AUDITOR'S REPORT
AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

BOARD OF DIRECTORS



Mr. ABDALLA JUMA AL SARI
CHAIRMAN



Dr. MOAWIYAH SALEH AL SHUNNAR
VICE CHAIRMAN



SHEIKH NASSER RASHID ABDULAZIZ AL MUALLA
DIRECTOR



Mr. MOHAMMED AMIN MOHAMMED SEDDIQ AL KAZEM
DIRECTOR



Mr. AHMED YOUSUF HABIB AL YOUSUF
DIRECTOR



Mr. MAJID ABDALLA JUMA AL SARI
DIRECTOR



Mr. MOHAMMED ABDALLA JUMA AL SARI
MANAGING DIRECTOR

SENIOR MANAGEMENT

Mr. MOHAMMED ABDALLA JUMA AL SARI
MANAGING DIRECTOR



Mr. MOHAMMED ALI AL SARI
DEPUTY MANAGING DIRECTOR



Mr. ADNAN MAHMOUD TAYEH
ASSISTANT MANAGING DIRECTOR



Mr. SIMON PHILIP
GENERAL MANAGER



CONTACTS

Subsidiary Companies

	Company Name	Location	Phone	Fax	P.O.BOX
	Middle East World Factories Equipment L.L.C	UAE	06-5318480	06-5319480	34203 SHJ
	GBCM	UAE	04-3055525	04-3310152	182432 Dubai
	Gulf Engineering Services LLC	UAE	04-2610590	04-2610591	19649 Dubai
LAI	L.A.I General Trading LLC	UAE	04-2821888	04-2868828	22588 Dubai
HORIZON	Horizon Aluminium Industries LLC	UAE	04-2676660	04-2676636	47397 Dubai
EASTERN	Eastern Sky Jet	UAE	04-2995811	04-2995822	54442 Dubai
RAI	Retail Arabia International	UAE	04- 3360505	04-336467	111348 Dubai
	Quality International	UAE	06-7480511	06-7480515	4995 Dubai
Lloyds	Lloyds Engineering	UAE	04-3335355	04-336467	47337 Dubai
	Eastern Auto Parts	UAE	04-3344992	04-3344892	29162 Dubai
	Ghadeh General Trading & Cont. Co W.L.L.C	Kuwait	00965-2400951	00965-2400953	1727 Safat 13018
OilLab	Oil Lab and Marine Surveyors Co LLC	UAE	06-5752606	06-5752607	6400 SHJ
ArabCom	Arab Real Estate Developments P.S.C.	Jordan	009626-5563001	009626-5563006	941551 Amman 11134
	Union Insurance Co P.S.C.	UAE	06-7466996	06-7466997	35272 Dubai
	Gulf Investment Services P.S.C.	Oman	00968 24790614	00968 24790612	947 DC.114 Oman
Dimensions	Jordan emirates dimensions	Jordan	0096265520783	0096265520784	P.O Box 8734
RAKinsurance	Ras Al Khaima National Insurance Co. P.S.C.	UAE	072273000	072288500	P.O Box 506 RAK
	Global Financial Investment	Oman	+968-24700667	+968-24700662	978

	Amount in AED.
Legal Reserve	44,535,000/-
Voluntary Reserve	44,535,000/-
Distribution for Bonus shares at 35%	378,000,000/-

We thank all the Government authorities for their support towards our company.

We also thank the Group Management and all the staff and auditors for their contribution and cooperation, which helped the Group in successfully achieving its target.

