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 2007

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

INDEX

Independent Auditor's Report

Independent Auditor's Report

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

Report on Consolidated Financial Statements
We have audited the accompanying consolidated financial statements of **GULF GENERAL INVESTMENT COMPANY AND ITS SUBSIDIARIES "the group"**, which comprise the balance sheet as at 31 December 2007 and the related consolidated statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes : designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Gulf General Investment Company and its Subsidiaries "the group"** as of 31 December 2007 and of their financial performance and their 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 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 Group's activities or its financial position.

TALAL ABU-GHAZALEH & CO. INTERNATIONAL

Ali Hasan Shalabi
Licensed Auditor No. 34
27 January 2008.

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

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2007

EXHIBIT A

	Note	2007 AED '000'	2006 AED '000'
ASSETS			
Non-Current Assets			
Land	4	**145,296**	19,671
Property, plant and equipment	5	**115,054**	132,546
Investments in associates	6	**156,988**	19,673
Investment properties	7	**1,872,413**	916,985
Development work-in-progress	8	**211,607**	112,334
Available for sale investments	9	**1,039,305**	537,256
Held to maturity investments	9	**26,925**	19,545
Goodwill	10	**29,727**	4,000
Post-dated cheques received – Non-current portion		--	6,668
Total Non-Current Assets		**3,597,315**	1,768,678
Current Assets			
Held for trading investments	9	**1,209,484**	1,004,748
Development properties	11	**1,421**	179,442
Inventories	12	**210,262**	246,384
Trade and other receivables	13	**1,419,591**	856,585
Post-dated cheques received		**124,713**	142,244
Cash and banks balances	14	**358,193**	152,924
Total Current Assets		**3,323,664**	2,582,327
TOTAL ASSETS		**6,920,979**	4,351,005

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 27 January 2008

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 2007

EXHIBIT A
CONTINUED

	Note	2007 AED '000'	2006 AED '000'
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity :			
Paid-up capital	15	**540,000**	400,000
Reserves	15	**535,768**	305,761
Cumulative changes in fair value		**54,722**	(121,787)
Retained earnings		**791,397**	890,881
Proposed issue of bonus shares	15	**540,000**	140,000
Proposed cash dividends		--	40,000
Total		**2,461,887**	1,654,855
Minority Interest	16	**345,115**	338,866
Total Shareholders' Equity – Exhibit C		**2,807,002**	1,993,721
Non-Current Liabilities			
End of service benefits obligation	17	**15,467**	10,943
Term loans	18	**1,179,828**	363,983
Post-dated cheques issued - Non-Current portion		**12,269**	47,272
Total Non-Current Liabilities		**1,207,564**	422,198
Current Liabilities			
Trade and other payables	19	**1,515,118**	807,638
Current instalments of term loans	18	**661,484**	274,179
Short-term borrowings	20	**729,811**	853,269
Total Current Liabilities		**2,906,413**	1,935,086
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**6,920,979**	4,351,005

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Chairman

معاوية
Dr. Muawiah Saleh Al Shanar
Deputy Chairman

GULF GENERAL INVESTMENT COMPANY
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DUBAI
UNITED ARAB EMIRATES

CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2007

EXHIBIT B

	Note	2007 AED '000'	2006 AED '000'
Revenue	24	**5,587,704**	2,883,645
Cost of revenue	25	**(4,726,184)**	(2,295,400)
Gross profit		**861,520**	588,245
Other income		**25,641**	16,926
Distribution expenses		**(28,830)**	(22,291)
Administrative expenses	26	**(101,187)**	(61,715)
Finance cost		**(131,183)**	(84,220)
Profit for the Year – Exhibit C		**625,961**	436,945
Attributable To :			
Equityholder of parent company		**555,018**	406,261
Minority interest		**70,943**	30,684
		625,961	436,945
Basic Earnings Per Share	27	**AED. 1.03**	AED. 1.02

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

EXHIBIT C

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2007

	Attributable to equity holders of the parent company								
	Capital	Reserves	Cumulative changes in fair value	Retained earnings	Proposed issue of bonus shares	Proposed cash dividends	Total	Minority interest	Total
	AED'000'	AED'000'	AED'000'	AED'000'	AED'000'	AED'000'	AED'000'	AED'000'	AED'000'
Balance at 1 January 2006	200,000	224,509	106,426	747,272	100,000	--	1,378,207	280,740	1,658,947
Issue of bonus shares	100,000	--	--	--	(100,000)	--	--	--	--
Share subscription through rights issue	100,000	--	--	--	--	--	100,000	--	100,000
Profit for the year ended 31 December 2006 - Exhibit B	--	--	--	406,261	--	--	406,261	30,684	436,945
Transferred to statutory reserve	--	40,626	--	(40,626)	--	--	--	--	--
Transferred to additional reserve	--	40,626	--	(40,626)	--	--	--	--	--
Net changes in fair value of available for sale investment	--	--	(228,213)	--	--	--	(228,213)	--	(228,213)
Funds invested by minority shareholder and other movements	--	--	--	--	--	--	--	27,442	27,442
Proposed issue of bonus shares	--	--	--	(140,000)	140,000	--	--	--	--
Proposed cash dividends	--	--	--	(40,000)	--	40,000	--	--	--
Directors' remuneration	--	--	--	(1,400)	--	--	(1,400)	--	(1,400)
Balance at 31 December 2006 - Exhibit A	**400,000**	**305,761**	**(121,787)**	**890,881**	**140,000**	**40,000**	**1,654,855**	**338,866**	**1,993,721**
Issue of bonus shares	**140,000**	**--**	**--**	**--**	**(140,000)**	**--**	**--**	**--**	**--**
Profit for the year ended 31 December 2007 - Exhibit B	**--**	**--**	**--**	**555,018**	**--**	**--**	**555,018**	**70,943**	**625,961**
Transferred to statutory reserve	**--**	**55,501**	**--**	**(55,501)**	**--**	**--**	**--**	**--**	**--**
Transferred to additional reserve	**--**	**55,501**	**--**	**(55,501)**	**--**	**--**	**--**	**--**	**--**
Transferred to land revaluation reserve	**--**	**119,005**	**--**	**--**	**--**	**--**	**119,005**	**--**	**119,005**
Net changes in fair value of available for sale investment	**--**	**--**	**176,509**	**--**	**--**	**--**	**176,509**	**1,215**	**177,724**
Funds invested by minority shareholder and other movements	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**(65,909)**	**(65,909)**
Proposed issue of bonus shares	**--**	**--**	**--**	**(540,000)**	**540,000**	**--**	**--**	**--**	**--**
Cash dividends	**--**	**--**	**--**	**--**	**--**	**(40,000)**	**(40,000)**	**--**	**(40,000)**
Directors' remuneration	**--**	**--**	**--**	**(3,500)**	**--**	**--**	**(3,500)**	**--**	**(3,500)**
Balance at 31 December 2007 - Exhibit A	**540,000**	**535,768**	**54,722**	**791,397**	**540,000**	**--**	**2,461,887**	**345,115**	**2,807,002**
	=====	======	======	======	======	======	=======	======	=======

