

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

**CONSOLIDATED INTERIM FINANCIAL INFORMATION  
AND REVIEW REPORT  
FOR THE NINE MONTH PERIOD  
ENDED SEPTEMBER 30, 2010**

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

**Consolidated Interim Financial Information and Review Report**  
**For the Nine Month Period Ended September 30, 2010**

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Ref: 32713FS10-Sept

## Report on Review of Consolidated Interim Financial Information

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

### *Introduction*

We have reviewed the accompanying condensed consolidated statement of financial position of **Gulf General Investment Co. (P.S.C.) (the "Company") and Subsidiaries (together the "Group")**, Dubai, United Arab Emirates, as of September 30, 2010 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine 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



Samir Madbak  
Registration No. 386  
Sharjah  
November 14, 2010

**Condensed Consolidated Statement of Financial Position**  
**At September 30, 2010**  
**(In Thousand Arab Emirates Dirhams)**

	Notes	September 30, 2010 Unaudited	December 31, 2009 Audited
<b>ASSETS</b>			
<b>Current assets</b>			
Bank balances and cash	4	347,429	367,225
Held for trading investments	5	672,435	689,826
Trade and other receivables		2,218,552	2,198,993
Re-insurance contract assets		163,301	188,708
Inventories		326,189	351,551
Development properties	6	1,428,876	1,444,865
<b>Total current assets</b>		<b>5,156,782</b>	<b>5,241,168</b>
<b>Non-current assets</b>			
Notes receivable-post date cheques		315,295	168,444
Available-for-sale investments	5	500,975	734,243
Held-to-maturity investments	5	7,954	7,954
Investments in associates	7	372,865	543,511
Goodwill		37,449	38,920
Investment properties	8	2,015,793	1,993,031
Land	9	168,239	166,130
Property, plant and equipment	10	753,393	790,890
Discontinued operations		19,773	23,291
<b>Total non-current assets</b>		<b>4,191,736</b>	<b>4,466,414</b>
<b>Total Assets</b>		<b>9,348,518</b>	<b>9,707,582</b>

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

**Condensed Consolidated Statement of Financial Position** (continued)  
**At September 30, 2010**  
**(In Thousand Arab Emirates Dirhams)**

	<u>Notes</u>	<u>September 30, 2010</u> Unaudited	<u>December 31, 2009</u> Audited
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Short term bank borrowings		1,210,712	1,150,532
Current portion of bank loans		1,049,962	1,224,035
Finance lease		13,771	11,575
Trade and other payables		1,407,404	1,500,200
Advance received from customers		131,063	267,103
Insurance contract liabilities		<u>284,166</u>	<u>346,338</u>
<b>Total current liabilities</b>		<u>4,097,078</u>	<u>4,499,783</u>
<b>Non-current liabilities</b>			
Trade and other payables		269,522	269,111
Long term portion of bank loans		1,086,801	1,013,120
Finance lease		69,891	92,943
Provision for employees' end of service indemnity		<u>31,566</u>	<u>26,048</u>
<b>Total non-current liabilities</b>		<u>1,457,780</u>	<u>1,401,222</u>
<b>Total Liabilities</b>		<u>5,554,858</u>	<u>5,901,005</u>
<b>Capital and reserves</b>			
Share capital	11	1,791,333	1,791,333
Reserves	12	855,900	833,493
Cumulative change in fair value		( 15,139)	70,444
Retained earnings		<u>762,120</u>	<u>756,693</u>
<b>Equity attributable to owners' of the parent</b>		3,394,214	3,451,963
Non-controlling interests		<u>399,446</u>	<u>354,614</u>
<b>Total equity</b>		<u>3,793,660</u>	<u>3,806,577</u>
<b>Total Liabilities and Equity</b>		<u>9,348,518</u>	<u>9,707,582</u>
		=====	=====

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

Abdulla Juma Al Sari  
Chairman

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

**Condensed Consolidated Statement of Income**  
**For the nine month period ended September 30, 2010**  
**(In Thousand Arab Emirates Dirhams)**