Board of Directors

Independent Auditor's Report (continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the **Gulf General Investments Co. (P.S.C.) and Subsidiaries, Dubai** as of December 31, 2008, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

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

For Deloitte & Touche

Sharjah
March 8, 2009

Saba Y. Sindaha
Partner
(Registration No. 410)

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

Consolidated Balance Sheet (continued)
At December 31, 2008 (In Thousand Arab Emirates Dirhams)

	Notes	December 31, 2008	December 31, 2007
LIABILITIES AND EQUITY			
Current liabilities			
Short term bank borrowings	19	**1,248,150**	729,811
Current portion of bank loans	19	**643,672**	661,484
Trade and other payables	20	**1,612,060**	1,483,079
Due to related parties	8	**143,114**	32,039
Total current liabilities		**3,646,996**	2,906,413
Non-current liabilities			
Due to related parties		**11,904**	
-			
Trade and other payables	20	**303,583**	12,269
Long term portion of bank loans	19	**2,263,400**	1,179,828
Provision for employees' end of service indemnity	21	**20,175**	15,467
Total non-current liabilities		**2,599,062**	1,207,564
Total Liabilities		**6,246,058**	4,113,977
Capital and reserves			
Share capital	22	**1,080,000**	540,000
Reserves	23	**624,788**	535,768
Investments revaluation reserve		**52,293**	54,722
Retained earnings		**1,147,145**	1,331,397
Equity attributable to the equity holders of the parent		**2,904,226**	2,461,887
Minority interest		**375,771**	345,115
Total equity		**3,279,997**	2,807,002
Total Liabilities and Equity		**9,526,055**	6,920,979

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

Abdulla Juma Al Sari Chairman	Dr. Moawiyah Saleh Al - Shunnar Vice Chairman	Mohammed Al Sari Managing Director

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

Consolidated Statement of Changes in Equity
For the Year Ended December 31, 2008
(In Thousand Arab Emirates Dirhams)

	Share capital	Reserves	Investments revaluation reserve	Retained earnings	Attributable to equity holders of the parent	Minority interest	Total
Balance at December 31, 2006	400,000	305,761	(121,787)	1,070,881	1,654,855	338,866	1,993,721
Gain on available-for-sale investments recognised directly in equity	-	-	113,482	-	113,482	1,215	114,697
Transfer to consolidated income statement on sale of available-for-sale investments	-	-	63,027	-	63,027	-	63,027
Profit for the year	-	-	-	555,018	555,018	70,943	625,961
Gain on revaluation of land	-	119,005	-	-	119,005	-	119,005
Total recognised income and expense for the year	-	119,005	176,509	555,018	850,532	72,158	922,690
Transfer to reserves	-	111,002	-	(111,002)	-	-	-
Issue of bonus shares	140,000	-	-	(140,000)	-	-	-
Dividends paid	-	-	-	(40,000)	(40,000)	-	(40,000)
Board of Directors remuneration	-	-	-	(3,500)	(3,500)	-	(3,500)
Other movements	-	-	-	-	-	(65,909)	(65,909)
	140,000	111,002	-	(294,502)	(43,500)	(65,909)	(109,409)
Balance at December 31, 2007	540,000	535,768	54,722	1,331,397	2,461,887	345,115	2,807,002

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

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

Consolidated Cash Flow Statement
For the Year Ended December 31, 2008
(In Thousand Arab Emirates Dirhams)

	Year ended December 31, 2008	Year ended December 31, 2007
Operating activities		
Profit for the year	**445,354**	555,018
Adjustments for: Depreciation of property, plant and equipment	**27,590**	17,831
Provision for employees' end of service indemnity	**7,795**	4,767
Profit from sale of investments in securities	**(19,316)**	(45,133)
(Gain)/loss on sale of property, plant and equipment	**(315)**	51,454
Reinsurance contract assets	**138,562**	(213,475)
Insurance contract liabilities	**(115,651)**	256,109
Unrealised loss/(gain) on investments held for trading	**291,929**	(94,199)
Changes in fair value of investment properties	**(125,240)**	(194,492)
Profit from discontinued operations	**(4,845)**	-
Gain on disposal of subsidiary	**(12,172)**	-
Impairment on available-for-sale investments	**109,047**	-
Allowance for doubtful debts	**7,097**	1,238
Allowance for slow moving inventories	**2,515**	-
Loss/(profit) from investments in associates	**22,110**	(8,558)
Exchange loss	**2,435**	-
Finance cost	**133,139**	124,183
Operating cash flows before movements in working capital	**910,034**	454,743
(Increase)/decrease in inventories	**(524,292)**	36,122
Increase in trade and other receivables	**(395,573)**	(202,947)
Decrease/(increase) in due from related parties	**51,512**	(123,623)
Increase in trade and other payables	**383,239**	409,876
Increase in due to related parties	**122,950**	4,392
Cash generated from operations	**547,870**	578,563
Employees' end of service indemnity paid	**(1,901)**	(243)
Interest paid	**(133,139)**	(124,183)
Net cash from operating activities	**412,830**	454,137

