GULF GENERAL INVESTMENT COMPANY
A PUBLIC SHAREHOLDING COMPANY
AND ITS SUBSIDIARIES
DUBAI
UNITED ARAB EMIRATES

AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

GULF GENERAL INVESTMENT COMPANY
A PUBLIC SHAREHOLDING COMPANY
AND ITS SUBSIDIARIES
DUBAI
UNITED ARAB EMIRATES

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Auditor's Report

101380345

The Shareholders
Gulf General Investment Company
A Public Shareholding Company
Dubai
United Arab Emirates.

We have audited the accompanying consolidated balance sheet of **GULF GENERAL INVESTMENT COMPANY - a public shareholding company and its Subsidiaries - DUBAI - UNITED ARAB EMIRATES** as of 31 December 2004 and the related consolidated statements of income, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

The financial statements of Al Sagr National Insurance Company P.S.C. "a subsidiary company" shows a total assets of AED. 337,572,891 as of 31 December 2004 and Net profit of AED. 81,459,229 for the year then ended were audited by other auditors whose report has been furnished to us and our opinion in so far as it relates to the amounts included for Al Sagr National Insurance Company is based solely on the report of the other auditors.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Gulf General Investment Company - a public shareholding company and its subsidiaries - Dubai - United Arab Emirates** as of 31 December 2004 and the results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

Also in our opinion, the Company has maintained proper accounting records, inventory count was duly carried out and the contents of the Directors' report relating to the financial statements are in agreement therewith. To the extent of information and explanations made available to us,

nothing came to our attention concerning occurrence of violations of the Commercial Companies Law of 1984 and its amendments or the Articles of Association of the Company during the year which would have had a material effect on the Company's activities or its financial position.

ALDAR AUDIT BUREAU
TALAL ABU-GHAZALEH & CO.

Ali Hassan Shalabi
Licensed Auditor No. 34

2 March 2005.

GULF GENERAL INVESTMENT COMPANY
A PUBLIC SHAREHOLDING COMPANY
AND ITS SUBSIDIARIES
DUBAI
UNITED ARAB EMIRATES

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2004

EXHIBIT A

	Note	2004	2003
ASSETS		**AED**	AED
Non-Current Assets			
Land	3	**6,418,650**	4,800,000
Property, plant and equipment	4	**73,391,846**	73,282,300
Investments in associated companies	5	**731,060**	1,225,000
Investments in company participation	6	**3,724,000**	--
Investments property	7	**286,578,981**	198,761,761
Projects under construction	8	**86,953,317**	21,876,392
Available for sale investments	9	**171,682,950**	138,502,208
Held to maturity investments	9	**13,720,912**	5,390,912
Goodwill	10	**6,209,492**	7,369,563
Total Non-Current Assets		**649,411,208**	451,208,136
Current Assets			
Inventories	11	**88,260,030**	49,383,625
Trade and other receivables	12	**291,943,091**	180,734,844
Held for trading investments	9	**355,816,260**	85,245,776
Post-dated cheques received		**23,533,762**	44,359,057
Cash and banks balances	13	**97,834,024**	121,500,290
Total Current Assets		**857,387,167**	481,223,592
TOTAL ASSETS		**1,506,798,375**	932,431,728

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been authorized for issue by the Board of Directors on 2 March 2005

Abdulla Juma Al Sari
Chairman

Dr. Muawiah Saleh Al Shanar
Deputy Chairman

GULF GENERAL INVESTMENT COMPANY
A PUBLIC SHAREHOLDING COMPANY
AND ITS SUBSIDIARIES
DUBAI
UNITED ARAB EMIRATES

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2004

EXHIBIT A
CONTINUED

SHAREHOLDERS' EQUITY AND LIABILITIES		2004 AED	2003 AED
Capital and Reserves :			
Paid-up capital	14	**120,000,000**	100,000,000
Reserves	14	**113,769,805**	77,084,775
Cumulative changes in fair value of securities		**32,847,390**	--
Accumulated profits		**316,390,449**	207,050,332
Proposed issue of bonus shares	14	**36,000,000**	20,000,000
Proposed cash dividends	14	**--**	10,000,000
Total Shareholders' Equity		**619,007,644**	414,135,107
Minority Interest	15	**97,704,783**	65,569,505
Non-Current Liabilities			
Technical provisions		**38,776,913**	42,461,854
End of service benefits obligation	16	**7,398,840**	6,421,132
Medium-term loans	17	**38,784,426**	17,812,500
Post-dated cheques issued		**57,820, 920**	38,250,000
Total Non-Current Liabilities		**142,781,099**	104,945,486
Current Liabilities			
Trade and other payables	18	**300,133,610**	152,565,910
Current instalments of medium-term loans	17	**18,631,151**	10,487,067
Short-term borrowings	19	**328,540,088**	184,728,653
Total Current Liabilities		**647,304,849**	347,781,630
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,506,798,375**	932,431,728

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These consolidated financial statements have been authorized for issue by the Board of Directors on 2 March 2005

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GULF GENERAL INVESTMENT COMPANY
A PUBLIC SHAREHOLDING COMPANY
AND ITS SUBSIDIARIES
DUBAI
UNITED ARAB EMIRATES

CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2004

EXHIBIT B

	Note	2004 AED	2003 AED
Manufacturing profit	21	**68,035,371**	49,714,757
Investment income	22	**176,841,614**	81,609,488
Rental income		**16,642,828**	16,639,631
Insurance profit		**15,293,353**	11,821,540
Total operating income		**276,813,166**	159,785,416
Other operating income	23	**1,029,735**	2,008,826
Distribution expenses		**(15,655,342)**	(14,164,455)
Administrative expenses	24	**(21,234,469)**	(18,517,798)
Net operating profits		**240,953,090**	129,111,989
Finance cost		**(14,323,908)**	(6,551,378)
Net profit before minority interest		**226,629,182**	122,560,611
Minority interest		**(43,204,035)**	(18,909,866)
Net Profit for the Year		**183,425,147**	103,650,745
Earnings Per Share	25	**AED. 3.05**	AED. 1.73