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 2007

EXHIBIT D

	2007 AED '000'	2006 AED '000'
OPERATING ACTIVITIES		
Profit for the year - Exhibit B	**555,018**	406,261
Adjustments for:		
Depreciation of property, plant and equipment	**17,831**	14,266
End of service benefits obligation	**4,767**	2,304
Profit from sale of investments in securities	**(45,133)**	(1,078)
Profit from investment properties	**(231,548)**	(282,584)
Gain on sale of property and equipment	**(1,120)**	(291)
Loss of disposal of property, plant and equipment	**52,574**	--
Insurance contract assets	**(213,475)**	(99,903)
Insurance contract liabilities	**256,109**	157,603
(Profit)/loss in fair value of held for trading investment	**(94,199)**	121,071
Changes in fair value of investment properties	**(194,492)**	(205,082)
Provision for doubtful accounts	**1,238**	2,220
(Profit)/loss from investment in associates	**(9,383)**	1,216
Operating Profits Before Working Capital Changes	**98,187**	116,003
Inventories	**36,122**	(64,650)
Trade and other receivables	**(350,769)**	(348,849)
Post-dated cheques received	**24,199**	(119,761)
Trade and other payables	**311,941**	78,435
Post-dated cheques issued	**102,327**	21,408
End of service benefits paid during the year	**(243)**	(485)
Net Cash Provided by/(Used in) Operating Activities	**221,764**	(317,899)
INVESTING ACTIVITIES		
Fixed deposits	**(156,597)**	14,673
Purchase of investment in securities	**(3,685,530)**	(1,413,236)
Purchase of investment properties	**(1,096,574)**	(437,261)
Development work-in-progress	**(126,227)**	(97,019)
Purchase of property, plant and equipment	**(55,480)**	(52,545)
Development properties	**178,021**	10,897
Proceeds from sale of investments in securities	**3,287,206**	1,025,347
Proceeds from sale of investment properties	**594,140**	525,924
Purchase of land	**(6,620)**	(13,252)
Purchase of investments in associates	**(127,932)**	(14,359)
Proceeds from sale of property and equipment	**3,687**	4,189
Addition to goodwill	**(25,727)**	--
Net Cash Used in Investing Activities	**(1,217,633)**	(446,642)
Balance carried forward	**995,869**	(764,541)

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 2007

EXHIBIT D
CONTINUED

	2007 AED '000'	2006 AED '000'
Balance brought forward	**995,869**	(764,541)
FINANCING ACTIVITIES		
Proceeds from right issue	**--**	100,000
Dividends paid	**(40,000)**	(162)
Payment of directors' remuneration	**(1,400)**	(1,400)
Medium-term loan	**1,203,150**	494,987
Short-term borrowings	**(123,458)**	179,144
Minority interest	**6,249**	58,126
Net Cash Provided by Financing Activities	**1,044,541**	830,695
Net increase in cash & cash equivalents	**48,672**	66,154
Cash & cash equivalents at beginning of year	**90,028**	23,874
Cash & Cash Equivalents at end of Year – Note 29	**138,700**	90,028
	=======	======

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 under Amiri Decree No.2/73 issued on 27 July 1973. The company and its subsidiaries constitute the group (together referred to as **"The Group"**)

The shares of the company are traded on the Dubai Financial Market.

The main activities of the Company are :

- Purchase, sale and utilization of land & real estate.
- Rental services and managing real estate.
- General trading.
- Commercial holding & trust companies
- Industrial holding & trust companies

The Company is domiciled in Dubai city and its registered address is P.O. Box 22588, Dubai, United Arab Emirates.

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

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the group has adopted the new and revised International Financial Reporting Standards (IFRSs) including the International Accounting Standards (IASs) and their interpretations that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2007.

The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these consolidated financial statements regarding the Group's financial instruments and management of capital.

The adoption of interpretation issued by the International Financial Reporting Interpretation Committee which were effective for the current year has not led to any changes in the Group's accounting policies.

At the date of authorization of these consolidated financial statements, the following Standards and Interpretations were in issued but not yet effective.

IAS 1 (Revised)	Presentation of Financial Statement (effective for periods beginning on or after1 January 2009).
IAS 23 (Revised)	Borrowing Cost (effective for periods beginning on or after 1 January 2009).
IFRS 8	Operating Segments (effective for periods beginning on or after 1 January 2009).
IFRIC 11	IFRS 2 Company and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007).
IFRIC 12	Service Concession Arrangements (effective for periods beginning on or after 1 January 2008).

IFRIC 13	Customer Loyalty programmes (effective for annual periods beginning on or after 1 July 2008).
IFRIC 14	The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2008).

The directors anticipate that the adoption of these Standards and Interpretations in future period will have no material impact on the consolidated financial statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and applicable requirements of the United Arab Emirates Laws.

Basis of preparation

The group's consolidated financial statements are prepared on 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. The following is the summary of significant accounting policies adopted :

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the parent company and entities controlled by the company (its subsidiaries) (together referred to as "the Group") control is evidenced by the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the company.

The details of the subsidiaries are as follows :

	Incor-porated	Owner-ship %	Principal activities
Emirates Lube Oil Co. Ltd. (LLC)	U.A.E.	100	Manufacturing of and Trading in oil, lubricants and grease.
Gulf Prefab Houses Factory (LLC)	U.A.E.	100	Manufacturing of prefab houses, Concrete, carpentry, restaurant, ovens, kitchens, central aircon-ditioning systems.
Horizon Metallic Ind. Co. LLC	U.A.E.	100	Manufacturing metallic cans, refill and drums.
Crown Lubricants Co. (L.L.C.)	U.A.E.	100	Trading in lubricants.
Emirates Crown Lubricants Co. (L.L.C.)	U.A.E.	50	Trading in lubricants.
L.A.I. General Trading LLC – 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 Est. - Partnership	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 Perfumes Trading LLC	U.A.E.	50	Perfumes Trading
Acorn Industries Co. LLC	U.A.E.	50	Vehicle body manufacturing, stell Structure parts.
Stock Securities Co. (LLC)	U.A.E.	75	Broker in sale & purchase of local Shares and bonds.
Middle World Factories Equip. LLC	U.A.E.	51	Import & re-export, factories Equipment, machinery supplier, Trading merchants , spare parts Equipment of the factories.

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

Minority interest represents the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the consolidated income statement, and within equity in the consolidated balance sheet, separately from the parent shareholders' equity.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns and rebates.

Sale of goods
Revenue from the sale of goods is recognized when all the following conditions are satisfied :

- 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 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 group.
- 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 recognized 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 and interest revenue
- Dividend revenue from investments is recognized when the shareholder's right to receive payment has been established.
- Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

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

Sale of properties
Revenue from the sale of properties under sale agreements is recognized in the Consolidated Statement of Income when the amounts received from the buyer equals 20% and more of the value of sale agreement and the significant risks and rewards of ownership are transferred to the buyer.

Property, plant and equipment

The property and equipment are carried at their cost less any accumulated depreciation and any accumulated impairment.

Cost includes purchase cost and any incidental expenses of acquisition including professional fees.

Depreciation is calculated on a straight line basis over the estimated 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

No depreciation is charged on capital-work-in-progress. The depreciation charge for each period is recognized in the consolidated income statement.

The estimated useful lives, residual values and depreciation method are reviewed and adjusted if appropriate at each balance sheet date.

