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

Review report and consolidated interim
financial information
for the period ended 30 September 2012

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

Contents	**Page**

Deloitte.

Deloitte & Touche (M.E.)
701 Corniche Plaza 2
P.O. Box 5470
Sharjah, United Arab Emirates

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

REPORT ON REVIEW OF CONSOLIDATED INTERIM FINANCIAL INFORMATION

The Board of Directors
Gulf General Investment Co. (P.S.C.)
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 "Parent Company") and its Subsidiaries (together the "Group"), Dubai, United Arab Emirates**, as at 30 September 2012 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 the 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
8 November 2012

Condensed consolidated statement of financial position
At 30 September 2012

	Notes	30 September 2012 (unaudited) AED '000	31 December 2011 (audited) AED '000
ASSETS			
Non-current assets			
Property, plant and equipment		**883,817**	911,880
Investment properties		**2,178,436**	2,194,259
Goodwill		**36,724**	36,724
Investments in associates		**246,203**	242,537
Held-to-maturity investments		**6,800**	6,800
Available-for-sale investments		**267,230**	326,555
Notes receivable-post dated cheques		**281,192**	273,662
Total non-current assets		**3,900,402**	3,992,417
Current assets			
Development properties		**961,987**	992,034
Inventories		**247,538**	201,797
Due from related parties		**191,939**	232,796
Re-insurance contract assets		**124,127**	107,355
Trade and other receivables		**835,251**	883,273
Held for trading investments		**389,070**	425,678
Bank balances and cash	**4**	**367,963**	359,870
Total current assets		**3,117,875**	3,202,803
Total Assets		**7,018,277**	7,195,220

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

Condensed consolidated statement of financial position
At 30 September 2012 (continued)

	Notes	30 September 2012 (unaudited) AED '000	31 December 2011 (audited) AED '000
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	5	1,791,333	1,791,333
Reserves	6	119,005	569,303
Cumulative change in fair value		(80,672)	(61,902)
Accumulated losses		(653,284)	(1,000,331)
Equity attributable to Owners of the parent		1,176,382	1,298,403
Non-controlling interests		348,164	339,646
Net equity		1,524,546	1,638,049
Non-current liabilities			
Provision for employees' end of service indemnity		34,623	32,741
Finance lease		51,799	61,227
Long term portion of bank loans	7	2,832,408	695,038
Trade and other payables		257,040	257,040
Due to related parties		730	2,489
Total non-current liabilities		3,176,600	1,048,535
Current liabilities			
Due to related parties		274,477	259,084
Insurance contract liabilities		267,689	236,384
Advance received from customers		135,378	115,213
Trade and other payables		937,425	1,116,382
Finance lease		17,378	22,412
Current portion of bank loans	7	202,946	1,543,980
Short term bank borrowings	7	481,838	1,215,181
Total current liabilities		2,317,131	4,508,636
Total Liabilities		5,493,731	5,557,171
Total Equity and Liabilities		7,018,277	7,195,220

Majid Al Sari
Vice Chairman

Mohammed Al Sari
Managing Director

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

Condensed consolidated statement of income (unaudited)
for the period ended 30 September 2012

		Three month period ended 30 September		Nine month period ended 30 September	
		2012	2011	**2012**	2011
	Notes	**AED '000**	AED '000	**AED '000**	AED '000
Revenue	**8**	**416,942**	448,799	**1,412,598**	1,538,891
Cost of revenue	**8**	**(343,248)**	(390,592)	**(1,151,184)**	(1,308,776)
Gross profit		**73,694**	58,207	**261,414**	230,115
Loss on change in fair value of held for trading investments		**(6,203)**	(59,802)	**(32,824)**	(87,040)
Impairment loss on trade receivables		**-**	(33,950)	**-**	(56,140)
Other operating income		**848**	7,674	**11,993**	22,527
Selling and distribution expenses		**(4,614)**	(6,351)	**(15,711)**	(21,036)
General and administrative expenses		**(69,982)**	(56,597)	**(202,021)**	(168,210)
Loss recognised on disposal of interest in former associates		**-**	-	**-**	(11,152)
Share of profit/(loss) in associates		**1,390**	2,130	**1,778**	(33,142)
Finance cost		**(40,931)**	(71,158)	**(112,353)**	(190,526)
Loss for the period		**(45,798)**	(159,847)	**(87,724)**	(314,604)
Attributable to:					
Owners of the parent		**(46,850)**	(146,044)	**(103,251)**	(304,242)
Non-controlling interests		**1,052**	(13,803)	**15,527**	(10,362)
		(45,798)	(159,847)	**(87,724)**	(314,604)
Basic loss per share	**9**	**(0.03)**	(0.08)	**(0.06)**	(0.17)