	Notes	<u>Nine month period ended September 30,</u>		<u>Three month period ended September 30,</u>	
		<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
		Unaudited	Unaudited	Unaudited	Unaudited
Revenue	15	1,977,118	3,989,411	596,852	1,082,690
Cost of revenue	15	( 1,668,715)	( 3,438,247)	( 447,629)	( 945,313)
<b>Gross profit</b>		<b>308,403</b>	<b>551,164</b>	<b>149,223</b>	<b>137,377</b>
Other operating income		44,679	11,855	8,067	6,945
Selling and distribution expenses		( 24,198)	( 30,246)	( 6,740)	( 12,696)
General administrative expenses		( 204,752)	( 177,949)	( 60,313)	( 70,780)
Finance cost		( 106,966)	( 112,690)	( 36,698)	( 38,581)
<b>Profit for the period</b>		<b>17,166</b>	<b>242,134</b>	<b>53,539</b>	<b>22,265</b>
		=====	=====	=====	=====
<b>Attributable to:</b>					
Owners of the parent		9,757	223,426	48,851	24,683
Non-controlling interests		7,409	18,708	4,688	( 2,418)
		17,166	242,134	53,539	22,265
		=====	=====	=====	=====
<b>Basic earnings per share</b>	16	<b>0.01</b>	<b>0.14</b>	<b>0.03</b>	<b>0.01</b>
		=====	=====	=====	=====

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

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

**Condensed Consolidated Statement of Comprehensive Income**  
**For the nine month period ended September 30, 2010**  
**(In Thousand Arab Emirates Dirhams)**

	<b><u>Nine month period</u></b> <b><u>ended September 30,</u></b>		<b><u>Three month period</u></b> <b><u>ended September 30,</u></b>	
	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>
	<b>Unaudited</b>	Unaudited	<b>Unaudited</b>	Unaudited
Profit for the period	<b>17,166</b>	242,134	<b>53,539</b>	22,265
<b>Other comprehensive income</b>				
Loss on revaluation of available-for-sale investments in associates	( <b>337</b> )	-	( <b>963</b> )	-
Net (loss)/gain on available-for-sale investments recognised directly in equity	( <b>111,778</b> )	( 104,095)	( <b>19,608</b> )	6,194
Transfer from equity on sale of available- for-sale investments	<b><u>26,578</u></b>	<u>95,447</u>	<b><u>11,720</u></b>	<u>55,452</u>
Total comprehensive (loss)/income for the period	( <b>68,371</b> ) =====	233,486 =====	<b>44,688</b> =====	83,911 =====
<b>Total comprehensive (loss)/income attributable to:</b>				
Owners of the parent	( <b>75,826</b> )	214,830	<b>39,948</b>	86,329
Non-controlling interests	<b><u>7,455</u></b>	<u>18,656</u>	<b><u>4,740</u></b>	( <u>2,418</u> )
	( <b>68,371</b> ) =====	233,486 =====	<b>44,688</b> =====	83,911 =====

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

**Condensed Consolidated Statement of Changes in Equity**  
**For the nine month period ended September 30, 2010**  
**(In Thousand Arab Emirates Dirhams)**