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

Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2008

1. General information

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

The principal activities of the Company are:

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

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

2. Adoption of new and revised Standards

Interpretations effective in the current year

In the current year, the Group has adopted the amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures which are effective from July 1, 2008. The impact of adoption of these amendments has been to expand the disclosures provided in these consolidated financial statements regarding the Group's reclassified financial instruments (see Note 6).

Three Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are: IFRIC 11 – IFRS-2: Group Treasury Shares Transactions, IFRS 12: Service Concession Arrangements, and IFRIC 14 – IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The adoption of these Interpretations had not led to any changes in the Group's accounting policies.

Standards and interpretations in issue but not yet adopted

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

IAS 1 (Revised)	Presentation of Financial Statements (effective for accounting periods beginning on or after January 1, 2009)
IAS 16 (Revised)	Property, Plant and Equipment (effective for accounting periods beginning on or after January 1, 2009)
IAS 19 (Revised)	Employee Benefits (effective for accounting periods beginning on or after January 1, 2009)

2. Adoption of new and revised Standards (continued)

Standards and interpretations in issue but not yet adopted (continued)

IFRS 8	Operating Segments (effective for accounting periods beginning on or after January 1, 2009)
IFRIC 13	Customer Loyalty Programmes (effective for accounting periods beginning on or after July 1, 2008)
IFRIC 15	Agreements for the Construction of Real Estate (effective for accounting periods beginning on or after January 1, 2009)
IFRIC 16	Hedges of a Net Investment in a Foreign Operation (effective for accounting periods beginning on or after October 1, 2008)
IFRIC 17	Distribution of Non-cash Assets to Owners (effective for accounting periods beginning on or after July 1, 2009)
IFRIC 18	Transfer of Assets from Customers (effective for transfers received on or after July 1, 2009)

The directors anticipate that the adoption of these Standards and Interpretations as applicable will be adopted in the Group's consolidated financial statements for the period commencing January 1, 2009 or as and when applicable and that the adoption of those Standards and Interpretations will have no material impact on the consolidated financial statements of the Group in the period of initial application, other than IFRIC 15 – Agreements for the construction of Real Estate.

3. Significant accounting policies

Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS).

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of investment property, land and certain financial instruments. The principal accounting policies adopted are set out below:

Basis of consolidation

The consolidated financial information of Gulf General Investments Co. (P.S.C.) and Subsidiaries (the "Group") incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Notes to the Consolidated Financial Statements (continued)
For the Year Ended December 31, 2008

3. Significant accounting policies (continued)

Basis of consolidation (continued)

Details of the Company's subsidiaries at December 31, 2008 are as follows: (continued)

Name of the subsidiary	Place of incorporation	Proportion of ownership (%)	Principal activities
L.A.I. General Trading L.L.C. – Dubai	U.A.E.	50	General trading
Al Sagr National Insurance Co. P.S.C.	U.A.E.	53	The writing of insurance of all types
Dubai Al Ahlia Quick Transport L.L.C.	U.A.E.	50	Transportation of general materials by trucks
Emirates Lube India Private Limited	India	100	Trading in lubricants
Layia Hotels Management (L.L.C.)	U.A.E.	51	Hotels management
Amalia Perfume Trading and Manufacturing Co. L.L.C.	U.A.E.	50	Perfumes trading
Acorn Industries Co. L.L.C.	U.A.E.	50	Vehicle body manufacturing, steel, structure parts
Middle East World Factories Equip. L.L.C.	U.A.E.	51	Import and re-export, factories equipment, machinery supplier, trading merchants, spare parts, equipments of factories
Quality International Company L.L.C.	U.A.E.	50	Engineering, specialised in stainless steel, power and desalination
Lloyds Engineering Co. L.L.C.	U.A.E.	50	Steel fabrication
Horizon Aluminium Industries L.L.C.	U.A.E.	50	Building metal products manufacturing
Gulf Engineering Services L.L.C.	U.A.E.	50	Services, securities and maintenance (MEP)
Gulf General Steel Co. L.L.C.	U.A.E.	100	Trading in all kinds of steel products
Horizon Energy Co. L.L.C.	U.A.E.	100	Trading in lubricants
Gulf Dura Industries Co. L.L.C.	U.A.E.	100	Manufacturing and trading of plastic goods.

