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

**Review report and consolidated interim**
**financial information**
**for the period ended 31 March 2013**

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

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# REPORT ON REVIEW OF CONSOLIDATED INTERIM FINANCIAL INFORMATION

**The Board of Directors**
**Gulf General Investments Co. (P.S.C.)**
**Dubai - United Arab Emirates**

*Introduction*

We have reviewed the accompanying condensed consolidated statement of financial position of **Gulf General Investments Co. (P.S.C.) (the "Parent Company") and its Subsidiaries (together the "Group"), Dubai, United Arab Emirates**, as at 31 March 2013 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three month period then ended. Management is responsible for the preparation and presentation of this consolidated interim financial information in accordance with International Accounting Standard 34: Interim Financial Reporting. Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

*Scope of review*

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34: Interim Financial Reporting.

Deloitte & Touche (M.E.)

Samir Madbak
Registration No. 386
12 May 2013

**Condensed consolidated statement of financial position**
**At 31 March 2013**

| | Notes | 31 March 2013 (unaudited) AED '000 | 31 December 2012 (audited) AED '000 (Restated) |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **820,288** | 821,798 |
| Investment properties | | **1,982,441** | 2,082,591 |
| Goodwill | | **34,220** | 34,220 |
| Investments in associates | | **158,675** | 158,953 |
| Held-to-maturity investments | | **6,800** | 6,800 |
| Available-for-sale investments | | **192,709** | 195,433 |
| Notes receivable-post dated cheques | | **289,658** | 305,896 |
| **Total non-current assets** | | **3,484,791** | 3,605,691 |
| **Current assets** | | | |
| Development properties | | **701,587** | 706,086 |
| Inventories | | **264,450** | 233,175 |
| Due from related parties | | **184,752** | 188,710 |
| Re-insurance contract assets | | **180,582** | 112,575 |
| Trade and other receivables | | **974,650** | 914,777 |
| Held for trading investments | | **467,625** | 456,222 |
| Bank balances and cash | **4** | **424,284** | 368,302 |
| **Total current assets** | | **3,197,930** | 2,979,847 |
| **Total Assets** | | **6,682,721** | 6,585,538 |

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

**Condensed consolidated statement of financial position**
**At 31 March 2013 (continued)**

| | Notes | 31 March 2013 (unaudited) AED '000 | 31 December 2012 (audited) AED '000 (Restated) |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Capital and reserves** | | | |
| Share capital | 5 | 1,791,333 | 1,791,333 |
| Reserves | 6 | 37,747 | 37,747 |
| Cumulative change in fair value | | (155,762) | (151,703) |
| Accumulated losses | | (785,533) | (796,455) |
| **Equity attributable to Owners of the parent** | | 887,785 | 880,922 |
| Non-controlling interests | | 385,097 | 364,587 |
| **Net equity** | | 1,272,882 | 1,245,509 |
| **Non-current liabilities** | | | |
| Provision for employees' end of service indemnity | | 34,382 | 33,632 |
| Finance lease | | 35,293 | 38,536 |
| Long term portion of bank loans | 7 | 2,725,825 | 2,692,891 |
| Trade and other payables | | 257,040 | 257,040 |
| **Total non-current liabilities** | | 3,052,540 | 3,022,099 |
| **Current liabilities** | | | |
| Due to related parties | | 288,001 | 274,749 |
| Insurance contract liabilities | | 329,017 | 247,322 |
| Advance received from customers | | 204,709 | 236,103 |
| Trade and other payables | | 876,807 | 829,287 |
| Finance lease | | 15,675 | 15,705 |
| Current portion of bank loans | 7 | 214,475 | 270,224 |
| Short term bank borrowings | 7 | 428,615 | 444,540 |
| **Total current liabilities** | | 2,357,299 | 2,317,930 |
| **Total Liabilities** | | 5,409,839 | 5,340,029 |
| **Total Equity and Liabilities** | | 6,682,721 | 6,585,538 |

