (2009: AED 343,472 thousand) are registered in the name of related parties in trust and for the benefit of the Group. Investment properties amounting to AED 740,640 thousand (2009: AED 727,150 thousand) are mortgaged to banks towards credit facilities granted to the Group (Note 22).

8. Goodwill

	2010 AED '000	2009 AED '000
Goodwill on acquisition of:		
Dubai Al Ahlia Quick Transport L.L.C.	**4,000**	4,000
Acorn Industries co. L.L.C.	**7,500**	7,500
Middle East world factories Equipment L.L.C.	**500**	500
Amalia Perfumes Trading and Manufacturing Co. L.L.C.	**2,504**	2,504
Lloyds Engineering Company L.L.C.	**1,364**	1,364
Quality International Company L.L.C.	**20,856**	20,856
East Auto Spare Parts and General Trading Co. L.L.C.	**-**	2,196
	36,724	38,920

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 2010.

9. Discontinued operations

The operations of one of the Parent Company's indirect subsidiary Al Sagr Saudi Insurance Company were discontinued with effect from 28 December 2008. The assets and liabilities of Al Sagr Saudi Insurance Company will be transferred to the newly formed entity 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 entity 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 entity has been approved by the SAMA valuation committee. As per SAMA in their letters dated 26 April 2010 and 1 June 2010 valuation process has been completed and Al Sagr Saudi Insurance Company has transferred its assets and liabilities as at reporting date. Accordingly opening balance of AED 23,291 thousand has been classified to other applicable account balances in the consolidated financial statements and a gain of AED 15,599 thousand is considered in the profit or loss for the year.

Notes to the consolidated financial statements
for the year ended 31 December 2010 (continued)

10. Investments in associates

	2010 AED '000	2009 AED '000
At equity method	**281,973**	386,630
At cost (entities in start-up stage)	**55,571**	156,881
	337,544	543,511

Movements in investments were as follows:

	2010 AED '000	2009 AED '000
Balance at the beginning of the year	**543,511**	517,272
Additions during the year	**108,857**	217,272
Disposals during the year	**(269,923)**	(137,670)
Transferred to available-for-sale investments (Note 11)	**(496)**	-
Impairment during the year	**(25,202)**	(8,363)
Share of associates' cumulative change in fair value	**(590)**	-
Share of loss for the year	**(18,613)**	(45,000)
Balance at the end of the year	**337,544**	543,511

The details of these associates are as follows:

Name of the associate	Place of incorporation	Ownership (%)	2010 AED '000	2009 AED '000
Arab Real Estate Development P.S.C. (Arab Corp)	Jordan	15.22	**49,709**	139,960
Ghadeh General Trading & Contracting Co. L.L.C. (Khalid Mustafa Karam Sons & Partners)	Kuwait	38	**28,965**	29,362
Oil Laboratories & Marine Surveyors Co. Ltd.	U.A.E.	25	**916**	832
Al Sagr Company for Co-operative Insurance (SCCI)	K.S.A.	26	**56,996**	50,993
Awtad Co. L.L.C.	U.A.E.	25	**105,090**	89,766
Jordan & Emirates Dimention for Investment Trading	Jordan	54.24	**30,835**	27,526
Global Financial Investments S.A.O.G.	Oman	-	**-**	130,405
Ithraa Capital L.L.C.	U.A.E.	-	**-**	8,363
Gulf Baader Capital Market L.L.C.	U.A.E.	25	**5,951**	7,308

Notes to the consolidated financial statements
for the year ended 31 December 2010 (continued)

10. Investments in associates (continued)

Name of the associate	Place of incorporation	Ownership (%)	2010 AED '000	2009 AED '000
Distinguished Co. For Trading and Distribution of Petrol and Energy Products	Jordan	-	**-**	1,320
The Archade Land Development Co. L.L.C.	U.A.E.	50	**50,000**	50,000
GGICO Investment Co.	U.A.E.	-	**-**	2,970
Horizon Industries Co., Jordan	Jordan	-	**-**	2,601
Horizon Metallic Industries L.L.C.	U.A.E.	49	**2,955**	-
GGI Retail Lebanon s.a.r.l	Lebanon	90	**3,710**	-
Green Air Technology L.L.C.	U.A.E.	50	**556**	244
Else Oil Co. L.L.C.	U.A.E.	50	**1,861**	1,861
			337,544	543,511