	<u>Share capital</u>	<u>Reserves</u>	<u>Cumulative change in fair value</u>	<u>Retained earnings</u>	<u>Attributable to owner's of the parent</u>	<u>Non - controlling interest</u>	<u>Total</u>
Balance at December 31, 2008 (Audited) - Restated	1,080,000	624,788	52,293	966,550	2,723,631	375,771	3,099,402
Profit for the period	-	-	-	223,426	223,426	18,708	242,134
Other comprehensive loss for the period	-	-	( 8,596)	-	( 8,596)	( 52)	( 8,648)
Total comprehensive income for the period	-	-	( 8,596)	223,426	214,830	18,656	233,486
Transfer to reserves	-	26,500	-	( 26,500)	-	-	-
Issue of bonus shares	378,000	-	-	( 378,000)	-	-	-
Issue of shares	333,333	166,667	-	-	500,000	-	500,000
Dividends paid	-	-	-	-	-	( 7,672)	( 7,672)
Funds invested	-	-	-	-	-	9,688	9,688
Other movements	-	-	-	-	-	( 6,306)	( 6,306)
	<u>711,333</u>	<u>193,167</u>	<u>-</u>	<u>( 404,500)</u>	<u>500,000</u>	<u>( 4,290)</u>	<u>495,710</u>
Balance at September 30, 2009 (Unaudited)	1,791,333	817,955	43,697	785,476	3,438,461	390,137	3,828,598
	=====	=====	=====	=====	=====	=====	=====
Balance at December 31, 2009 (Audited)	1,791,333	833,493	70,444	756,693	3,451,963	354,614	3,806,577
Profit for the period	-	-	-	9,757	9,757	7,409	17,166
Other comprehensive loss for the period	-	-	( 85,583)	-	( 85,583)	46	( 85,537)
Total comprehensive loss for the period	-	-	( 85,583)	9,757	( 75,826)	7,455	( 68,371)
Transfer to reserves	-	4,330	-	( 4,330)	-	-	-
Dividends paid	-	-	-	-	-	( 4,819)	( 4,819)
Funds invested	-	-	-	-	-	4,875	4,875
Other movements	-	18,077	-	-	18,077	37,321	55,398
	<u>-</u>	<u>22,407</u>	<u>-</u>	<u>( 4,330)</u>	<u>18,077</u>	<u>37,377</u>	<u>55,454</u>
<b>Balance at September 30, 2010 (Unaudited)</b>	<b>1,791,333</b>	<b>855,900</b>	<b>( 15,139)</b>	<b>762,120</b>	<b>3,394,214</b>	<b>399,446</b>	<b>3,793,660</b>
	=====	=====	=====	=====	=====	=====	=====

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

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

**Condensed Consolidated Statement of Cash Flows**  
**For the nine month period ended September 30, 2010**  
**(In Thousand Arab Emirates Dirhams)**

	Nine month period ended September 30, 2010 <u>Unaudited</u>	Nine month period ended September 30, 2009 <u>Unaudited</u>
<b>Cash flows from operating activities</b>		
Profit for the period	17,166	242,134
Adjustments for:		
Provision for employees' end of service indemnity	7,353	5,032
Loss from sale of investments in securities	55,755	128,462
Loss/(gain) on disposal of investment in associates	55,620	( 2,165)
Gain on sale of investment properties, development work-in-progress and development properties	( 160,102)	( 541,898)
Reinsurance contract assets	25,407	62,901
Insurance contract liabilities	( 62,172)	( 70,694)
Unrealised loss on investments held for trading	17,922	98,542
Loss from investments in associates	27,015	14,493
Bargain purchase gain	( 1,512)	-
Exchange loss	-	419
Finance cost	<u>106,966</u>	<u>112,690</u>
<b>Operating cash flows before movements in working capital</b>	<b>89,418</b>	<b>49,916</b>
Decrease in inventories	25,362	383,185
Increase in trade and other receivables	( 166,410)	( 789,956)
(Decrease)/increase in trade and other payables	( 37,274)	162,473
Decrease in advance received from customers	( 136,040)	( 207,712)
Purchase of investment in securities	( 40,191)	( 656,143)
Purchase of investment properties	( 51,894)	( 168,900)
Purchase of development properties	( 158,132)	( 472,540)
Proceeds from sale of investments in securities	132,469	1,068,622
Proceeds from sale of investment properties, development work-in-progress and development properties	<u>365,154</u>	<u>1,164,744</u>
<b>Cash generated from operations</b>	<b>22,462</b>	<b>533,689</b>
Employees' end of service indemnity paid	( 1,835)	( 601)
Interest paid	<u>( 106,966)</u>	<u>( 112,690)</u>
<b>Net cash (used in)/generated from operating activities</b>	<b>( 86,339)</b>	<b>420,398</b>

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

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

**Condensed Consolidated Statement of Cash Flows (continued)**  
**For the nine month period ended September 30, 2010**  
**(In Thousand Arab Emirates Dirhams)**

