Al Firdous Holdings (P.J.S.C) [formerly Manasek (P.J.S.C)] and its subsidiary

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 SEPTEMBER 2008 (UNAUDITED)

ERNST & YOUNG

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF Al FIRDOUS HOLDINGS (P.J.S.C.) [FORMERLY MANASEK (P.J.S.C.)] AND ITS SUBSIDIARY

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Al Firdous Holdings (P.J.S.C) [formerly Manasek (P.J.S.C.)] and its subsidiary ("the Group") as at 30 September 2008, comprising the interim consolidated balance sheet as at 30 September 2008 and the related interim consolidated income statement for the three months and six months period then ended, and the related cash flow statement and statement of changes in equity for the six months period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young

Ernst & Young

Signed by
Naushad Anwar
Partner
Registration No. 489
For Ernst & Young

11 November 2008
Dubai, United Arab Emirates

INTERIM CONSOLIDATED INCOME STATEMENT

Period ended 30 September 2008 (Unaudited)

		Three months ended 30 September		*Six months ended 30 September*	
	Notes	***2008 AED***	*2007 AED (Restated)*	***2008 AED***	*2007 AED (Restated)*
Revenue		**41,553,512**	33,918,123	**62,902,442**	33,918,123
Direct costs		**(31,600,092)**	(17,192,829)	**(60,898,217)**	(17,192,829)
Gross profit		**9,953,420**	16,725,294	**2,004,225**	16,725,294
Processing fees, net		**-**	-	**-**	11,617,145
Income on deposits and other income		**5,772**	3,984,786	**298,756**	4,965,511
(Loss) gain on sale of trading securities		**(2,268,407)**	142,530	**6,929,172**	207,530
Change in fair value of trading securities		**(201,411)**	(61,070)	**(196,164)**	(61,070)
Amortization of intangible assets	7	**(746,075)**	(3,296,858)	**(1,492,150)**	(4,572,249)
Administrative expenses		**(3,823,012)**	(3,677,150)	**(8,451,910)**	(3,800,454)
Foreign exchange loss – net		**-**	(212,396)	**-**	(212,396)
Profit (loss) before Zakat		**2,920,287**	13,605,136	**(908,071)**	24,869,311
Zakat		**(244,900)**	(238,394)	**(489,800)**	(238,394)
PROFIT (LOSS) FOR THE PERIOD		**2,675,387**	13,366,742	**(1,397,871)**	24,630,917
Basic and diluted earnings (loss) per share	4	**0.0033**	0.023	**(0.0035)**	0.084

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED BALANCE SHEET

At 30 September 2008 (Unaudited)

	Notes	*30 September 2008 AED*	*(Audited) 31 March 2008 AED (Restated)*
ASSETS			
Non-current assets			
Islamic financing and investing assets		**94,672,229**	90,315,019
Property, plant and equipment		**59,530,233**	17,015,566
Goodwill	6 & 7	**82,164,162**	82,164,162
Intangible assets	7	**17,655,495**	19,147,645
		254,022,119	208,642,392
Current assets			
Inventories		**1,340,065**	1,349,571
Accounts receivable and prepayments		**355,305,734**	246,864,516
Investments	8	**8,234,887**	114,625,184
Bank balances and cash		**21,197,917**	122,830,382
		386,078,603	485,669,653
TOTAL ASSETS		**640,100,722**	694,312,045
EQUITY AND LIABILITIES			
Equity			
Share capital		**600,000,000**	600,000,000
Additional paid in capital		**894,645**	894,645
Statutory reserve		**1,826,610**	1,826,610
Retained earnings		**4,451,049**	6,548,920
Total equity		**607,172,304**	609,270,175
Non-current liabilities			
Employees' end of service benefits		**1,144,040**	1,041,100
Murabaha financing		**-**	546,943
		1,144,040	1,588,043
Current liabilities			
Accounts payable and accruals		**31,562,080**	83,180,355
Murabaha financing		**222,298**	273,472
		31,784,378	83,453,827
Total liabilities		**32,928,418**	85,041,870
TOTAL EQUITY AND LIABILITIES		**640,100,722**	694,312,045

