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

**Consolidated financial statements
and independent auditor's report
for the year ended 31 December 2013**

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

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INDEPENDENT AUDITOR'S REPORT

The Shareholders
Gulf General Investments Co. (P.S.C.)
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 (together the "Group"), Dubai, United Arab Emirates** which comprise the consolidated statement of financial position as at 31 December 2013, 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.

Cont'd...

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INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of **Gulf General Investments Co. (P.S.C.) and its Subsidiaries, Dubai** as at 31 December 2013, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

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

Deloitte & Touche (M.E.)

Samir Madbak
Registration No. 386
26 March 2014

Consolidated statement of financial position
At 31 December 2013

	Notes	2013 AED '000	2012 AED '000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	5	697,951	821,798
Investment properties	6	2,280,852	2,082,591
Goodwill	7	12,000	34,220
Investments in associates and joint ventures	8	103,791	158,953
Held-to-maturity investments	9	6,698	6,800
Available-for-sale investments	9	183,880	195,433
Notes receivable-post dated cheques	10	377,666	305,896
Total non-current assets		3,662,838	3,605,691
Current assets			
Development properties	11	409,982	706,086
Inventories	12	129,528	233,175
Due from related parties	13	118,923	188,710
Re-insurance contract assets		157,012	112,575
Trade and other receivables	14	1,118,539	914,777
Held for trading investments	9	386,865	456,222
Bank balances and cash	15	383,353	368,302
Total current assets		2,704,202	2,979,847
Total assets		6,367,040	6,585,538

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

Consolidated statement of financial position
At 31 December 2013 (continued)

	Notes	2013 AED '000	2012 AED '000 (Restated)
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	16	**1,791,333**	1,791,333
Reserves	17	**51,883**	37,747
Cumulative change in fair value		**(109,171)**	(151,703)
Accumulated losses		**(739,916)**	(796,455)
Equity attributable to Owners of the parent company		**994,129**	880,922
Non-controlling interests		**299,265**	364,587
Net equity		**1,293,394**	1,245,509
Non-current liabilities			
Provision for employees' end of service indemnity	18	**32,823**	33,632
Finance lease	19	**22,554**	38,536
Long term portion of bank loans	20	**2,529,266**	2,692,891
Trade and other payables	21	**257,040**	257,040
Total non-current liabilities		**2,841,683**	3,022,099
Current liabilities			
Due to related parties	13	**348,153**	274,749
Insurance contract liabilities		**293,348**	247,322
Trade and other payables	21	**629,397**	829,287
Advance received from customers	22	**355,388**	236,103
Finance lease	19	**10,406**	15,705
Current portion of bank loans	20	**268,795**	270,224
Short term bank borrowings	20	**326,476**	444,540
Total current liabilities		**2,231,963**	2,317,930
Total liabilities		**5,073,646**	5,340,029
Total equity and liabilities		**6,367,040**	6,585,538

Mohamed Abdalla Alsari
Managing Director

Ahmad Yousuf Habib Al Yousuf
Director

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

Consolidated income statement
for the year ended 31 December 2013

	Notes	2013 AED '000	2012 AED '000 (Restated)
Revenue	23	**1,719,508**	1,930,306
Cost of revenue	24	**(1,394,902)**	(1,570,724)
Loss on sale of investments in securities		**(2,171)**	(20,679)
Gain/(loss) on changes in fair value and impairment losses			
- Change in fair value of held for trading investments	9	**(30,324)**	(10,015)
- Reversal of write down /(write down) of development properties from / to net realisable value	11	**58,487**	(123,189)
- Change in fair value of investment properties	6	**114,624**	(67,973)
- Impairment loss on investment in associates and joint ventures	8	**(40,288)**	-
- Impairment loss on trade receivables	14	**(27,548)**	(51,031)
- Impairment loss on available-for-sale and held to maturity investments	9	**(5,102)**	-
Other income		**48,689**	66,100
Selling and distribution expenses		**(24,593)**	(26,130)
General and administrative expenses	25	**(289,798)**	(277,652)
Finance costs		**(149,914)**	(155,979)
Gain recognised on disposal of interest in former associates		**-**	4,530
Share of losses from associates and joint ventures	8	**(20,805)**	(4,413)
Gain recognised on disposal of interest in former subsidiaries	28	**154,762**	15,061
Profit/(loss) for the year		**110,625**	(291,788)
Attributable to:			
Owners of the parent company		**70,675**	(327,680)
Non-controlling interests		**39,950**	35,892
		110,625	(291,788)
Basic earnings/(loss) per share (in AED)	26	**0.04**	(0.18)

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

Consolidated statement of comprehensive income for the year ended 31 December 2013

	Notes	2013 AED ’000	2012 AED ’000
Profit/(loss) for the year		**110,625**	(291,788)
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
Loss on revaluation of available-for-sale investments of associates and joint ventures	**8**	**-**	(662)
Net gain/(loss) on revaluation of available-for-sale investments	**9**	**16,174**	(111,907)
Items that will not be reclassified subsequently to profit or loss			
Transfer to profit or loss on sale of available-for sale investments		**26,358**	22,005
Total other comprehensive income/(loss)		**42,532**	(90,564)
Total comprehensive income/(loss) for the year		**153,157**	(382,352)
Attributable to:			
Owners of the parent company		**113,207**	(417,481)
Non-controlling interests		**39,950**	35,129
		153,157	(382,352)

Consolidated statement of changes in equity
for the year ended 31 December 2013

	Share capital AED '000	Reserves AED '000	Cumulative change in fair values AED '000	Accumulated losses AED '000	Attributable to Owners of the parent company AED '000	Non - controlling interests AED '000	Total AED '000
Balance at 31 December 2011	1,791,333	569,303	(61,902)	(1,000,331)	1,298,403	339,646	1,638,049
Loss for the year	-	-	-	(327,680)	(327,680)	35,892	(291,788)
Other comprehensive loss for the year	-	-	(89,801)	-	(89,801)	(763)	(90,564)
Total comprehensive loss for the year	-	-	(89,801)	(327,680)	(417,481)	35,129	(382,352)
Transfer of reserves (Note 17)	-	(531,556)	-	531,556	-	-	-
Dividends paid	-	-	-	-	-	(9,307)	(9,307)
Funds invested	-	-	-	-	-	3,620	3,620
Disposal of subsidiaries (Note 28)	-	-	-	-	-	(4,501)	(4,501)
	-	(531,556)	-	531,556	-	(10,188)	(10,188)
Balance at 31 December 2012	1,791,333	37,747	(151,703)	(796,455)	880,922	364,587	1,245,509
Profit for the year	-	-	-	70,675	70,675	39,950	110,625
Other comprehensive income for the year	-	-	42,532	-	42,532	-	42,532
Total comprehensive income for the year	-	-	42,532	70,675	113,207	39,950	153,157
Transfer to reserves (Note 17)	-	14,136	-	(14,136)	-	-	-
Dividends paid	-	-	-	-	-	(15,254)	(15,254)
Disposal of subsidiaries (Note 28)	-	-	-	-	-	(90,018)	(90,018)
	-	14,136	-	(14,136)	-	(105,272)	(105,272)
Balance at 31 December 2013	**1,791,333**	**51,883**	**(109,171)**	**(739,916)**	**994,129**	**299,265**	**1,293,394**

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

Consolidated statement of cash flows
for the year ended 31 December 2013

	2013 AED '000	2012 AED '000 (Restated)
Cash flows from operating activities		
Profit/(loss) for the year	**110,625**	(291,788)
Adjustments for:		
Depreciation of property, plant and equipment	**44,864**	61,680
Gain on sale of property, plant and equipment	**(523)**	(4,558)
Provision of employees end of service indemnity	**6,664**	4,901
Loss from sale of investments in securities	**2,171**	20,679
Gain on disposal of investment in associates and joint ventures	**-**	(4,530)
Gain on disposal of investment in subsidiaries	**(154,762)**	(15,061)
Gain on disposal of investment properties and development properties	**(913)**	(6,175)
Unrealised loss on revaluation of investments held for trading	**30,324**	10,015
Change in fair value of investment properties	**(114,624)**	67,973
Reversal of write down/(write down) of development properties to net realisable value	**(58,487)**	123,189
Impairment losses on available-for-sale and held to maturity investments	**5,102**	-
Impairment losses on trade receivables	**27,548**	51,031
Allowance for slow moving inventories	**6,406**	216
Share of losses from associates and joint ventures	**20,805**	4,413
Impairment of investment in associates and joint ventures	**40,288**	-
Bargain purchase gain	**-**	(1,461)
Allowance for doubtful debts recovered	**(1,807)**	-
Finance costs	**149,914**	155,979
Operating cash flow before changes in operating assets and liabilities	**113,595**	176,503
Net movements in reinsurance contract assets	**(44,437)**	(5,220)
Net movement in insurance contract liabilities	**46,026**	10,938
Increase in inventories	**(17,310)**	(41,191)
Increase in trade and other receivables	**(195,761)**	(150,327)
Decrease in due from related parties	**57,644**	45,857
Decrease in trade and other payables	**(79,203)**	(216,249)
Increase in advance received from customers	**119,285**	120,890
Increase in due to related parties	**75,544**	24,646
Purchase of investment in securities	**(693,897)**	(10,681)
Purchase of investment properties	**(224,526)**	(14,091)
Purchase of development properties	**(19,928)**	(6,177)
Proceed from sale of investments in securities	**779,844**	43,130
Proceed from sale of investment properties and development properties	**400,515**	263,103
Net cash generated by operating activities	**317,391**	241,131
Employees' end of service indemnity paid	**(2,172)**	(4,092)
Interest paid	**(104,502)**	(95,198)
Net cash generated by operating activities	**210,717**	141,841