	Nine month period ended September 30, <u>2010</u> Unaudited	Nine month period ended September 30, <u>2009</u> Unaudited
<b>Cash flows from investing activities</b>		
Decrease in fixed deposits	75,637	21,684
Net movement in property, plant and equipment	37,497	( 95,534)
Purchase of land	( 2,109)	-
Purchase of investments in associates	( 9,149)	( 32,657)
Proceeds from disposal of associates	96,327	64,828
Decrease in goodwill	1,471	-
Acquisition of subsidiaries	-	( 5,843)
Movement in discontinued operation	<u>3,518</u>	<u>-</u>
<b>Net cash generated from/(used in) investing activities</b>	<u>203,192</u>	( 47,522)
<b>Cash flows from financing activities</b>		
Issue of convertible bonds	-	500,000
Dividends paid - subsidiaries	( 4,819)	( 7,672)
Net movement in bank loans and finance lease	( 121,248)	( 511,308)
Funds invested in non-controlling interest	4,875	9,688
Increase/(decrease) in short term bank borrowings	<u>60,180</u>	<u>( 237,039)</u>
<b>Net cash used in financing activities</b>	<u>( 61,012)</u>	<u>( 246,331)</u>
Net increase in cash and cash equivalents	55,841	126,545
Cash and cash equivalents at the beginning of the period	<u>82,259</u>	<u>54,366</u>
<b>Cash and cash equivalents at the end of the period (see Note 18)</b>	<u>138,100</u> =====	180,911 =====

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

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

**Notes to the Condensed Consolidated Financial Statements**  
**For the nine month period ended September 30, 2010**

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**1. General information**

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

The principal activities of the Company are:

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

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

**2. Standards and Interpretations in issue not yet effective and not early adopted**

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

<b>New Standards and amendments to Standards:</b>	<b>Effective for annual periods beginning on or after</b>
<ul style="list-style-type: none"> <li>• IAS 32 (revised) <i>Financial Instruments: Presentation</i> – Amendments relating to classification of Rights Issue</li> </ul>	February 1, 2010
<ul style="list-style-type: none"> <li>• IAS 24 <i>Related Party Disclosures</i> – Amendment on disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a Government</li> </ul>	January 1, 2011
<ul style="list-style-type: none"> <li>• IFRS 9 <i>Financial Instruments: Classification and Measurement</i> (intended as complete replacement for IAS 39 and IFRS 7)</li> </ul>	January 1, 2013

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

**Notes to the Condensed Consolidated Financial Statements** (continued)  
**For the nine month period ended September 30, 2010**

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**2. Standards and Interpretations in issue not yet effective and not early adopted** (continued)

**New Interpretations and amendments to Interpretations:**

	<b>Effective for annual periods beginning on or after</b>
<ul style="list-style-type: none"> <li>• IFRIC 19: <i>Extinguishing Financial Liabilities with Equity Instruments</i></li> </ul>	July 1, 2010
<ul style="list-style-type: none"> <li>• Amendment to IFRIC 14: <i>IAS 19: The limit on a defined Benefit Asset, Minimum Funding Requirement and their interaction</i></li> </ul>	January 1, 2011

Management anticipates that these amendments will be adopted in the Group's condensed consolidated financial statements for the initial period when they become effective. Management have not yet had an opportunity to consider the potential impact of the adoption of these amendments.

**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.

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 December 31, 2009.

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

**Notes to the Condensed Consolidated Financial Statements (continued)**  
**For the nine month period ended September 30, 2010**

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

**3.1 Basis of preparation (continued)**

These condensed consolidated financial statements do not include all the information required for full annual consolidated financial statements and should be read in conjunction with the Group's audited consolidated financial statements as at and for the year ended December 31, 2009. In addition, results for the nine months ended September 30, 2010 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2010.

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 October 12, 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 consolidated statement of income.