The carrying values of property 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).

Any gain or loss arising on derecognition of any item of property and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the assets is recognized in the consolidated income statement.

Investments 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 evidenced by the power to govern the financial and operating policies of that investee.

The group's investment in its associate is accounted for under the equity method of accounting. Under the equity method investments in associates are carried in the balance sheet at cost plus post acquisition changes in the group's share of net assets of the associate, less any impairment in value. The financial performance of its associates are recorded in the consolidated statement of income.

Investment properties

Investment properties held to earn rentals or for capital appreciation, investment properties are measured at fair value as at the consolidated balance sheet date. Gain or loss arising from changes in the fair value of investment properties are included in the Consolidated Statement of Income.

Development work-in-progress

Properties in the course of construction for rental or appreciation in value are carried at cost, less any recognized impairment loss. Cost includes 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. Upon completion of construction such properties are transferred to investment properties.

Development properties

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

Financial assets

Financial assets comprising of, among other things, investments in debt and equity instruments, are recognized and derecognized on the trade date when the group becomes party to the contractual provisions of the instruments. The financial assets are initially recognized at fair value plus transaction costs, directly attributable to the acquisition or issue of those assets, except for the financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following categories :

- Financial assets at fair value through profit or loss (FVTPL),
- Held to maturity
- Available for sale (AFS)
- Loans and receivables.
- Cash and cash equivalents.

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 FVTPL when they are held for trading, which means they have been acquired principally for the purpose of selling in the near future.
Financial assets at FVTPL are stated at fair value. Gains or losses resultant form changes in the fair value are recognized in the consolidated income statement. The net gain or loss recognized in the consolidated income statement incorporates any dividend or interest earned on the financial asset.

Held to maturity
Held to maturity investments are debt instrument with fixed or determinable payments and fixed maturity dates that the group has the positive intent and ability to hold to maturity. Held to maturity investments are measured at amortized cost using the effective interest method less impairment with revenue recognized on an effective yield basis.

AFS financial assets
AFS financial assets may include equity instruments that are not held principally for the purpose of selling in the near future or debt instruments with fixed or determinable payments and fixed maturity dates that the group has no positive intent and ability to hold to maturity. AFS financial assets are stated at fair value. Gains and losses arising from changes in fair value are recognized directly in equity in the investments revaluation reserve with the exception of impairment losses and foreign exchange gains and losses on monetary assets, which are recognized directly in the consolidated income statement. The cumulative gain or loss previously recognized in the investments revaluation reserve is included in the consolidated income statement upon the disposal of investment. Dividends on AFS equity instruments are recognized in profit or loss when the group's right to receive payments is established.

Loans
Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost less any impairment losses. Interest income is recognized by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Trade receivables
Trade receivables are stated at original invoices amount less a provision for any uncollectible amounts.

An estimate for doubtful accounts is made when collection of full amount is no longer probable. Bad accounts are written off when there is no possibility of recovery.

Cash and cash equivalents
Cash and cash equivalents comprise of cash in hand, unrestricted balances of current accounts and call and fixed deposits with banks for three months or less from the original date of placement.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. For financial assets carried at amortized 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 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 AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases due to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, any increase in fair value subsequent to an impairment loss is recognized directly in equity.

Derecognition of financial assets

The group derecognizes a financial assets only when the contractual rights of the cash flows from the assets expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Financial liabilities

Debt and equity instruments are classified as either financial liabilities or as equity depending on the substance of the contractual arrangement.

Equity instruments are contracts that evidence residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recorded at the proceeds received net of direct issue costs.

Other financial liabilities, including accounts payable and others and borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

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

Accounts payable and accruals
Accounts payable and accruals are recognized for amounts to be paid in the future for goods or services received, whether billed by supplier or not.

Derecognition of financial liabilities

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

Goodwill

- Goodwill represents the excess of the cost of an acquisition over the Group's share of the fair value of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiary or associate as at the date of the acquisition. Goodwill arising on the acquisition of a subsidiary is recognized as a separate asset in the balance sheet. Goodwill is stated at cost less impairment losses. Goodwill is reviewed for impairment annually or more frequently when there is an indication that the carrying value may be impaired.

- Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognized. If the recoverable amount of the goodwill is less than the carrying amount, the impairment loss is recognized in the consolidated income statement. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

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

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. Cost includes purchase cost, freight, insurance and other related expenses incurred in bringing the goods to their present condition and location. Net realizable value is based on the normal selling price, less cost expected to be incurred on disposal. Provision is made where necessary for obsolete, slow-moving and damaged items.

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 overheads allocated on the basis of quantity produced which is close to the normal production capacity.

End of service benefits obligation

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

Defined contribution plan

U.A.E. national employees of the Group are members of the Government managed retirement pension and the social security benefit scheme established pursuant to U.A.E. Federal Labour Law No. 7 of 1999. The Group is required to contribute by 12.5% of "the contribution calculation salary" to the retirement benefit scheme to fund the benefits. The employees are also required to contribute by 5% of the "contribution calculation salary" 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 the Consolidated Statement of Income.

Provisions

Provisions are present obligations (legal or constructive) resulted from past events, the settlement of the obligations is probable and the amount of those obligations can be estimated reliably. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

Provisions are review and adjusted at each balance sheet date. If outflows, to settle the provisions, are no longer probable, reverse of the provision is recorded as income. Provisions are only used for the purpose for which they were originally recognized.

Related parties

Related parties are considered to be related because they have the ability to exercise control over the group or to exercise significant influence or joint control over the group's financial and operating decisions. Further, parties are considered related to the group when the group has the ability to exercise control, significant influence, or joint control over the financial and operating decisions of those parties.

Contingent liabilities

Contingent liabilities are possible obligations depending on whether some uncertain future events occur, or they are present obligations but payments are not probable or the amounts cannot be measured reliably. Contingent liabilities are not recognized in the financial statements.

Foreign currency

The individual financial statements of each group company are presented in the currency of the primary economic environment in which the company operates (its functional currency). The consolidated financial statements are presented in Arab Emirates Dirhams (AED) which is the functional currency of the parent company. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value was determined. Exchange differences arising on translating monetary items in profit or loss are recognized in the consolidated income statement.

Segments 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, organization and administrative hierarchy, and the internal system relating to the internal financial reports about it.

- ***Geographic 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.

Critical accounting judgments and key sources of estimation uncertainty

The Group makes estimates and assumptions that affect the reported amounts of insurance contract assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and the latest available information including expectations of future events that are believed to be reasonable under the circumstances.

4. LAND

- Land amounting to AED. 145,054 thousand (2006 : AED. 19,671 thousand) (Exhibit A) represents the value of plots of land in the Emirates of Sharjah & Dubai. During the current year, the above mentioned land had been revalued and the difference resulting from this revaluation amounting to AED.119,005 thousand was credited to land revaluation reserve.

- The land mentioned above include land of AED. 128,053 thousand mortgaged to local banks against credit facilities granted to the Group.