Majid Al Sari
Vice Chairman

Mohammed Al Sari
Managing Director

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

**Condensed consolidated statement of income (unaudited)**
**for the period ended 31 March 2013**

| | Notes | Three month period ended 31 March 2013 AED '000 | 2012 AED '000 (Restated) |
|---|---|---|---|
| Revenue | 8 | **530,856** | 469,491 |
| Cost of revenue | 8 | **(413,448)** | (363,487) |
| Gross profit | | **117,408** | 106,004 |
| Gain/(loss) on change in fair value of held for trading investments | | **11,659** | (12,137) |
| Other operating income | | **6,460** | 12,036 |
| Selling and distribution expenses | | **(6,836)** | (5,575) |
| General and administrative expenses | | **(59,792)** | (56,407) |
| Share of loss in associates and joint controlled entities | | **(229)** | (573) |
| Finance cost | | **(35,821)** | (37,756) |
| **Profit for the period** | | **32,849** | 5,592 |
| **Attributable to:** | | | |
| Owners of the parent | | **10,922** | (1,415) |
| Non-controlling interests | | **21,927** | 7,007 |
| | | **32,849** | 5,592 |
| **Basic earnings per share** | 9 | **0.01** | - |

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

## Condensed consolidated statement of comprehensive income (unaudited)
## for the period ended 31 March 2013

| | Three month period ended 31 March | |
|---|---|---|
| | **2013** | 2012 |
| | **AED '000** | AED '000 |
| Profit for the period | **32,849** | 5,592 |
| **Other comprehensive (loss)/income** | | |
| ***Items that will not be reclassified subsequently to profit or loss:*** | | |
| Net loss on available-for-sale investments recognised directly in equity | **(6,355)** | (20,813) |
| Transfer to profit or loss on sale of available-for-sale investments | **2,296** | 749 |
| Other comprehensive loss for the period | **(4,059)** | (20,064) |
| **Total comprehensive income/(loss) for the period** | **28,790** | (14,472) |
| **Total comprehensive loss attributable to:** | | |
| Owners of the parent | **6,863** | (21,409) |
| Non-controlling interests | **21,927** | 6,937 |
| | **28,790** | (14,472) |

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

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

**Condensed consolidated statement of changes in equity**
**for the period ended 31 March 2013**

| | Share capital AED '000 | Reserves AED '000 | Cumulative change in fair value AED '000 | Accumulated losses AED '000 | Attributable to Owners of the parent AED '000 | Non - controlling interests AED '000 | Total AED '000 |
|---|---|---|---|---|---|---|---|
| Balance at 31 December 2011 (audited) | 1,791,333 | 569,303 | (61,902) | (1,000,331) | 1,298,403 | 339,646 | 1,638,049 |
| Profit for the period | - | - | - | (1,415) | (1,415) | 7,007 | 5,592 |
| Other comprehensive loss for the period | - | - | (19,994) | - | (19,994) | (70) | (20,064) |
| Total comprehensive loss for the period | - | - | (19,994) | (1,415) | (21,409) | 6,937 | (14,472) |
| Dividend paid | - | - | - | - | - | (2,096) | (2,096) |
| Funds invested | - | - | - | - | - | 98 | 98 |
| | - | - | - | - | - | (1,998) | (1,998) |
| **Balance at 31 March 2012 (unaudited)** | 1,791,333 | 569,303 | (81,896) | (1,001,746) | 1,276,994 | 344,585 | 1,621,579 |
| Balance at 31 December 2012 (audited) | 1,791,333 | 37,747 | (151,703) | (796,455) | 880,922 | 364,587 | 1,245,509 |
| Profit for the period | - | - | - | 10,922 | 10,922 | 21,927 | 32,849 |
| Other comprehensive loss for the period | - | - | (4,059) | - | (4,059) | - | (4,059) |
| Total comprehensive income for the period | - | - | (4,059) | 10,922 | 6,863 | 21,927 | 28,790 |
| Dividend paid | - | - | - | - | - | (1,417) | (1,417) |
| **Balance at 31 March 2013 (unaudited)** | **1,791,333** | **37,747** | **(155,762)** | **(785,533)** | **887,785** | **385,097** | **1,272,882** |