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

Consolidated statement of cash flows
for the year ended 31 December 2013 (continued)

	2013 AED '000	2012 AED '000 (Restated)
Cash flows from investing activities		
Decrease in fixed deposits	**(27,488)**	(19,411)
Purchase of property, plant and equipment	**(29,162)**	(64,186)
Proceeds from sale of property, plant and equipment	**3,002**	13,952
Purchase of a subsidiary	**-**	(521)
Purchase of investments in associates and joint ventures	**(5,931)**	(6,089)
Proceeds from disposal of investment in associates and joint ventures	**-**	22,028
Net cash inflow on disposal of business	**37,000**	22,366
Net cash used in investing activities	**(22,579)**	(31,861)
Cash flows from financing activities		
Dividends paid – subsidiaries	**(15,254)**	(9,307)
Net movement in bank borrowings	**(173,402)**	(94,680)
Net movement in finance lease	**(11,919)**	(17,158)
Funds invested in non-controlling interests	**-**	698
Net cash used in financing activities	**(200,575)**	(120,447)
Net decrease in cash and cash equivalents	**(12,437)**	(10,467)
Cash and cash equivalents at the beginning of the year	**64,984**	75,451
Cash and cash equivalents at the end of the year (Note 27)	**52,547**	64,984

The following transaction is not reflected in the consolidated statement of cash flows as its non-cash transaction.

- Transfer of development properties amounting to AED 53,595 thousand from trade and other payables (2012: Nil).

1. General information

Gulf General Investments Co. (P.S.C.) - Dubai (the "Parent Company") is formed pursuant to Emiri Decree No. 2/73 dated 27 July 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 Parent 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. Application of new and revised International Financial Reporting Standards ("IFRSs")

2.1 New and revised IFRSs affecting disclosures in the consolidated financial statements

In the current year, the Group for the first time has applied the following new and revised IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2013.

2.1.1 New and revised Standards on consolidation, joint arrangements, associates and disclosures

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 (as revised in 2011) Separate Financial Statements and IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures. Subsequent to the issue of these standards, amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the first-time application of the standards.

In the current year, the Group has applied for the first time IFRS 10, IFRS 11, IFRS 12 and IAS 28 (as revised in 2011) together with the amendments to IFRS 10, IFRS 11 and IFRS 12 regarding the transitional guidance. IAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

IFRS 10 Consolidated Financial Statements

IFRS 10 *Consolidated Financial Statements* uses control as the single basis for consolidation, irrespective of the nature of the investee. IFRS 10 requires retrospective application subject to certain transitional provisions providing an alternative treatment in certain circumstances. Accordingly, IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* have been amended for the issuance of IFRS 10.

In light of the new definitions and guidance of IFRS 10 and IAS 27 (as revised in 2011), the management has reassessed the control conclusion for its investees. As a consequence, the management has not changed its control conclusion in respect of its investments as disclosed in Note 3.4 to the consolidated financial statements for the year ended 31 December 2013.

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

2.1 New and revised IFRSs affecting disclosures in the consolidated financial statements (continued)

2.1.1 New and revised Standards on consolidation, joint arrangements, associates and disclosures (continued)

IFRS 11 Joint Arrangement

IFRS 11 *Joint Arrangements* establishes two types of joint arrangements: Joint operations and joint ventures. The two types of joint arrangements are distinguished by the rights and obligations of those parties to the joint arrangement. Accordingly, IAS 28 *Investments in Associates and Joint Ventures* has been amended for the issuance of IFRS 11.

The application of IFRS 11 and IAS 28 (as revised in 2011) resulted in changes in the accounting of the Parent Company's jointly controlled entities that were previously accounted for using the proportionate consolidation method. As per the new requirements, all jointly controlled entities were deconsolidated and accounted for using the equity method of accounting.

The impact of the adoption of the abovementioned new and revised standards on the comparative amounts is disclosed in note 36 to these consolidated financial statements.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of IFRS 12 has resulted in more extensive disclosures in the consolidated financial statements (please see notes 34 and 35 in these consolidated financial statements).

IFRS 13 *Fair Value Measurement*

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements in IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurement and disclosures about fair value measurements except for share-based payment transactions that are within the scope of IFRS 2 Share-based payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realizable value for the purposes of measuring inventories or value in use for impairment assessment purpose).

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

IFRS 13 requires prospective application from 1 January 2013. In accordance with the transitional provisions, the Group has not made any new disclosures required by IFRS 13 for 2012 comparative periods. Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

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

2.2 New and revised IFRSs applied with no material effect on the consolidated financial statements

Amendments to IAS 1 *Presentation of Items of Other Comprehensive Income*

The main amendment to IAS 1 requires items of other comprehensive income to be grouped into two categories in the other comprehensive income section:

a) Items that will not be reclassified subsequently to profit or loss; and
b) Items that may be reclassified subsequently to profit or loss when specific conditions are met.

Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

The following new and revised IFRSs have been adopted in these consolidated financial statements. The application of these revised new and 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.

- Amendments to IFRS 7 *Financial Instruments: Disclosures* enhances disclosures about offsetting of financial assets and liabilities.
- Amendments to IAS 19 *Employee Benefits* eliminate the "corridor approach" and therefore require an entity to recognise changes in defined benefit plan obligations and plan assets when they occur.
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* clarifies the requirements for accounting for stripping costs associated with waste removal in surface mining, including when production stripping costs should be recognised as an asset, how the asset is initially recognised, and subsequent measurement.

2.3 New and revised International Financial Reporting Standards (IFRSs) in issue but not yet effective and not early adopted

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective:

New and revised IFRSs	***Effective for annual periods beginning on or after***
• Amendments to IFRS 7 *Financial Instruments*: Disclosures relating to disclosures about the initial application of IFRS 9.	When IFRS 9 is first applied
• IFRS 7 *Financial Instruments*: Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.	When IFRS 9 is first applied

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

2.3 New and revised International Financial Reporting Standards (IFRSs) in issue but not yet effective and not early adopted (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
• IFRS 9 *Financial Instruments (2009)* issued in November 2009 introduces new requirements for the classification and measurement of financial assets. *IFRS 9 Financial Instruments (2010)* revised in October 2010 includes the requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 *Financial Instruments (2013)* was revised in November 2013 to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the own credit gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9. IFRS 9 (2009) and IFRS 9 (2010) were superseded by IFRS 9 (2013) and IFRS 9 (2010) also superseded IFRS 9 (2009). The various standards also permit various transitional options. Accordingly, entities can effectively choose which parts of IFRS 9 they apply, meaning they can choose to apply: (1) the classification and measurement requirements for financial assets (2) the classification and measurement requirements for both financial assets and financial liabilities (3) the classification and measurement requirements and the hedge accounting requirements.	At its November 2013 meeting, the IASB tentatively decided that the mandatory effective date of IFRS 9 will be no earlier than annual periods beginning on or after 1 January 2017. However, IASB allows each version of the standard to be available for early application.
• Amendments to IAS 19 *Employee Benefits* - to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.	1 July 2014
• Amendments to IAS 32 *Financial Instruments: Presentation* relating to application guidance on the offsetting of financial assets and financial liabilities.	1 January 2014
• Amendments to IAS 36 – *recoverable amount disclosures* The amendments restrict the requirements to disclose the recoverable amount of an asset or CGU to the period in which an impairment loss has been recognized or reversed. They also expand and clarify the disclosure requirements applicable when an asset or CGU's recoverable amount has been determined on the basis of fair value less costs of disposal.	1 January 2014

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

2.3 New and revised International Financial Reporting Standards (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 39 *Financial Instruments: Recognition and Measurement, Novation of Derivatives and Continuation of Hedge Accounting* The amendment allows the continuation of hedge accounting when a derivative is novated to a clearing counterparty and certain conditions are met.	1 January 2014
• IFRIC 21 – *Levies* Interpretation was developed to address the concerns about how to account for levies that are based on financial data of a period that is different from that in which the activity that give rise to the payment of the levy occurs.	1 January 2014
• Amendments to IFRS 10, IFRS 12 and IAS 27 – *Guidance on Investment Entities.* On 31 October 2012, the IASB published a standard on investment entities, which amends IFRS 10, IFRS 12, and IAS 27 and introduces the concept of an investment entity in IFRSs.	1 January 2014

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements for the period beginning 1 January 2014 or as and when they are applicable and adoption of these new standards, interpretations and amendments may have no material impact except for adoption of IFRS 9 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 properties, land and certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

3. Summary of significant accounting policies (continued)

3.2 Basis of preparation (continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the assets or liability.

The amounts in the consolidated financial statements are rounded to nearest thousand (AED “000”) except when otherwise indicated.