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

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

	2010 AED '000	2009 AED '000
Total assets	**1,483,702**	1,357,115
Total liabilities	**(978,879)**	(699,235)
Net assets	**504,823**	657,880
Groups share of associates' net assets	**260,093**	315,450
Goodwill arising on acquisition	**21,880**	71,180
	281,973	386,630

	2010 AED '000	2009 AED '000
Revenue	**63,906**	107,633
Loss for the year	**(110,951)**	(82,395)
Group's share of associates' loss for the year	**(18,613)**	(45,000)

Notes to the consolidated financial statements
for the year ended 31 December 2010 (continued)

11. Investments

Held-to-maturity investments

	2010 AED '000	2009 AED '000
Balance at the beginning of the year	**7,954**	7,946
Net movement	**(738)**	8
Balance at the end of the year	**7,216**	7,954

Available-for-sale investments

	2010 AED '000	2009 AED '000
Fair value at the beginning of the year	**734,243**	1,182,220
Acquired on acquisition of a subsidiary	**-**	182
Purchased during the year	**33,766**	43,734
Sold during the year	**(204,412)**	(347,591)
Transferred from associates (Note 10)	**496**	-
Exchange difference	**-**	(96)
Impairment loss	**(8,313)**	(21,699)
Decrease in fair value	**(136,879)**	(122,507)
Fair value at the end of the year	**418,901**	734,243

Held for trading investments

	2010 AED '000	2009 AED '000
Fair value at the beginning of the year	**689,826**	1,084,881
Acquired on acquisition of a subsidiary	**-**	647
Purchased during the year	**70,199**	646,949
Sold during the year	**(14,115)**	(923,492)
Exchange difference	**-**	(423)
Decrease in fair value	**(187,874)**	(118,736)
Fair value at the end of the year	**558,036**	689,826

Notes to the consolidated financial statements
for the year ended 31 December 2010 (continued)

11. Investments (continued)

Geographical distributions of investments:

	2010 AED '000	2009 AED '000
In U.A.E.	**922,658**	1,346,595
In other countries	**61,495**	85,428
	984,153	1,432,023

During the year 2008, Board of Directors of the Parent Company 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.

	2010 AED '000	2009 AED '000
Fair value of reclassified investments at the beginning of the year	**20,560**	36,608
Sold during the year	**(6,407)**	(23,209)
Change in fair value during the year	**(84)**	7,161
Fair value of reclassified investments at the end of the year	**14,069**	20,560

As a result of the above reclassification, the net loss for the year ended 31 December 2010 has decreased by AED 84 thousand (2009: net profit decreased by AED 7,161 thousand).

Held for trading investments and available-for-sale investments include investments of AED 432,778 thousand (2009: AED 272,117 thousand) pledged to local banks (Note 22) and investments of AED 24,506 thousand (2009: AED 59,041 thousand) registered in the name of related parties in trust and for the benefit of the Group.

12. Notes receivables – post dated cheques

Notes receivable comprise post dated cheques received from the buyers of development properties. Based on the prevailing market situation in UAE, the management has performed an impairment test for the future collectability of these notes receivable and accordingly has concluded that no impairment is required and these cheques will be realized in the normal course of business.

Notes to the consolidated financial statements
for the year ended 31 December 2010 (continued)

13. Development properties

	2010 AED '000	2009 AED '000
Balance at the beginning of the year	**1,444,865**	1,462,048
Transferred to investment properties (Note 7)	**(28,616)**	(296,728)
Addition during the year	**421,977**	622,106
Sales during the year	**(347,335)**	(342,561)
Write down to realisable value	**(144,490)**	-
Balance at the end of the year	**1,346,401**	1,444,865

During the year, based on an independent valuation of net realisable value of development properties, an amount of AED 144,490 thousand was considered as charge to profit or loss on account of write down to realisable value.

Borrowings costs on funds borrowed for obtaining the qualifying asset amounting to AED 28,420 thousand has (2009: AED 94,001 thousand) been capitalised. The weighted average capitalisation rate of funds borrowed generally is EIBOR or LIBOR plus applicable margin from 0.50% to 4.50%.