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

Condensed consolidated statement of comprehensive income (unaudited)
for the period ended 30 September 2012

	Three month period ended 30 September		Nine month period ended 30 September	
	2012	2011	**2012**	2011
	AED '000	AED '000	**AED '000**	AED '000
Loss for the period	**(45,798)**	(159,847)	**(87,724)**	(314,604)
Other comprehensive (loss)/income				
Loss on revaluation of available -for-sale investments in associates	**-**	-	**(662)**	-
Net loss on available-for-sale investments recognised directly in equity	**(8,058)**	(37,206)	**(38,506)**	(51,877)
Transfer from equity on sale of available-for-sale Investments	**(1,612)**	(2,176)	**20,393**	13,567
Other comprehensive loss for the period	**(9,670)**	(39,382)	**(18,775)**	(38,310)
Total comprehensive loss for the period	**(55,468)**	(199,229)	**(106,499)**	(352,914)
Total comprehensive loss attributable to:				
Owners of the parent	**(56,591)**	(185,470)	**(122,021)**	(342,552)
Non-controlling interests	**1,123**	(13,759)	**15,522**	(10,362)
	(55,468)	(199,229)	**(106,499)**	(352,914)

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

Condensed consolidated statement of changes in equity
for the period ended 30 September 2012

	Share capital AED '000	Reserves AED '000	Cumulative change in fair values 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 2010 (audited)	1,791,333	833,493	(20,909)	(186,443)	2,417,474	346,307	2,763,781
Loss for the period	-	-	-	(304,242)	(304,242)	(10,362)	(314,604)
Other comprehensive loss for the period	-	-	(38,310)	-	(38,310)	-	(38,310)
Total comprehensive loss for the period	-	-	(38,310)	(304,242)	(342,552)	(10,362)	(352,914)
Dividends paid	-	-	-	-	-	(3,491)	(3,491)
Transfer from additional reserve (Note 6)	-	(264,190)	-	264,190	-	-	-
	-	(264,190)	-	264,190	-	(3,491)	(3,491)
Balance at 30 September 2011 (unaudited)	1,791,333	569,303	(59,219)	(226,495)	2,074,922	332,454	2,407,376
Balance at 31 December 2011 (audited)	1,791,333	569,303	(61,902)	(1,000,331)	1,298,403	339,646	1,638,049
Loss for the period	-	-	-	(103,251)	(103,251)	15,527	(87,724)
Other comprehensive loss for the period	-	-	(18,770)	-	(18,770)	(5)	(18,775)
Total comprehensive loss for the period	-	-	(18,770)	(103,251)	(122,021)	15,522	(106,499)
Dividend paid	-	-	-	-	-	(7,702)	(7,702)
Transfer from statutory reserve (Note 6)	-	(450,298)	-	450,298	-	-	-
Funds invested	-	-	-	-	-	698	698
	-	(450,298)	-	450,298	-	(7,004)	(7,004)
Balance at 30 September 2012 (unaudited)	**1,791,333**	**119,005**	**(80,672)**	**(653,284)**	**1,176,382**	**348,164**	**1,524,546**

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

Condensed consolidated statement of cash flows (unaudited)
for the period ended 30 September 2012

	Nine month period ended 30 September	
	2012	2011
	AED '000	AED '000
Cash flows from operating activities		
Loss for the period	**(87,724)**	(314,604)
Adjustments for:		
Provision for employees' end of service benefits	**3,793**	6,591
Loss from sale of investments in securities	**25,281**	17,014
Loss on disposal of investment in associates	**-**	11,152
Loss/(gain) on sale of investment properties and development properties	**1,947**	(38,643)
Unrealised loss on investments held for trading	**32,824**	87,040
Impairment on investment in securities	**-**	98
Impairment loss on trade receivables	**-**	56,140
Share of (profit)/loss from investments in associates	**(1,778)**	33,142
Finance cost	**112,353**	190,526
Operating cash flows before movements in working capital	**86,696**	48,456
(Increase)/decrease in inventories	**(45,741)**	50,341
Decrease in trade and other receivables	**40,492**	69,712
Decrease/(increase) in due from related parties	**40,857**	(70,080)
Decrease in trade and other payables	**(136,854)**	(7,752)
Increase/(decrease) in advance received from customers	**20,165**	(44,466)
Increase in due to related parties	**13,634**	9,040
Purchase of investment in securities	**(8,379)**	(8,915)
Purchase of investment properties	**(2,936)**	(9,528)
Purchase of development properties	**(2,448)**	(7,169)
Proceeds from sale of investments in securities	**33,094**	45,723
Proceeds from sale of investments properties and development properties	**49,307**	-
Reinsurance contract assets	**(16,772)**	(28,243)
Insurance contract liabilities	**31,305**	36,339
Cash generated from operations	**102,420**	83,458
Employees' end of service benefits paid	**(1,911)**	(2,440)
Interest paid	**(85,095)**	(79,258)
Net cash generated from operating activities	**15,414**	1,760