3. Significant accounting policies (continued)

Revenue recognition (continued)

Sale of goods (continued)

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

Rendering of services

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

Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Interest income

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the interest rate applicable.

Rental income

Rental income from investment properties is recognised on a straight line basis over the term of the relevant lease.

Sale of properties

Revenue from the sale of properties under the sale agreements is recognised in the consolidated income statement when the amounts received from the buyer equals 20% and more of the value of sale agreements and the significant risks and rewards of ownership are transferred to the buyers.

3. Significant accounting policies (continued)

Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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 of that investee.

The Group's investment in its associates is accounted for and assets and liabilities of associates are incorporated in these consolidated financial statements under equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised. The financial performance of its associates are recorded in the consolidated income statement.

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

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

3. Significant accounting policies (continued)

Provision for employees' end of service indemnity

Provision for employees' end of service indemnity is made in accordance with the U.A.E. labour laws, and is based on current remuneration and cumulative years of service at the balance sheet date.

Defined contribution plan

UAE national employees of the Group are members of the Government-managed retirement pension and social security benefit scheme pursuant to U.A.E. labour law no. 7 of 1999. The Group is required to contribute 12.5% of the "contribution calculation salary" of payroll costs to the retirement benefit scheme to fund the benefits. The employees and the Government contribute 5% and 2.5% of the "contribution calculation salary" respectively, to the scheme. The only obligation of the Group with respect to the retirement pension and social security scheme is to make the specified contributions. The contributions are charged to consolidated income statement.

Statutory reserve

In accordance with United Arab Emirates Federal Commercial Companies Law No. 8 of 1984, as amended, each limited liability company in the Group has established a statutory reserve by appropriation of 10% of their net profit for each year until the reserve equals 50% of their share capital. This reserve is not available for distribution except as stipulated by the Law.

Additional reserve

The 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 Company.

Development work-in-progress

Properties in the course of construction for rental or appreciation in value are carried at cost, less any recognised impairment loss. Cost includes all direct costs relating to project and professional fees, administrative cost, borrowing cost and other expenses from the start of the projects up to completion are capitalised 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. Upon completion of construction such properties are transferred to investment properties.

3. Significant accounting policies (continued)

Property, plant and equipment (continued)

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

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

Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are stated at their fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment properties are included in the consolidated income statement.

Impairment of tangible and intangible assets other than goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in consolidated income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

3. Significant accounting policies (continued)

Financial assets (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Trade and other receivables

Trade and other receivables that have fixed or determinable payment are measured at amortised cost using the effective interest method, less any impairment.

Due from related parties

Due from related parties that have fixed or determinable payments are measured at amortised cost using the effective interest method, less any impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Investments in securities

Investments of the Group are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

The Group classifies its investment securities in the following categories: financial assets at fair value through profit or loss (FVTPL) - held for trading, held-to-maturity investments and available-for-sale investments. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at FVTPL

Financial assets are classified as at FVTPL where the financial assets is either held for trading or designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short- term profit taking.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in consolidated income statement.

3. Significant accounting policies (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For unlisted shares classified as available-for-sale investments a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in consolidated income statement.