The principal accounting policies are set out below:

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 when the Parent Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Parent Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Parent Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee uNilaterally.

The Parent Company considers all relevant facts and circumstances in assessing whether or not the Parent Company’s voting rights in an investee are sufficient to give it power, including:

3. Summary of significant accounting policies (continued)

3.3 Basis of consolidation (continued)

- the size of the Parent Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Parent Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Parent Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement and consolidated statement of other comprehensive income from the date the Parent Company gains control until the date when the Parent Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Parent Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Parent Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3.4 Subsidiaries

Details of the Parent Company's subsidiaries at 31 December 2013 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.) and Subsidiaries	U.A.E.	100	Manufacturing of prefab houses, concrete, carpentry, restaurant, ovens, kitchens, central airconditioning systems
Sogour Al Khaleej General Trading L.L.C.	U.A.E.	100	General trading
G.G.I. Retail General Trading L.L.C. and Subsidiaries	U.A.E.	100	General trading
Gulf Dura Industries Co. L.L.C.	U.A.E.	100	Manufacturing and trading of plastic goods.
Gulf General Steel Co. L.L.C.	U.A.E.	100	Trading in all kinds of steel products

3. Summary of significant accounting policies (continued)

3.4 Subsidiaries (continued)

Details of the Parent Company's subsidiaries at 31 December 2013 are as follows (continued):

Name of the subsidiary	Place of incorporation	Proportion of ownership (%)	Principal activities
GGICO Investments L.L.C.	U.A.E.	99	Investment in commercial/ industrial/agricultural enterprises and management
GGICO Real Estate Development Co. L.L.C.	U.A.E.	80	Real estate development
Al Sagr National Insurance Co. P.S.C. and a Subsidiary	U.A.E.	53	The writing of insurance of all types
Times Hotels Management (L.L.C.)	U.A.E.	51	Hotels management
ELCO Richmond Asphalt Product Trading	U.A.E.	51	Trading in asphalt
L.A.I. General Trading L.L.C. – Dubai	U.A.E.	50	General trading
Dubai Al Ahlia Quick Transport L.L.C.	U.A.E.	50	Transportation of general materials by trucks
Oil Lab & Marine Surveyors Co. L.L.C.	U.A.E.	50	Marine inspection, testing of petroleum products
Acorn Industries Co. L.L.C.	U.A.E.	50	Vehicle body manufacturing, steel, structure parts
Horizon Aluminium Industries L.L.C.	U.A.E.	50	Building metal products manufacturing

Certain percentage of 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.

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 profit and loss.

3. Summary of significant accounting policies (continued)

3.5 Business combination (continued)

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

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.

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.

3. Summary of significant accounting policies (continued)

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.

Goodwill arising on the acquisition of a subsidiary 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 recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any identified 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 profit or loss. 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 profit or loss on disposal.

3.7 Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. 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.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in associates and joint ventures 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 associates and joint ventures. When the Group's share of losses of associates and joint ventures exceeds the Group's interest in that associates and joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the associates and joint ventures), 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 associates and joint ventures.

3. Summary of significant accounting policies (continued)

3.7 Investments in associates and joint ventures (continued)

An investment in associate as a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or joint venture. On acquisition of the investment in an associate or a joint venture, 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 associates and joint ventures 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 the consolidated income statement in the period in which the investment is acquired.

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 associates and joint ventures. 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.

The Group discontinues the use of equity method from the date when the investment ceases to be an associate or a joint venture. When the Group retains its interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group's entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint ventures are recognised in the Group' consolidated financial statements only to the extent of interests in the associates or joint venture that are not related to the Group.

3. Summary of significant accounting policies (continued)

3.8 Revenue recognition

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

Sale of goods/properties

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

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

Rendering of services

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

Securities held-for-trading gain/loss

Gains and losses on sale of investments held for trading are recognised when the securities are sold and title has passed.

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 profit or loss when incurred.

3. Summary of significant accounting policies (continued)

3.8 Revenue recognition (continued)

Hotel revenue

Income from Hotel services rendered to guests and customers is recognised pro-rata over the periods of occupancy. Revenue from sale of goods, food and beverages is recognised upon issuance of related sales invoices on delivery to guests and customers.

3.9 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.

3.9.1 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.

3.9.2 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. Summary of significant accounting policies (continued)

3.10 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.

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.

3.11 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.

3.12 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:

	Percentage
Buildings, shed and prefab houses	2 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

Land is not depreciated and is stated at their revalued amounts, being the fair value at the date of revaluation. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from that which would be determined using the fair values at the reporting date.

Notes to the consolidated financial statements
for the year ended 31 December 2013 (continued)

3. Summary of significant accounting policies (continued)

3.12 Property, plant and equipment (continued)

Any revaluation increase arising on the revaluation of land is credited in other comprehensive income to the properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the land previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation of such land is charged to profit or loss to the extent that it exceeds the balance, if any, held in the land revaluation reserve relating to a previous revaluation of that asset.

On the subsequent sale or retirement of a revalued land, the attributable revaluation surplus remaining in the land revaluation reserve is transferred directly to retained earnings. No transfer is made from the land revaluation reserve to retained earnings except when the land is derecognised.

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.

3.13 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.

3.14 Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are measured initially at their cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in the fair value of investment properties are included in the profit or loss in the period in which they arise.

3.15 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.

3.16 Development properties

Development properties consists of property being developed principally for sale and includes properties under development 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 2013 (continued)

3. Summary of significant accounting policies (continued)

3.17 Inventories

3.17.1 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.

3.17.2 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.

3.18 Impairment of tangible assets excluding goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible 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.

3.19 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.

3. Summary of significant accounting policies (continued)

3.19 Provisions (continued)

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).

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.

3.20 Employee benefits

3.20.1 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.

3.20.2 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.

3.20.3 Provision for employees' end of service indemnity

Provision is 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. Provisions for employees' end of service indemnity for the employees working with the entities domiciled in other countries are made in accordance with local laws and regulations applicable in these countries.

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.

3.21 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.

3. Summary of significant accounting policies (continued)

3.21 Financial instruments (continued)

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.

3.22 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 (except for prepayments) and due from related parties.

3.22.1 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.

3.22.2 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 2013 (continued)

3. Summary of significant accounting policies (continued)

3.22 Financial assets (continued)

3.22.3 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.

3.22.4 Loans and receivables

Loans and receivables (except for prepayments) 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.

3.22.5 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.

3.22.6 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.

Notes to the consolidated financial statements
for the year ended 31 December 2013 (continued)

3. Summary of significant accounting policies (continued)

3.22 Financial assets (continued)

3.22.6 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.

Notes to the consolidated financial statements
for the year ended 31 December 2013 (continued)

3. Summary of significant accounting policies (continued)

3.22 Financial assets (continued)

3.22.7 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.

3.23 Financial liabilities and equity instruments issued by the Group

3.23.1 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.

3.24 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.

3.25 Financial liabilities

The Group has classified the following financial liabilities as ‘other financial liabilities’: finance lease liabilities, bank borrowings, 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.

3.25.1 Derecognition of financial liabilities

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

3.26 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.

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 note 4.2), 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 recognised 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 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.

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

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

The fair value of investment properties is determined by independent real estate valuation experts using recognised valuation methods. These methods comprise the Residual Value Method, and the Income Capitalisation Method.

The Residual Value Method requires the use of estimates such as future cash flows from assets (comprising of selling and leasing rates, future revenue streams, construction costs and associated professional fees, and financing cost, etc.), targeted internal rate of return and developer's risk and targeted profit. These estimates are based on local market conditions existing at the end of the reporting period.