14. Inventories

	2010 AED '000	2009 AED '000
Raw materials	**162,512**	189,650
Work-in-progress	**34,483**	45,350
Finished products	**75,827**	109,524
	272,822	344,524
Allowance for slow moving inventories	**(1,330)**	(2,329)
	271,492	342,195
Stores and spares	**5,860**	8,722
Goods in transit	**5,334**	634
	282,686	351,551

Notes to the consolidated financial statements for the year ended 31 December 2010 (continued)

14. Inventories (continued)

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

	2010 AED '000	2009 AED '000
Balance at the beginning of the year	**2,329**	2,646
Eliminated on disposals of subsidiaries	**(1,566)**	-
Allowance made during the year	**567**	-
Allowance reversed during the year	**-**	(317)
Balance at the end of the year	**1,330**	2,329

15. Related party transactions

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

	2010 AED '000	2009 AED '000
Due from related parties		
Al Qala First investment – Jordan	**-**	5,068
Arab Real Estate Development Co. PSC – Jordan	**99,588**	121,311
Awtad Co.	**2,698**	-
Investment Group (Pvt) Ltd. (L.L.C.)	**-**	87,201
The Arcade land Development Co.	**7,636**	6,766
Gulf Baader Capital Market L.L.C.	**1,888**	-
Gulf General Investment Co. - Jordan	**2,320**	33,367
Al Sagr Co-operative Insurance Co.	**19,117**	-
Other related parties	**8,503**	7,846
	141,750	261,559

	2010 AED '000	2009 AED '000
Due to related parties		
Fal Oil Company Ltd. – Sharjah	**18,822**	40,675
Mechanical Engineering Services L.L.C. – Dubai	**3,710**	3,292
Investment Group (Pvt.) Ltd. – Sharjah	**44,283**	-
Sagr Al Bayda'a Trading Agency	**11,461**	40,082
HAPCO Group FZCO	**-**	13,463
Richmond Merchantile Ltd. FZC	**13,652**	63,547
Retail Arabia Ltd.	**-**	14,481
Other related parties	**5,649**	21,990
	97,577	197,530

Notes to the consolidated financial statements for the year ended 31 December 2010 (continued)

15. 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:

	2010 AED '000	2009 AED '000
Sale of investment properties	**-**	26,000
Purchase of development properties	**105,633**	-
Sale of goods and services	**18,007**	-

Compensation of directors/key management personnel:

	2010 AED '000	2009 AED '000
Key management salaries and benefits	**8,700**	7,620

16. Trade and other receivables

	2010 AED '000	2009 AED '000
Trade receivables	**1,571,731**	1,517,165
Allowance for doubtful debts	**(121,816)**	(29,080)
	1,449,915	1,488,085
Notes receivable – post dated cheques	**105,128**	164,447
Prepayment and other receivables	**181,642**	284,902
	1,736,685	1,937,434

Movement in the allowance for doubtful debts are as follows:

	2010 AED '000	2009 AED '000
Balance at the beginning of the year	**29,080**	20,013
Eliminated on disposal of subsidiaries	**(5,237)**	-
Allowances made	**99,960**	9,067
Amounts written off as uncollectable	**(1,877)**	-
Amounts recovered	**(110)**	-
Balance at the end of the year	**121,816**	29,080

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 31 December 2010 is adequate.

Notes to the consolidated financial statements
for the year ended 31 December 2010 (continued)

17. Bank balances and cash

	2010 AED '000	2009 AED '000
Cash on hand	**2,196**	1,889
Bank balances:		
Current accounts	**43,664**	55,292
Call accounts	**-**	311
Deposit accounts	**310,987**	309,733
	354,651	365,336
	356,847	367,225
Bank balances:		
In U.A.E.	**353,867**	329,247
In other countries	**784**	36,089
	354,651	365,336

Deposits include fixed deposits of AED 191,000 thousand (2009: AED 171,821 thousand) held under lien (see Note 22) with a local bank against facilities granted to the Group and also include a fixed deposit amounting to AED 10,000 thousand (2009: AED 10,000 thousand) hypothecated to the order of the Insurance Authority of U.A.E.

18. Share capital

	2010 AED '000	2009 AED '000
Issued and fully paid:		
1,791 million ordinary shares of AED 1 each	**1,791,333**	1,791,333

During the year 2009, the share capital of the Parent Company was increased by AED 711 million by the issue of 378 million bonus shares 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 2009 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.

Notes to the consolidated financial statements
for the year ended 31 December 2010 (continued)

19. Reserves

	Share premium AED '000	Statutory reserve AED '000	Additional reserve AED '000	Land revaluation reserve AED '000	Total AED '000
At 31 December 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	(166,667)	166,667	-	-	-
At 31 December 2009 & 2010	**-**	**450,298**	**264,190**	**119,005**	**833,493**

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 Parent Company.