Chairman
11 November 2008

Director
11 November 2008

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED CASH FLOW STATEMENT

Period ended 30 September 2008 (Unaudited)

	Notes	*Six months ended 30 September 2008 AED*	*Six months ended 30 September 2007 AED (Restated)*
OPERATING ACTIVITIES			
(Loss)/Profit before Zakat		**(908,071)**	24,869,311
Adjustments for:			
Depreciation		**1,984,009**	1,767,126
Amortization of intangible assets		**1,492,150**	4,572,249
Income on deposits and other income		**(298,756)**	(4,965,511)
Gain on sale of trading securities		**(6,929,172)**	(207,530)
Change in fair value of trading securities		**196,164**	61,070
Provision for employees' end of service benefits		**102,940**	840,610
		(4,360,736)	26,937,325
Working capital changes:			
Accounts receivable and prepayments		**(108,441,218)**	23,450,888
Inventories		**9,506**	(390,515)
Accounts payable and accruals		**(52,108,075)**	(7,843,290)
Net cash (used in) from operating activities		**(164,900,523)**	42,154,408
INVESTING ACTIVITIES			
Acquisition of a subsidiary, net of cash acquired	6	**-**	(147,250,944)
Islamic financing and investing assets		**(4,357,210)**	(83,595,865)
Purchase of property, plant and equipment		**(44,498,676)**	(15,067,847)
Purchase of available for sale investments		**-**	(12,047,860)
Purchase of trading securities		**-**	(25,460,717)
Proceeds from sale of trading securities		**113,123,305**	12,926,733
Income on deposits and other income received		**298,756**	4,965,511
Net cash from (used in) investing activities		**64,566,175**	(265,530,989)
FINANCE ACTIVITIES			
Increase in share capital		**-**	590,000,000
Murabaha financing repaid		**(598,117)**	-
Directors' fees paid		**(700,000)**	-
Cash (used in) from financing activities		**(1,298,117)**	590,000,000
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(101,632,465)**	366,623,419
Cash and cash equivalents at beginning of period		**122,830,382**	10,334,059
CASH AND CASH EQUIVALENTS AT END OF PERIOD	5	**21,197,917**	376,957,478

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 30 September 2008 (Unaudited)

2008 -

	Share capital AED	*Additional paid in capital AED*	*Statutory Reserve AED*	*Retained earnings AED*	*Total AED*
Balance at 1 April 2008 as previously reported	600,000,000	894,645	1,826,610	16,439,493	619,160,748
Adjustment resulting from purchase price allocation exercise (note 12)	-	-	-	(9,890,573)	(9,890,573)
Balance at 1 April 2008 (restated)	600,000,000	894,645	1,826,610	6,548,920	609,270,175
Directors' fees paid	-	-	-	(700,000)	(700,000)
Loss for the period	-	-	-	(1,397,871)	(1,397,871)
Balance at 30 September 2008	**600,000,000**	**894,645**	**1,826,610**	**4,451,049**	**607,172,304**

2007 -

	Share capital AED	*Proposed increase in share capital AED*	*Additional paid in capital AED*	*Retained earnings (accumulated deficit) AED*	*Total AED*
Balance at 1 April 2007	10,000,000	-	894,645	(1,002,749)	9,891,896
Proposed increase in share capital	-	590,000,000	-	-	590,000,000
Issue of shares	590,000,000	(590,000,000)	-	-	-
Profit for the period	-	-	-	29,203,166	29,203,166
Balance at 30 September 2007 as previously reported	600,000,000	-	894,645	28,200,417	629,095,062
Adjustment resulting from purchase price allocation exercise (noted 12)	-	-	-	(4,572,249)	(4,572,249)
Balance at 30 September 2007 (restated)	600,000,000	-	894,645	23,628,168	624,522,813

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

1 ACTIVITIES

Al Firdous Holdings (P.J.S.C.) [formerly Manasek (P.J.S.C.)] ("the Company") is a public joint stock company registered on 1 July 1998 in the Emirate of Dubai, United Arab Emirates, according to Ministerial Decree Number 106 for the year 1998, and commenced its operations on 22 October 1998. The address of the Company's registered office is P.O. Box 25233, Dubai, United Arab Emirates. On 13 September 2007, the Company secured approval from the Ministry of Economy to change its name from "Manasek (P.J.S.C.)" to "Al Firdous Holdings (P.J.S.C.)." The Company is engaged principally in the business of organising Haj and Umrah trips.