Under the Income Capitalisation Approach, the income receivable under existing lease agreements and projected future rental streams are capitalised at appropriate rates to reflect the investment market conditions at the valuation dates.

Such estimations are based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

4.2.2 Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charge for its property, plant and equipment on an annual basis. The Group has carried out a review of the residual values and useful lives of property, plant and equipment as at 31 December 2013 (Note 5).

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. Valuation techniques and key inputs are mentioned in Note 33.3.1 to these consolidated financial statements.

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 additional impairment provision is necessary on its investments in joint ventures and associates in excess of amounts already provided.

Notes to the consolidated financial statements
for the year ended 31 December 2013 (continued)

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

4.2 Key sources of estimation uncertainty (continued)

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 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.

4.2.8 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.

4.2.9 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 financial position, performance and expansion plans of the entities, have concluded that expected future cash flows to arise from each subsidiaries will be adequate, accordingly no impairment is required.

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

4.2 Key sources of estimation uncertainty (continued)

4.2.10 Impairment of development properties

The Group's management reviews the development properties to assess impairment, if there is an indication of impairment.

In determining whether impairment losses should be recognised in the consolidated statement of comprehensive income, the management assesses the current selling prices of the property units and the anticipated costs for completion of such property units for properties which remain unsold at the reporting date. If the current selling prices are lower than the anticipated costs to complete, an impairment provision is recognised for the identified loss event or condition to reduce the cost of trading properties and trading properties under development to its net realisable value.

Notes to the consolidated financial statements
for the year ended 31 December 2013 (continued)

5. Property, plant and equipment

	Land AED '000	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	Capital work-in-progress AED '000	Total AED '000
Cost or value									
At 31 December 2011 (Restated)	168,240	531,864	166,763	90,752	53,067	65,832	27,662	29,424	1,133,604
Additions during the year	90,000	7,802	11,792	7,928	7,037	-	675	25,010	150,244
Acquisition of a subsidiary	-	-	3,144	275	222	-	138	-	3,779
Eliminated on disposal of subsidiaries (Note 28)	-	(31,795)	(24,623)	(1,180)	(1,177)	-	(6,188)	(16,940)	(81,903)
Disposals	(86,058)	(2,565)	(6,171)	(11,941)	(349)	-	(1,991)	-	(109,075)
At 31 December 2012 (Restated)	172,182	505,306	150,905	85,834	58,800	65,832	20,296	37,494	1,096,649
Additions during the year	-	8,556	2,449	4,691	5,292	176	497	7,501	29,162
Eliminated on disposal of subsidiaries (Note 28)	-	(67,735)	(43,075)	(6,574)	(9,116)	(4,786)	(1,781)	(13,473)	(146,540)
Disposals	-	(557)	(254)	(1,533)	(1,016)	-	-	-	(3,360)
Written off	-	-	-	-	-	-	(975)	-	(975)
Transfers	-	291	-	-	-	-	975	(1,266)	-
At 31 December 2013	**172,182**	**445,861**	**110,025**	**82,418**	**53,960**	**61,222**	**19,012**	**30,256**	**974,936**

Notes to the consolidated financial statements
for the year ended 31 December 2013 (continued)

5. Property, plant and equipment (continued)

	Land AED '000	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	Capital work-in-progress AED '000	Total AED '000
Accumulated depreciation									
At 31 December 2011(Restated)	-	68,306	62,981	56,866	25,096	11,895	11,482	-	236,626
Charge for the year	-	22,037	13,125	9,871	11,241	3,428	1,978	-	61,680
Acquisition of a subsidiary	-	-	2,506	174	189	-	196	-	3,065
Eliminated on disposal of subsidiaries (Note 28)	-	(3,227)	(4,407)	(727)	(882)	-	(3,654)	-	(12,897)
Eliminated on disposals	-	(13)	(4,121)	(8,787)	(97)	-	(605)	-	(13,623)
At 31 December 2012 (Restated)	-	87,103	70,084	57,397	35,547	15,323	9,397	-	274,851
Charge for the year	-	14,493	9,536	8,145	7,877	2,932	1,881	-	44,864
Eliminated on disposal of subsidiaries (Note 28)	-	(9,884)	(18,140)	(4,607)	(4,720)	(2,435)	(1,088)	-	(40,874)
Eliminated on disposals	-	(3)	(207)	(1,281)	(365)	-	-	-	(1,856)
At 31 December 2013	**-**	**91,709**	**61,273**	**59,654**	**38,339**	**15,820**	**10,190**	**-**	**276,985**
Carrying amount									
At 31 December 2013	**172,182**	**354,152**	**48,752**	**22,764**	**15,621**	**45,402**	**8,822**	**30,256**	**697,951**
At 31 December 2012 (Restated)	172,182	418,203	80,821	28,437	23,253	50,509	10,899	37,494	821,798

Notes to the consolidated financial statements
for the year ended 31 December 2013 (continued)

5. Property, plant and equipment (continued)

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

Land represents plots of land in the Emirates of Sharjah and Dubai used by the Group.

Certain plots of land and certain buildings with carrying amount of AED 440,218 thousand (2012: AED 447,617 thousand) are mortgaged to local bank against credit facilities granted to the Group.

The Group reviewed its depreciation policy and revised the estimated useful life of the certain buildings which were depreciated at 4%. Starting year 2013, the rates have been revised to 2 % for certain buildings. This change has the effect of reducing the depreciation expenses by AED 7,944 thousand and increasing the profit by AED 7,944 thousand for the year ended 31 December 2013.

The financial effect of this reassessment for future financial performance assuming the buildings are held until the end of their estimated useful lives is to decrease/(increase) the depreciation by the following amounts:

Year	**Amount AED '000**
2014	**7,944**
2015	**7,944**
2016	**7,944**
2017	**7,944**
2018 and after	**(39,720)**

6. Investment properties

	Land AED '000	**Buildings AED '000**	**Total AED '000**
Fair value at 31 December 2011	1,149,570	1,044,689	2,194,259
Transfers	(51,100)	51,100	-
Purchases during the year	11,638	2,453	14,091
Sales during the year	(23,683)	(34,103)	(57,786)
Change in fair value	(51,509)	(16,464)	(67,973)
Fair value at 31 December 2012	1,034,916	1,047,675	2,082,591
Purchases during the year	223,678	848	224,526
Sales during the year	-	(113,031)	(113,031)
Transfer to trade and other receivables	(27,858)	-	(27,858)
Change in fair value	(18,607)	133,231	114,624
Fair value at 31 December 2013	**1,212,129**	**1,068,723**	**2,280,852**

Notes to the consolidated financial statements
for the year ended 31 December 2013 (continued)

6. Investment properties (continued)

Investment properties by geographical location

	2013 AED '000	2012 AED '000
In U.A.E.	**2,235,579**	1,999,380
In other countries	**45,273**	83,211
	2,280,852	2,082,591

Investment properties have been valued as of 31 December 2013 by an independent valuer. The Board of Directors have adopted the above valuation report of the independent valuer and accordingly, increase in fair value of AED 114,624 thousand (2012: decrease in fair value AED 67,973 thousand) is recognised in profit or loss.

Investment properties amounting to AED 547,570 thousand (2012: AED 400,484 thousand) are registered in the name of related parties in trust and for the benefit of the Group. Investment properties amounting to AED 1,165,500 thousand (2012: AED 1,130,500 thousand) are mortgaged to banks towards credit facilities granted to the Group (Note 20).

The fair value was determined based on the market comparable approach that reflects recent transactions prices for similar properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2013 are as follows:

	Level 1 AED '000	Level 2 AED '000	Level 3 AED'000	Fair value as at 31 December 2013 AED '000
Land	-	-	1,212,129	1,212,129
Buildings	-	-	1,068,723	1,068,723
	-	-	2,280,852	2,280,852

There were no transfers between the levels during the year.

The disclosure of comparative information in respect of the above is not made in these consolidated financial statements as IFRS 13 does not require to provide comparative information for periods before initial application.

Notes to the consolidated financial statements
for the year ended 31 December 2013 (continued)

7. Goodwill

	2013 AED '000	2012 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
Lloyds Engineering Company L.L.C.	**-**	1,364
Quality International Company L.L.C.	**-**	20,856
	12,000	34,220

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 2013.