20. Provision for employees' end of service indemnity

Movement in the net liability were as follows:

	2010 AED '000	2009 AED '000
Balance at the beginning of the year	**26,048**	20,175
Eliminated on disposals of subsidiary	**(334)**	-
Charge for the year	**5,586**	7,214
Amounts paid	**(2,046)**	(1,341)
Balance at the end of the year	**29,254**	26,048

Notes to the consolidated financial statements
for the year ended 31 December 2010 (continued)

21. 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**	
	2010	2009	**2010**	2009
	AED '000	AED '000	**AED '000**	AED '000
Not later than one year	**22,378**	16,794	**16,576**	11,575
Later than one year but not later than five years	**67,547**	78,376	**55,133**	62,064
Later than five years	**26,730**	34,905	**24,353**	30,879
	116,655	130,075	**96,062**	104,518
Less: Future finance costs	**(20,593)**	(25,557)	-	-
Present value of minimum lease payments	**96,062**	104,518	**96,062**	104,518

Included in the financial statements as:

	2010	2009
	AED '000	AED'000
Current portion of finance lease liability	**16,576**	11,575
Non-current portion of finance lease liability	**79,486**	92,943
	96,062	104,518

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

Notes to the consolidated financial statements
for the year ended 31 December 2010 (continued)

22. Bank borrowings

	2010 AED '000	2009 AED '000
Short term bank borrowings		
Bank overdrafts	**723,480**	728,926
Trust receipts	**227,996**	279,058
Bills discounted	**137,894**	139,869
Acceptances	**66,175**	2,679
	1,155,545	1,150,532
Term loans	**2,396,437**	2,237,155
Term loans are repayable as follows		
On demand or within one year	**2,014,178**	1,224,035
In the second year	**154,750**	472,139
In the third to fifth years inclusive	**212,509**	529,553
After five years	**15,000**	11,428
	2,396,437	2,237,115
Less : Amount due for settlement within 12 months	**(2,014,178)**	(1,224,035)
Amount due for settlement after 12 months	**382,259**	1,013,120

Term loan facilities bear interest at EIBOR and LIBOR plus applicable margins from 0.5% to 4.5%.

The interest rates on the short term bank borrowings are 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.

Notes to the consolidated financial statements
for the year ended 31 December 2010 (continued)

22. Bank borrowings (continued)

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.

During the year 2010, the Parent Company defaulted on the repayment of bank loans amounting to AED 248.8 million, the loan documentation of which stipulates repayment of whole remaining balance of the facilities become immediately payable to the banks. Furthermore, the Parent Company has not met with certain covenants set forth in the borrowing agreement with other banks having an outstanding loan balance of AED 462.5 million as of 31 December 2010. As required by IFRS, the non current portion of the defaulted loans amounting to AED 513.9 million and borrowings for which covenants were not met amounting to AED 231.5 million were reclassified in the consolidated financial statements as current liabilities.

Subsequent to the year end, the Parent Company has appointed HSBC Bank Middle East Limited as its financial advisor to restructure its debts due to banks and is engaged with banks to restructure its debts obligations.

23. Trade and other payables

	2010	2009
	AED '000	AED '000
Current portion		
Trade accounts payable	**677,126**	653,314
Due to non-controlling interests	**47,126**	93,043
Post dated cheques issued	**98,545**	256,144
Rent received in advance	**-**	27,562
Accrued expenses	**133,277**	78,244
Provisions and other payables	**119,768**	137,198
Retentions payable	**49,753**	57,165
	1,125,595	1,302,670
Non-current portion		
Notes payable	**257,040**	257,343

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

24. Advance received from customers

Advance received from customers includes AED 157,165 thousand (2009: AED 248,506 thousand) advance received by Parent Company against booking of apartments to be hand over at later dates.