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

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

**Condensed consolidated statement of cash flows (unaudited)**
**for the period ended 31 March 2013**

| | Three month period ended 31 March 2013 AED '000 | 2012 AED '000 (Restated) |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit for the period | **32,849** | 5,592 |
| Adjustments for: | | |
| Provision for employees' end of service benefits | **1,853** | 1,811 |
| Loss/(gain) from sale of investments in securities | **1,797** | (1,338) |
| Unrealised (gain)/loss on investments held for trading | **(11,659)** | 12,137 |
| Gain on sale of investment properties and development properties | **(5,978)** | (137) |
| Loss from investments in associates and jointly controlled entities | **229** | 573 |
| Finance cost | **35,821** | 37,756 |
| **Operating cash flows before movements in working capital** | **54,912** | 56,394 |
| Increase in inventories | **(31,275)** | (6,725) |
| (Increase)/decrease in trade and other receivables | **(43,635)** | 247,003 |
| Decrease in due from related parties | **3,958** | 44,041 |
| Increase/(decrease) in trade and other payables | **23,851** | (348,690) |
| (Decrease)/increase in advance received from customers | **(31,394)** | 7,202 |
| Increase in due to related parties | **13,252** | 19,834 |
| Purchase of investments in securities | **(20,537)** | (8,440) |
| Purchase of investment properties | **(75)** | (220) |
| Purchase of development properties | **(1,963)** | - |
| Proceeds from sale of investment properties and development properties | **112,665** | 20,189 |
| Proceeds from sale of investments in securities | **17,661** | 7,223 |
| (Increase)/decrease in reinsurance contract assets | **(68,007)** | 14,430 |
| Increase/(decrease) in insurance contract liabilities | **81,695** | (3,464) |
| **Cash generated from operations** | **111,108** | 48,777 |
| Employees' end of service benefits paid | **(1,103)** | (613) |
| Interest paid | **(12,103)** | (13,072) |
| **Net cash generated from operating activities** | **97,902** | 35,092 |

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

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

**Condensed consolidated statement of cash flows (unaudited)**
**for the period ended 31 March 2013 (continued)**

| | Three month period ended 31 March | |
|---|---|---|
| | **2013** | 2012 |
| | **AED ’000** | AED ’000 |
| | | (Restated) |
| **Cash flows from investing activities** | | |
| Decrease in fixed deposits | **(28,492)** | - |
| Net movement in property, plant and equipment | **1,510** | 8,646 |
| Purchase of investments in associates | **-** | (7,550) |
| **Net cash (used in)/generated from investing activities** | **(26,982)** | 1,096 |
| **Cash flows from financing activities** | | |
| Dividends paid – subsidiaries | **(1,417)** | (2,096) |
| Net movement in bank loans and finance lease | **(42,013)** | (20,139) |
| Non-controlling interests and other movements | **-** | 98 |
| **Net cash used in financing activities** | **(43,430)** | (22,137) |
| **Net increase in cash and cash equivalents** | **27,490** | 14,051 |
| Cash and cash equivalents at the beginning of the period | **64,984** | 75,451 |
| **Cash and cash equivalents at the end of the period (Note 10)** | **92,474** | 89,502 |

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

## 1. General information

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

The principal activities of the 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 the reported financial performance or/and financial position

The following new and revised IFRSs have been applied in the current period and have affected the amounts reported in these condensed consolidated financial statements:

- IFRS 11 Joint Arrangements and IAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*

IFRS 11 and IAS 28 (as revised in 2011) replace IAS 31 *Interests in Joint Ventures and SIC 13 Jointly Controlled Entities – Non-monetary Contributions by Venturers*. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

The application of IFRS 11 and IAS 28 (as revised in 2011) resulted in changes in the accounting of the Group's jointly controlled entity that was 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 11 to these condensed consolidated financial statements.

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

### 2.2 Amendments to IFRSs affecting presentation and disclosure only

The following revised IFRSs have been adopted in these condensed consolidated financial statements. The application of these revised IFRSs has affected the presentation and disclosure only and did not result in any impact on the reported amounts.