8. Investments in associates and joint ventures

	2013 AED '000	2012 AED '000 (Restated)
At equity method	**95,999**	114,542
At cost (entities in start-up stage)	**7,792**	44,411
	103,791	158,953

Movements during the year were as follows:

	2013 AED '000	2012 AED '000 (Restated)
Balance at the beginning of the year	**158,953**	242,893
Additions during the year	**5,931**	6,089
Disposals during the year	**-**	(17,498)
Transferred to available-for-sale investments (Note 9)	**-**	(5,000)
Transfer to held for trading investments (Note 9)	**-**	(47,467)
Interest waived by shareholders	**-**	(14,989)
Impairment during the year	**(40,288)**	-
Share of associates' cumulative change in fair value	**-**	(662)
Share of losses for the year	**(20,805)**	(4,413)
Balance at the end of the year	**103,791**	158,953

Notes to the consolidated financial statements
for the year ended 31 December 2013 (continued)

8. Investments in associates and joint ventures (continued)

The details of these associates and joint ventures are as follows:

Name of the associate and joint venture	Place of incorporation	Ownership (%)
Arab Real Estate Development P.S.C. (Arab Corp)	Jordan	30.81
Ghadeh General Trading & Contracting Co. L.L.C. (Khalid Mustafa Karam Sons & Partners)	Kuwait	38
Carbon Energy Inc	Panama	50
Edwinton Commercial Corp.	Panama	50
Awtad Co. PJSC	U.A.E.	25
Gulf Baader Capital Market L.L.C.	U.A.E.	25
The Archade Land Development Co. L.L.C.	U.A.E.	50
Horizon Metallic Industries L.L.C.	U.A.E.	50

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

Summarised financial information in respect of material associates and joint ventures are set out in note 35 to these consolidated financial statements.

Notes to the consolidated financial statements
for the year ended 31 December 2013 (continued)

9. Investments

	2013 AED '000	2012 AED '000
Held-to-maturity investments		
Balance at the beginning of the year	**6,800**	6,800
Impairment loss	**(102)**	-
Balance at the end of the year	**6,698**	6,800
Available-for-sale investments		
Fair value at the beginning of the year	**195,433**	326,555
Purchased during the year	**5,896**	4,412
Sold during the year	**(28,623)**	(28,627)
Impairment loss	**(5,000)**	-
Transferred from associates (Note 8)	**-**	5,000
Increase /(decrease) in fair value	**16,174**	(111,907)
Fair value at the end of the year	**183,880**	195,433
Held for trading investments		
Fair value at the beginning of the year	**456,222**	425,678
Purchased during the year	**688,001**	6,269
Sold during the year	**(727,034)**	(13,177)
Transfer from an associate (Note 8)	**-**	47,467
Decrease in fair value	**(30,324)**	(10,015)
Fair value at the end of the year	**386,865**	456,222
Geographical distributions of investments:		
In U.A.E.	**549,871**	625,489
In other countries	**27,572**	32,966
	577,443	658,455

Held for trading investments and available-for-sale investments include investments of AED 210,014 thousand (2012: AED 320,835 thousand) pledged to local banks (Note 20) and investments of AED 11,019 thousand (2012: AED 13,296 thousand) registered in the name of related parties in trust and for the benefit of the Group.

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

10. Notes receivables – post dated cheques

Notes receivable comprise post dated cheques received from the buyers of development properties. The management has performed an impairment test on the future collectability of these notes receivable and accordingly has concluded that no impairment is required and these cheques will be realised in the normal course of business.

11. Development properties

	2013 AED '000	2012 AED '000
Balance at the beginning of the year	**706,086**	992,034
Transferred from trade and other payables	**(53,595)**	-
Transferred from trade and other receivables*	**-**	30,206
Transferred to trade and other receivables	**(34,353)**	-
Addition during the year	**19,928**	6,177
Sales during the year	**(286,571)**	(199,142)
Reversal of write down/(write down) from /to net realisable value	**58,487**	(123,189)
Balance at the end of the year	**409,982**	706,086

During the year, based on an independent valuation of net realisable value of development properties, an amount of AED 58,487 thousand has been considered as reversal of write down (2012: AED 123,189 thousand – written down to net relisable value).

*The Parent Company has considered the option to repossess certain properties due to non fulfilment of obligations by the buyers. These repossessed properties were included in the development properties at the net realisable value estimated by the management.

12. Inventories

	2013 AED '000	2012 AED '000 (Restated)
Raw materials	**89,767**	76,201
Work-in-progress	**5,027**	101,209
Finished products	**41,840**	56,797
	136,634	234,207
Allowance for slow moving inventories	**(9,171)**	(2,979)
	127,463	231,228
Stores and spares	**1,796**	1,947
Goods in transit	**269**	-
	129,528	233,175

Notes to the consolidated financial statements
for the year ended 31 December 2013 (continued)

12. Inventories (continued)

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

	2013 **AED '000**	2012 AED '000
Balance at the beginning of the year	**2,979**	2,898
Allowance made during the year	**6,406**	216
Allowance written off during the year	**(214)**	(135)
Balance at the end of the year	**9,171**	2,979

Certain inventories along with the assignment of insurance policies against those inventories are hypothecated to banks against credit facilities granted to the Group (Note 20).

13. Related party transactions

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

	2013 **AED '000**	2012 AED '000 (Restated)
Due from related parties		
Associates and joint ventures	**67,747**	140,624
Other related parties	**51,176**	48,086
	118,923	188,710
Due to related parties		
Associates and joint ventures	**21,140**	22,439
Other related parties	**327,013**	252,310
	348,153	274,749

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.

Notes to the consolidated financial statements
for the year ended 31 December 2013 (continued)

13. Related party transactions (continued)

Transactions:

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

	2013 AED '000	2012 AED '000
Purchase of development properties	**160,482**	11,851
Sale of goods and services	**42,779**	9,771
Expenses	**17,875**	8,525

Compensation of directors/key management personnel:

	2013 AED '000	2012 AED '000
Key management salaries and benefits	**9,339**	8,760

14. Trade and other receivables

	2013 AED '000	2012 AED '000 (Restated)
Trade receivables	**888,288**	891,668
Allowance for doubtful debts	**(124,487)**	(187,806)
	763,801	703,862
Notes receivable – post dated cheques	**193,303**	55,888
Prepayment and other receivables	**161,435**	155,027
	1,118,539	914,777

Movement in the allowance for doubtful debts are as follows:

	2013 AED '000	2012 AED '000
Balance at the beginning of the year	**187,806**	186,722
Eliminated on disposal of subsidiaries	**(1,829)**	-
Allowances made during the year	**27,548**	51,031
Amounts written off as uncollectable	**(87,231)**	(49,947)
Amounts recovered	**(1,807)**	-
Balance at the end of the year	**124,487**	187,806

Notes to the consolidated financial statements
for the year ended 31 December 2013 (continued)

14. Trade and other receivables (continued)

Trade and other receivable includes AED 24,063 thousand (2012: AED Nil) due from a related party.

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 2013 is adequate.

15. Bank balances and cash

	2013 AED '000	2012 AED '000 (Restated)
Cash on hand	**2,681**	3,946
Bank balances:		
Current accounts	**46,327**	55,235
Deposit accounts	**334,345**	309,121
	380,672	364,356
	383,353	368,302
Bank balances:		
In U.A.E.	**380,149**	363,984
In other countries	**523**	372
	380,672	364,356

Deposits include fixed deposits of AED 298,000 thousand (2012: AED 180,000 thousand) held under lien (see Note 20) with a local bank against facilities granted to the Group and also include a deposit amounting to AED 10,300 thousand (2012: AED 10,000 thousand) maintained in accordance with the requirements of U.A.E. Federal Law No. 6 of 2007 concerning the formation of Insurance Authority of U.A.E. and is not available to finance day to day operations of the Group.

16. Share capital

	2013 AED '000	2012 AED '000
Issued and fully paid:		
1,791 million ordinary shares of AED 1 each	**1,791,333**	1,791,333

Notes to the consolidated financial statements
for the year ended 31 December 2013 (continued)

17. Reserves

	Statutory reserve AED '000	Additional reserve AED '000	Land revaluation reserve AED '000	Total AED '000
At 31 December 2011	450,298	-	119,005	569,303
Transfer to accumulated losses	(450,298)*	-	(81,258)	(531,556)
At 31 December 2012	-	-	37,747	37,747
Transfers for the year	7,068	7,068	-	14,136
At 31 December 2013	**7,068**	**7,068**	**37,747**	**51,883**

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.

* At the Annual General Meeting held on 24 April 2012, Shareholders approved transfer of balance in statutory reserve as at 31 December 2011 amounting to AED 450,298 thousand to accumulated losses. There were no such transfers during the year 2013. Transfer to reserve during the year represents 10% of profit for the year.

Additional reserve

The Parent Company's Articles of Association require that 10% of the annual 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. Transfer to reserve during the year represents 10% profit for the year.

Land revaluation reserve

Land revaluation reserve related to disposal of a plot of land has been transferred to accumulated losses during the year 2012. There were no such transfers during the year 2013.