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

Condensed consolidated statement of cash flows (unaudited)
for the period ended 30 September 2012 (continued)

	Nine month period ended 30 September	
	2012	2011
	AED '000	AED '000
Cash flows from investing activities		
(Increase)/decrease in fixed deposits	**(16,745)**	34,296
Net movement in property, plant and equipment	**28,063**	2,831
Purchase of investments in associates	**(7,550)**	(15,289)
Proceeds from disposal of investment in associates	**-**	38,149
Net cash generated from investing activities	**3,768**	59,987
Cash flows from financing activities		
Dividends paid – subsidiaries	**(7,702)**	(3,491)
Net movement in bank loans, finance lease and short term bank borrowings	**(20,830)**	(25,605)
Fund invested in non-controlling interest	**698**	-
Net cash used in financing activities	**(27,834)**	(29,096)
Net (decrease)/increase in cash and cash equivalents	**(8,652)**	32,651
Cash and cash equivalents at the beginning of the period	**75,963**	78,218
Cash and cash equivalents at the end of the period (Note 10)	**67,311**	110,869

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

Notes to the condensed consolidated financial statements
for the period ended 30 September 2012

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. Standards and Interpretations 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 1 First-time Adoption of International Financial Reporting Standards relating to accounting for government loans at below market interest rate.	1 January 2013
• Amendments to IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value.	1 January 2015
• IFRS 10 *Consolidated Financial Statements** uses control as the single basis for consolidation, irrespective of the nature of the investee. IFRS 10 requires retrospective application subject to certain transitional provisions providing an alternative treatment in certain circumstances. Accordingly IAS 27 *Separate Financial Statements** and IAS 28 *Investments in Associates and Joint Ventures** have been amended for the issuance of IFRS 10.	1 January 2013
• IFRS 11 *Joint Arrangements** establishes two types of joint arrangements: Joint operations and joint ventures. The two types of joint arrangements are distinguished by the rights and obligations of those parties to the joint arrangement. Accordingly IAS 28 *Investments in Associates and Joint Ventures* has been amended for the issuance of IFRS 11.	1 January 2013

Notes to the condensed consolidated financial statements for the period ended 30 September 2012 (continued)

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

New and revised IFRSs	**Effective for annual periods beginning on or after**
• IFRS 12 *Disclosure of Interests in Other Entities** combines the disclosure requirements for an entity's interests in subsidiaries, joint arrangements, associates and structured entities into one comprehensive disclosure Standard.	1 January 2013
• Amendments to IFRS 10, IFRS 11 and IFRS 12 transition guidance issued in June 2012.	When IFRS 10, IFRS 11 and IFRS 12 are first adopted
• IFRS 13 *Fair Value Measurement* issued in May 2011 establishes a single framework for measuring fair value and is applicable for both financial and non-financial items.	1 January 2013
• Amendments to IAS 1 – *Presentation of Other Comprehensive Income*. The amendments retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate statements. However, items of other comprehensive income are required to be grouped into those that will and will not subsequently be reclassified to profit or loss with tax on items of other comprehensive income required to be allocated on the same basis.	1 July 2012
• Annual Improvements 2009 – 2011 Cycle covering amendments to IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34	1 January 2013
• Amendments to IAS 19 *Employee Benefits* eliminate the "corridor approach" and therefore require an entity to recognize changes in defined benefit plan obligations and plan assets when they occur.	1 January 2013
• IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*	1 January 2013
• Amendments to IFRS 7 *Financial Instruments: Disclosures* enhancing disclosures about offsetting of financial assets and liabilities	1 January 2013
• Amendments to IAS 32 *Financial Instruments: Presentation* relating to application guidance on the offsetting of financial assets and financial liabilities	1 January 2014
• Amendments to IFRS 7 *Financial Instruments: Disclosures* relating to disclosures about the initial application of IFRS 9	1 January 2015 (or otherwise when IFRS 9 is first applied)

Notes to the condensed consolidated financial statements
for the period ended 30 September 2012 (continued)

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

*In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011). These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements for the period beginning 1 January 2013 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 except for the adoption of IFRS 9.