- Amendments to IAS 1 *Presentation of Financial Statements*

The amendments require 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. 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 the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

- Amendments to IAS 34 *Interim Financial Reporting*

The amendments require additional disclosures for the fair value of the financial instruments as required by IFRS 13 *Fair Value Measurement* and IFRS 7 *Financial Instruments.*

### 2.3 New and revised IFRSs applied with no material effect on the condensed consolidated financial statements

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

- IFRS 10 *Consolidated Financial Statements and* IAS 27 (as revised in 2011) *Separate Financial Statements*

IFRS 10 and IAS 27 (as revised in 2011) replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and SIC 12 Consolidation – Special Purpose Entities. Under IFRS 10, there is only one basis for consolidation, which is control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

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 investment as disclosed in Note 3.4 to the annual audited consolidated financial statements for the year ended 31 December 2012.

- Amendments to IFRS 7 Financial Instruments : *Disclosure - Enhancing Disclosures about Offsetting of Financial Assets and Financial Liabilities*

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

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

- IFRS 12 *Disclosure of interests in other entities*
- IFRS 13 *Fair Value Measurement*
- IAS 19 (as amended in 2011) *Employee Benefits*
- Amendments to IAS 32 *Financial Instruments : Presentation - Offsetting of Financial Assets and Financial Liabilities*
- Amendments to IAS 1 *Presentation of Financial Statements - comparative information*
- Amendments to IAS 16 *Property, Plant and Equipment - servicing equipment*
- Amendments to IAS 32 *Financial Instruments - Presentation - tax effect of equity distribution*
- IFIRC 20 *Stripping Costs in the Production Phase of a Surface Mine*

### 2.4 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 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. | 1 January 2015 (or otherwise when IFRS 9 is first applied) |
| • IFRS 9 *Financial Instruments* issued in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in October 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition. | 1 January 2015 |
| • Amendments to IAS 32 *Financial Instruments: Presentation* relating to application guidance on the offsetting of financial assets and financial liabilities. | 1 January 2014 |

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

### 2.4 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 IFRS 10, IFRS 12 and IAS 27 – Guidance on Investment Entities<br><br>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. The amendments establish an exception to IFRS 10's general consolidation principle for investment entities, requiring them to "measure particular subsidiaries at fair value through profit or loss, rather than consolidate them." In addition, the amendments outline required disclosures for reporting entities that meet the definition of an investment entity. | 1 January 2014 |

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's condensed 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 on the consolidated financial statements of the Group in the period of initial application.

Management anticipates that IFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2015 and that the application of IFRS 9 may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

## 3. Summary of significant accounting policies

### 3.1 Basis of preparation

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard No. 34 - Interim Financial Reporting issued by the International Accounting Standard Board and also comply with the applicable requirements of the laws in the U.A.E.

These condensed consolidated financial statements are presented in U.A.E. Dirhams (AED) (in thousands) since that is the currency in which the majority of the Group's transactions are denominated.

These condensed consolidated financial statements are prepared in accordance with the historical cost basis, except for the revaluation of land, investment properties and certain financial instruments.

## 3. Summary of significant accounting policies (continued)

### 3.1 Basis of preparation (continued)

The accounting policies used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual audited consolidated financial statements for the year ended 31 December 2012 except for the impact of change in accounting policies for investment in subsidiaries, jointly controlled entities and associates which are disclosed in Note 2 and Note 11 to these condensed consolidated financial statements.

These condensed consolidated financial statements do not include all the information required for full annual audited consolidated financial statements and should be read in conjunction with the Group's audited consolidated financial statements as at and for the year ended 31 December 2012. In addition, results for the three months ended 31 March 2013 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2013.

The accounting policies in respect of investments in securities, development properties, investment in associates, investment properties, investments in joint venture and property, plant and equipment disclosed in the annual audited consolidated financial statements are stated below as required by Securities and Commodities Authority notification dated 12 October 2008.

### 3.2 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 revenue/cost of revenue in the condensed consolidated statement of income.

## 3. Summary of significant accounting policies (continued)

### 3.3 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.

### 3.4 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.

### 3.5 Development properties

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

### 3.6 Investment properties

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. Summary of significant accounting policies (continued)

### 3.7 Investments in associates and jointly controlled entities

Subsequent to the adoption of IFRS 11 and IAS 28 (as revised in 2011) the accounting policy in respect of investments in associates and jointly controlled entities is as below.