18. Provision for employees' end of service indemnity

Movement in the net liability were as follows:

	2013 AED '000	2012 AED '000
Balance at the beginning of the year	**33,632**	32,741
Eliminated on disposals of subsidiaries (Note 28)	**(5,301)**	(102)
Acquisition of a subsidiary	**-**	184
Charge for the year	**6,664**	4,901
Amounts paid	**(2,172)**	(4,092)
Balance at the end of the year	**32,823**	33,632

Notes to the consolidated financial statements
for the year ended 31 December 2013 (continued)

19. Finance lease

The Group has entered into a leasing arrangement with a leasing Company registered in the United Arab Emirates to finance certain property, plant and equipment. 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**	
	2013	2012	**2013**	2012
	AED '000	AED '000 (Restated)	**AED '000**	AED '000 (Restated)
Not later than one year	**12,294**	17,001	**10,406**	15,705
Later than one year but not later than five years	**22,158**	37,817	**20,081**	30,758
Later than five years	**2,914**	6,434	**2,473**	7,778
	37,366	61,252	**32,960**	54,241
Less: Future finance costs	**(4,406)**	(7,011)	-	-
Present value of minimum lease payments	**32,960**	54,241	**32,960**	54,241

Included in the consolidated financial statements as:

	2013	2012
	AED '000	AED'000 (Restated)
Current portion of finance lease liability	**10,406**	15,705
Non-current portion of finance lease liability	**22,554**	38,536
	32,960	54,241

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 2013 (continued)

20. Bank borrowings

	2013 AED '000	2012 AED '000
Short term bank borrowings		
Bank overdrafts	**257,352**	268,519
Trust receipts	**68,902**	156,015
Bills discounted and acceptances	**222**	20,006
	326,476	444,540
Term loans	**2,798,061**	2,963,115

Term loans are repayable as follows

	2013 AED '000	2012 AED '000
On demand or within one year	**268,795**	270,224
In the second year	**310,536**	171,653
In the third to fifth years inclusive	**2,218,730**	1,824,889
After five years	**-**	696,349
	2,798,061	2,963,115
Less : Amount due for settlement within 12 months (shown under current liabilities)	**(268,795)**	(270,224)
Amount due for settlement after 12 months (shown under non-current liabilities)	**2,529,266**	2,692,891

Term loan facilities bear interest at EIBOR and LIBOR plus applicable margins from 0.5% to 4.5% other than the restructured term loans.

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 subsidiaries.

Notes to the consolidated financial statements
for the year ended 31 December 2013 (continued)

20. Bank borrowings (continued)

On 2 July 2012, the Parent Company concluded the restructuring agreement with a group of banks covering almost its entire debt outstanding. The amended terms for the facilities provided to the Parent Company was granted on security over the Parent Company's properties amounting to AED 919 million based on the initial valuation in the restructuring agreement.

According to the restructuring agreement, the total borrowing of the Parent Company amounting to AED 2.8 billion will be repaid as follows:

Year	Cumulative repayment of total borrowings	Cumulative repayment amount (in AED)
31 December 2012	2.5%	69,458,664
31 December 2013	7.5%	208,375,993
31 December 2014	12.5%	347,293,321
31 December 2015	22.5%	625,127,978
31 December 2016	50.0%	1,389,173,285
31 December 2017	75.0%	2,083,759,927
31 December 2018	100.0%	2,778,346,569

The Parent Company shall pay interest in respect of each term facility on the last day of each interest period at the rate which is an aggregate of applicable margin and EIBOR for term facilities denominated in Dirhams and LIBOR for term facilities denominated in Dollars. Margin in relation to each of the following calendar years are as follows:

Year (both inclusive)	Margin Rate (per annum)
2011 to 2014	2.00%
2015 to 2016	2.75%
2017 to 2018	3.50%

Commencing from 2 July 2012, the Parent Company is required to maintain a minimum Asset Cover Ratio of 1.2:1 and is also subject to the general covenants in accordance with the restructuring agreement.

Notes to the consolidated financial statements
for the year ended 31 December 2013 (continued)

21. Trade and other payables

	2013 AED '000	2012 AED '000 (Restated)
Current portion		
Trade accounts payable	**449,887**	594,019
Post dated cheques issued	**62,349**	51,809
Accrued expenses	**47,721**	38,382
Provisions and other payables	**68,299**	115,545
Retentions payable	**1,141**	29,532
	629,397	829,287
Non-current portion		
Notes payable	**257,040**	257,040

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

22. Advance received from customers

Advance received from customers includes AED 299,857 thousand (2012: AED 187,218 thousand) advance received by Parent Company against booking of apartments and plot of land to be handed over at later dates.

23. Revenue

	2013 AED '000	2012 AED '000 (Restated)
Sale of goods manufactured	**679,258**	1,085,128
Sale of development properties and investment properties	**400,515**	263,103
Insurance income	**299,666**	290,335
Trading and service income	**282,482**	225,109
Rental income	**39,850**	45,533
Dividend income	**8,855**	12,718
Interest on fixed deposits	**8,882**	8,380
	1,719,508	1,930,306

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

24. Cost of revenue

	2013 AED '000	2012 AED '000 (Restated)
Cost of goods manufactured and sold	**574,932**	919,986
Cost of development properties and investment properties sold	**399,602**	256,928
Cost of insurance	**271,108**	263,170
Cost of trading and services	**149,260**	130,640
	1,394,902	1,570,724

25. General and administrative expenses

	2013 AED '000	2012 AED '000 (Restated)
Staff costs	**120,695**	100,519
Allowance for slow moving inventories	**6,406**	216
Maintenance and depreciation of property, plant and equipment	**38,293**	60,675
Miscellaneous expenses	**124,404**	116,242
	289,798	277,652

26. Basic earnings/(loss) per share

	2013	2012
Profit/(loss) for the year attributable to Owners of the parent company (in AED '000)	**70,675**	(327,680)
Number of shares (in thousands)	**1,791,333**	1,791,333
Basic earnings/(loss) per share (in AED)	**0.04**	(0.18)

Notes to the consolidated financial statements
for the year ended 31 December 2013 (continued)

27. Cash and cash equivalents

	2013 AED '000	2012 AED '000 (Restated)
Bank balances and cash (Note 15)	**383,353**	368,302
Fixed deposits under lien/deposits with maturity over three months	**(330,806)**	(303,318)
	52,547	64,984

28. Disposal of subsidiaries

Details of the subsidiaries disposed during the year 2013 were as follows:

Name of the subsidiary	Place of incorporation	Proportion of ownership (%)	Principal activities
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
Retail Arabia International L.L.C. and Subsidiaries	U.A.E.	50	General trading
Gulf Engineering Services L.L.C. and Subsidiary	U.A.E.	50	Services, securities and maintenance (MEP)

Notes to the consolidated financial statements
for the year ended 31 December 2013 (continued)

28. Disposal of subsidiaries (continued)

Analysis of assets and liabilities of subsidiaries disposed

	2013 AED '000	2012 AED '000
Non-current assets		
Property, plant and equipment (Net)	**105,666**	69,006
Current assets		
Inventories	**114,551**	9,482
Due from related parties	**12,143**	7,207
Trade and other receivables	**149,067**	4,858
Bank balances and cash	**37,632**	252
Non-current liabilities		
Provision for employees' end of service indemnity	**(5,301)**	(102)
Term loan	**(8,228)**	-
Finance lease	**(6,777)**	-
Current liabilities		
Due to related parties	**(2,140)**	(15,751)
Trade and other payables	**(112,504)**	(47,356)
Current portion of term loan	**(4,347)**	-
Current portion of finance lease	**(2,585)**	-
Bank borrowings	**(97,141)**	(18,042)
Net assets disposed off	**180,036**	9,554
Less: Non-controlling interests	**(90,018)**	(4,501)
Net assets disposed off – Group's share	**90,018**	5,053
Gain on disposal of subsidiaries		
Consideration received	**267,000**	22,618
Less: Group's share	**(90,018)**	(5,053)
Less: Goodwill written off on disposal	**(22,220)**	(2,504)
Net gain on disposal of subsidiaries	**154,762**	15,061

Notes to the consolidated financial statements
for the year ended 31 December 2013 (continued)

29. Operating lease commitments

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

	2013 AED '000	2012 AED '000
Within one year	**3,379**	400
In second to fifth years	**2,000**	2,000
	5,379	2,400

30. Commitments and contingent liabilities

30.1 Commitments as of the end of reporting date were as follows:

	2013 AED '000	2012 AED '000
Building construction contracts	**71,272**	42,926
Investment purchase contracts	**46,610**	11,646

30.2 Contingent liabilities as of the end of reporting date were as follows:

	2013 AED '000	2012 AED '000
Letters of guarantee	**27,873**	48,407
Letters of credit	**-**	10,458

30.2.1 As of the reporting date, the Parent Company is defendant in main legal cases for approximately AED 400 million relating to land transaction, customer default, sale of properties and others.