12. **<u>PROPERTY, PLANT AND EQUIPMENT</u>**

The details of this item as at 31 December 2007 are as follows :

	Buildings, sheds and prefab houses AED '000'	Plant and equipment AED '000'	Motor vehicles, ships and trucks AED '000'	Office and residence furniture AED '000'	Storage tanks AED '000'	Marine tanks AED '000'	Other assets AED '000'	Capital work-in-progress AED '000'	Total AED '000'
Cost :									
At 1 January 2007	**33,405**	**61,804**	**47,523**	**8,364**	**23,523**	**1,860**	**5,457**	**9,403**	**191,339**
Additions during the year	**12,313**	**12,287**	**18,460**	**4,724**	**268**	**--**	**2,593**	**4,835**	**55,480**
Disposals/transfers	**(30,024)**	**(45,215)**	**(4,606)**	**(4,322)**	**(8,486)**	**(1,860)**	**(2,857)**	**--**	**(97,370)**
Balance at 31 December 2007	**15,694**	**28,876**	**61,377**	**8,766**	**15,305**	--	**5,193**	**14,238**	**149,449**
Accumulated Depreciation :									
At 1 January 2007	**8,130**	**25,626**	**9,142**	**5,603**	**5,711**	**1,568**	**3,013**	**--**	**58,793**
Charged for the year – Exhibit D	**2,910**	**4,497**	**7,501**	**1,350**	**925**	**29**	**619**	**--**	**17,831**
Related to disposals/transfers	**(8,217)**	**(21,012)**	**(1,692)**	**(3,291)**	**(4,344)**	**(1,597)**	**(2,076)**	**--**	**(42,229)**
Balance at 31 December 2007	**2,823**	**9,111**	**14,951**	**3,662**	**2,292**	--	**1,556**	--	**34,395**
Net Book Value :									
At 31 December 2007 – Exhibit A	**12,871**	**19,765**	**46,426**	**5,104**	**13,013**	--	**3,637**	**14,238**	**115,054**
	=====	=====	=====	=====	=====	=====	=====	=====	======

As at 31 December 2006 are as follows :

	Buildings, sheds and prefab houses AED '000'	Plant and equipment AED '000'	Motor vehicles, ships and trucks AED '000'	Office and residence furniture AED '000'	Storage tanks AED '000'	Marine tanks AED '000'	Other assets AED '000'	Capital work-in-progress AED '000'	Total AED '000'
Cost :									
At 1 January 2006	16,167	61,025	31,558	7,865	23,344	1,817	4,438	589	146,803
Additions during the year	19,643	3,394	16,835	1,304	179	43	1,784	9,363	52,545
Disposals /transfers	(2,405)	(2,615)	(870)	(805)	--	--	(765)	(549)	(8,009)
Balance at 31 December 2006	33,405	61,804	47,523	8,364	23,523	1,860	5,457	9,403	191,339
Accumulated Depreciation :									
At 1 January 2006	8,153	22,177	3,992	5,508	4,541	1,520	2,747	--	48,638
Charged for the year – Exhibit D	1,649	4,528	5,459	747	1,170	48	665	--	14,266
Related to disposals/transfers	(1,672)	(1,079)	(309)	(652)	--	--	(399)	--	(4,111)
Balance at 31 December 2006	8,130	25,626	9,142	5,603	5,711	1,568	3,013	--	58,793
Net Book Value :									
At 31 December 2006 – Exhibit A	25,275	36,178	38,381	2,761	17,812	292	2,444	9,403	132,546

6. INVESTMENTS IN ASSOCIATES

This item consists of the following :

	2007 AED '000'	2006 AED '000'
Cost	**148,430**	20,064
Share of the group from profit/(loss) after acquisitions	**9,383**	(1,216)
Less ; Dividends received/(transfer)	**(825)**	825
Balance at 31 December – Exhibit A	**156,988**	19,673
	======	======

The details of this associates are as follows :

Investment in	Incor-porated	Owner-ship %	2007 AED '000'	2006 AED '000'
Horizon Aluminium Ind. Co. LLC	U.A.E.	49	**1,024**	--
Gulf Engineering Services LLC	U.A.E.	50	**1,010**	586
Al Qalaa First Investment Company	Jordan	30.7	**6,408**	--
Arab Real Estate Development Co. PSC	Jordan	28.6	**48,422**	--
Ghadah General Trading & Contracting Co. (Khalid Mustafa Karam Sons & Partners)	Kuwait	38	**9,194**	--
Oil Laboratories & Marine Surveyors Co. Ltd.	U.A.E.	25	**322**	--
Al Sagr Company for Co-operative Insurance (SCCI) (under formation)	Saudi Arabia	--	**52,920**	7,023
Najm Project for Motor Insurance Development - (under formation)	Saudi Arabia	--	**1,942**	1,864
National Aluminium Extrusion Co. LLC (under formation)	U.A.E.	--	**25,500**	10,200
Tassnim International Investment (under formation)	Morocco	--	**2,770**	--
Gulf Dura Industries LLC (under formation)	U.A.E.	--	**7,476**	--
Total – Exhibit A			**156,988**	19,673
			======	=====

Investment in associates represents payments made against the share capital of the companies under formation.

7. INVESTMENT PROPERTIES

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

	Land AED '000'	Buildings AED '000'	Total AED '000'
Balance at 1 January 2006	80,103	470,089	550,192
Transferred from development work-in-progress	--	158,129	158,129
Transferred to development properties	--	(190,339)	(190,339)
Purchases during the year	195,216	242,045	437,261
Sales during the year	(13,150)	(230,190)	(243,340)
Increase in fair value	14,419	190,663	205,082
Fair value at 31 December 2006 – Exhibit A	**276,588**	**640,397**	**916,985**
Transferred to buildings	**(13,906)**	**13,906**	**--**
Transferred to development work-in-progress	**--**	**26,954**	**26,954**
Purchases during the year	**499,608**	**596,966**	**1,096,574**
Sales during the year	**(85,739)**	**(276,853)**	**(362,592)**
Increase in fair value	**91,567**	**102,925**	**194,492**
Fair value at 31 December 2007 – Exhibit A	**768,118**	**1,104,295**	**1,872,413**
	======	=======	=======

b) Investment properties mentioned above include the value of land with constructed buildings amounting to AED. 652,848 thousand (2006 : AED. 164,839 thousand) mortgaged to the banks financing the construction of these buildings. It also includes land of AED. 510,653 thousand (2006 : AED. 359,476 thousand) purchased in the name of related parties on behalf of the Group.

8. DEVELOPMENT WORK-IN-PROGRESS

a) The details of this item are as follows :

	2007 AED '000'	2006 AED '000'
Balance at 1 January	**112,334**	173,444
Transferred from investment properties	**(26,954)**	--
Transferred to investment properties	**--**	(158,129)
Additions	**126,227**	97,019
Balance at 31 December – Exhibit A	**211,607**	112,334

b) Projects under construction mentioned above include the value of land amounting to AED. 5,988 thousand purchased in the name of a related party on behalf of the group.

