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

Review report and consolidated interim financial information for the period ended 30 September 2011

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

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REPORT ON REVIEW OF CONSOLIDATED INTERIM FINANCIAL INFORMATION

The Board of Directors
Gulf General Investment Co. (P.S.C.)
Dubai - United Arab Emirates

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of **Gulf General Investment Co. (P.S.C.) (the "Parent Company") and its Subsidiaries (together the "Group"), Dubai, United Arab Emirates**, as at 30 September 2011 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine month period then ended. Management is responsible for the preparation and presentation of this consolidated interim financial information in accordance with International Accounting Standard 34: Interim Financial Reporting. Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

Scope of review

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

Basis for qualified conclusion

The Group's trade receivable include AED 494 million pertaining to receivable from customers towards sale of development properties. Due to the nature of the records maintained for these receivables, the Group is not able to generate the amount due from each customer along with the ageing which are required for estimating the impairment of receivables. Furthermore, as of 30 September 2011, the Group do not carry any allowance for doubtful debts against the above receivables balance.

Qualified conclusion

Based on the review, except for the effects of the matters discussed in the Basis for qualified conclusion paragraph above, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34: Interim Financial Reporting.

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REPORT ON REVIEW OF CONSOLIDATED INTERIM FINANCIAL INFORMATION OF GULF GENERAL INVESTMENT CO. (P.S.C.) (continued)

Emphasis of matter

Without further qualifying our conclusion, we draw attention to Note 7 to the condensed consolidated interim financial information which indicates that as at 30 September 2011 the Parent Company defaulted on the repayment of bank loans instalments. As disclosed in Note 10 to these condensed consolidated interim financial information, the Group is actively engaged with its lenders to restructure its debt obligations and the ability of the Group to continue as a going concern is dependent on a successful outcome of these discussions. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

Deloitte & Touche (M.E.)

Samir Madbak
Registration No. 386
2 November 2011

Condensed consolidated statement of financial position
At 30 September 2011

	Notes	30 September 2011 (unaudited) AED '000	31 December 2010 (audited) AED '000
ASSETS			
Non-current assets			
Property, plant and equipment		**764,762**	767,593
Land		**168,240**	168,240
Investment properties		**1,681,651**	1,772,816
Goodwill		**36,724**	36,724
Investments in associates		**270,390**	337,544
Held-to-maturity investments		**7,118**	7,216
Available-for-sale investments		**337,591**	418,901
Notes receivable-post dated cheques		**278,698**	300,110
Total non-current assets		**3,545,174**	3,809,144
Current assets			
Development properties		**1,353,570**	1,346,401
Inventories		**232,345**	282,686
Due from related parties		**211,830**	141,750
Re-insurance contract assets		**199,907**	171,664
Trade and other receivables		**1,634,272**	1,736,685
Held for trading investments		**460,174**	558,036
Bank balances and cash	**4**	**355,202**	356,847
Total current assets		**4,447,300**	4,594,069
Total Assets		**7,992,474**	8,403,213

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

Condensed consolidated statement of financial position
At 30 September 2011 (continued)

	Notes	30 September 2011 (unaudited) AED '000	31 December 2010 (audited) AED '000
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	5	1,791,333	1,791,333
Reserves	6	569,303	833,493
Cumulative change in fair values		(59,219)	(20,909)
Accumulated losses		(226,495)	(186,443)
Equity attributable to Owners of the parent		2,074,922	2,417,474
Non-controlling interests		332,454	346,307
Net equity		2,407,376	2,763,781
Non-current liabilities			
Provision for employees' end of service indemnity		33,405	29,254
Finance lease		69,751	79,486
Long term portion of bank loans	7	866,413	382,259
Trade and other payables		257,040	257,040
Due to related parties		8,270	13,652
Total non-current liabilities		1,234,879	761,691
Current liabilities			
Due to related parties		255,298	97,577
Insurance contract liabilities		326,339	290,000
Advance received from customers		133,804	178,270
Trade and other payables		1,091,802	1,125,595
Finance lease		19,486	16,576
Current portion of bank loans	7	1,329,306	2,014,178
Short term bank borrowings	7	1,194,184	1,155,545
Total current liabilities		4,350,219	4,877,741
Total Liabilities		5,585,098	5,639,432
Total Equity and Liabilities		7,992,474	8,403,213