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

GULF GENERAL INVESTMENT COMPANY
A PUBLIC SHAREHOLDING COMPANY
AND ITS SUBSIDIARIES
DUBAI
UNITED ARAB EMIRATES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2004

EXHIBIT C

	Capital AED	Reserves AED	Cumulative changes in fair value of securities AED	Accumulated profits AED	Proposed issue of bonus shares AED	Proposed cash dividends AED	Total AED
Balance at 1 January 2003	100,000,000	56,354,625	--	155,129,737	--	10,000,000	321,484,362
Net profit for the year ended 31 December 2003 - Exhibit B	--	--	--	103,650,745	--	--	103,650,745
Transferred to statuary reserve	--	10,365,075	--	(10,365,075)	--	--	--
Transferred to additional reserve	--	10,365,075	--	(10,365,075)	--	--	--
Proposed issue of bonus shares	--	--	--	(20,000,000)	20,000,000	--	--
Proposed cash dividends	--	--	--	(10,000,000)	--	10,000,000	--
Directors' remuneration	--	--	--	(1,000,000)	--	--	(1,000,000)
Cash dividends	--	--	--	--	--	(10,000,000)	(10,000,000)
Balance as at 31 December 2003 - Exhibit A	**100,000,000**	**77,084,775**	--	**207,050,332**	**20,000,000**	**10,000,000**	**414,135,107**
Transferred to capital	**20,000,000**	--	--	--	**(20,000,000)**	--	--
Net profit for the year ended 31 December 2004 - Exhibit B	--	--	--	**183,425,147**	--	--	**183,425,147**
Transferred to statuary reserve	--	**18,342,515**	--	**(18,342,515)**	--	--	--
Transferred to additional reserve	--	**18,342,515**	--	**(18,342,515)**	--	--	--
Net changes in fair value of securities	--	--	**32,847,390**	--	--	--	**32,847,390**
Proposed issue of bonus shares	--	--	--	**(36,000,000)**	**36,000,000**		
Directors' remuneration	--	--	--	**(1,400,000)**	--	--	**(1,400,000)**
Cash dividends	--	--	--	--	--	**(10,000,000)**	**(10,000,000)**
Balance as at 31 December 2004 - Exhibit A	**120,000,000**	**113,769,805**	**32,847,390**	**316,390,449**	**36,000,000**	--	**619,007,644**

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

GULF GENERAL INVESTMENT COMPANY
A PUBLIC SHAREHOLDING COMPANY
AND ITS SUBSIDIARIES
DUBAI
UNITED ARAB EMIRATES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2004

EXHIBIT D

	2004 **AED**	2003 AED
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the year - Exhibit B	**183,425,147**	103,650,745
Adjustments for:		
Depreciation of property and equipment	**7,352,406**	6,205,627
Amortization of goodwill	**1,160,071**	1,160,071
End of service benefits obligation	**1,517,235**	1,306,787
Profit from sale of investments in securities	**(77,850,838)**	(25,789,588)
Profit from investments property	**(36,657,903)**	(32,653,290)
Loss/(gain) on sale of property and equipment	**2,852**	(60,135)
Provision for unexpired risks	**(2,216,968)**	6,115,811
Provision for outstanding claims	**(1,467,973)**	3,758,465
Changes in fair value of investment in securities	**(61,438,286)**	(36,827,137)
Changes in fair value of investments property	**(167,388)**	15,923,133
Allowance for doubtful accounts	**2,063,176**	1,255,751
Disposal of property and equipment	--	393,540
Disposal of investment in associated company	--	1,282,202
Operating Profits Before Working Capital Changes	**15,721,531**	45,721,982
Increase in inventories	**(38,876,405)**	(11,166,557)
Increase in trade and other receivables	**(113,271,423)**	(35,088,345)
Decrease/(increase) in post-dated cheques received	**20,825,295**	(22,055,602)
Increase/(decrease) in trade and other payables	**118,548,359**	(8,642,698)
Increase in post-dated cheques issued	**47,191,817**	55,127,971
End of service benefits paid during the year	**(539,527)**	(262,827)
Net Cash Provided by Operating Activities – C/F	**49,599,647**	23,633,924

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

GULF GENERAL INVESTMENT COMPANY
A PUBLIC SHAREHOLDING COMPANY
AND ITS SUBSIDIARIES
DUBAI
UNITED ARAB EMIRATES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2004

EXHIBIT D
CONTINUED

	2004 **AED**	2003 AED
Net Cash Provided by Operating Activities – B/F	**49,599,647**	23,633,924
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease/(increase) in fixed deposits	**18,935,253**	(7,878,076)
Purchase of investment in securities	**(1,284,438,035)**	(337,583,078)
Purchase of investments property	**(220,975,877)**	(82,192,810)
Projects under construction	**(26,819,925)**	(11,666,468)
Net of purchase of property, plant and equipment	**(7,520,790)**	(27,640,775)
Proceeds from sales of investments in securities	**1,144,493,322**	222,460,200
Proceeds from sales of investment property	**131,727,944**	94,048,247
Dividend received	**705,441**	1,414,414
Purchase of land	**(1,618,650)**	--
Purchase of investment in associated companies	**(3,974,000)**	(1,225,000)
Proceeds from sales of property and equipment	**55,990**	75,560
Net Cash Used in Investing Activities	**(249,429,327)**	(150,187,786)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	**(9,001,556)**	(9,888,569)
Payment of directors' remuneration	**(1,000,000)**	(750,000)
Borrowing from medium-term loan	**29,116,010**	13,112,067
Increase in short-term borrowings	**143,811,435**	111,463,560
Increase in minority interest	**32,135,278**	13,718,868
Net Cash Provided by Financing Activities	**195,061,167**	127,655,926
Net (decrease)/increase in cash & cash equivalents	**(4,768,513)**	1,102,064
Cash & cash equivalents at beginning of year	**30,733,589**	29,631,525
Cash & Cash Equivalents at end of Year - Note 27	**25,965,076**	30,733,589