9. FINANCIAL ASSETS - NVESTMENTS

a) **Available for Sale Investments**

This item consists of the following :

	2007 AED '000'	2006 AED '000'
Fair value at 1 January	**537,256**	290,811
Purchased during the year	**736,343**	546,216
Sale during the year	**(348,991)**	(112,682)
Increase/(decrease) in fair value	**114,697**	(187,089)
Fair Value at 31 December – Exhibit A	**1,039,305**	537,256

a) **Held to Maturity Investments**

This item consists of the following :

	2007 AED '000'	2006 AED '000'
Cost at 1 January	**19,545**	10,535
Additions during the year	**7,380**	12,930
Sale during the year	**--**	(3,920)
Cost at 31 December – Exhibit A	**26,925**	19,545

b) **Held for Trading Investments**

This item consists of the following :

	2007 AED '000'	2006 AED '000'
Balance at 1 January	**1,004,748**	1,220,520
Purchased during the year	**2,941,807**	854,090
Sale during the year	**(2,831,270)**	(948,791)
Increase/(decrease) in fair value	**94,199**	(121,071)
Fair Value at 31 December – Exhibit A	**1,209,484**	1,004,748

- The fair values of these investments are based on quoted market prices.
- Held for trading investments and available for sale investments include investments of AED. 161,843 thousand pledged to local banks and investments of AED. 176,976 thousand registered in the name of related parties on behalf of the Group.
- Held to maturity investments include investment of AED. 22,540 thousand registered in the name of related parties on behalf of the Group.

10. GOODWILL

The details of this item are as follows :

	2007 AED '000'	2006 AED '000'
Balance at 1 January	**4,000**	4,000
Goodwill paid on acquisition of Acron Industries Co. LLC	**7,500**	--
Goodwill paid on acquisition of Ghadah General Trading & Contracting Company	**16,473**	--
Goodwill paid on acquisition of Middle East World Factories Equip. LLF	**500**	--
Goodwill paid on acquisition of Amalia Perfumes Trading LLC	**1,254**	--
Balance at 31 December	**29,727**	4,000

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

The details of acquined companies are as follows :

a) Acquisition of Acorn Industries Co. LLC – Sharjah

On 1 January 2007, the group acquired 50% of the voting shares of Acorn Industries Co. LLC – Sharjah, an unlisted limited liability company domiciled in Sharjah, United Arab Emirates.

The fair value of the identifiable assets and liabilities of Acorn Industries Co. LLC as at the date of acquisition were as follows :

	AED '000'
Total current assets	**6,391**
Total non-current assets	**8,850**
	15,241
Total current liabilities	**2,401**
Total non-current liabilities	**--**
Minority interest	**6,420**
	8,821
Net assets acquired	**6,420**
Goodwill arising on acquisition	**7,500**
Cash Consideration Paid	**13,920**

b) Acquisition of Ghadah General Trading and Contracting Company - Kuwait

On 1 March 2007, the group acquired 38% of the voting shares of Ghadah General Trading and Contracting Company (Khalid Mustafa Karam Sons and Partners) W.L.L., an unlisted limited liability company domiciled in Kuwait.

The fair value of the identifiable assets and liabilities of Ghadah General Trading and Contracting Company (Khalid Mustafa Karam Sons and Partners) W.L.L. as at the date of acquisition were as follows :

	AED '000'
Total current assets	**42,920**
Total non-current assets	**1,958**
	44,878
Total current liabilities	**21,423**
Total non-current liabilities	**4,815**
Minority interest	**11,556**
	37,794
Net assets acquired	**7,084**
Goodwill arising on acquisition	**16,473**
Cash Consideration Paid	**23,557**

c) **Acquisition of Middle East World Factories Equip. LLC**

On 1 January 2007, the group acquired 51% of the voting shares of Middle East World Factories Equip. LLC – Sharjah, an unlisted limited liability company domiciled in Sharjah, United Arab Emirates.

The fair value of the identifiable assets and liabilities of Middle East World Factories Equip. LLC as at the date of acquisition were as follows :

	AED '000'
Total current assets	**5,494**
Total non-current assets	**759**
	6,253
Total current liabilities	**3,649**
Total non-current liabilities	**39**
Minority interest	**15**
	3,703
Net assets acquired	**2,550**
Goodwill arising on acquisition	**500**
Cash Consideration Paid	**3,050**

d) **Acquisition of Amalia Perfumes Trading LLC – Dubai**

On 1 January 2007 (the acquisition date), the group acquired 50% of the voting shares of Amalia Perfumes Trading LLC – Dubai, an unlisted limited liability company domiciled in Dubai, United Arab Emirates.

The fair value of the identifiable assets and liabilities of Amalia Perfumes Trading LLC – Dubai as at the date of acquisition were as follows :

	AED '000'
Total current assets	**4,152**
Total non-current assets	**1,660**
	5,812
Total current liabilities	**2,209**
Total non-current liabilities	**1,321**
Minority interest	**1,536**
	5,066
Net assets acquired	**746**
Goodwill arising on acquisition	**1,254**
Cash Consideration Paid	**2,000**

11. **DEVELOPMENT PROPERTIES**

The details of this item are as follows :

	2007 AED '000'	2006 AED '000'
Cost to date	**179,442**	439,860
Addition : Attribute profit	**2,863**	105,644
Less : Progress billings	**(180,884)**	(366,062)
Balance at 31 December – Exhibit A	**1,421**	179,442

12. **INVENTORIES**

The details of this item are as follows :

	2007 AED '000'	2006 AED '000'
Equipment and spare parts	**18,624**	--
Raw-materials	**156,382**	213,852
Finished products	**15,014**	18,184
Semi-finished products	**9,935**	4,667
Goods in transit	**10,438**	9,815
Total	**210,393**	246,518
Provision for slow-moving and obsolete items	**(131)**	(134)
Net Amount – Exhibit A	**210,262**	246,384

13. **TRADE AND OTHER RECEIVABLES**

a) This item consists of the following :

	2007 AED '000'	2006 AED '000'
Trade accounts receivable – Note 13(b)	**613,173**	591,789
Due from related parties – Note 13(c)	**126,481**	2,858
Other receivables	**237,729**	69,091
Accounts receivable by services companies	**47,244**	11,358
Reinsurance contract assets	**394,964**	181,489
Total – Exhibit A	**1,419,591**	856,585

b) **Trade Accounts Receivable**

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

	2007 AED '000'	2006 AED '000'
Trade accounts receivable - Export	**9,662**	33,272
Other trade accounts receivable	**616,236**	570,669
Total trade accounts receivable - Note 13(b)(iii)	**625,898**	603,941
Provision for doubtful accounts - Note 13(b)(ii)	**(12,725)**	(12,152)
Net Amount - Note 13(a)	**613,173**	591,789

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

	2007 AED '000'	2006 AED '000'
Balance at 1 January	**12,152**	10,382
Addition to provision	**1,238**	2,220
Accounts receivable written off	**(665)**	(450)
Balance at 31 December - Note 13(b)(i)	**12,725**	12,152

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

	2007 AED '000'	2006 AED '000'
Sales agents	**40,016**	11,907
Governmental authorities	**4,268**	5,032
Marine and Trade Enterprises	**63,965**	120,144
Industrial Enterprises	**125,971**	118,545
Service Enterprises & Others	**391,678**	348,313
Total - Note 13(b)(i)	**625,898**	603,941

(iv) Trade accounts receivable distributed to a client's base divided geographically as follows :

	2007 AED '000'	2006 AED '000'
U.A.E. and other GCC countries	**527,575**	528,637
Middle East	**68,437**	29,235
African countries	**12,529**	24,682
Asian countries	**13,802**	20,754
European countries	**3,555**	633
Total - Note 13(b)(i)	**625,898**	603,941

c) **Due from related parties**

This item consists of the following :