The interim condensed consolidated financial statements consist of the financial statements of the Company and its subsidiary, Al Firdous Hotel Group Co Ltd. (together referred to as "the Group"). In 2007, the Company acquired 100% ownership in Al Firdous Hotels Group Co Ltd for Hotels ("the subsidiary"), a company incorporated in the Kingdom of Saudi Arabia and involved in managing and operating hotels and restaurants in the Kingdom of Saudi Arabia and organising Hajj and Umrah services.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation
The interim condensed consolidated financial statements of the Group are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 March 2008.

The interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the annual financial statements as at and for the year ended 31 March 2008. In addition, results for the six months ended 30 September 2008 are not necessarily indicative of the results that may be expected for the financial year ending 31 March 2009.

The interim condensed consolidated financial statements have been presented in United Arab Emirates Dirham (AED), which is the reporting and the functional currency of the Company. The functional currency of the subsidiary is Saudi Riyals (SAR). The exchange rate between the AED and SAR has remained unchanged and hence there is no exchange differences arise.

The Group has enhanced disclosures in these interim condensed consolidated financial statements as required by circular AA/KH/2637/2008 RN issued by the Securities and Commodities Authority. Such disclosures primarily relate to the investment activities of the Group, the classification of such activities, and related explanatory notes and accounting policies.

Basis of consolidation
The interim condensed consolidated financial statements include the financial statements of the Company and its subsidiary as at 30 September 2008. Control is normally evidenced when the Company is able to govern the financial and operating policies of an enterprise so as to benefit from its activities.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

3 SEASONALITY OF RESULTS

Most of the revenues of the Group are derived from the Group's operations in the holy city of Makkah during the Ramadan and Hajj seasons. Due to the seasonal nature of the Group's business, higher revenues and operating profits are usually expected during the Ramadan and Hajj seasons.

4 BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share is calculated by dividing the loss the period including Directors' fees of AED 700,000 (30 September 2007: restated profit of AED 24,630,917 net of Directors' fees of AED Nil) by the weighted average number of shares of 600,000,000 (30 September 2007: 291,888,889) of AED 1 each outstanding during the period.

The figures for basic and diluted earnings per share are the same as the Group has not issued any instruments which would have an impact on earnings per share when exercised.

5 CASH AND CASH EQUIVALENTS

Cash and cash equivalent in the interim consolidated cash flow statement consist of the following balance sheet amount:

	30 September 2008 AED	*30 September 2007 AED*
Cash and bank balances	**20,607,745**	24,904,950
Short term deposits	**590,172**	352,052,528
	21,197,917	376,957,478

Cash and bank balances of AED 2,510,469 (30 September 2007: AED 358,787,208) are placed with banks in the UAE. Cash and bank balances of AED 18,687,448 (30 September 2007: AED 18,170,270) are placed with banks in Saudi Arabia.

6 BUSINESS COMBINATION

In 2007, the Company entered into an agreement to acquire 100% ownership in Al Firdous Group Co for Hotels, a company involved in managing and operating hotels and restaurants in the Kingdom of Saudi Arabia and organising Haj and Umrah trips, for a consideration amounting to AED 150,000,000. The transfer and registration of Al Firdous Group Co for Hotels in favour of the Company was finalised on 14 July 2007. This transaction has been accounted for using the purchase method of accounting. The fair values of the identifiable assets and liabilities of Al Firdous Group Co for Hotels and the corresponding carrying amounts as of the date of acquisition are as follows:

	Carrying Value AED	*Fair value AED*
Assets acquired:		
Property, plant and equipment	26,823,009	26,823,009
Intangible assets	-	29,038,218
Accounts receivable and prepayments	31,428,873	31,428,873
Inventories	715,495	715,495
Bank balances and cash	2,749,056	2,749,056
Total assets	61,716,433	90,754,651
Less: liabilities assumed		
Employees' end of service benefits	(933,853)	(933,853)
Accounts payable and accruals	(20,210,552)	(20,210,552)
Murahaba financing	(1,774,408)	(1,774,408)
Net assets	38,797,620	67,835,838
Goodwill on acquisition	111,202,380	82,164,162
Total consideration	150,000,000	150,000,000

Cash flow on acquisition:	
Cost of acquisition	150,000,000
Less: net cash acquired	2,749,056
Net cash outflow	147,250,944

The initial accounting for the above acquisition was provisional in the 31 March 2008 financial statements as the Purchase Price Allocation (PPA) had not been finalised. Subsequently, the final valuations and PPA were completed and the Group has recognised the relevant adjustments, as shown above, with effect from the date of acquisition as required by IFRS 3.

Consequently, the interim consolidated income statement for the six month period ended 30 September 2007 has been restated to show the amortization of intangible assets of AED 4,572,249.

During the six months ended 30 September 2008, the subsidiary contributed a loss of AED 5,830,221 (Six months ended 30 September 2007: profit of AED 12,957,979) to the overall net results of the Group.

The Goodwill recognised above is attributed to the expected synergies and other benefits from combining the assets and operations of the subsidiary with those of the Group.

7 GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill:

Goodwill was restated following the finalisation of fair value adjustments made to the identifiable assets and liabilities acquired on business combinations made in the prior period (note 6).

Goodwill is allocated to Al Firdous Group Co for Hotels (the cash-generating unit), and has been tested for impairment using a value in use model. Al Firdous Group Co for Hotels is the lowest level within the Group at which goodwill is monitored for internal management purposes.

The recoverable amounts have been determined based on value in use calculations, using discounted cash flow projections. Management has adopted a period of up to 15 years to assess its value in use. The cash flow projections are based on financial budgets prepared by management and are approved by the Board of Directors covering the same period.

Key assumptions used in value in use calculations

The calculation of value in use is sensitive to the following assumptions:

- Market share
- Growth rate
- Net profit margins, and
- Discount rate

Market share: The key assumption relates to management's assessment that the properties will maintain their status as a premier hotel operator.

Growth rate: estimates are based on management's assessment of market share having regard to forecasted economic growth in the Kingdom of Saudi Arabia in which the hotels operate and the demand for accommodation. A conservative terminal growth rate of 4.2% per annum has been applied for the fifteen year period.

Net profit margins: estimates are based upon management's assumption of achieving a stabilised level of performance following its first full year of operations.

Discount rate: Management has used a discount rate of 14.6% per annum throughout the assessment period.

Sensitivity to changes in assumptions

Management believes that no reasonably possible changes in any of the key assumptions would cause the carrying value of the hotel operations to exceed its recoverable amount, after giving due consideration to the economic outlook for the Haj and Umrah hospitality industry and the commercial assumptions underpinning the cash flow forecast of the operations.

Intangible assets:

Intangible assets identified as a result of the Purchase Price Allocation (PPA) exercise at the date of acquisition are as follows:

	14 July 2007 AED
Order Backlog	3,333,072
Customer Relationships	12,135,778
Lease agreements	13,569,368
	29,038,218

The Group will amortize the intangible assets over the periods in which they provides benefits to the Group. An amortization expense of AED 1,492,150 has been recognized during the six months ended 30 September 2008 (AED 4,572,249 during the six months ended 30 September 2007).

8 INVESTMENTS

These are investments held for trading and represent investments in quoted equities in the UAE.

9 TRANSACTIONS WITH RELATED PARTIES

Related parties represent major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

Balances with other related parties included in the interim consolidated balance sheet are as follows:-

	30 September 2008 AED	*31 March 2008 AED*
Due from Bin Zayed Group	**3,119,251**	-
Advance against purchase of property	**289,939,984**	170,102,446
Islamic financing and investing assets	**94,672,229**	90,315,019

Advance against the purchase of property represents the payment made for the purchase of land in Dubai. Islamic financing and investing assets represent amounts advanced for investments in Sharia complaint real estate projects. For the six months ended 30 September 2008, the Group has not recorded any impairment of amounts owed by related parties (31 March 2008: AED nil).