Notes to the consolidated financial statements
for the year ended 31 December 2010 (continued)

25. Revenue

	2010 **AED '000**	2009 AED '000
Manufacturing income	**1,262,718**	1,284,263
Sale of development properties and investment properties	**607,783**	1,213,660
Sale of investments in securities	**183,502**	1,142,000
Insurance income	**315,593**	348,846
Trading income	**248,722**	382,327
Rental income	**54,353**	47,012
Dividend income	**22,961**	20,060
Interest on fixed deposits	**11,420**	11,980
Service income	**146,176**	187,146
	2,853,228	4,637,294

26. Cost of revenue

	2010 **AED '000**	2009 AED '000
Cost of goods manufactured and sold	**1,101,909**	1,141,343
Cost of development properties and investment properties sold	**517,402**	611,638
Cost of investments in securities sold	**265,426**	1,411,648
Cost of insurance	**294,055**	309,909
Cost of trading	**195,667**	436,921
Cost of services	**70,135**	104,232
	2,444,594	4,015,691

Notes to the consolidated financial statements
for the year ended 31 December 2010 (continued)

27. General and administrative expenses

	2010 AED '000	2009 AED '000
Staff costs	**90,141**	83,987
Maintenance and depreciation of property, plant and equipment	**54,633**	38,630
Allowance for slow moving inventories	**567**	(317)
Miscellaneous expenses	**164,269**	115,414
	309,610	237,714

28. Profit for the year

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

	2010 AED '000	2009 AED '000
Staff costs	**90,141**	83,987
Depreciation of property, plant and equipment	**66,439**	55,955

29. Basic (loss)/earnings per share

	2010	2009
(Loss)/profit for the year attributable to Owners of the parent (in AED '000)	**(943,136)**	210,181
Number of shares (in thousands)	**1,791,333**	1,675,912
Basic (loss)/earnings per share (in AED)	**(0.53)**	0.13

The denominator for the purpose of calculating the earnings per share for 2009 has been adjusted to reflect the right issues during 2009.

Notes to the consolidated financial statements
for the year ended 31 December 2010 (continued)

30. Cash and cash equivalents

	2010 AED '000	2009 AED '000
Bank balances and cash (Note 17)	**356,847**	367,225
Fixed deposits under lien/deposits with maturity over three months	**(278,629)**	(284,966)
	78,218	82,259

31. Fundamental accounting concept

The ability of the Group to continue as a going concern is dependent on rescheduling the terms of obligations with the lenders (i.e. restructuring of interest bearing loans/overdrafts from short term to medium/long terms loans), continued support from shareholders and future profitability which is dependent on adoption and implementation of a restructuring plan currently in discussions with the majority of the Group's bank lenders as discussed in Note 22.

The management is confident of the positive outcome of the discussion with the lenders and the restructuring plan and, therefore, has prepared the consolidated financial statements under the going concern concept of accounting.

Had the going concern basis not been used, adjustments would be made relating to the recoverability of recorded asset amounts, or to the amounts of liabilities to reflect the fact the Group may be required to realize its assets and extinguish its liabilities other than in the normal course of business, at amounts different from those stated in the consolidated financial statements.

Notes to the consolidated financial statements
for the year ended 31 December 2010 (continued)

32. 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:

	2010 AED '000	2009 AED '000
Current assets	**5,566**	4,230
Non-current assets	**17,117**	19,558
Current liabilities	**10,160**	3,803
Non-current liabilities	**12,236**	13,842
Income	**11,376**	8,872
Expenses	**10,552**	9,689

33. Operating lease commitments

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

	2010 AED '000	2009 AED '000
Within one year	**1,902**	2,861
In second to fifth years	**8,766**	11,446
After five years	**52,595**	118,754
	63,263	133,061

Notes to the consolidated financial statements
for the year ended 31 December 2010 (continued)

34. Commitments and contingent liabilities

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

	2010 **AED '000**	2009 AED '000
Building construction contracts	**91,156**	550,972
Letters of credit	**26,711**	38,104
Letters of guarantee	**174,738**	585,877
Investment purchase contracts	**21,497**	327,823

Notes to the consolidated financial statements
for the year ended 31 December 2010 (continued)

35. Segment information

	Manufacturing		Investments		Services and others		Total	
	2010 AED '000	2009 AED '000	**2010 AED '000**	2009 AED '000	**2010 AED '000**	2009 AED '000	**2010 AED '000**	2009 AED '000
Income								
Total income	**1,262,718**	1,284,263	**880,019**	2,434,712	**710,491**	918,319	**2,853,228**	4,637,294
Result								
Segment result	**160,809**	142,920	**(703,540)**	205,935	**150,634**	67,257	**(392,097)**	416,112
Unallocated general expenses	**-**	-	-	-	**-**	-	**(630,230)**	(396,356)
Other income	**2,110**	12,214	**35,938**	154,753	**10,538**	10,362	**48,586**	177,329
(Loss)/profit for the year							**(973,741)**	197,085
Pertaining to non-controlling interests							**30,605**	13,096
(Loss)/profit for the year – parent							**(943,136)**	210,181