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

GULF GENERAL INVESTMENT COMPANY
A PUBLIC SHAREHOLDING COMPANY
AND ITS SUBSIDIARIES
DUBAI
UNITED ARAB EMIRATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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1. STATUS AND ACTIVITIES

Gulf General Investment Company - Dubai - United Arab Emirates, parent company (hereinafter referred to as the **"Company"**) is a public shareholding company incorporated in the Emirate of Ajman by an Amiri Decree No.2/73 issued on 27 July 1973.

The main activities of the Company are :

a) Establishing different industrial projects.

b) Performing various financial activities resulting in investments, buying and selling shares and bonds and contributing in constitution of other companies.

c) Purchase, sale and usage of land & real estate, residential, commercial and industrial complexes.

d) Construction, possession and managing of hotels, clubs, restaurants and various tourist properties.

The Company is domiciled in Dubai city, Emirate of Dubai, United Arab Emirates.

The duration of the Company is ninety years starting from the date of issuance of Amiri Decree announcing for its inception mentioned above.

As of 31 December 2004 the Company has 641 employees as per records (2003 : 611 employees).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. The following is the summary of significant accounting policies adopted by the company on a consistent basis :-

a) **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the parent company and its subsidiaries. The accompanying financial statements represent the consolidation of the financial statements of the following companies:

	Ownership %
Gulf General Investment Co. (Parent Co.) P.S.C. - Dubai	100
Emirates Lube Oil Co. Ltd. (LLC) - Sharjah Main Office and its Branches in Dubai and Ras Al-Khaimah	100
Gulf Prefab Houses Factory (LLC) - Sharjah	100
Crown Lubricants Co. (L.L.C.) – Sharjah Main Office and its Branches in Dubai and Abu Dhabi	100
Horizon Metallic Ind. Co. LLC – Sharjah	100
Crown Lubricants Co. (L.L.C.) – Abu Dhabi	50
Al Sagr National Insurance Co. P.S.C. – Dubai and its Subsidiary, Al Sagr Saudi Insurance Co. - Saudi Arabia	53

Investment in Al Sagr National Insurance Co. P.S.C. – Dubai is registered in the name of related parties on behalf of the company and for its own benefit.

All inter-company's account balances and transactions have been eliminated on consolidation.

b) **Accounting convention**

The company's financial statements are prepared under the historical cost convention except for certain elements which has been measured on the basis of fair value as set forth in the attached notes.

c) **Trade and settlement date accounting**

The company adopts the settlement date accounting for the “regular way” purchase or sale of various categories of financial assets. Settlement date accounting requires the recognition of financial assets on the day it is transferred to the enterprise.

d) **Property, plant and equipment**

Property, plant and equipment are stated at cost and expenditure capitalized which enhance the economic life of property, plant and equipment or its capacity or reducing substantially operating costs.

The company is using the straight line method in depreciating its property, plant and equipment at rates estimated to depreciate the assets concerned over their useful lives. Annual rates of depreciation used are as follows :

	%
Buildings, sheds and prefab houses	7.50 - 20
Plant and equipment	5 - 20
Motor vehicles, ships & trucks	10 - 25
Office and residence furniture	15 - 25
Storage tanks	5
Marine tanks	15
Other assets	12.50 - 20

e) **Impairment of assets**

An assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset or group of financial assets may be impaired. If any such evidence exists, the estimated recoverable amounts of the assets are determined and any impairment loss is recognized for the difference between the recoverable amount and the carrying amount. Impairment losses are recognized in the Statement of Income.

f) **Investments in associated companies**

In general, the associated companies are defined as those enterprises in which the Company holds directly or indirectly 20% or more of the voting power thereof. The company follows the equity method in presenting its investments in associated companies.

g) **Investments in unconsolidated subsidiary**

Subsidiary which operates under several long-term restrictions that significantly impair its ability to transfer funds to the parent company are stated at cost of investment.

h) **Investments property**

Investment property comprises investment in building and freehold land held for capital appreciation and earn rentals. Investment property stated at its fair value at the balance sheet date. Gain or losses arising from changes in the fair value of investment property are recognized directly in Statement of Income.

i) **Projects under construction**

All direct costs relating to project and professional fees, administrative cost and other expenses from the start of the projects up to completion are capitalized and classified under projects under construction. Completion is defined as the earlier of issuance of a certificate of the practical completion or when management considers the project to be completed.

j) **Investments in securities**

- **Held for Trading investments**

  Investments held for trading are initially recorded at cost, being the fair value of the consideration given including acquisition costs associated with investment and subsequently re-measured at fair value unrealized gains or losses are included in Income Statements.

- **Available for sale investments**

  Available for sale investments are initially recorded at cost, being the fair value of the consideration given including acquisition costs associated with investment and subsequently re-measured at fair value. Unrealized gains or losses on re-measurement to fair value are recorded as a separate component of equity until the investment is sold or disposed of, or impairment in value, at which time the cumulative gain or loss previously reported in equity is included in Statement of Income.