	2007 AED '000'	2006 AED '000'
Fal Oil Company Ltd - Sharjah	**5,360**	2,854
Arab Real Estate Development Co. PSC. - Jordan	**83,029**	--
Industrial Investment Company (Riviera Pool M.E.) L.L.C. - Sharjah	**--**	4
Al Qala First Investment – Jordan	**35,688**	--
Gulf Engineering Services LLC - Dubai	**106**	--
Horizon Aluminium Industries Co. (LLC) - Dubai	**1,973**	--
Oil Laboratories & Marine Surveyors Co. Ltd. - Sharjah	**123**	--
Amalia Perfumes International FZC – Dubai	**202**	--
Total - Note 13(a)	**126,481**	2,858

14. **CASH AND BANKS BALANCES**

a) This item consists of the following :

	2007 AED '000'	2006 AED '000'
Cash in hand	**1,796**	686
Current accounts balances	**114,284**	65,768
Call accounts with bank	**23**	8,448
Fixed deposits	**242,090**	78,022
Total - Exhibit A	**358,193**	152,924

b) Current accounts with banks of AED. 114,284 thousand (2006 : AED. 65,768 thousand) mentioned above include bank accounts amounting to AED. 528 thousand (2005 : AED. 682 thousand) opened and operated in the name of third parties.

c) Fixed deposits mentioned above amounting to AED. 242,090 (2006 : AED. 78,022 thousand) include fixed deposits of AED. 211,994 thousand held under lien with a local bank against facilities granted to the Group and also include a fixed deposit amounting to AED. 7,500 thousand 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.

e) Fixed deposits mentioned above are at interest rate ranging between 2.79% to 5.75% (2006 : between 3% to 5.5%) per annum.

15. **SHAREHOLDERS' EQUITY**

a) **Capital**

	2007 AED '000'	2006 AED '000'
Authorized share capital comprises 540 million ordinary shares (2006 : 400 million ordinary shares) of AED. 1/- each fully paid – Exhibit A	**540,000**	400,000

At the extra-ordinary general meeting held on 25 March 2007 the shareholders had approved to increase the company's issued share capital by transfer the proposed 35% bonus issue (140 million ordinary shares) for the year ended 31 December 2006 to share capital in 2007 resulting in an increase in the share capital of the company from AED. 400,000 thousand to AED. 540,000 thousand.

b) **Basis of Retained Reserves**

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

(i) 10% of the yearly 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 below that percentage, the deduction will resume.

(ii) Another 10% of the yearly net profit shall be deducted and retained in 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 reaches to 50% of the company's paid-up capital.

c) **Proposed appropriation of net profit**

(i) The Board of Directors have proposed the following appropriation of the net profits :

	2007 **AED '000'**	**2006** **AED '000'**
Statutory reserve	**55,501**	40,626
Additional reserve	**55,501**	40,626
Director's remuneration	**3,500**	1,400
Proposed issue of bonus shares – 100% of paid up capital (2006 : 35%)	**540,000**	140,000
Proposed cash dividends 2007 'Nil' (2006 : 10% of paid up capital)	**--**	40,000

(ii) The above mentioned proposed dividends are subject to approval by the shareholders at the Annual General Assembly Meeting.

d) **Reserves**

The details of this item are as follows :

	Statutory Reserve AED '000'	Additional Reserve AED '000'	Land Revaluation Reserve AED '000'	Total AED '000'
Balance at 1 January 2006	122,000	100,000	2,509	224,509
Additions during the year	40,626	40,626	--	81,252
Balance at 31 December 2006 - Exhibit A	**162,626**	**140,626**	**2,509**	**305,761**
Additions during the year	**55,501**	**55,501**	**119,005**	**230,007**
Balance at 31 December 2007 - Exhibit A	**218,127**	**196,127**	**121,514**	**535,768**
	======	======	======	======

16. MINORITY INTEREST

The details of this item are as follows :

	2007 **AED '000'**	2006 AED '000'
Balance at 1 January	**338,866**	280,740
Dividends paid	**(3,920)**	(3,163)
Share of net income for the year	**70,943**	30,684
Funds invested by minority shareholder and other movements	**(60,774)**	30,605
Balance at 31 December - Exhibit A	**345,115**	338,866
	======	======

17. END OF SERVICE BENEFITS OBLIGATION

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

	2007 **AED '000'**	2006 AED '000'
Balance at 1 January	**10,943**	9,124
Current service cost	**4,767**	2,304
Settlements during the year	**(243)**	(485)
Balance at 31 December - Exhibit A	**15,467**	10,943

18. **TERM LOANS**

a) The Group had obtained term loan facilities from local and foreign banks in order to finance the purchase of real estate and the Group's activities presented in consolidated balance sheet are as follows:

	2007 **AED '000'**	2006 AED '000'
Current portion Exhibit A	**661,484**	274,179
Non-current portion – Exhibit A	**1,179,828**	363,983
Total – Note 18(b)	**1,841,312**	638,162

The details of term-loans are as follows :

Loan/Morabaha	Maturity date	**2007** **AED '000'**	2006 AED '000'
Loan 1	June 2010	**16,150**	24,225
Loan 2	February 2010	**2,657**	12,029
Loan 3	March 2011	**256,750**	330,300
Loan 4	June 2010	**58,560**	--
Loan 5	October 2012	**47,500**	--
Loan 6	August 2008	**55,065**	--
Loan 7	August 2012	**771,120**	--
Loan 8	May 2008	**50,000**	--
Loan 9	December 2008	**105,000**	--
Loan 10	July 2014	**60,670**	67,266
Loan 11	March 2013	**109,368**	--
Loan 12	December 2009	**200,000**	--
Morabah 13	May 2009	**4,629**	7,469
Morabah 14	July 2007	--	23,040
Morabah 15	May 2007	--	50,000
Morabah 16	June 2007	--	30,000
Morabah 17	December 2007	--	50,000
Morabah 18	March 2007	--	20,312
Morabah 19	November 2008	**82,667**	--
Other loans & morabahat		**21,176**	23,521
Total – Note 18(a)		**1,841,312**	638,162

(1) A loan of AED. 32,300 thousand was granted in June 2005 for a period of five years and repayable by quarterly instalments amounting to AED. 1,615 thousand and the last instalment will be matured in June 2010.

(2) A loan of AED. 48,800 thousand was granted in June 2005 for a period of five years and repayable by quarterly instalments amounting to AED. 2,343 thousand and the last instalment will be matured in February 2010.

(3) A loan of USD. 100 million equivalent to AED. 367,000 thousand granted by a consortium

of local and foreign banks for a period of five years and repayable by half yearly instalments amounting to AED. 36,750 thousand and the last instalment will be matured in March 2011.

(4) A loan of AED. 58,560 thousand granted in June 2007 for a period of three years and repayable by quarterly instalments amounting to AED. 7,320 thousand and the last instalment will be matured in June 2010.

(5) A loan of AED. 50,000 thousand granted in October 2007 for a period of five years and repayable by quarterly instalments amounting to AED. 2,500 thousand and the last instalment will be matured in October 2012.

(6) A loan of USD. 15 million equivalent to AED. 55,065 thousand granted in June 2007 for a period of one year and repayable by one instalment in August 2008.