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

**Notes to the Condensed Consolidated Financial Statements (continued)**  
**For the nine month period ended September 30, 2010**

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

**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**

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

**3.6 Investment in associates**

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

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

**Notes to the Condensed Consolidated Financial Statements (continued)**  
**For the nine month period ended September 30, 2010**

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

**3.6 Investment in associates (continued)**

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligation or made payments on behalf of associates.

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

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

**3.7 Investment properties**

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

**3.8 Interests in joint ventures**

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

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

**Notes to the Condensed Consolidated Financial Statements (continued)**  
**For the nine month period ended September 30, 2010**

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

**3.8 Interests in joint ventures (continued)**

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

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

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

**3.9 Property, plant and equipment**

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

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

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

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**Dubai - United Arab Emirates**

**Notes to the Condensed Consolidated Financial Statements** (continued)  
**For the nine month period ended September 30, 2010**

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

**3.9 Property, plant and equipment** (continued)

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

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

**3.10 Basis of consolidation**

The consolidated interim financial information of Gulf General Investments Co. (P.S.C.) and Subsidiaries (the "Group") incorporate the financial information of the Company and enterprises controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The list of subsidiaries is disclosed in annual consolidated financial statements as at and for the year ended December 31, 2009.

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.

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

**4. Bank balances and cash**

	<b>September 30, 2010</b>	December 31, 2009
	<b>Unaudited AED '000</b>	Audited AED '000
Cash on hand	<u>5,938</u>	<u>1,889</u>
Bank balances:		
Current accounts	34,085	55,292
Call account	19	311
Deposit accounts	<u>307,387</u>	<u>309,733</u>
	<u>341,491</u>	<u>365,336</u>
	<b>347,429</b>	367,225
	=====	=====

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

**Notes to the Condensed Consolidated Financial Statements (continued)**  
**For the nine month period ended September 30, 2010**

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**4. Bank balances and cash (continued)**

	<b>September 30, 2010</b>	December 31, 2009
	<b>Unaudited AED '000</b>	Audited AED '000
<b>Bank balances:</b>		
In U.A.E.	<b>340,180</b>	329,247
In other countries	<b><u>1,311</u></b>	<u>36,089</u>
	<b>341,491</b>	365,336
	<b>=====</b>	<b>=====</b>

**5. Investments in securities**

	<b>September 30, 2010</b>	December 31, 2009
	<b>Unaudited AED '000</b>	Audited AED '000
<b>Held for trading investments</b>		
In U.A.E.	<b>651,696</b>	670,516
In other countries	<b><u>20,739</u></b>	<u>19,310</u>
	<b>672,435</b>	689,826
	<b>=====</b>	<b>=====</b>
<b>Available-for-sale investments</b>		
In U.A.E.	<b>451,187</b>	668,125
In other countries	<b><u>49,788</u></b>	<u>66,118</u>
	<b>500,975</b>	734,243
	<b>=====</b>	<b>=====</b>
<b>Held-to-maturity investments</b>		
In U.A.E.	<b>7,954</b>	7,954
	<b>=====</b>	<b>=====</b>

**Reclassification of investments**

During the year 2008, Board of Directors of the Group has reconsidered its investment strategy, accordingly the Group adopted the amendments to IAS 39 issued by the International Accounting Standards Board which permits an entity to reclassify, in particular circumstances, held for trading investments for which the change in fair value is recognised in the consolidated statement of income to available-for-sale investments for which the change in the fair value is recognised under equity as cumulative change in fair values.

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

**Notes to the Condensed Consolidated Financial Statements (continued)**  
**For the nine month period ended September 30, 2010**

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**5. Investments in securities (continued)**

	<b>Nine month period ended</b>	
	<b>September 30,</b>	
	<b>2010</b>	<b>2009</b>
	<b>Unaudited</b>	<b>Unaudited</b>
	<b>AED '000</b>	<b>AED '000</b>
Fair value of reclassified investments		
at the beginning of the period	<b>20,560</b>	36,608
Sold during the period	( <b>6,406</b> )	( 19,707)
Change in fair value during the nine month period	( <b>86</b> )	9,195
Fair value of reclassified investments		
at the end of the period	<b>14,068</b>	26,096
	=====	=====

As a result of the above reclassification, the net profit for the period ended September 30, 2010 has increased by AED 86 thousand (Nine month period ended September 30, 2009: net profit decreased by AED 9,195 thousand).