With the exception of available-for-sale investments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through consolidated income statement to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale investments, impairment losses previously recognised through consolidated income statement are not reversed through consolidated income statement. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

3. Significant accounting policies (continued)

Financial liabilities (continued)

Due to related parties

Due to related parties is initially measured at fair value, net of transaction costs and is subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Dividend distribution

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Group's shareholders.

Segment information

Business segment

The Group'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, organisation and administrative hierarchy and internal system relating to the internal financial reports about it.

Geographical segment

The Group'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 segment and the ruling regulations of commercial exchange and geographical segments, have been presented according to client locations.

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

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

Critical judgements in applying accounting policies (continued)

Investment properties

The group hires the services of independent valuers to obtain estimates for the market value of investment properties for the purposes of their impairment review and disclosures in the consolidated financial statements.

Key sources of estimation uncertainty

Impairment of goodwill

Goodwill is tested annually for impairment and at other times when such indications exist. The impairment calculation requires the use of estimates. Management has performed impairment test during the year and based on the estimated profit and expansion plans of related entities, have concluded that expected future cash flows to arise from each subsidiaries will be adequate, accordingly no impairment is required.

Impairment of development work-in-progress

The Group determines whether development work-in-progress is impaired at least on an annual basis. This requires an estimation of the "value in use" of the development work-in-progress. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the development work-in-progress. If expected future cash flows are more than the value in use of development work in progress, no impairment loss is recognised in the books.

Impairment of trade receivables

An estimate of the collectible amount of trade receivables is made when collection of the full amount is no longer probable. This determination of whether these trade receivables are impaired, entails the Group evaluating, the credit and liquidity position of the customers, historical recovery rates and collateral requirements from certain customers in certain circumstances. The difference between the estimated collectible amount and the book amount is recognised as an expense in the consolidated income statement. Any difference between the amounts actually collected in the future periods and the amounts expected will be recognised in the consolidated income statement at the time of collection.

Inventories

Inventories are stated at the lower of cost and net realisable value. Adjustments to reduce the cost of inventory to its realisable value, if required, are made at the product group level for estimated excess, obsolescence or impaired balances. Factors influencing these adjustments include changes in demand, product pricing, physical deterioration and quality issues.

5. Bank balances and cash

	December 31, 2008 AED '000	2007 AED '000
Cash on hand	**2,448**	1,796
Bank balances:		
Current accounts	**51,918**	114,284
Deposit accounts	**223,014**	242,113
	274,932	356,397
	277,380	358,193
Bank balances:		
In U.A.E.	**271,527**	318,482
In other countries	**3,405**	37,915
	274,932	356,397

Deposits include fixed deposits of AED 215,514 thousand (2007: AED 211,993 thousand) held under lien (see Note 19) with a local bank against facilities granted to the Group and also include a fixed deposit amounting to AED 7,500 thousand (2007: AED 7,500 thousand) hypothecated to the order of the Ministry of Economy of the U.A.E. in accordance with Federal Law No (9) of 1984.

6. Investments (continued)

Geographical distributions of investments:

	2008 AED '000	2007 AED '000
In U.A.E.	**1,954,111**	1,675,388
In other countries	**320,936**	600,326
	2,275,047	2,275,714

- As at December 31, 2007, available-for-sale investment of AED 85,327 thousand was wrongly classified as held for trading. The change in fair value on this investment as at December 31, 2007 was correctly accounted under equity and accordingly there has been no impact on the profit for the year or investment revaluation reserve.

  The above is now corrected and classified retrospectively and the comparative information for the year 2007 has been restated. The correction had the effect of increasing the available-for-sale investments and decreasing held for trading investments by AED 85,327 thousand as at December 31, 2007.