  Effective from 1 January 2004 the company has changed the accounting policy for unrealized gain or loss on re-measurement to fair value of its investment which are classified as "available for sale" are now reported as a separate component of equity instead of income statement as previously reported. The effect of this change in policy has to decrease net profit for the year by AED. 32,847,390.

- **Held to maturity investments**

  Investment held to maturity is measured at amortized cost. When investment held to maturity is determined to be impaired, the amount of loss is included in the Income Statement for the period.

k) **Goodwill**

Goodwill represents the excess amounts paid by the company over the fair value of purchase cost for the company share in Al Sagr National Insurance Company – Dubai and its subsidiary and branches in Saudi Arabia starting from 1 January 2002. These amounts paid towards goodwill are being amortized on the straight line method over a period of ten years.

l) **Inventories**

Inventories of raw materials and spare parts at year end are stated at the lower of cost or net realizable value, cost being determined on the basis of weighted average prices.

Finished and semi-finished products are stated at the lower of cost incurred in blending division or net realizable value. Cost include materials, labour and an appropriate proportion of manufacturing overhead allocated on the basis of quantity produced which is close to the normal production capacity.

m) **End of service benefits obligation**

End of service benefits obligation is calculated in accordance with U.A.E. Labour law requirements.

n) **Revenue recognition**

- ***Manufacturing oil and lubricants income***

  The Company recognizes revenue from manufacturing and trading in oil and lubricants that relate to local market when related invoices are issued to customers. The Company recognizes income of exports market when goods exporting process are completed with condition that there is no obligation or additional cost related to this sale.

- ***Manufacturing prefab houses income***

  Revenue from prefab houses is recognized upon actual delivery of prefab houses according to the customers' job orders.

- ***Dividend income***

  The Company recognizes the income from investment when the companies which have been invested in declare the dividends to shareholders.

- ***Rental income***

  The Company recognizes the rental income from premises for the period as per the progress of annual tenancy contract and rent received in advance from tenants is postponed to the next period.

- ***Premiums revenue***

  Written and accepted premiums after deducting added premiums on insurance are recognized as income. Commissions earned or paid are recognized on the same basis.

o) **Cash and cash equivalents**

This item comprise of call deposits which are placed with banks for three months or less from the original date of placement. Cash represents cash on hand and unrestricted balances of current account with banks. Overdraft balances that fluctuate from debit to credit during the financial year are deducted from cash and cash equivalents.

p) **Foreign currencies**

Assets and liabilities denominated in foreign currencies are expressed in Arab Emirates Dirhams (AED) at rates of exchange ruling at the balance sheet date. Foreign currency transactions occurring during the year are expressed in AED at rates of exchange prevailing on such transaction dates. All foreign currency gains and losses are credited or charged to statement of income as they arise.

q) **Financial instruments**

The company's financial instruments principally comprise of post-dated cheques received, trade and other receivables, investments in securities, cash and bank balances, trade and other payables, dividends payable and short-term borrowings.

Fair value of financial instruments is arrived at by using various methods of estimation that include determining net realizable value, net settlement value, market value or market value of a similar instrument and estimates based on management's judgement and past experience.

r) **Activities, geographical segments and basis of cost allocation among the segments**

The Company's policy of differentiation between the work segments which are considered as primary segments by taking into consideration the nature of services and product from these segments, production machinery used, organization and administrative hierarchy, and the internal system relating to the internal financial reports about it.

Direct costs are charged for each work segments and overhead expenses are being allocated on the basis of quantity produced which is close to the normal production capacity.

The company's policy of differentiation between the geographical segments which are considered as secondary segments taking into consideration the economic consequences, the related risk for each geographical segments and the ruling regulations of commercial exchange and geographical segments have been presented according to the clients locations.

Financial information of segments has been presented in net amount after eliminating the internal balances and transactions.

3. LAND

Land amounting to AED. 6,418,650 (2003 : 4,800,000) (Exhibit A) represents the value of two plots of land in the sixth industrial area in Sharjah and registered in the name of Gulf Prefab Houses Factory (L.L.C.). One plot of the above mentioned land had been evaluated in the year 1993 when the Gulf Prefab Houses was acquired in full by the company. The difference resulting from this revaluation amounting to AED.2,509,211 was credited to land revaluation reserve. This Land with constructed sheds, plants, prefab houses, machinery and equipment relate to Gulf Prefab Houses Factory (L.L.C.).

4. PROPERTY, PLANT AND EQUIPMENT

a) The Recoverable amount of the Company's primary cash generating units

The company has three main cash generating units which comprises of manufacturing units which includes manufacturing in oil and lubricants and manufacturing of prefab houses, manufacturing of containers, investments unit which includes investment in securities and investment in properties and insurance services unit.

Based on management estimations, there is no need to adjust the value of assets comprising the company's cash generating units as at 31 December 2004, because of the increase in the recoverable amount and the increase in the assets selling price over the net value of these assets which comprise the units at that date.