**6. Development properties**

Development properties are located on plots of land in U.A.E.

**7. Investments in associates**

	<b>September 30,</b>	<b>December 31,</b>
	<b>2010</b>	<b>2009</b>
	<b>Unaudited</b>	<b>Audited</b>
	<b>AED '000</b>	<b>AED '000</b>
In U.A.E.	<b>160,945</b>	161,344
In other countries	<b>211,920</b>	382,167
	<b>372,865</b>	543,511
	=====	=====

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

**Notes to the Condensed Consolidated Financial Statements (continued)**  
**For the nine month period ended September 30, 2010**

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**8. Investment properties**

	<b>September 30, 2010</b>	<b>December 31, 2009</b>
	<b>Unaudited</b>	<b>Audited</b>
	<b>AED '000</b>	<b>AED '000</b>
In U.A.E.	1,958,181	1,935,419
In other countries	<u>57,612</u>	<u>57,612</u>
	<u>2,015,793</u>	<u>1,993,031</u>
	=====	=====

**9. Land**

	<b>September 30, 2010</b>	<b>December 31, 2009</b>
	<b>Unaudited</b>	<b>Audited</b>
	<b>AED '000</b>	<b>AED '000</b>
In U.A.E.	168,239	166,130
	<u>=====</u>	<u>=====</u>

**10. Property, plant and equipment**

Property, plant and equipment are mainly located in U.A.E.

**11. Share capital**

	<b>September 30, 2010</b>	<b>December 31, 2009</b>
	<b>Unaudited</b>	<b>Audited</b>
	<b>AED '000</b>	<b>AED '000</b>
Issued and fully paid:		
1,791 million ordinary shares of AED 1 each	1,791,333	1,791,333
	<u>=====</u>	<u>=====</u>

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

**Notes to the Condensed Consolidated Financial Statements (continued)**  
**For the nine month period ended September 30, 2010**

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**12. Reserves**

	<b>Statutory reserve AED '000</b>	<b>General/ additional reserve AED '000</b>	<b>Land revaluation reserve AED '000</b>	<b>Total AED '000</b>
Balance, at December 31, 2008 - (Audited)	262,612	243,171	119,005	624,788
Share premium	166,667	-	-	166,667
Net movement	<u>-</u>	<u>26,500</u>	<u>-</u>	<u>26,500</u>
Balance, at September 30, 2009 - (Unaudited)	429,279	269,671	119,005	817,955
	=====	=====	=====	=====
Balance, at December 31, 2009 - (Audited)	450,298	264,190	119,005	833,493
Net movement	<u>-</u>	<u>22,407</u>	<u>-</u>	<u>22,407</u>
<b>Balance, at September 30, 2010 - (Unaudited)</b>	<b>450,298</b>	<b>286,597</b>	<b>119,005</b>	<b>855,900</b>
	=====	=====	=====	=====

**13. 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 percent of profit for each year until the reserve equals 50 percent of the paid up share capital. No transfers have been made during the nine months period ended September 30, 2010, as this will be based on the results for the year. This reserve is not available for distribution except as stipulated by the Law.

**14. Additional reserve**

The parent Company's Articles of Association require that 10 percent 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 percent of paid-up share capital of the Company. No transfers have been made during the nine months period ended September 30, 2010, as this will be based on the results for the year.