(7) A mudarabah agreement relating to the Group's activities granted by a consortium of local and foreign banks of USD 210 million, equivalents to AED. 771,120 thousand granted in August 2007 for a period of five years and repayable by half yearly instalments amounting to AED. 77,112 thousand and the last instalment will be matured in August 2012.

(8) A loan of AED. 50,000 thousand granted by a local bank for a period of six months and repayable by one instalment in May 2008.

(9) A loan of AED. 105,000 thousand granted in November 2007 for a period of one year and repayable by quarterly instalments amounting to AED. 26,250 thousand and the last instalment will be matured in December 2008.

(10) A loan of AED. 70,000 thousand granted in August 2006 for a period of eight years and repayable by monthly instalments amounting to AED. 963 thousand (included interest) and the last instalment will be matured in July 2014.

(11) A musharaka mutanaqisa bank finance agreement of AED. 125,000 thousand granted in 15 March 2007 to finance purchase of 83.33% from a building in Dubai emirate and for a period of six years and repayable by quarterly instalments amounting to AED. 5,208 thousand and the last instalment will be matured in March 2013.

(12) A mudarabah bank finance agreement of AED. 200,000 thousand granted by Islamic banks in December 2007 for a period of two years and repayable by quarterly instalments amounting to AED. 33,333 thousand and the last instalment will be matured in December 2009.

(13) A morabaha of AED. 80,000 thousand granted in June 2006 for a period of three years and repayable by quarterly instalments amounting to AED. 767 thousand and the last instalment will be matured in May 2009.

(14) A morabaha of AED. 46,081 thousand granted in June 2005 for a period of two years and repayable by half yearly instalments amounting to AED. 1,520 thousand and the last instalment will be matured in July 2007.

(15) A morabaha of AED. 50,000 thousand granted in november 2005 for a period of one and half year and fuly paid by one instalment in May 2007.

(16) A morabaha of AED. 30,000 thousand granted in December 2006 for a period of six months and fully paid by one instalment in June 2007.

(17) A morabaha of AED. 50,000 thousand granted in December 2006 for a period of one years and fully paid by one instalment in December 2007.

(18) A morabaha of AED. 25,000 thousand granted in March 2005 and repayable in half yearly instalment amounting to AED. 1,562 thousand and fully paid in 2007.

(19) A morabaha of AED. 82,667 thousand granted in December 2007 to participate in an initial public offering (IPO) and repayable within one year.

b) Loan facilities bear interest at EIBOR and LIBOR plus applicable margins ranging from (0.55% - 2%).

c) Bank loans obtained from banks are secured by the following :

- Loan facilities relating to buildings construction are secured by mortgage of properties and constructions financed by these loans. Banks providing these facilities are the first beneficiary from the properties and constructions, 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.

19. TRADE AND OTHER PAYABLES

a) This item consists of the following :

	2007 **AED '000'**	2006 AED '000'
Trade accounts payable and others	**416,022**	300,241
Accounts payable by services companies	**116,416**	42,314
Due to minority shareholders	**11,760**	--
Due to related companies - Note 20(b)	**32,039**	27,647
Post-dated cheques issued	**212,674**	75,344
Rent received in advance	**17,766**	8,073
Accrued dividends for shareholders	**21,853**	1,851
Accrued expenses	**80,578**	32,013
Provisions and other payables	**16,779**	12,763
Retentions payable	**7,558**	7,332
Un-accrued income	**--**	1,242
Directors' remuneration	**3,500**	1,400
Advanced received against investment properties for sale	**27,831**	3,185
Insurance contract liabilities	**550,342**	294,233
Total - Exhibit A	**1,515,188**	807,638

b) **Due to related parties**

This item consists of the following :

	2007 **AED '000'**	2006 AED '000'
Gulf Engineering Services L.L.C. - Dubai	**--**	153
Horizon Aluminium Industry (L.L.C.) - Dubai	**--**	874
National Aluminium Extrusion Co. L.L.C. - Dubai	**15,297**	9,532
Oil Laboratories and Marine Surveyors Company L.L.C. - Sharjah	**--**	12
Dubai Al Ahlia Transportat Curisha Division - Dubai	**2,791**	--
Marine Engineering & Services Co. Ltd. - Sharjah	**15**	3
Sharjah Oil Refinery Co. Ltd. - Sharjah	**250**	297
Mechanical Engineering Services - Dubai	**2,206**	2,457
Investment Group (Pvt.) Ltd. – Sharjah	**11,461**	14,319
Industrial Investment Company (Riviera Pool M.E.) L.L.C. - Sharjah	**19**	--
Total - Note 19(a)	**32,039**	27,647

20. **SHORT-TERM BORROWINGS**

a) This item consists of the following :

	2007 AED '000'	2006 AED '000'
Bank overdraft	**522,072**	704,893
Trust receipts	**207,739**	148,376
Total – Exhibit A	**729,811**	853,269

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

c) Bank facilities obtained from banks detailed above are secured by the following :

- 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.

21. **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 depends on the business segments which is based on report presentation and geographical sectors as a secondary basis. The financial analysis according to the business segments are as follows :

	Manufacturing		Investments		Services & others		Consolidation	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	AED '000'	AED '000'	**AED '000'**	AED '000'	**AED '000'**	AED '000'	**AED '000'**	AED '000'
Income :								
Total income	**1,000,564**	926,194	**4,213,739**	1,773,423	**373,401**	184,028	**5,587,704**	2,883,645
Result :								
Segment result	**129,913**	120,766	**609,074**	384,743	**122,533**	82,736	**861,520**	588,245
Unallocated general expenses	--	--	--	--	--	--	**(261,200)**	(168,226)
Operating profit	--	--		--	--	--	**600,320**	420,021
Other income	**13,598**	11,458	**9,450**	5,468	**2,593**	--	**25,641**	16,926
Net profit from operation	--	--	--	--	--	--	**625,961**	436,945
Minority interest	--	--	--	--	--	--	**(70,943)**	(30,684)
Net profit for the year	--	--	--	--	--	--	**555,018**	406,261
Other information :								
Segment assets	**1,098,297**	870,131	**3,556,365**	2,577,327	**1,074,490**	438,155	**5,729,152**	3,885,613
Unallocated corporate assets	--	--	--	--	--	--	**1,191,827**	465,392
Consolidated total assets	--	--	--	--	--	--	**6,920,979**	4,351,005
Segment liabilities	**606,444**	767,939	**1,433,951**	1,112,523	**757,682**	403,483	**2,798,077**	2,283,945
Unallocated corporate liabilities	--	--	--	--	--	--	**1,335,900**	73,339
Total segment liabilities	--	--	--	--	--	--	**4,113,977**	2,357,284
Capital expenditure	**48,883**	51,950	**812**	11	**5,785**	584		
Depreciation & amortization	**9,335**	13,705	**137**	110	**8,359**	451		

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

	2007 AED '000'	2006 AED '000'
United Arab Emirates	**5,316,641**	2,610,612
GCC countries except U.A.E.	**43,423**	44,812
Middle East	**74,909**	92,046
Africa	**126,141**	105,293
Asia	**23,163**	28,392
Other countries	**3,427**	2,490
Total	**5,587,704**	2,883,645

22. 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 which are traded on active markets are determined with reference to quoted market prices.
- The fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.
- The fair value of derivative instruments are calculated using quoted price.