4. PROPERTY, PLANT AND EQUIPMENT

b) Property, plant and equipment are stated at cost less accumulated depreciation as follows :

	Buildings, sheds and prefab houses AED	Plant and equipment AED	Motor vehicles, ships and trucks AED	Office and residence furniture AED	Storage tanks AED	Marine tanks AED	Other assets AED	Capital work-in-progress AED	Total AED
Cost :									
At 1 January 2004	13,864,158	49,388,004	6,498,644	6,873,612	7,824,551	1,597,485	3,203,008	18,817,755	108,067,217
Additions during the year	1,206,152	7,579,846	1,059,355	647,190	15,214,392	24,430	357,184	100,000	26,188,549
Disposals and Transfers	(769,339)	--	(126,100)	--	--	--	--	(18,667,755)	(19,563,194)
Balance at 31 December 2004	**14,300,971**	**56,967,850**	**7,431,899**	**7,520,802**	**23,038,943**	**1,621,915**	**3,560,192**	**250,000**	**114,692,572**
Accumulated Depreciation :									
At 1 January 2004	7,251,665	14,108,755	3,197,431	4,250,364	2,941,288	1,426,636	1,608,778	--	34,784,917
Charged for the year - Exhibit D	789,955	3,866,214	929,069	667,503	438,158	50,943	610,564	--	7,352,406
Related to disposals	(765,204)	--	(71,393)	--	--	--	--	--	(836,597)
Balance at 31 December 2004	**7,276,416**	**17,974,969**	**4,055,107**	**4,917,867**	**3,379,446**	**1,477,579**	**2,219,342**	--	**41,300,726**
Net Book Value :									
At 31 December 2004 - Exhibit A	**7,024,555**	**38,992,881**	**3,376,792**	**2,602,935**	**19,659,497**	**144,336**	**1,340,850**	**250,000**	**73,391,846**
At 31 December 2003 - Exhibit A	6,612,493	35,279,249	3,301,213	2,623,248	4,883,263	170,849	1,594,230	18,817,755	73,282,300

5. INVESTMENTS IN ASSOCIATED COMPANIES

This item consists of the following :

	Ownership %	**2004 AED**	2003 AED
Horizon Aluminium Ind. Co. LLC - Dubai	49	**1,225,000**	1,225,000
Loss for the year 2004		**(1,550,318)**	--
Payment against loss		**806,378**	--
Net balance at 31 December		**481,060**	1,225,000
Gulf Engineering Services LLC – Dubai	50	**250,000**	--
Income for the year 2004		**--**	--
Balance at 31 December		**250,000**	--
Total – Exhibit A		**731,060**	1,225,000

6. INVESTMENT IN COMPANY PARTICIPATION

Investment in company participation of AED. 3,724,000 (Exhibit A) represents an initial payment towards investment made in Al Sagr Company for Co-operative Insurance (SCCI) – Kingdom of Saudi Arabia which is under formation.

7. INVESTMENTS PROPERTY

a) Investments property represented at fair value as per an open market valuation conducted by independent real estates consultants. The details of this account are as follows :

	2004 AED	2003 AED
Balance at 1 January	**198,761,761**	204,096,965
Transferred to projects under construction	**(38,257,000)**	(10,209,924)
Purchase of investments during the year	**220,975,877**	82,192,810
Sale of investments during the year	**(95,069,045)**	(61,394,957)
Changes in fair value	**167,388**	(15,923,133)
Fair value at 31 December – Exhibit A	**286,578,981**	198,761,761

b) Investments property mentioned above include the value of lands with constructed buildings amounting to AED. 92,433,861 mortgaged to the banks financing the construction of these buildings. It also includes lands of AED. 51,910,117 purchased in the name of related parties on behalf of the company and not yet registered in the name of the company.

8. **PROJECTS UNDER CONSTRUCTION**

The details of this item are as follows :

	2004 **AED**	2003 AED
Balance at 1 January	**21,876,392**	--
Transferred from investment property	**38,257,000**	10,209,924
Additions	**26,819,925**	11,666,468
Balance at 31 December – Exhibit A	**86,953,317**	21,876,392

9. **INVESTMENTS IN SECURITIES**

a) **Available for sale Investments**

This item consists of the following :

	2004 **AED**	2003 AED
Fair value at 1 January	**138,502,208**	17,695,539
Purchased during the year	**79,079,290**	114,481,416
Sale during the year	**(78,745,938)**	(12,048,807)
Increase in fair value	**32,847,390**	18,374,060
Fair Value at 31 December - Exhibit A	**171,682,950**	138,502,208

b) **Held to maturity Investments**

This item consists of the following :

	2004 **AED**	2003 AED
Cost at 1 January	**5,390,912**	5,545,492
Additions during the year	**12,250,000**	47,608
Sale during the year	**(3,920,000)**	(202,188)
Cost at 31 December - Exhibit A	**13,720,912**	5,390,912

c) **Held for trading Investments**

This item consists of the following :

	2004 **AED**	2003 AED
Balance at 1 January	**85,245,776**	29,572,676
Purchased during the year	**1,193,108,745**	223,054,054
Sale during the year	**(983,976,547)**	(185,834,031)
Increase in fair value	**61,438,286**	18,453,077
Fair Value at 31 December - Exhibit A	**355,816,260**	85,245,776

- The fair values of these investments are based on quoted market prices.
- Held for trading investments include investments of AED. 134,076,281 and available for sale investments include investments of AED. 138,182,625 pledged to local banks and investment of AED. 27,788,873 registered in the name of related parties on behalf of the company.
- Held to maturity investments are principal guaranteed with minimum return and these securities are issued by local banks and include investment of AED. 12,250,000 registered in the name of related parties on behalf of the company.