Notes to the consolidated financial statements
for the year ended 31 December 2010 (continued)

35. Segment information (continued)

	Manufacturing		Investments		Services and others		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	AED ’000	AED ’000	**AED ’000**	AED ’000	**AED ’000**	AED ’000	**AED ’000**	AED ’000
Other information:								
Segment assets	**564,822**	618,804	**4,020,128**	5,374,287	**2,214,529**	1,751,306	**6,799,479**	7,744,397
Unallocated corporate assets	**-**	-	-	-	**-**	-	**1,603,734**	1,963,185
Consolidated total assets							**8,403,213**	9,707,582
Segment liabilities	**351,489**	293,031	**2,684,764**	3,338,503	**1,336,405**	816,598	**4,372,658**	4,448,132
Unallocated corporate liabilities	**-**	-	**-**	-	**-**	-	**1,266,774**	1,452,873
Total segment liabilities							**5,639,432**	5,901,005
Capital expenditure	**22,073**	54,678	**4,389**	4,854	**27,730**	92,050	**54,192**	151,582
Depreciation	**14,657**	16,861	**18,312**	15,103	**33,470**	23,991	**66,439**	55,955

Notes to the consolidated financial statements
for the year ended 31 December 2010 (continued)

35. Segment information (continued)

Information about the corporate geographical sales is as follows:

	2010 AED '000	2009 AED '000
United Arab Emirates	**2,243,724**	4,167,449
GCC countries except U.A.E.	**105,444**	20,646
Middle East	**86,994**	133,498
Africa	**63,389**	71,559
Asia	**32,957**	27,673
Other countries	**320,720**	216,469
	2,853,228	4,637,294

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 2009.

The capital structure of the Group consists of bank borrowings, finance lease liabilities, 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:

	2010 AED '000	2009 AED '000
Debt	**3,648,044**	3,492,205
Cash and cash equivalents	**(78,218)**	(82,259)
Net debt	**3,569,826**	3,409,946
Equity	**2,763,781**	3,806,577
Net debt to equity ratio (times)	**1.29**	0.90

Notes to the consolidated financial statements
for the year ended 31 December 2010 (continued)

37. Financial instruments

37.1 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.

37.2 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
31 December 2010						
Property, plant and equipment	-	-	-	-	767,593	767,593
Land	-	-	-	-	168,240	168,240
Investment properties	-	-	-	-	1,772,816	1,772,816
Goodwill	-	-	-	-	36,724	36,724
Investments in associates	-	-	-	-	337,544	337,544
Held-to-maturity investments	-	7,216	-	-	-	7,216
Available-for-sale investments	-	-	-	418,901	-	418,901
Development properties	-	-	-	-	1,346,401	1,346,401
Inventories	-	-	-	-	282,686	282,686
Due from related parties	141,750	-	-	-	-	141,750
Reinsurance contract assets	-	-	-	-	171,664	171,664
Trade and other receivables	1,907,663	-	-	-	129,132	2,036,795
Held for trading investments	-	-	558,036	-	-	558,036
Bank balance and cash	356,847	-	-	-	-	356,847
Total assets	**2,406,260**	**7,216**	**558,036**	**418,901**	**5,012,800**	**8,403,213**

Notes to the consolidated financial statements for the year ended 31 December 2010 (continued)

37. Financial instruments (continued)

37.2 Categories of financial instruments (continued)

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

Notes to the consolidated financial statements
for the year ended 31 December 2010 (continued)

37. Financial instruments (continued)

3.7.2 Categories of financial instruments (continued)

Liabilities and equity **31 December 2010**	**Financial instruments** **AED '000**	**Non-financial instruments** **AED '000**	**Total** **AED '000**
Equity	-	2,763,781	2,763,781
Provision for employees' end of service indemnity	-	29,254	29,254
Due to related parties	111,229	-	111,229
Insurance contract liability	-	290,000	290,000
Advance received from customers	-	178,270	178,270
Trade and other payables	1,382,635	-	1,382,635
Finance lease	96,062	-	96,062
Bank borrowings	3,551,982	-	3,551,982
Total liabilities and equity	**5,141,908**	**3,261,305**	**8,403,213**