23. RISK MANAGEMENT

The group monitors and manages the financial risks relating to its business and operations. These risks include : capital risk, market risk (including foreign currency risk, price risk), interest rate risk, price risk, credit risk and liquidity risk.

The group seeks to minimize the effects of these risks by diversifying the sources of its capital. It maintains timely reports about its risk management function and monitors risks and policies implemented to mitigate risk exposures.

a) ***Capital risk***

Regularly, the group reviews its capital structure which, includes debt and equity securities and considers the cost of capital and the risks associated with each class of the capital. It manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

b) ***Foreign currency risk***

The group undertakes certain transactions denominated in foreign currencies, which imposes sort of risk due to fluctuations in exchange rates during the year. The group maintains policies and procedures to manage the exchange rate risk exposure.

c) ***Price risk***

The group is exposed to equity price risks arising from equity investments. However, those risks are insignificant to the group as the group does not actively trade these investments.
Moreover, there were not major disposals or impairment of available for sale investments.

d) ***Interest rate risk***

The group is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities that mature or reprised in a given period. The group's manages this risk by matching the reprising of assets and liabilities through risk management strategies.

A substantial majority of the Group's assets and liabilities are reprised within one year. Accordingly, there is limited exposure to interest rate risk.

Financial assets and liabilities exposed to cash flow interest rate risk are the ones with floating interest rate. A significant portion of the Group's loans and fixed deposits, dues from banks, and dues to banks fall under this category.

e) ***Credit risk***

Credit risk refers to the risk that a debtor will default on its contractual obligations resulting in financial loss to the group. The group maintains a credit policy that states dealing with only creditworthy parties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The group monitors, regularly, the credit ratings of its debtors and the volume of transactions with those debtors during the year. Ongoing credit evaluation is performed on the financial condition of debtors. However, credit risk exposures are insignificant. The carrying amount of financial assets recorded in the consolidated financial statements represents the group's maximum exposure to credit risk without taking into account the value of any collateral obtained.

Concentration of credit risk with respect to trade receivables arises from exposure to Group of debtors in different business/economic sector as disclosed in Note 13(b)(iii).

Concentration of credit risk also arises from the geographical area in which the debtors are located and in the Group's case the customer's base is concentrated in different countries as disclosed in (Note 13(b)(iv).

f) ***Liquidity risk***

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities at maturity date.

The group manages the liquidity risk through risk management framework for the group's short, medium and long-term funding and liquidity management requirements by maintaining adequate reserves, sufficient cash and cash equivalent and the availability of financing through banking arrangements to ensure funds are available to meet its commitments for liabilities as they fall due

24. REVENUE

This item consists of the following :

	2007 **AED '000'**	2006 AED '000'
Manufacturing income	**1,000,564**	926,194
Sale of investment properties	**594,140**	525,924
Sale of investments in securities	**3,287206**	1,025,347
Insurance income	**204,612**	136,820
Trading income	**168,789**	47,208
Profit/(loss) from investment in associates	**9,383**	(1,216)
Rental income	**34,319**	18,286
Fair value gain on investment properties	**194,492**	205,082
Fair value gain on held for trading investments	**94,199**	--
Total - Exhibit B	**5,587,704**	2,883,645

25. COST OF REVENUE

This item consists of the following :

	2007 **AED '000'**	2006 AED '000'
Cost of manufacturing	**870,651**	805,428
Cost of sales of investment properties	**362,592**	243,340
Cost of sales of investment in securities	**3,242,073**	1,024,269
Cost of insurance	**121,589**	64,165
Cost of trading	**129,279**	37,127
Fair value loss on held for trading investment	**--**	121,071
Total - Exhibit B	**4,726,184**	2,295,400

26. **ADMINISTRATIVE EXPENSES**

This item consists of the following :

	2007 **AED '000'**	2006 AED '000'
Wages, salaries, bonus and provisions	**38,902**	25,394
Maintenance and depreciation on building, property & equipment	**11,125**	5,163
Provision for doubtful accounts	**1,238**	980
Miscellaneous administrative expenses	**49,922**	30,178
Total - Exhibit B	**101,187**	61,715

27. **EARNINGS PER SHARE**

Earnings per share are calculated by dividing the net profit for the period attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. The earnings per share for the year 2006 have been adjusted to reflect the effect of the bonus shares issued by adjusting the number of ordinary shares as of 31 December 2006.

The information necessary to calculate the basic earnings per share is as follows :

	2007 **AED '000'**	2006 AED '000'
Net profit for the year attributable to equity holders of the parent	**555,018**	406,261
Weighted average number of shares	**540,000**	399,750
Basic earnings per share – Exhibit B	**1.03**	1.02

28. **TRANSACTIONS WITH RELATED PARTIES**

Transactions with related parties, normally, comprise of transfer of resources, services, or obligations between the parties. The prices and terms of these transaction are decided by the Group's management. At the balance sheet date, the related parties' receivables are stated at the net realizable value.

- At the balance sheet date, balances due from related parties were disclosed in Note 13(c).
- At the balance sheet date, balances due to related parties were disclosed in Note 19(b).
- The following are the details of significant related parties transactions :

	2007 **AED '000'**	2006 AED '000'
Proceeds from sale of investment properties to a related party	**32,931**	--
Proceeds from sale of flats to shareholders	**39,800**	4,704
Sales to related parties	**17,289**	6,642
Purchases from related parties	**8,977**	3,144
Net funds paid to related parties	**38,731**	62,210
Net services received	**566**	881
Sale of investment properties to a related party	**115,960**	--

- The remuneration of directors and other members of key management during the year were as follows :

	2007 **AED '000'**	2006 AED '000'
Directors' remuneration	**3,500**	1,400
Key management salaries and other benefits	**5,632**	3,419

29. CASH AND CASH EQUIVALENTS

At 31 December 2007 and 2006 "cash and cash equivalents" included in the Statement of Cash Flows (Exhibit D) comprise the following items :

	2007 AED '000'	2006 AED '000'
Cash in hand	**1,796**	686
Cash in bank - Current account	**114,284**	65,768
Cash in bank - Call deposit	**23**	8,448
Fixed deposit	**22,597**	15,126
Total - Exhibit D	**138,700**	90,028

30. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group has outstanding commitments under non-cancellable operating leases up to 2055, which fall due as follows :

	2007 AED '000'	2006 AED '000'
Within one year	**1,469**	891
After one year but not more than five years	**4,923**	5,236
After five years	**50,304**	51,460
Total	**56,696**	57,587

31. CONTINGENT LIABILITIES

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

	2007 AED '000'	2006 AED '000'
Group's liability against building construction contracts	**128,483**	132,897
Group's liability against bank guarantees	**247,913**	24,916
Group's liability against letters of credit	**91,776**	128,680
Group's liability against investment purchase contracts	**1,090,039**	44,108
Group's liability against discounted cheques	**17,606**	51,914

The Group holds undated cheques amounting to AED. 12,245 thousand (2006 : AED. 30,649 thousand) received from customers and contracting companies as a security in case of defaulted client and contracting companies.

32. GENERAL

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

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