10. GOODWILL

The details of this item are as follows :

	2004 **AED**	2003 AED
Cost :		
Balance at 1 January	**11,600,705**	11,600,705
Amortization :		
Balance at 1 January	**4,231,142**	3,071,071
Amortization	**1,160,071**	1,160,071
Balance at 31 December	**5,391,213**	4,231,142
Net Amount at 31 December - Exhibit A	**6,209,492**	7,369,563

11. INVENTORIES

The details of this item are as follows :

	2004 **AED**	2003 AED
Raw-materials	**75,467,524**	37,445,577
Finished products	**11,142,689**	9,081,343
Semi-finished products	**2,273,654**	1,716,746
Goods in transit	**--**	1,436,814
Total	**88,883,867**	49,680,480
Allowance for slow-moving and obsolete items	**(623,837)**	(296,855)
Net Amount - Exhibit A	**88,260,030**	49,383,625

12. **TRADE AND OTHER RECEIVABLES**

a) This item consists of the following :

	2004	2003
	AED	AED
Trade accounts receivable - Note 12(b)	**199,981,840**	157,201,082
Due from related companies	**32,906,375**	823,413
Other receivables	**27,270,547**	9,577,197
Due from insurance companies	**31,784,329**	13,133,152
Total - Exhibit A	**291,943,091**	180,734,844

b) **Trade Accounts Receivable**

(i) The details of this item are as follows :

	2004	2003
	AED	AED
Insurance accounts receivable	**43,997,434**	58,243,861
Trade accounts receivable - Export	**18,656,259**	10,487,669
Other trade accounts receivable	**145,013,177**	94,868,593
Total trade accounts receivable - Note 12(b)(iii)	**207,666,870**	163,600,123
Allowance for doubtful accounts - Note 12(b)(ii)	**(7,685,030)**	(6,399,041)
Net Amount - Note 12(a) above	**199,981,840**	157,201,082

(ii) The details of movement in the allowance for doubtful accounts during the year are as follows :

	2004	2003
	AED	AED
Balance at 1 January	**6,399,041**	5,700,495
Addition to allowance	**2,063,176**	1,255,751
Accounts receivable written off	**(777,187)**	(557,205)
Balance at 31 December - Note 12(b)(i) above	**7,685,030**	6,399,041

(iii) Concentration of credit risk with respect to trade accounts receivable arises from exposure to group of debtors operating in the following industries/ (businesses) :

	2004	2003
	AED	AED
Sales agents	**15,014,537**	16,423,568
Governmental authorities	**3,247,042**	1,964,118
Marine and Trade Enterprises	**71,339,585**	40,062,354
Industrial Enterprises	**57,691,450**	41,375,053
Service Enterprises & Others	**60,374,256**	63,775,030
Total - Note 12(b)(i) above	**207,666,870**	163,600,123

(iv) Trade accounts receivable distributed on clients base divided geographically as follows :

	2004	2003
	AED	AED
U.A.E. and other GCC countries	**157,218,801**	135,129,534
Middle East	**7,858,993**	12,469,471
African countries	**27,931,837**	12,588,111
Asian countries	**12,060,876**	2,955,207
European countries	**2,596,363**	457,800
Total - Note 12(b)(i) above	**207,666,870**	163,600,123

13. **CASH AND BANKS BALANCES**

a) This item consists of the following :

	2004	2003
	AED	AED
Cash on hand	**307,808**	192,353
Current accounts with bank - Note 13(b)	**17,374,513**	28,058,330
Call accounts with bank	**4,282,755**	2,482,906
Fixed deposits - Note 13(c) & (d)	**75,868,948**	90,766,701
Total - Exhibit A	**97,834,024**	121,500,290

b) Current accounts with bank mentioned above amounting to AED. 17,374,513 include two bank accounts amounting to AED. 193,537 (2003 : AED. 130,700) are opened and operated in the name of third parties.

c) Fixed deposits mentioned above amounting to AED. 75,868,948 include fixed deposits of AED. 64,250,630 held under lien with a local bank against facilities granted to the company and also include fixed deposit amounting to AED. 7,500,000 hypothecated to the order of the Minister of Economy & Commerce of the U.A.E. in accordance with Federal Law No. (9) of 1984.

d) All fixed deposits mature within different periods not exceeding one year from the balance sheet date.

14. SHAREHOLDERS' EQUITY

a) Capital

	2004 **AED**	2003 AED
Authorized share capital comprises 60,000,000 Shares (2003 : 50,000,000 shares) of AED. 2/- each fully paid – Exhibit A	**120,000,000**	100,000,000

b) Basis of Retained Reserves

The company's annual net profit is distributed after deducting all administrative expenses and other related expenses as follows :

(i) 10% of the yearly net profit shall be deducted and retained in statutory reserve account, the deduction will be suspended when the reserve reaches 50% of the Company's paid-up capital and if the statutory reserve decreased from that percentage, again will be back to deduction.

(ii) Another 10% of the yearly net profit shall be deducted and retained in additional reserve until a decision from ordinary general assembly meeting on the strength of proposal by Board of Directors or if such reserve reaches to 50% of the company's paid-up capital.

c) Proposed appropriation of net profit

(i) The Company's Board of Directors have proposed the following appropriation of the net profits for the year :

	2004 **AED**	2003 AED
Transferred to statutory reserve	**18,342,515**	10,365,075
Transferred to additional reserve	**18,342,515**	10,365,075
Director's remuneration	**1,400,000**	1,000,000
Retained in accumulated profits	**109,340,117**	51,920,595
Proposed cash dividends 'Nil' (2003 : 10%) - Exhibit A	**--**	10,000.000
Proposed issue of bonus shares – Exhibit A	**36,000,000**	20,000,000
Total – Exhibit B	**183,425,147**	103,650,745

(ii) The above proposed appropriation is subject to the approval of the shareholders at the Annual General Meeting.