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

**Notes to the Condensed Consolidated Financial Statements (continued)**  
**For the nine month period ended September 30, 2010**

**15. Revenue and cost of revenue**

	<b>Nine month period ended September 30,</b>		<b>Three month period ended September 30,</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>Unaudited AED '000</b>	<b>Unaudited AED '000</b>	<b>Unaudited AED '000</b>	<b>Unaudited AED '000</b>
<b>Revenue</b>				
Sale of goods manufactured	822,809	874,074	261,375	306,333
Sale of development properties, development work-in-progress and investment properties	365,154	1,164,744	93,453	228,078
Sales of investments in securities	132,469	1,068,622	32,937	290,049
Sale of investment in associates	96,327	64,828	7,248	29,066
Gain on transfer of net assets of a subsidiary	15,599	-	15,599	-
Bargain purchase option	1,512	-	1,512	-
Insurance income	248,142	272,395	67,549	87,724
Trading income	175,085	359,337	64,481	81,155
Share of (loss)/profit in associates	( 27,015)	( 14,493)	6,140	2,921
Rental income	33,275	36,841	10,669	15,368
Dividend and interest	15,744	25,193	-	-
Service income	98,017	137,870	35,889	41,996
	<b>1,977,118</b>	<b>3,989,411</b>	<b>596,852</b>	<b>1,082,690</b>
	=====	=====	=====	=====
<b>Cost of revenue</b>				
Cost of goods manufactured and sold	705,901	725,526	229,797	257,150
Cost of development properties, development work-in-progress and investment properties sold	205,052	622,846	23,610	103,116
Cost of investments in securities sold	188,224	1,197,084	59,692	349,082
Cost of investment in associates sold	151,947	62,663	7,776	29,066
Cost of insurance income	225,569	238,095	71,439	85,339
Cost of trading	127,586	411,502	40,888	57,538
Fair value loss/(gain) in investments held for trading	17,922	98,542	( 2,773)	42,685
Cost of services	46,514	81,989	17,200	21,337
	<b>1,668,715</b>	<b>3,438,247</b>	<b>447,629</b>	<b>945,313</b>
	=====	=====	=====	=====

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

**Notes to the Condensed Consolidated Financial Statements** (continued)  
**For the nine month period ended September 30, 2010**

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**16. Earnings per share**

	<b>Nine month period ended September 30,</b>		<b>Three month period ended September 30,</b>	
	<b>2010</b>	2009	<b>2010</b>	2009
	<b>Unaudited</b>	Unaudited	<b>Unaudited</b>	Unaudited
Profit for the period (in AED '000)	<b>9,757</b>	223,426	<b>48,851</b>	24,683
	=====	=====	=====	=====
Number of shares (in thousands)	<b>1,791,333</b>	1,637,015	<b>1,791,333</b>	1,791,333
	=====	=====	=====	=====
<b>Basic earnings per share (in AED)</b>	<b>0.01</b>	0.14	<b>0.03</b>	0.01
	=====	=====	=====	=====

The denominator for the purpose of calculating basic earnings per share for the nine month period ended September 30, 2009 has been adjusted to reflect the conversion of mandatory convertible-into-the share bonds.

Notes to the Condensed Consolidated Financial Statements (continued)  
For the nine month period ended September 30, 2010

17. Segment information

	<u>Manufacturing</u>		<u>Investments</u>		<u>Services and others</u>		<u>Total</u>	
	<u>Nine month period ended September 30</u>		<u>Nine month period ended September 30</u>		<u>Nine month period ended September 30</u>		<u>Nine month period ended September 30</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>
	<u>AED '000</u>	<u>AED '000</u>	<u>AED '000</u>	<u>AED '000</u>	<u>AED '000</u>	<u>AED '000</u>	<u>AED '000</u>	<u>AED '000</u>
<b>Revenue</b>								
Total revenue	<b>822,809</b>	874,074	<b>633,065</b>	2,345,735	<b>521,244</b>	769,602	<b>1,977,118</b>	3,989,411
	=====	=====	=====	=====	=====	=====	=====	=====
<b>Result</b>								
Segment result	<b>116,908</b>	148,548	<b>69,920</b>	364,600	<b>121,575</b>	38,016	<b>308,403</b>	551,164
Unallocated general expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 335,916)</u>	<u>( 320,885)</u>
Operating (loss)/profit							<u>( 27,513)</u>	230,279
Other income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,679</u>	<u>11,855</u>
Net profit for the period							<b>17,166</b>	242,134
Pertaining to Non-controlling interest							<u>( 7,409)</u>	<u>( 18,708)</u>
Profit for the period – parent							<b>9,757</b>	223,426
	=====	=====					=====	=====