- The Board of Directors of the Group has reconsidered its investment strategy (effective July 1, 2008), accordingly the Group adopted the amendments to IAS 39 issued by the International Accounting Standards Board which permits an entity to reclassify, in particular circumstances, investments held for trading for which the change in fair value is recognised in the consolidated income statement to available-for-sale investments for which the change in the fair value is recognised under equity as investments revaluation reserve. Accordingly, management has transferred part of investments held for trading having a fair value of AED 85,985 thousand as of July 1, 2008 to available-for-sale investments per details below:

	Amount AED '000
Fair value as of July 1, 2008	**85,985**
Change in fair value during the six month period ended December 31, 2008	**(49,377)**
Fair value of investments reclassified as of December 31, 2008	**36,608**

As a result of the above reclassification, the net profit for the year ended December 31, 2008 has increased by AED 49,377 thousand.

8. Related party transactions

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

	December 31, 2008 AED '000	2007 AED '000
Due from related parties		
Al Qala First Investment - Jordan	**35,688**	35,688
Fal Oil Company Ltd. – Sharjah	**-**	5,360
Arab Real Estate Development Co. PSC - Jordan	**-**	83,029
Horizon Aluminium Industries Co. L.L.C. - Dubai	**-**	1,973
Awtad Co.	**1,488**	-
Investment Group (PVT) Ltd. (L.L.C.)	**7,980**	-
The Arcade Land Development Co.	**3,300**	-
United Arab Investors Co. P.S.C.	**17,250**	-
Other related parties	**9,277**	431
	74,983	126,481

	December 31, 2008 AED '000	2007 AED '000
Due to related parties		
Fal Oil Company Ltd. - Sharjah	**48,941**	-
Mechanical Engineering Services L.L.C. - Dubai	**4,012**	2,206
Investment Group (Pvt.) Ltd. - Sharjah	**-**	11,461
Sagr Al Bayda'a Trading Agency	**6,846**	-
Ahmed Yousuf Habib Al Yousuf	**8,547**	-
Arab Real Estate Development Co.	**57,010**	-
National Aluminium Extrusion Co. L.L.C. – Dubai	**-**	15,297
Dubai Al Ahlia Transport Division - Dubai	**-**	2,791
HAPCO Group FZCO	**7,929**	-
Other related parties	**9,829**	284
	143,114	32,039

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the year for bad or doubtful debts in respect of the amounts owed by related parties.

Notes to the Consolidated Financial Statements (continued)
For the Year Ended December 31, 2008

11. Investments in associates (continued)

Summarised financial information in respect of the Group's associate which are accounted by equity method is set out below:

	December 31, 2008 AED '000	December 31, 2007 AED '000
Total assets	**1,599,264**	809,689
Total liabilities	**(763,379)**	(589,918)
Net assets	**835,885**	219,771
Groups share of associates' net assets	**302,681**	66,380
Goodwill arising on acquisition	**72,108**	16,473
	374,789	82,853

	Year ended December 31, 2008 AED '000	Year ended December 31, 2007 AED '000
Revenue	**575,302**	174,526
(Loss)/profit for the year	**(79,600)**	59,322
Group's share of associates' (loss)/profit for the year	**(22,110)**	8,558

12. Goodwill

	December 31, 2008 AED '000	December 31, 2007 AED '000
Goodwill on acquisition of:		
Dubai Al Ahlia Quick Transport L.L.C.	**4,000**	4,000
Acron Industries Co. L.L.C.	**7,500**	7,500
Middle East World Factories Equip L.L.C.	**500**	500
Amalia Perfumes Trading L.L.C.	**1,254**	1,254
Lloyds Engineering L.L.C.	**1,364**	-
Quality International Company L.L.C.	**29,663**	-
East Auto Spare Parts L.L.C.	**2,196**	-
	46,477	13,254

The consolidated financial statements include the results of all acquired companies from the date of acquisition.

The Board of Directors have subjected the goodwill for an impairment test and have concluded that no impairment charge to be considered for the year in 2008.

14. Development work-in-progress

	2008 AED '000	2007 AED '000
Balance at the beginning of the year	**211,607**	112,334
Transferred from/ (to) investment properties	**367,263**	(26,954)
Additions during the year	**160,942**	126,227
Disposals during the year	**(352,048)**	-
Balance at the end of the year	**387,764**	211,607

Development work-in-progress are on plots of lands located in U.A.E.