The Parent Company's Board of Directors have reviewed the position pertaining to the above main legal cases and other legal cases communicated by the external lawyers and after consultation with the external lawyers have concluded that the cases can be successfully defended in the court of law and no significant potential losses will be incurred, and accordingly no provision has been recognised in the consolidated financial statements. The Parent Company also believes that it can claim additional compensation from some of above referred cases.

Notes to the consolidated financial statements
for the year ended 31 December 2013 (continued)

30. Commitments and contingent liabilities (continued)

30.2 Contingent liabilities as of the end of reporting date were as follows (continued):

30.2.2 The Group had a receivable from an associate company and advance received against sale of certain property from an entity being an SPV of this associate company. The Group had obtained an independent legal opinion from an external lawyer which confirms the Group may have its option (at its sole decision) to commercially to set-off advance with the receivable for like for like parties. Accordingly, the Group have set off the advance received from the SPV of the associate against the receivable from the associate. The Board of Directors have reviewed the status of the legal proceedings and the above legal advice and have concluded that Group will exercise its option (at Group's sole decision) and will choose commercially to set-off the payable with the receivable as the entities involved will quality for like for like parties.

31. Segment information

	Manufacturing		Investments		Services and others		Total	
	2013 AED '000	2012 AED '000 (Restated)	**2013 AED '000**	2012 AED '000 (Restated)	**2013 AED '000**	2012 AED '000 (Restated)	**2013 AED '000**	2012 AED '000 (Restated)
Income								
Total revenue	**679,258**	1,085,128	**458,102**	329,734	**582,148**	515,444	**1,719,508**	1,930,306
Result								
Segment result	**104,326**	165,142	**289,854**	(113,193)	**161,780**	121,634	**555,960**	173,583
Unallocated general expenses	**-**	-	**-**	-	**-**	-	**(491,853)**	(510,792)
Loss on sale of investments in securities	**-**	-	**(2,171)**	(20,679)	**-**	-	**(2,171)**	(20,679)
Other income	**10,522**	25,629	**12,444**	44,504	**25,723**	(4,033)	**48,689**	66,100
Profit/ (loss) for the year							**110,625**	(291,788)

Notes to the consolidated financial statements
for the year ended 31 December 2013 (continued)

31. Segment information (continued)

	Manufacturing		Investments		Services and others		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	AED '000	AED '000 (Restated)	**AED '000**	AED '000 (Restated)	**AED '000**	AED '000 (Restated)	**AED '000**	AED '000 (Restated)
Other information:								
Segment assets	**205,133**	215,000	**4,416,255**	4,302,445	**545,425**	689,283	**5,166,813**	5,206,728
Unallocated corporate assets							**1,200,227**	1,378,810
Consolidated total assets							**6,367,040**	6,585,538
Segment liabilities	**405,189**	401,630	**3,411,709**	3,569,714	**582,119**	649,396	**4,399,017**	4,620,740
Unallocated corporate liabilities							**674,629**	719,289
Total segment liabilities							**5,073,646**	5,340,029

32. 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 2012.

The capital structure of the Group consists of bank borrowings, finance lease liabilities, cash and cash equivalents and equity; comprising share capital, reserves (other than land revaluation and cumulative change in fair value) and accumulated losses.

Gearing ratio

The Group reviews the capital structure on a regular 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:

	2013	2012
	AED '000	AED '000
		(Restated)
Debt	**3,157,497**	3,461,896
Cash and cash equivalents (Note 27)	**(52,547)**	(64,984)
Net debt	**3,104,950**	3,396,912
Equity	**1,364,818**	1,359,465
Net debt to equity ratio (times)	**2.28**	2.50

33. Financial instruments

33.1 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.

33.2 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 2013						
Property, plant and equipment	-	-	-	-	697,951	697,951
Investment properties	-	-	-	-	2,280,852	2,280,852
Goodwill	-	-	-	-	12,000	12,000
Investments in associates and joint ventures	-	-	-	-	103,791	103,791
Held-to-maturity investments	-	6,698	-	-	-	6,698
Available-for-sale investments	-	-	-	183,880	-	183,880
Development properties	-	-	-	-	409,982	409,982
Inventories	-	-	-	-	129,528	129,528
Due from related parties	118,923	-	-	-	-	118,923
Reinsurance contract assets	-	-	-	-	157,012	157,012
Trade and other receivables and notes receivable – post dated cheques	1,401,912	-	-	-	94,293	1,496,205
Held for trading investments	-	-	386,865	-	-	386,865
Bank balances and cash	383,353	-	-	-	-	383,353
Total assets	**1,904,188**	**6,698**	**386,865**	**183,880**	**3,885,409**	**6,367,040**

Notes to the consolidated financial statements
for the year ended 31 December 2013 (continued)

33. Financial instruments (continued)

33.2 Categories of financial instruments (continued)

Assets	Loans and receivables	Held-to-maturity	Held for trading	Available-for-sale	Non-financial instruments	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000 (Restated)
31 December 2012						
Property, plant and equipment	-	-	-	-	821,798	821,798
Investment properties	-	-	-	-	2,082,591	2,082,591
Goodwill	-	-	-	-	34,220	34,220
Investments in associates and joint ventures	-	-	-	-	158,953	158,953
Held-to-maturity investments	-	6,800	-	-	-	6,800
Available-for-sale investments	-	-	-	195,433	-	195,433
Development properties	-	-	-	-	706,086	706,086
Inventories	-	-	-	-	233,175	233,175
Due from related parties	188,710	-	-	-	-	188,710
Reinsurance contract assets	-	-	-	-	112,575	112,575
Trade and other receivables and notes receivables – post dated cheques	1,137,395	-	-	-	83,278	1,220,673
Held for trading investments	-	-	456,222	-	-	456,222
Bank balance and cash	368,302	-	-	-	-	368,302
Total assets	1,694,407	6,800	456,222	195,433	4,232,676	6,585,538

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

33. Financial instruments (continued)

33.2 Categories of financial instruments (continued)

Liabilities and equity **31 December 2013**	**Financial instruments** **AED '000**	**Non-financial instruments** **AED '000**	**Total** **AED '000**
Equity	-	1,293,394	1,293,394
Provision for employees' end of service indemnity	-	32,823	32,823
Due to related parties	348,153	-	348,153
Insurance contract liabilities	-	293,348	293,348
Advance received from customers	-	355,388	355,388
Trade and other payables	886,437	-	886,437
Finance lease	32,960	-	32,960
Bank borrowings	3,124,537	-	3,124,537
Total liabilities and equity	**4,392,087**	**1,974,953**	**6,367,040**

Liabilities and equity 31 December 2012	Financial instruments AED '000	Non-financial instruments AED '000	Total AED '000 (Restated)
Equity	-	1,245,509	1,245,509
Provision for employees' end of service indemnity	-	33,632	33,632
Due to related parties	274,749	-	274,749
Insurance contract liabilities	-	247,322	247,322
Advance received from customers	-	236,103	236,103
Trade and other payables	1,086,327	-	1,086,327
Finance lease	54,241	-	54,241
Bank borrowings	3,407,655	-	3,407,655
Total liabilities and equity	4,822,972	1,762,566	6,585,538

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

Notes to the consolidated financial statements
for the year ended 31 December 2013 (continued)

33. Financial instruments (continued)

33.3 Fair value measurement

Fair value measurements recognised in the consolidated statement of financial position

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:

31 December 2013

	Level 1 AED '000	Level 2 AED '000	Level 3 AED '000	Total AED '000
Available-for-sale investments				
Quoted equity investments	183,781	-	-	**183,781**
Unquoted equity investments	-	-	99	**99**
Investments held for trading				
Quoted equity investments	253,720	-	-	**253,720**
Unquoted equity investments	-	-	133,145	**133,145**

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

The disclosure of comparative information in respect of the above is not made in these consolidated financial statements as IFRS 13 does not require providing comparative information for periods before initial application.

Notes to the consolidated financial statements
for the year ended 31 December 2013 (continued)

33. Financial instruments (continued)

33.3 Fair value measurement (continued)

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

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices at the close of the business on the reporting date.
- The fair values of other financial assets and financial liabilities are 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.

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined using similar valuation techniques and assumptions as used in the audited annual consolidated financial statements for the year ended 31 December 2012.