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

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 jointly controlled entities 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 condensed consolidated income statement.

The requirements of International Financial Reporting Standards are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in associates and jointly controlled entities. 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.

Upon disposal of associates and jointly controlled entities that results in the Group losing significant influence over that associates and jointly controlled entities, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IFRS 9. The difference between the previous carrying amount of the associates and jointly controlled entities attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associates and jointly controlled entities. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associates and jointly controlled entities on the same basis as would be required if that associates and jointly controlled entities had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associates and jointly controlled entities 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 it loses significant influence over that associates and jointly controlled entities.

When a Group's entity transacts with its associates and jointly controlled entities, profits and losses resulting from the transactions with the associates and jointly controlled entities are recognised in the Group' condensed consolidated financial statements only to the extent of interests in the associates and jointly controlled entities that are not related to the Group.

## 3. Summary of significant accounting policies (continued)

### 3.7 Investments in associates and jointly controlled entities (continued)

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising in a business combination as disclosed in Note 3.5 and 3.6 to the annual audited consolidated financial statements for the year ended 31 December 2012.

### 3.8 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 | 7.5 to 20 |
| Plant and equipment | 5 to 20 |
| Motor vehicles, ships and trucks | 10 to 25 |
| Furniture and fixtures | 15 to 25 |
| Storage tanks | 5 |
| Other assets | 12.5 to 20 |

Land is not depreciated.

The estimated useful lives, residual values and depreciation method are reviewed at each year-end, with the effect of any changes in estimate accounted for on a prospective basis.

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

### 3.9 Basis of consolidation

The condensed consolidated financial statements of Gulf General Investments Co. (P.S.C.) and Subsidiaries (the "Group") incorporate the financial statements of the Parent Company and enterprises controlled by the Parent Company (its subsidiaries). Control is achieved where the Company has: (a) power over an investee, (b) exposure or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor’s returns. The list of subsidiaries is disclosed in annual consolidated financial statements as at and for the year ended 31 December 2012.

## 3. Summary of significant accounting policies (continued)

### 3.9 Basis of consolidation (continued)

All intra-group transactions, balances, income and expenses and profits and losses resulting from the intra-company transactions that are recognised in assets, are eliminated in full on consolidation.

Income and expenses of subsidiaries acquired or disposed of during the period are included in the condensed consolidated income statement from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

## 4. Bank balances and cash

| | **31 March 2013 (unaudited) AED '000** | 31 December 2012 (audited) AED '000 (Restated) |
|---|---|---|
| Cash on hand | **5,641** | 3,946 |
| Bank balances: | | |
| Current accounts | **81,758** | 55,235 |
| Deposit accounts | **336,885** | 309,121 |
| | **418,643** | 364,356 |
| | **424,284** | 368,302 |

## 5. Share capital

| | **31 March 2013 (unaudited) AED '000** | 31 December 2012 (audited) AED '000 |
|---|---|---|
| Issued and fully paid: | | |
| 1,791 million ordinary shares of AED 1 each | **1,791,333** | 1,791,333 |

## 6. Reserves

| | Statutory reserve | Additional reserve | Land revaluation reserve | Total |
|---|---|---|---|---|
| | AED '000 | AED '000 | AED '000 | AED '000 |
| Balance, at 31 December 2011 and 31 March 2012 | 450,298 | - | 119,005 | 569,303 |
| Balance, at 31 December 2012 and 31 March 2013 | **-** | **-** | **37,747** | **37,747** |

*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. No transfer has been made during the three month period ended 31 March 2013, as this will be based on the results of the year.

*Additional reserve*

The Parent Company's Articles of Association require that 10% of the annual net profit be appropriated to an additional reserve until a decision by the Ordinary General Assembly Meeting on the strength of proposal by the Board of Directors or if such reserve equals 50% of paid-up share capital of the Parent Company. No transfer have been made during the three month period ended 31 March 2013, as this will be based on the results of the year.