(iii) The Company's Board of Directors have proposed the issuance of 18,000,000 shares of 2 Dirhams for each share. This proposal is subject to the approval of the shareholders at the Extra Ordinary General Meeting.

d) **Reserves**

The details of this item are as follows :

	2004 **AED**	2003 AED
Statutory reserve	**58,376,372**	40,033,857
Additional reserve	**52,884,222**	34,541,707
Land revaluation reserve	**2,509,211**	2,509,211
Total - Exhibit A	**113,769,805**	77,084,775

15. **MINORITY INTEREST**

The details of this item are as follows :

	2004 **AED**	2003 AED
Balance at 1 January	**65,569,505**	51,850,637
Dividends paid	**(11,068,757)**	(5,190,998)
Share of net income for the year	**43,204,035**	18,909,866
Balance at 31 December – Exhibit A	**97,704,783**	65,569,505

16. **END OF SERVICE BENEFITS OBLIGATION**

The movements on this account during the year are as follows :

	2004 **AED**	2003 AED
Balance at 1 January	**6,421,132**	5,377,172
Current service cost	**1,517,235**	1,306,787
Settlements during the year	**(539,527)**	(262,827)
Balance at 31 December - Exhibit A	**7,398,840**	6,421,132

17. **MEDIUM-TERM LOANS**

a) The Company had obtained medium-term loan facilities from local banks in order to finance the purchase of real estate. The details of these facilities are as follows:

	2004 **AED**	2003 AED
Current instalments with maturity during the year 2005 – Exhibit A	**18,631,151**	10,487,067
Instalments with maturity after year 2005 – Exhibit A	**38,784,426**	17,812,500
Total	**57,415,577**	28,299,567

b) Medium-term loans obtained from banks are secured by the following :

(i) Loan facilities relating to building 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 constructions, and have the right to receive its rent income from the building. In addition, insurance policies are endorsed in favour of these banks.

(ii) Loan relating to the expansion of the company's activities, is secured by reputation of the company. In addition, insurance policies are endorsed in favour of these bank.

18. TRADE AND OTHER PAYABLES

This item consists of the following :

	2004 **AED**	2003 AED
Trade accounts payable	**88,213,960**	38,119,930
Due to insurance companies	**25,573,283**	48,470,766
Due to related companies	**13,902,678**	1,963,292
Post-dated cheques issued	**64,639,915**	37,019,018
Rent received in advance	**9,369,021**	6,645,244
Accrued dividends for shareholders	**3,041,285**	2,042,841
Accrued expenses	**35,235,006**	11,550,131
Provisions and other payables	**3,053,208**	2,012,288
Retentions payable	**2,069,076**	600,830
Un-accrued income	**--**	3,141,570
Directors' remuneration	**1,400,000**	1,000,000
Advanced received against investment property for sale	**53,636,178**	--
Total - Exhibit A	**300,133,610**	152,565,910

19. SHORT-TERM BORROWINGS

a) This item consists of the following :

	2004	2003
	AED	AED
Bank overdraft	**208,075,985**	95,370,279
Bills payable	**120,464,103**	89,358,374
Total - Exhibit A	**328,540,088**	184,728,653

b) The interest rate on the above mentioned bank facilities are at fixed interest rate per annum subject to repricing on an annual basis.

c) Loans obtained from banks of which details mentioned above are secured by the following :

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

20. SEGMENT INFORMATION

a) Risks and average rate of return are being affected principally by the differences between the corporate services and its different products. Therefore the corporate principally depend on the business segments basis on report presentation and geographical sectors as a secondary basis. The financial analysis according to the business segments are as follows :

	Manufacturing		Investments		Insurance services		Consolidation	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003
	AED.	AED.	**AED.**	AED.	**AED.**	AED.	**AED.**	AED.
Income :								
Total income	**591,785,514**	434,262,010	**1,294,049,748**	334,562,492	**139,893,538**	165,115,082	**2,025,728,800**	933,939,584
Result :								
Segment result	**36,816,624**	24,056,128	**191,206,925**	95,986,513	**15,293,353**	11,821,540	**243,316,902**	131,864,181
Unallocated general expenses	--	--	--	--	--	--	**(19,994,972)**	(13,575,002)
Operating profit	--	--	--	--	--	--	**223,321,930**	118,289,179
Interest income	**30,916**	37,864	**2,246,601**	2,224,742	--	--	**2,277,517**	2,262,606
Other income	**818,647**	1,690,731	**36,562**	197,208	**174,526**	120,887	**1,029,735**	2,008,826
Net profit from operating	--	--	--	--	--	--	**226,629,182**	122,560,611
Minority interest	--	--	--	--	--	--	**(43,204,035)**	(18,909,866)
Net profit for the year	--	--	--	--	--	--	**183,425,147**	103,650,745
Other information :								
Segment assets	**363,900,548**	271,967,793	**827,799,103**	427,900,657	**168,256,496**	150,870,856	**1,359,956,147**	850,739,306
Unallocated corporate assets	--	--	--	--	--	--	**146,842,228**	81,692,422
Consolidated total assets	--	--	--	--	--	--	**1,506,798,375**	932,431,728
Segment liabilities	**236,682,966**	152,321,640	--	--	**142,041,731**	134,177,006	**378,724,697**	286,498,646
Unallocated corporate liabilities	--	--	--	--	--	--	**411,361,251**	166,228,470
Total segment liabilities	--	--	--	--	--	--	**790,085,948**	452,727,116
Capital expenditure	**7,412,614**	27,098,390	**1,532,233,837**	431,442,356	**81,593**	504,625	--	--
Depreciation & amortization	**6,796,715**	5,632,925	--	--	**1,104,474**	1,120,142	--	--

b) Information about the corporate geographical sales are as follows :

	2004 **AED**	2003 AED
United Arab Emirates	**374,020,022**	285,522,656
GCC countries except U.A.E.	**26,896,217**	14,257,115
Middle East	**47,543,680**	30,836,594
Africa	**89,432,861**	52,896,114
Asia	**40,733,976**	35,996,764
Other countries	**13,158,758**	14,752,767
Total	**591,785,514**	434,262,010

21. MANUFACTURING PROFIT

This item consists of the following :