Development work-in-progress includes the value of land amounting to AED Nil thousand (2007: AED 5,988 thousand) registered in the name of a related party in trust and for the benefit of the Group.

Development work-in-progress includes payments made for acquiring interest in some real estate project based in U.A.E.. As of the balance sheet date, work on some project has not started. The title deed of plots of land amounting AED 96,748 thousand has not been transferred in the name of the Group. The procedure of getting title deed in name of Group is under progress.

The Board of Directors have subjected the development work-in-progress for an impairment and have concluded that no impairment charge to be considered for the year in 2008.

15. Land

Land amounting to AED 145,054 thousand (2007: AED 145,054 thousand) represents the value of plots of land in the Emirates of Sharjah and Dubai. In 2007, the above mentioned land had been revalued and the difference resulting from this revaluation amounting AED 119,005 thousand was credited to land revaluation reserve.

The above include plots of land for AED 128,053 thousand (2007: AED 128,053 thousand) mortgaged to local banks against credit facilities granted to the Group (see Note 19).

Freehold plots of land are not depreciated.

16. Property, plant and equipment (continued)

Properties under construction represent expenditure incurred on building, plant and machinery.

The rates considered in the calculation of depreciation for the assets are as follows:

	Percentage
Buildings, sheds and prefab houses	7.5 to 20
Plant and equipment	5 to 20
Motor vehicles, ships and trucks	10 to 25
Furniture and fixture	15 to 25
Storage tanks	5
Marine tanks	15
Other assets	12.5 to 20

17. Discontinued operations

The operations of one of the Company's indirect subsidiary Al Sagr Saudi Insurance Company were discontinued with effect from December 28, 2008. The assets and liabilities of Al Sagr Saudi Insurance Company will be transferred to the newly formed Company Al Sagr Company for Co-operative Insurance upon completion of the valuation procedures instructed by the Saudi Arabian Monetary Agency ("SAMA").

The transfer of net assets from Al Sagr Saudi Insurance Company to the new Company and the payment process has not yet been announced by the SAMA. Al Sagr Saudi Insurance Company will transfer all the assets and liabilities to Al Sagr Company for Co-operative Insurance, once the valuation of the Company has been approved by the SAMA valuation committee. It is most probable that the valuation process will be completed during 2009 and the Company will transfer its assets and liabilities after that date.

19. Bank borrowings (continued)

	December 31, 2008 AED '000	2007 AED '000
Term loans	**2,907,072**	1,841,312
Term loans are repayable as follows:		
On demand or within one year	**643,672**	661,484
In the second year	**1,173,556**	388,686
In the third to fifth years inclusive	**1,060,405**	691,892
After five years	**29,439**	99,250
		2,907,072
1,841,312		
Less : Amount due for settlement within 12 months	**(643,672)**	(661,484)
Amount due for settlement after 12 months	**2,263,400**	1,179,828

Term loan facilities bear interest at EIBOR and LIBOR plus applicable margins from 0.55% to 3%.

The interest rates on the short term bank borrowings are at interest rates per annum subject to review on an annual basis.

Short term bank borrowings are secured by the followings:

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

Term loans are secured by the followings:

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

22. Share capital

	December 31, 2008 AED '000	December 31, 2007 AED '000
Issued and fully paid: 1,080 million ordinary shares of AED 1 each (December 31, 2007: 540 million ordinary shares of AED 1 each)	**1,080,000**	540,000

During the year, a capitalisation issue of one bonus share for every one share in issue resulted in an increase in issued share capital of AED 540 million and an equal reduction in retained earnings.