## 7. Bank borrowings

Short term bank borrowings are secured by the followings:

- Pledge on fixed deposits.
- Promissory note in favour of the banks.
- Assignment of insurance policies in favour of the banks.
- Hypothecation over goods financed by trust receipts.
- Pledge of investment in securities and investment in subsidiary.

Term loans are secured by the followings:

Loan facilities relating to buildings construction are secured by mortgage of properties and constructions financed by these loans. Banks providing these facilities are the first beneficiary from the properties and construction. In addition, insurance policies are endorsed in favour of these banks, reputation of the Group and irrevocable bank guarantee from other bank.

## 7. Bank borrowings (continued)

Term loans are secured by the followings (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 has repaid AED 93,458,664 till 31 March 2013 (31 December 2012: AED 69,458,664) as part of restructuring agreement.

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.

## 8. Revenue and cost of revenue

| | Three month period ended 31 March | |
|---|---|---|
| | **2013** | 2012 |
| | **(unaudited)** | (unaudited) |
| | **AED ’000** | AED ’000 (Restated) |
| **Revenue** | | |
| Sale of goods manufactured | **206,138** | 272,583 |
| Sale of investment properties and development properties | **112,665** | 20,189 |
| Sale of investments in securities | **17,661** | 7,223 |
| Insurance income | **90,243** | 81,835 |
| Trading income | **52,541** | 37,333 |
| Rental income | **11,415** | 11,435 |
| Dividend and interest income | **5,791** | 6,878 |
| Service income | **34,402** | 32,015 |
| | **530,856** | 469,491 |
| **Cost of revenue** | | |
| Cost of goods manufactured and sold | **163,320** | 234,436 |
| Cost of investment properties and development properties | **106,687** | 20,052 |
| Cost of investments in securities sold | **19,458** | 5,885 |
| Cost of insurance income | **76,593** | 69,073 |
| Cost of trading | **29,904** | 21,024 |
| Cost of services | **17,486** | 13,017 |
| | **413,448** | 363,487 |

## 9. Basic earnings per share

| | Three month period ended 31 March | |
|---|---|---|
| | **2013** | 2012 |
| | **(unaudited)** | (unaudited) |
| Profit/(loss) for the period (in AED ’000) | **10,922** | (1,415) |
| Number of shares (in thousands) | **1,791,333** | 1,791,333 |
| Basic earnings per share (in AED) | **0.01** | - |

## 10. Cash and cash equivalents

| | 31 March | |
|---|---|---|
| | **2013 (unaudited) AED '000** | 2012 (unaudited) AED '000 (Restated) |
| Bank balances and cash | **424,284** | 373,863 |
| Less: Deposits under lien and deposits with maturity over three months | **(331,810)** | (284,361) |
| | **92,474** | 89,502 |

## 11. Comparative amounts

The following tables summarize the impact of the adoption of the IFRS 11 on the comparative amounts (i.e 31 December 2012 and 31 March 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 |
| | 2,540,419 | (13,657) | 2,526,762 |
| **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 |
| | 1,171,934 | (13,657) | 1,158,277 |

## 11. Comparative amounts (continued)

Condensed consolidated statement of income:

| | For the three month period ended 31 March 2012 | | |
|---|---|---|---|
| | **As previously reported AED '000** | **IFRS 11 adjustments AED '000** | **As restated AED '000** |
| Revenue | 472,660 | (3,169) | 469,491 |
| Cost of revenue | (364,734) | 1,247 | (363,487) |
| Other operating income | 12,397 | (361) | 12,036 |
| General and administrative expenses | (58,450) | 2,043 | (56,407) |
| Share of loss in associates and jointly controlled entities | (653) | 80 | (573) |
| Finance cost | (37,916) | 160 | (37,756) |
| | 23,304 | - | 23,304 |

## 12. Approval of condensed consolidated financial statements

The condensed consolidated financial statements were approved and authorised for issue on 12 May 2013.