10 COMMITMENTS

The Group has signed lease contracts over rented buildings for a period of 2 to 15 years, and the majority of the lease agreements are renewable at the end of the lease period at market rates. The lease expenditure is charged to the interim consolidated income statement during the period.

Lease commitments:

	30 September 2008 AED	*31 March 2008 AED*
Not later than 1 year	**142,350,000**	61,713,167
Later than 1 year and no later than 5 years	**480,909,178**	218,016,510
Later than 5 years	**376,066,849**	133,548,868
Total	**999,326,027**	413,278,545

11 SEGMENTAL INFORMATION

The Group operates in two geographic markets: U.A.E. under Al Firdous Holdings (P.J.S.C) which functions as the corporate office and Saudi Arabia under Al Firdous Hotels Group which organizes Haj and Umrah trips. The following table shows the distribution of the Group's operating income and total assets and liabilities by operating and geographic segments:

2008:

	U.A.E Corporate Six months ended 30 September 2008 AED (Unaudited)	*Saudi Arabia Haj and Umra Six months ended 30 September 2008 AED (Unaudited)*	*Total Six months ended 30 September 2008 AED (Unaudited)*
Revenues	**344,966**	**62,557,476**	**62,902,442**
Processing fees, net	-	-	-
Other income, net	**7,031,764**	-	**7,031,764**
Segment profits	**3,732,350**	**(5,830,221)**	**(2,097,871)**
Total assets	**494,378,677**	**145,722,045**	**640,100,722**
Total liabilities	**1,968,666**	**30,959,752**	**32,928,418**

2007:

	U.A.E Corporate Six months ended 30 September 2007 AED (Unaudited) (Restated)	*Saudi Arabia Haj and Umra Six months ended 30 September 2007 AED (Unaudited)*	*Total Six months ended 30 September 2007 AED (Unaudited) (Restated)*
Revenues	-	33,918,123	33,918,123
Processing fees, net	11,617,145	-	11,617,145
Other income, net	5,111,971	-	5,111,971
Segment profits	11,672,938	12,957,979	24,630,917
Total assets	574,008,192	67,147,035	641,155,227
Total liabilities	1,240,978	15,391,436	16,632,414

12 RESTATEMENT OF PRIOR PERIOD AMOUNTS

During the period, the Group completed the Purchase Price Allocation (PPA) exercise for the business combination made in the prior year. This has resulted in a restatement of the consolidated balance sheet, interim consolidated income statement, interim consolidated cash flow statement and interim consolidated statement of changes in equity. The specific line items to which restatement adjustments have been made in the consolidated balance sheet as at 31 March 2008 are as follows:

CONSOLIDATED BALANCE SHEET

	31 March 2008 AED (Restated)	*31 March 2008 AED (Original)*	*AED (Variance)*
ASSETS			
Non-current assets			
Goodwill	**82,164,162**	111,202,380	(29,038,218)
Intangible assets, net of amortization	**19,147,645**	-	19,147,645
TOTAL ASSETS	**694,312,045**	704,202,618	(9,890,573)

The assets, equity and liabilities have been restated to incorporate adjustments to the provisional values as a result of the completion of accounting for business combinations. Individual adjustments have been included in note 6 to the interim condensed consolidated financial statements.

The specific line items to which restatement adjustments have been made in the interim consolidated income statement for the six months ended 30 September 2007 are as follows:

INTERIM CONSOLIDATED INCOME STATEMENT

	Six months ended 30 September		
	2007 AED (Restated)	*2007 AED (Original)*	*AED (Variance)*
Amortisation of intangible assets	**4,572,249**	-	4,572,249
Profit before Zakat	**24,869,311**	29,441,560	(4,572,249)
Profit for the period	**24,630,917**	29,203,166	(4,572,249)

Due to the above mentioned adjustments to the interim consolidated balance sheet and the interim consolidated income statement, restatements have been made to the interim consolidated statement of changes in equity and the interim consolidated cash flow statement to reflect the above changes.