Majid Al Sari
Vice Chairman

Mohammed Al Sari
Managing Director

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

Condensed consolidated statement of income (unaudited)
for the period ended 30 September 2011

	Notes	Three month period ended 30 September 2011 AED '000	2010 AED '000	Nine month period ended 30 September 2011 AED '000	2010 AED '000
Revenue	8	**448,799**	583,464	**1,538,891**	1,907,806
Cost of revenue	8	**(390,592)**	(442,626)	**(1,308,776)**	(1,504,617)
Gross profit		**58,207**	140,838	**230,115**	403,189
(Loss)/gain on change in fair value of held for trading investments		**(59,802)**	2,773	**(87,040)**	(17,922)
Impairment loss on trade receivables		**(33,950)**	-	**(56,140)**	(5,072)
Other operating income		**7,674**	8,067	**22,527**	44,679
Selling and distribution expenses		**(6,351)**	(6,740)	**(21,036)**	(24,198)
General and administrative expenses		**(56,597)**	(60,313)	**(168,210)**	(193,909)
Loss recognised on disposal of interest in former associates		**-**	(528)	**(11,152)**	(55,620)
Share of profit/(loss) in associates		**2,130**	6,140	**(33,142)**	(27,015)
Finance cost		**(71,158)**	(36,698)	**(190,526)**	(106,966)
(Loss)/profit for the period		**(159,847)**	53,539	**(314,604)**	17,166
Attributable to:					
Owners of the parent		**(146,044)**	48,851	**(304,242)**	9,757
Non-controlling interests		**(13,803)**	4,688	**(10,362)**	7,409
		(159,847)	53,539	**(314,604)**	17,166
Basic (loss)/earnings per share	9	**(0.08)**	0.03	**(0.17)**	0.01

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

Condensed consolidated statement of comprehensive income (unaudited)
for the period ended 30 September 2011

	Three month period ended 30 September		Nine month period ended 30 September	
	2011	2010	**2011**	2010
	AED '000	AED '000	**AED '000**	AED '000
(Loss)/profit for the period	**(159,847)**	53,539	**(314,604)**	17,166
Other comprehensive (loss)/income				
Loss on revaluation of available -for-sale investments in associates	**-**	(963)	**-**	(337)
Net loss on available-for-sale investments recognised directly in equity	**(37,206)**	(19,608)	**(51,877)**	(111,778)
Transfer from equity on sale of available-for-sale Investments	**(2,176)**	11,720	**13,567**	26,578
Other comprehensive loss for the period	**(39,382)**	(8,851)	**(38,310)**	(85,537)
Total comprehensive (loss)/income for the period	**(199,229)**	44,688	**(352,914)**	(68,371)
Total comprehensive (loss)/income attributable to:				
Owners of the parent	**(185,470)**	39,948	**(342,552)**	(75,826)
Non-controlling interests	**(13,759)**	4,740	**(10,362)**	7,455
	(199,229)	44,688	**(352,914)**	(68,371)

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

Condensed consolidated statement of changes in equity for the period ended 30 September 2011