Management anticipates that IFRS 9 will be adopted in the Group's consolidated financial statements for the period beginning 1 January 2015 and that the application of the new Standard will have a 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.

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 2011.

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 31 December 2011. In addition, results for the nine months ended 30 September 2012 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2012.

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:

Notes to the condensed consolidated financial statements for the period ended 30 September 2012 (continued)

3. Summary of significant accounting policies (continued)

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.

3.3 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. Summary of significant accounting policies (continued)

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 in associates

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

The results and assets and liabilities of associates are incorporated in these condensed consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate is initially recognised in the condensed consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

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

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

3. Summary of significant accounting policies (continued)

3.7 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.

3.8 Interests in joint ventures

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

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

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group reports its interests in jointly controlled entities using proportionate consolidation, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The Group's share of the assets, liabilities, income and expenses of jointly controlled entities is combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising in a business combination as disclosed in Note 3.5 and 3.6 to the annual audited consolidated financial statements for the year ended 31 December 2011.

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

3. Summary of significant accounting policies (continued)

3.9 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.

3.10 Basis of consolidation

The condensed consolidated interim 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 Parent 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 31 December 2011.

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.

Notes to the condensed consolidated financial statements
for the period ended 30 September 2012 (continued)

4. Bank balances and cash

	30 September 2012 (unaudited) AED '000	31 December 2011 (audited) AED '000
Cash on hand	**5,205**	2,182
Bank balances:		
Current accounts	**58,521**	44,334
Deposit accounts	**304,237**	313,354
	362,758	357,688
	367,963	359,870

5. Share capital

	30 September 2012 (unaudited) AED '000	31 December 2011 (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 AED '000	Additional reserve AED '000	Land revaluation reserve AED '000	Total AED '000
Balance, at 31 December 2010 (audited)	450,298	264,190	119,005	833,493
Transfer to accumulated losses	-	(264,190)	-	(264,190)
Balance at 30 September 2011 (unaudited)	450,298	-	119,005	569,303
Balance at 31 December 2011 (audited)	450,298	-	119,005	569,303
Transfer to accumulated losses	(450,298)	-	-	(450,298)
Balance at 30 September 2012 (unaudited)	-	-	119,005	119,005

6. Reserves (continued)

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 have been made during the nine month period ended 30 September 2012, as this will be based on the results of the year.

At the Annual General Meeting held on 24 April 2012, the Shareholders approved the transfer of the balance in statutory reserve as at 31 December 2011 of AED 450,298 thousand to accumulated losses. The Parent Company is in the process of obtaining the approval from Emirates Securities and Commodities Authority for this transfer.

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 nine month period ended 30 September 2012, as this will be based on the results of the year.

At the Annual General Meeting held on 26 April 2011, the Shareholders approved the transfer of the balance in additional reserve as at 31 December 2010 of AED 264,190 thousand to accumulated losses.

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 following:

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. The bank's facilities are further subject to certain financial/ non-financial covenants.

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.

7. **Bank borrowings** (continued)

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

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

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

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

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

The impact of the above restructuring agreement dated 2 July 2012 is reflected in these condensed consolidated financial statements of the Group.

Notes to the condensed consolidated financial statements for the period ended 30 September 2012 (continued)

8. Revenue and cost of revenue

	Three month period ended 30 September		Nine month period ended 30 September	
	2012 (unaudited) AED '000	2011 (unaudited) AED '000	**2012 (unaudited) AED '000**	2011 (unaudited) AED '000
Revenue				
Sale of goods manufactured	**265,058**	289,372	**833,122**	851,497
Sales of development properties and investment properties	**6,713**	1,465	**49,307**	139,336
Sales of investments in securities	**1,563**	5,784	**33,094**	45,723
Insurance income	**66,324**	61,358	**225,170**	214,356
Trading income	**24,686**	53,920	**113,427**	149,869
Rental income	**10,907**	11,221	**35,288**	33,791
Dividend and interest	**7,690**	-	**21,141**	13,715
Service income	**34,001**	25,679	**102,049**	90,604
	416,942	448,799	**1,412,598**	1,538,891
Cost of revenue				
Cost of goods manufactured and sold	**228,820**	261,371	**724,725**	760,811
Cost of development properties and investment properties sold	**6,464**	-	**51,254**	100,693
Cost of investments in securities sold	**3,962**	4,113	**58,375**	62,737
Cost of insurance income	**70,187**	66,216	**198,414**	197,633
Cost of trading	**18,583**	38,550	**73,357**	102,419
Cost of services and rentals	**15,232**	20,342	**45,059**	84,483
	343,248	390,592	**1,151,184**	1,308,776