23. Reserves

	Statutory reserve	Additional reserve	Land revaluation reserve	Total
	AED '000	AED '000	AED '000	AED '000
At December 31, 2006	162,626	143,135	-	305,761
Transfer during the year	55,501	55,501	119,005	230,007
At December 31, 2007	218,127	198,636	119,005	535,768
Transfer during the year	44,535	44,535	-	89,070
Other movements	(50)	-	-	(50)
At December 31, 2008	**262,612**	**243,171**	**119,005**	**624,788**

26. General and administrative expenses

	Year ended December 31, 2008 AED '000	2007 AED '000
Staff costs	**56,121**	38,902
Pre-operating cost	**9,276**	-
Maintenance and depreciation on building, property and equipment	**18,494**	11,125
Allowance for doubtful debts	**7,097**	1,238
Allowance for slow moving inventories	**2,515**	-
Miscellaneous expenses	**112,303**	56,922
	205,806	108,187

27. Profit for the year

Profit for the year is arrived after charging the following expenses:

	Year ended December 31, 2008 AED '000	2007 AED '000
Staff cost	**56,121**	38,902
Depreciation of property, plant and equipment	**27,590**	17,831

28. Basic earnings per share

	Year ended December 31, 2008 AED '000	2007 AED '000
Profit for the year attributable to equity holders of the parent (in AED '000)	**445,354**	555,018
Number of shares (in thousands)	**1,080,000**	1,080,000
Basic earnings per share (in AED)	**0.41**	0.51

The denominator, for the purpose of calculating basic earnings per share for 2007, has been adjusted to reflect the capitalisation issue of 540 million bonus shares in 2008 (see Note 22).

32. Commitments and contingent liabilities

Contingent liabilities and commitments as of the balance sheet date are as follows:

	December 31,	
	2008	2007
	AED '000	AED '000
Building construction contracts	**944,232**	128,483
Letters of credit	**87,413**	91,776
Letters of guarantee	**715,025**	247,913
Investment purchase contracts	**683,849**	1,090,039
Discounted cheques	**15,580**	17,606

The Group holds undated cheques amounting to AED 21,450 thousand (2007: AED 12,245 thousand) received from customers and contracting companies as a security in case of defaulted clients and contracting companies.

33. Segment information (continued)

Information about the corporate geographical sales is as follows:

	Year ended December 31, 2008 AED '000	2007 AED '000
United Arab Emirates	**7,433,880**	5,552,073
GCC countries except U.A.E.	**113,734**	43,423
Middle East	**206,748**	74,909
Africa	**84,056**	126,141
Asia	**36,076**	23,163
Other countries	**833,832**	3,427
	8,708,326	5,823,136

34. Capital risk management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders. The Group's overall strategy remains unchanged from 2007.

The capital structure of the Group consists of bank borrowings, bank balances and cash and equity, comprising issued capital, reserves (other than property and investment revaluation reserve) and retained earnings.

Gearing ratio

The Group reviews the capital structure on a semi-annual basis. As part of this review, the Group considers the cost of capital and the risks associated with capital.

The gearing ratio at the year end was as follows:

	December 31, 2008 AED '000	2007 AED '000
Debt (i)	**4,155,222**	2,571,123
Cash and cash equivalents	**(54,366)**	(138,700)
Net debt	**4,100,856**	2,432,423
Equity (ii)	**3,279,997**	2,807,002
Net debt to equity ratio (times)	**1.25**	0.87

35. Financial instruments (continued)

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Market risk exposures are measured using sensitivity analysis.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

Equity price risk

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

Equity price sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risks at the reporting date.

If equity prices had been 10% higher/lower, equity reserves would increase/decrease by AED 118 million (December 31, 2007: AED 112 million) for the Group as a result of the changes in fair value of available-for-sale investments.

For the held for trading investments if the prices had been 10% higher/ lower, the profit of the Group would increase/ decrease by AED 108 million (2007: AED 112 million).

Foreign currency risk management

There are no significant exchange rate risks as substantially financial assets and financial liabilities are denominated in Arab Emirates Dirhams or US Dollars to which the Dirham is fixed.

Credit risk management

The Group's principal financial assets are banks' current and deposit accounts and trade and other receivables.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

35. Financial instruments (continued)

Fair value of financial instruments

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

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

36. Approval of consolidated financial statements

The consolidated financial statements were approved by the Board of Directors and authorised for issue on March 8, 2009.

37. Comparative amounts

Certain amounts for the prior year were reclassified to conform to current year's presentation.