33.3.1 Fair value of the Group's financial assets that are measured at fair value on recurring basis

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined;

Financial assets	31 December 2013 AED'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
Investment held for trading					
Quoted equity investments	**253,720**	Level 1	Quoted bid prices in an active market.	None	NA
Unquoted equity investments	**133,145**	Level 3	Net assets valuation method.	None	NA
AFS investments					
Quoted equity investments	**183,781**	Level 1	Quoted bid prices in an active market.	None	NA
Unquoted equity investments	**99**	Level 3	Net assets valuation method.	None	NA

Notes to the consolidated financial statements
for the year ended 31 December 2013 (continued)

33. Financial instruments (continued)

33.4 Interest rate risk management

The Group's exposure to interest rate risk relates to its deposits with banks, bank borrowings and finance lease.

At 31 December 2013, deposits with banks carried interest rates ranging from 3% to 4.5% per annum (2012: 3% to 4.5% per annum). The interest rates on bank borrowings are linked to EIBOR for some facilities and LIBOR for other facilities plus applicable margin from 0.5% to 4.5 %. The details of interest rates for finance lease were mentioned in Note 19 to the consolidated financial statements

33.5 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.

33.5.1 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.

33.5.2 Equity price risk

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

33.5.2.1 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, cumulative change in fair value reserves would increase/decrease by AED 18 million (2012: AED 20 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/(loss) of the Group would increase/decrease by AED 38 million (2012: AED 46 million).

33.5.3 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.

33. Financial instruments (continued)

33.5.4 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.

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

33.5.5 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 Board of Directors prioritize the payment of bank borrowings as per restructuring agreement disclosed in Note 20.

34. Details of non-wholly owned subsidiaries that have material non-controlling interests

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intergroup eliminations.

	L.A.I. General Trading L.L.C. - Dubai		**Dubai Al Ahlia Quick Transport L.L.C.**		**Oil Lab & Marine Surveyors Co. L.L.C.**		**Acorn Industries Co. L.L.C.**		**Horizon Aluminium Industries L.L.C.**	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	AED ’000	AED ’000	**AED ’000**	AED ’000	**AED ’000**	AED ’000	**AED ’000**	AED ’000	**AED ’000**	AED ’000
Current assets	**881**	822	**46,309**	49,011	**8,807**	5,428	**13,296**	12,457	**9,278**	10,236
Non-current assets	**132,418**	132,418	**25,137**	29,314	**2,871**	2,999	**13,390**	13,541	**936**	1,351
Current liabilities	**92,094**	92,014	**25,257**	29,267	**2,317**	547	**18,261**	15,446	**19,431**	19,300
Non-current liabilities	**-**	-	**4,057**	2,411	**1,225**	2,002	**755**	578	**531**	659
Equity attributable to:										
Owners of the parent company	**20,602**	20,613	**21,066**	23,324	**4,068**	2,939	**3,835**	4,987	**(4,874)**	(4,186)
Non-controlling interests	**20,602**	20,613	**21,066**	23,324	**4,068**	2,939	**3,835**	4,987	**(4,874)**	(4,186)

34. Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

	Al Sagr National Insurance Co. P.S.C. and a subsidiary		Time Hotels Management L.L.C.		ELCO Richmond Asphalt Product Trading	
	2013	2012	**2013**	2012	**2013**	2012
	AED ’000	AED ’000	**AED ’000**	AED ’000	**AED ’000**	AED ’000
Current assets	**1,076,650**	938,641	**2,425**	1,237	**79,816**	56,031
Non-current assets	**185,479**	225,682	**365**	-	**5**	9
Current liabilities	**626,247**	560,789	**501**	(138)	**58,279**	40,126
Non-current liabilities	**11,479**	12,225	**-**	-	**166**	126
Equity attributable to:						
Owners of the parent company	**330,934**	313,393	**1,167**	701	**10,902**	8,052
Non-controlling interests	**293,469**	277,916	**1,122**	674	**10,474**	7,736

Notes to the consolidated financial statements
for the year ended 31 December 2013 (continued)

34. Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

	L.A.I. General Trading L.L.C. - Dubai		Dubai Al Ahlia Quick Transport L.L.C.		Oil Lab & Marine Surveyors Co. L.L.C.		Acorn Industries Co. L.L.C.		Horizon Aluminium Industries L.L.C.	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	AED '000	AED '000	**AED '000**	AED '000	**AED '000**	AED '000	**AED '000**	AED '000	**AED '000**	AED '000
Revenue	**-**	-	**51,081**	48,619	**6,664**	6,114	**25,888**	17,405	**7,552**	10,267
Expenses	**(21)**	(40)	**(55,596)**	(51,827)	**(4,406)**	(6,080)	**(28,192)**	(19,429)	**(8,928)**	(10,043)
Profit/(loss) for the year	**(21)**	(40)	**(4,515)**	(3,208)	**2,258**	34	**(2,304)**	(2,024)	**(1,376)**	224
Attributable to:										
Owners of the parent company	**(10)**	(20)	**(2,255)**	(1,604)	**1,129**	17	**(1,152)**	(1,012)	**(688)**	112
Non-controlling interests	**(11)**	(20)	**(2,260)**	(1,604)	**1,129**	17	**(1,152)**	(1,012)	**(688)**	112
Profit/(loss) for the year	**(21)**	(40)	**(4,515)**	(3,208)	**2,258**	34	**(2,304)**	(2,024)	**(1,376)**	224

Notes to the consolidated financial statements
for the year ended 31 December 2013 (continued)

34. Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

	Al Sagr National Insurance Co. P.S.C. and a subsidiary		**Time Hotels Management L.L.C.**		**ELCO Richmond Asphalt Product Trading**	
	2013	2012	**2013**	2012	**2013**	2012
	AED ’000	AED ’000	**AED ’000**	AED ’000	**AED ’000**	AED ’000
Revenue	**348,428**	383,756	**3,504**	2,549	**176,771**	181,596
Expenses	**(297,633)**	(354,419)	**(2,590)**	(1,374)	**(171,183)**	(174,378)
Profit for the year	**50,795**	29,337	**914**	1,175	**5,588**	7,218
Equity attributable to:						
Owners of the parent company	**26,921**	15,549	**466**	599	**2,850**	3,681
Non-controlling interests	**23,874**	13,788	**448**	576	**2,738**	3,537
Profit for the year	**50,795**	29,337	**914**	1,175	**5,588**	7,218

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

35. Details of associates that are material to the Group

The summarised financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRSs (adjusted by the Group for equity accounting purposes).

	Horizon Metallic Industries L.L.C.		**Awtad Co. PJSC**		**Ghadeh General Trading & Contracting Co. L.L.C. (Khalid Mustafa Sons & Partners)**	
	2013	2012	**2013**	2012	**2013**	2012
	AED '000	AED '000	**AED '000**	AED '000	**AED '000**	AED '000
Total assets	**10,419**	11,706	**186,377**	166,740	**64,415**	63,234
Total liabilities	**9,936**	8,549	**96,494**	95,057	**34,400**	32,835
Net assets	**483**	3,157	**89,883**	71,683	**30,015**	30,399
Group's share of net assets	**242**	1,563	**22,471**	36,841	**11,406**	11,552
Loss for the year	**(2,706)**	(1,884)	**(57,483)**	(1,266)	**(1,345)**	(961)
Group's share of loss for the year	**(1,353)**	(942)	**(14,371)**	(316)	**(511)**	(365)

36. Comparative amounts

The following tables summarises the impact of the adoption of the IFRS 11 on the comparative balances, results and cash flows for the year ended 31 December 2012:

Consolidated statement of financial position:

	As at 31 December 2012		
	As previously reported AED '000	**IFRS 11 adjustments AED '000**	**As restated AED '000**
Assets			
Property, plant and equipment	835,041	(13,243)	821,798
Inventories	233,241	(66)	233,175
Due from related parties	186,650	2,060	188,710
Trade and other receivables	916,819	(2,042)	914,777
Bank balances and cash	368,668	(366)	368,302
Overall impact on total assets		(13,657)	
Liabilities			
Finance lease	64,998	(10,757)	54,241
Due to related parties	271,095	3,654	274,749
Trade and other payables	835,841	(6,554)	829,287
Overall impact on liabilities		(13,657)	

Consolidated income statement:

	For the year ended 31 December 2012		
	As previously reported AED '000	**IFRS 11 adjustments AED '000**	**As restated AED '000**
Revenue	1,940,098	(9,792)	1,930,306
Cost of revenue	(1,573,748)	3,024	(1,570,724)
Other income	66,672	(572)	66,100
General and administrative expenses	(284,762)	7,110	(277,652)
Share of losses from associates and joint ventures	(4,057)	(356)	(4,413)
Finance costs	(156,565)	586	(155,979)

Management has concluded that application of IFRS 11 has not resulted in a material misstatement accordingly a third statement of financial position has not been presented.

37. Approval of consolidated financial statements

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 26 March 2014.