Notes to the Condensed Consolidated Financial Statements (continued)  
For the nine month period ended September 30, 2010

17. Segment information (continued)

	<u>Manufacturing</u>		<u>Investments</u>		<u>Services and others</u>		<u>Total</u>	
	<u>Three month period ended September 30</u>		<u>Three month period ended September 30</u>		<u>Three month period ended September 30</u>		<u>Three month period ended September 30</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>
	<u>AED '000</u>	<u>AED '000</u>	<u>AED '000</u>	<u>AED '000</u>	<u>AED '000</u>	<u>AED '000</u>	<u>AED '000</u>	<u>AED '000</u>
<b>Revenue</b>								
Total revenue	<b>261,375</b>	306,333	<b>167,558</b>	565,482	<b>167,919</b>	210,875	<b>596,852</b>	1,082,690
	=====	=====	=====	=====	=====	=====	=====	=====
<b>Result</b>								
Segment result	<b>31,578</b>	49,183	<b>79,253</b>	41,533	<b>38,392</b>	46,661	<b>149,223</b>	137,377
Unallocated general expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 103,751)</u>	<u>( 122,057)</u>
Operating profit							<b>45,472</b>	15,320
Other income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<b>8,067</b>	6,945
Net profit for the period							<b>53,539</b>	22,265
Pertaining to non-controlling interest							<u>( 4,688)</u>	<u>2,418</u>
Profit for the period - parent							<b>48,851</b>	24,683
	=====	=====					=====	=====

Notes to the Condensed Consolidated Financial Statements (continued)  
For the nine month period ended September 30, 2010

17. Segment information (continued)

	<u>Manufacturing</u>		<u>Investments</u>		<u>Services and others</u>		<u>Total</u>	
	<u>September 30,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>	<u>September 30,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>	<u>September 30,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>	<u>September 30,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
	<u>Unaudited</u> <u>AED '000</u>	<u>Audited</u> <u>AED '000</u>	<u>Unaudited</u> <u>AED '000</u>	<u>Audited</u> <u>AED '000</u>	<u>Unaudited</u> <u>AED '000</u>	<u>Audited</u> <u>AED '000</u>	<u>Unaudited</u> <u>AED '000</u>	<u>Audited</u> <u>AED '000</u>
<b>Total assets</b>								
Segment assets	<b>713,303</b>	618,804	<b>4,656,916</b>	5,374,287	<b>2,226,005</b>	1,751,306	<b>7,596,224</b>	7,744,397
Unallocated corporate assets							<b><u>1,752,294</u></b>	<u>1,963,185</u>
							<b>9,348,518</b>	9,707,582
Consolidated total assets							<b>=====</b>	<b>=====</b>
<b>Total liabilities</b>								
Segment liabilities	<b>466,080</b>	293,031	<b>2,441,537</b>	3,338,503	<b>1,332,911</b>	816,598	<b>4,240,528</b>	4,448,132
Unallocated corporate liabilities							<b><u>1,314,330</u></b>	<u>1,452,873</u>
							<b>5,554,858</b>	5,901,005
							<b>=====</b>	<b>=====</b>

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**Notes to the Condensed Consolidated Financial Statements** (continued)  
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**18. Cash and cash equivalents**

	<b>September 30,</b> <b>2010</b>	September 30,
	<b>Unaudited</b>	2009
	<b>AED '000</b>	Unaudited
		<b>AED '000</b>
Bank balances and cash	<b>347,429</b>	382,241
Less: Deposits under lien and deposits with maturity over three months	<b>( 209,329)</b>	<b>( 201,330)</b>
	<b>138,100</b>	180,911
	<b>=====</b>	<b>=====</b>

**19. Bank facilities**

Short term bank borrowings are secured by the followings:

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

Term loans are secured by the followings:

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

**20. Approval of condensed consolidated financial statements**

These condensed consolidated financial statements were approved and authorised for issue on November 14, 2010.