Liabilities and equity 31 December 2009	Financial instruments AED '000	Non-financial instruments AED '000	Total AED '000
Equity	-	3,806,577	3,806,577
Provision for employees' end of service indemnity	-	26,048	26,048
Due to related parties	209,298	-	209,298
Insurance contract liability	-	346,338	346,338
Advance received from customers	-	267,103	267,103
Trade and other payables	1,532,451	27,562	1,560,013
Finance lease	104,518	-	104,518
Bank borrowings	3,387,687	-	3,387,687
Total liabilities and equity	5,233,954	4,473,628	9,707,582

The directors consider that the carrying amounts of the financial assets and financial liabilities recorded in the consolidated 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).

Notes to the consolidated financial statements
for the year ended 31 December 2010 (continued)

37. Financial instruments (continued)

37.2 Categories of financial instruments (continued)

31 December 2010

	Level 1 AED '000	Level 2 AED '000	Level 3 AED '000	Total AED '000
Financial assets at FVTPL				
Assets held for trading	266,800	291,236	-	558,036
Available-for-sale financial assets				
Quoted equities	396,849	-	-	396,849
Unquoted equities	-	22,052	-	22,052
	663,649	**313,288**	**-**	**976,937**

31 December 2009

	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 2009, accordingly, no reconciliation has been provided.

37.3 Interest rate risk management

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

At 31 December 2010, bank deposits carried interest rates ranging from 4.5% to 5.0% per annum (2009: 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%.

37. Financial instruments (continued)

37.4 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.

37.4.1 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.

37.4.2 Equity price risk

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

37.4.2.1 Equity price sensitivity analysis

The sensitivity analysis below has 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 42 million (31 December 2009: AED 73 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 56 million (2009: AED 69 million).

37.4.3 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.

37.4.4 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.

Notes to the consolidated financial statements
for the year ended 31 December 2010 (continued)

37. Financial instruments (continued)

37.4.4 Credit risk management (continued)

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

37.4.5 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

31 December 2010

	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
Held to maturity investments	-	-	-	7,216	-	7,216
Available-for-sale investments	-	-	-	418,901	-	418,901
Due from related parties	-	2,320	139,430	-	-	141,750
Trade and other receivables	108,559	206,924	1,292,070	300,110	-	1,907,663
Held for trading investments	76,578	-	481,458	-	-	558,036
Bank balance and cash	5,238	1,777	71,203	278,629	-	356,847
Total	**190,375**	**211,021**	**1,984,161**	**1,004,856**	**-**	**3,390,413**

Notes to the consolidated financial statements
for the year ended 31 December 2010 (continued)

37. Financial instruments (continued)

37.4.5 Liquidity risk management (continued)

Financial assets (continued)

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

Financial liabilities

31 December 2010

	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
Due to related parties	-	-	97,577	-	13,652	111,229
Trade and other payables	658,170	62,323	405,102	257,040	-	1,382,635
Bank borrowings and finance lease	3,169,723	5,595	10,981	422,392	39,353	3,648,044
Total	**3,827,893**	**67,918**	**513,660**	**679,432**	**53,005**	**5,141,908**

37. Financial instruments (continued)

37.4.5 Liquidity risk management (continued)

Financial liabilities (continued)

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

37.5 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.

Notes to the consolidated financial statements
for the year ended 31 December 2010 (continued)

38. Comparative amounts

The following balances in the consolidated income statement for the last year have been reclassified to conform to the current year presentation.

	As previously reported at 31 December 2009 AED '000	Reclassifications AED '000	As restated at 31 December 2009 AED '000
Revenue	4,709,908	(72,614)	4,637,294
Cost of revenue	4,293,796	(278,105)	4,015,691
		205,491	
Change in fair value of investment properties	-	1,166	1,166
Change in fair value of held for trading investments	-	(118,736)	(118,736)
Impairment loss on available-for-sale investments	-	(21,699)	(21,699)
Impairment loss on investment in associates	-	(8,363)	(8,363)
Loss recognised on disposal of interest in former associates	-	(12,859)	(12,859)
Share of loss of associates	-	(45,000)	(45,000)
		(205,491)	

There was no impact on the cash flows or reported profit of the last year due to the above reclassifications.

39. Approval of consolidated financial statements

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 23 March 2011.