9. Basic loss per share

	Three month period ended 30 September		Nine month period ended 30 September	
	2012 (unaudited)	2011 (unaudited)	**2012 (unaudited)**	2011 (unaudited)
Loss for the period (in AED '000)	**(46,850)**	(146,044)	**(103,251)**	(304,242)
Number of shares (in thousands)	**1,791,333**	1,791,333	**1,791,333**	1,791,333
Basic loss per share (in AED)	**(0.03)**	(0.08)	**(0.06)**	(0.17)

Notes to the condensed consolidated financial statements for the period ended 30 September 2012 (continued)

10. Cash and cash equivalents

	30 September 2012 (unaudited) AED '000	30 September 2011 (unaudited) AED '000
Bank balances and cash	**367,963**	355,202
Less: Deposits under lien and deposits with maturity over three months	**(300,652)**	(244,333)
	67,311	110,869

11. Approval of condensed consolidated financial statements

The condensed consolidated financial statements were approved and authorised for issue on 8 November 2012.

Notes to the condensed consolidated financial statements
for the period ended 30 September 2012 (continued)

12. Location of assets

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

	30 September 2012 (unaudited)			31 December 2011 (audited)		
	In U.A.E.	**In other countries**	**Total**	In U.A.E.	In other countries	Total
	AED '000	**AED '000**	**AED '000**	AED '000	AED '000	AED '000
Property, plant and equipment	883,817	-	883,817	911,880	-	911,880
Investment properties	2,088,616	89,820	2,178,436	2,104,439	89,820	2,194,259
Investments in associates	105,364	140,839	246,203	96,290	146,247	242,537
Held-to-maturity investments	6,800	-	6,800	6,800	-	6,800
Available-for-sale investments	246,868	20,362	267,230	306,173	20,382	326,555
Development properties	961,987	-	961,987	992,034	-	992,034
Held for trading investments	371,143	17,927	389,070	407,827	17,851	425,678
Bank balances	361,625	1,133	362,758	357,030	658	357,688
	5,026,220	**270,081**	**5,296,301**	5,182,473	274,958	5,457,431

Notes to the condensed consolidated financial statements for the period ended 30 September 2012 (continued)

13. Segment information

	Manufacturing		Investments		Services and others		Total	
	Nine month period ended 30 September		Nine month period ended 30 September		Nine month period ended 30 September		Nine month period ended 30 September	
	2012 (unaudited) AED '000	2011 (unaudited) AED '000	**2012 (unaudited) AED '000**	2011 (unaudited) AED '000	**2012 (unaudited) AED '000**	2011 (unaudited) AED '000	**2012 (unaudited) AED '000**	2011 (unaudited) AED '000
Income								
Total income	**833,122**	851,497	**138,830**	232,565	**440,646**	454,829	**1,412,598**	1,538,891
Result								
Segment results	**108,397**	90,686	**(1,845)**	(62,199)	**123,816**	37,294	**230,368**	65,781
Unallocated general expenses	**-**	-	**-**	-	**-**	-	**(330,085)**	(402,912)
Other income	**-**	-	**-**	-	**-**	-	**11,993**	22,527
Net loss for the period							**(87,724)**	(314,604)
Non-controlling interest							**(15,527)**	10,362
Net loss for the period attributable to Owners of the parent							**(103,251)**	(304,242)

Notes to the condensed consolidated financial statements
for the period ended 30 September 2012 (continued)

14. Segment information (continued)

	Manufacturing		Investments		Services and others		Total	
	30 September 2012 (unaudited) AED '000	31 December 2011 (audited) AED '000	**30 September 2012 (unaudited) AED '000**	31 December 2011 (audited) AED '000	**30 September 2012 (unaudited) AED '000**	31 December 2011 (audited) AED '000	**30 September 2012 (unaudited) AED '000**	31 December 2011 (audited) AED '000
Total assets								
Segment assets	**376,134**	504,062	**2,967,075**	3,087,994	**1,985,146**	1,856,081	**5,328,355**	5,448,137
Unallocated corporate assets							**1,689,922**	1,747,083
Consolidated total assets							**7,018,277**	7,195,220
Total liabilities								
Segment liabilities	**493,393**	539,957	**2,358,138**	2,376,171	**1,152,811**	1,164,289	**4,004,342**	4,080,417
Unallocated corporate liabilities							**1,489,389**	1,476,754
Consolidated total liabilities							**5,493,731**	5,557,171