	Share capital AED '000	Reserves AED '000	Cumulative change in fair values AED '000	Retained earnings/ (accumulated losses) AED '000	Attributable to Owners of the parent AED '000	Non - controlling interests AED '000	Total AED '000
Balance at 31 December 2009 (audited)	1,791,333	833,493	70,444	756,693	3,451,963	354,614	3,806,577
Profit for the period	-	-	-	9,757	9,757	7,409	17,166
Other comprehensive loss for the period	-	-	(85,583)	-	(85,583)	46	(85,537)
Total comprehensive loss for the period	-	-	(85,583)	9,757	(75,826)	7,455	(68,371)
Transfer to reserves	-	4,330	-	(4,330)	-	-	-
Dividends paid	-	-	-	-	-	(4,819)	(4,819)
Funds invested	-	-	-	-	-	4,875	4,875
Other movements	-	18,077	-	-	18,077	37,321	55,398
	-	22,407	-	(4,330)	18,077	37,377	55,454
Balance at 30 September 2010 (unaudited)	**1,791,333**	**855,900**	**(15,139)**	**762,120**	**3,394,214**	**399,446**	**3,793,660**
Balance at 31 December 2010 (audited)	1,791,333	833,493	(20,909)	(186,443)	2,417,474	346,307	2,763,781
Loss for the period	-	-	-	(304,242)	(304,242)	(10,362)	(314,604)
Other comprehensive loss for the period	-	-	(38,310)	-	(38,310)	-	(38,310)
Total comprehensive loss for the period	-	-	(38,310)	(304,242)	(342,552)	(10,362)	(352,914)
Dividend paid	-	-	-	-	-	(3,491)	(3,491)
Transfer from additional reserve (Note 6)	-	(264,190)	-	264,190	-	-	-
	-	(264,190)	-	264,190	-	(3,491)	(3,491)
Balance at 30 September 2011 (unaudited)	**1,791,333**	**569,303**	**(59,219)**	**(226,495)**	**2,074,922**	**332,454**	**2,407,376**

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

Condensed consolidated statement of cash flows (unaudited)
for the period ended 30 September 2011

	Nine month period ended 30 September	
	2011	2010
	AED '000	AED '000
Cash flows from operating activities		
(Loss)/profit for the period	**(314,604)**	17,166
Adjustments for:		
Provision for employees' end of service benefits	**6,591**	7,353
Loss from sale of investments in securities	**17,014**	55,755
Loss on disposal of investment in associates	**11,152**	55,620
Gain on sale of investment properties and development properties	**(38,643)**	(160,102)
Unrealised loss on investments held for trading	**87,040**	17,922
Impairment on investment in securities	**98**	-
Impairment loss on trade receivables	**56,140**	5,072
Loss from investments in associates	**33,142**	27,015
Bargain purchase gain	**-**	(1,512)
Finance cost	**190,526**	106,966
Operating cash flows before movements in working capital	**48,456**	131,255
Decrease in inventories	**50,341**	25,362
Decrease/(increase) in trade and other receivables	**69,712**	(154,434)
Increase in due from related parties	**(70,080)**	(17,048)
(Decrease)/increase in trade and other payables	**(7,752)**	68,406
Decrease in advance received from customers	**(44,466)**	(136,040)
Increase/(decrease) in due to related parties	**9,040**	(105,680)
Purchase of investment in securities	**(8,915)**	(40,191)
Purchase of investment properties	**(9,528)**	(51,894)
Purchase of development properties	**(7,169)**	(158,132)
Proceeds from sale of investments in securities	**45,723**	132,469
Proceeds from sale of investments properties and development properties	**-**	365,154
Reinsurance contract assets	**(28,243)**	25,407
Insurance contract liabilities	**36,339**	(62,172)
Cash generated from operations	**83,458**	22,462
Employees' end of service benefits paid	**(2,440)**	(1,835)
Interest paid	**(79,258)**	(106,966)
Net cash generated from/(used in) operating activities	**1,760**	(86,339)

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

Condensed consolidated statement of cash flows (unaudited)
for the period ended 30 September 2011 (continued)