	2004 **AED**	2003 AED
Income		
Income from manufacturing & trading in oil & lubricants	**525,475,981**	401,092,044
Income from manufacturing prefab houses	**66,309,533**	33,169,966
Total manufacturing income	**591,785,514**	434,262,010
Direct Cost		
Cost of Manufacturing & Trading in Oil & Lubricants:		
Wages	**3,609,293**	3,551,743
Direct materials	**447,382,809**	339,425,927
Indirect industrial expenses	**20,245,839**	15,941,441
Cost of Manufacturing & Trading Oil & Lubricants	**471,237,941**	358,919,111
Cost of manufacturing Prefab Houses :		
Salaries and wages	**3,819,539**	2,514,140
Direct materials	**45,527,102**	22,214,754
Indirect industrial expenses	**3,165,561**	899,248
Cost of Manufacturing Prefab Houses	**52,512,202**	25,628,142
Total Direct Cost	**523,750,143**	384,547,253
Manufacturing Profit - Exhibit B	**68,035,371**	49,714,757

22. INVESTMENT INCOME

This item consists of the following :

	2004 **AED**	2003 AED
Income from investment in securities	**77,850,838**	25,789,588
Profit from sale of investments property	**36,657,903**	32,653,290
Increase in fair value of investments in securities	**61,438,286**	36,827,137
Increase/(decrease) in fair value of investments property	**167,388**	(15,923,133)
Interest on fixed deposits	**2,277,517**	2,262,606
Loss from investment in associated companies	**(1,550,318)**	--
Total - Exhibit B	**176,841,614**	81,609,488

23. OTHER OPERATING INCOME

This item consists of the following :

	2004 **AED**	2003 AED
Marine tanks rental income	**658,141**	783,191
Discount received	**--**	885,991
Foreign exchange loss	**(260,461)**	(165,588)
Miscellaneous	**632,055**	505,232
Total - Exhibit B	**1,029,735**	2,008,826

24. ADMINISTRATIVE EXPENSES

This item consists of the following :

	2004 **AED**	2003 AED
Wages, salaries, bonus and allowances	**6,006,993**	5,112,523
Maintenance and depreciation on building, property and equipment	**3,674,214**	3,513,588
Allowance for doubtful accounts	**306,576**	835,315
Miscellaneous administrative expenses	**10,086,615**	7,896,301
Amortization of goodwill	**1,160,071**	1,160,071
Total - Exhibit B	**21,234,469**	18,517,798

25. EARNINGS PER SHARE

Earnings per share are calculated by dividing the net profit for the year of AED. 183,425,147 (2003 : AED. 103,650,745) by the number of ordinary shares outstanding during the year of 60,000,000 shares. The company has issued 10,000,000 bonus shares. The earnings per share for 2003 have been adjusted to reflect the effect of the bonus shares issued in 2003.

26. TRANSACTIONS WITH RELATED PARTIES

Balances due from/due to related parties are presented in Notes 12 and 18 above. Transactions with related parties are consummated at prices other than those obtainable from/quoted to third parties in an arms length transaction. The aggregate amounts of various transactions with related parties occurred during the year are as follows :

	2004	2003
	AED	AED
Purchase	**1,261,577**	509,914
Sales	**2,447,392**	2,858,519
Other transactions	**5,247,549**	11,665,155

27. CASH AND CASH EQUIVALENTS

At 31 December 2004 and 2003 "cash and cash equivalents" included in the Statement of Cash Flows (Exhibit D) comprise the following items :

	2004	2003
	AED	AED
Cash on hand	**307,808**	192,353
Cash in bank - Current account	**17,374,513**	28,058,330
Cash in bank - Call deposit	**4,282,755**	2,482,906
Cash in hank – Fixed deposit	**4,000,000**	--
Total - Exhibit D	**25,965,076**	30,733,589

28. FINANCIAL INSTRUMENTS

a) Credit Risk

The company had maintained both recognized and unrecognized financial instruments that are exposed to credit risk as follows :

(i) Recognized financial instruments

The recognized financial instruments mentioned in the balance sheet that exposes the company to credit risk comprise the following :

	2004 **AED**	2003 AED
Trade accounts receivable	**199,981,840**	157,201,082
Investment in securities	**541,220,122**	229,138,896
Cash and banks balances	**97,834,024**	121,500,290

The company monitors credit risk exposures periodically during the year and at the end of the year to determine the amount of doubtful accounts receivable and the uncollectible receivables.

The company's management believes that investment in securities is at an acceptable credit risk and in the range of internal Company policies related to this subject.

The company's management believes that the credit risk concentration attached to cash with local banks is low due to such bank maintaining acceptable credit rating and capital base. Previously the company had not experienced any material loss on its cash maintained with these local banks.

(ii) **Unrecognized financial instruments**

The following are clarification of the unrecognized financial instruments as of the balance sheet date :

	2004 **AED**	2003 AED
Company's liability against unused loans facilities	--	1,840,433
Company's liability against building construction contracts	**163,527,249**	5,000,000
Company's liability against bank guarantees	**17,999,542**	15,000,750
Company's liability against letters of credit	**103,395,448**	80,768,709
Company's liability against investment purchase contracts	**21,910,800**	5,992,990
Company's liability against discounted cheques	**15,138,798**	6,536,270

The company holds undated cheques amounting to AED. 16,770,982 received from customers as a security in case of defaulted client.

b) **Market Value Risk**

Financial instruments which expose the company to risk of market value as at the accompanying balance sheet date represented in short-term investments which hold a net value of AED. 541,220,122 (2003 : AED. 229,138,896).

c) **Fair Value**

The fair values of the company's financial assets and financial liabilities are not materially different from their carrying values as of the balance sheet date.

29. **GENERAL**

a) Certain prior year figures have been reclassified to conform to current year presentation.

b) The figures in the financial statements are rounded to the nearest Arab Emirates Dirham (AED).