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

**Notes to the condensed consolidated financial statements**
**for the period ended 31 March 2013 (continued)**

## 13. Location of assets

As required by Securities and Commodities Authority notification dated 12 October 2008, location of assets are disclosed below:

| | **31 March 2013 (unaudited)** | | | 31 December 2012 (audited) | | |
|---|---|---|---|---|---|---|
| | **In U.A.E. AED '000** | **In other countries AED '000** | **Total AED '000** | In U.A.E. AED '000 (Restated) | In other countries AED '000 (Restated) | Total AED '000 (Restated) |
| Property, plant and equipment | **820,288** | **-** | **820,288** | 821,798 | - | 821,798 |
| Investment properties | **1,899,230** | **83,211** | **1,982,441** | 1,999,380 | 83,211 | 2,082,591 |
| Investments in associates | **88,149** | **70,526** | **158,675** | 88,427 | 70,526 | 158,953 |
| Held-to-maturity investments | **6,800** | **-** | **6,800** | 6,800 | - | 6,800 |
| Available-for-sale investments | **176,353** | **16,356** | **192,709** | 180,397 | 15,036 | 195,433 |
| Development properties | **701,587** | **-** | **701,587** | 706,086 | - | 706,086 |
| Held for trading investments | **449,668** | **17,957** | **467,625** | 438,292 | 17,930 | 456,222 |
| Bank balances | **418,448** | **195** | **418,643** | 363,984 | 372 | 364,356 |
| | **4,560,523** | **188,245** | **4,748,768** | 4,605,164 | 187,075 | 4,792,239 |

## 14. Segment information

| | Manufacturing | | Investments | | Services and others | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **31 March 2013 unaudited AED '000** | 31 March 2012 unaudited AED '000 (Restated) | **31 March 2013 unaudited AED '000** | 31 March 2012 unaudited AED '000 (Restated) | **31 March 2013 unaudited AED '000** | March 31, 2012 unaudited AED '000 (Restated) | **31 March 2013 unaudited AED '000** | 31 March 2012 unaudited AED '000 (Restated) |
| **Income** | | | | | | | | |
| Total income | **206,138** | 272,583 | **147,532** | 45,725 | **177,186** | 151,183 | **530,856** | 469,491 |
| **Result** | | | | | | | | |
| Segment results | **42,818** | 38,147 | **32,817** | 7,078 | **53,203** | 48,069 | **128,838** | 93,294 |
| Unallocated general expenses | **-** | - | **-** | - | **-** | - | **(102,449)** | (99,738) |
| Other income | **-** | - | **-** | - | **-** | - | **6,460** | 12,036 |
| Net profit from operations | | | | | | | **32,849** | 5,592 |
| **Attributable to:** | | | | | | | | |
| Owners of the parent | | | | | | | **10,922** | (1,415) |
| Non-controlling interests | | | | | | | **21,927** | 7,007 |
| | | | | | | | **32,849** | 5,592 |

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

**Notes to the condensed consolidated financial statements**
**for the period ended 31 March 2013 (continued)**

**14. Segment information** (continued)

| | Manufacturing | | Investments | | Services and others | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **31 March 2013 unaudited AED '000** | 31 December 2012 audited AED '000 (Restated) | **31 March 2013 unaudited AED '000** | 31 December 2012 audited AED '000 (Restated) | **31 March 2013 unaudited AED '000** | 31 December 2012 audited AED '000 (Restated) | **31 March 2013 unaudited AED '000** | 31 December 2012 audited AED '000 (Restated) |
| **Total assets** | | | | | | | | |
| Segment assets | **250,582** | 215,000 | **4,158,787** | 4,302,445 | **844,028** | 689,283 | **5,253,397** | 5,206,728 |
| Unallocated corporate assets | | | | | | | **1,429,324** | 1,378,810 |
| Consolidated total assets | | | | | | | **6,682,721** | 6,585,538 |
| **Total liabilities** | | | | | | | | |
| Segment liabilities | **457,071** | 401,630 | **3,325,205** | 3,569,714 | **910,947** | 649,396 | **4,693,223** | 4,620,740 |
| Unallocated corporate liabilities | | | | | | | **716,616** | 719,289 |
| Consolidated total liabilities | | | | | | | **5,409,839** | 5,340,029 |