	Nine month period ended 30 September	
	2011	2010
	AED '000	AED '000
Cash flows from investing activities		
Decrease in fixed deposits	**34,296**	75,637
Net movement in property, plant and equipment	**2,831**	37,497
Purchase of land	**-**	(2,109)
Purchase of investments in associates	**(15,289)**	(9,149)
Proceeds from disposal of investment in associates	**38,149**	96,327
Decrease in goodwill	**-**	1,471
Movement in discontinued operation	**-**	3,518
Net cash generated from investing activities	**59,987**	203,192
Cash flows from financing activities		
Dividends paid – subsidiaries	**(3,491)**	(4,819)
Net movement in bank loans and finance lease	**(64,244)**	(121,248)
Fund invested in non-controlling interest	**-**	4,875
Increase in short term bank borrowings	**38,639**	60,180
Net cash used in financing activities	**(29,096)**	(61,012)
Net increase in cash and cash equivalents	**32,651**	55,841
Cash and cash equivalents at the beginning of the period	**78,218**	82,259
Cash and cash equivalents at the end of the period (Note 11)	**110,869**	138,100

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

Notes to the condensed consolidated financial statements
for the period ended 30 September 2011

1. General information

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

The principal activities of the Parent Company are:

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

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

2. New and revised IFRSs in issue but not yet effective and not early adopted

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRSs	**Effective for annual periods beginning on or after**
Amendments to IAS 1 *Presentation of Financial Statements:* relating to grouping items recognised in other comprehensive income.	1 July 2012
Deferred Tax: Recovery of Underlying Assets – *Amendments to* IAS 12: *Income Taxes*	1 January 2012
IAS 19 *Employee Benefits* (revised 2011)	1 January 2013
IAS 27 *Separate Financial Statements* (revised in 2011)	1 January 2013
IAS 28 *Investments in Associates and Joint Ventures* (revised in 2011)	1 January 2013
Amendments to IFRS 1: *Removal of Fixed Dates for First-Time Adopter*	1 July 2011
Amendments to IFRS 1: *Severe Hyperinflation*	1 July 2011
Amendments to IFRS 7 *Financial Instruments: Disclosures*, relating to Disclosures on Transfers of Financial Assets	1 July 2011
IFRS 9 *Financial Instruments* (as amended in 2010)	1 January 2013
IFRS 10 *Consolidated Financial Statements*	1 January 2013

Notes to the condensed consolidated financial statements for the period ended 30 September 2011 (continued)

2. New and revised IFRSs in issue but not yet effective and not early adopted (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 11 *Joint Arrangements*	1 January 2013
IFRS 12 *Disclosure of Interests in Other Entities*	1 January 2013
IFRS 13 *Fair Value Measurement*	1 January 2013

Management anticipates that these amendments will be adopted in the Group's consolidated financial statements for the period beginning 1 January 2012 or as and when they are applicable and adoption of these standards and interpretations may have no material impact on the consolidated financial statements of the Group in the period of initial application, other than for IFRS 9.

3. Summary of significant accounting policies

3.1 Basis of preparation

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard No. 34 - Interim Financial Reporting issued by the International Accounting Standard Board and also comply with the applicable requirements of the laws in the U.A.E.

These condensed consolidated financial statements are presented in U.A.E. Dirhams (AED) (in thousands) since that is the currency in which the majority of the Group's transactions are denominated.

These condensed consolidated financial statements are prepared in accordance with the historical cost basis, except for the revaluation of land, investment properties and certain financial instruments.

The accounting policies used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual audited consolidated financial statements for the year ended 31 December 2010.

These condensed consolidated financial statements do not include all the information required for full annual consolidated financial statements and should be read in conjunction with the Group's audited consolidated financial statements as at and for the year ended 31 December 2010. In addition, results for the nine months ended 30 September 2011 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2011.

The accounting policies in respect of investments in securities, development properties, investment in associates, investment properties, investments in joint venture and property, plant and equipment disclosed in the annual audited consolidated financial statements are stated below as required by Securities and Commodities Authority notification dated 12 October 2008.

Notes to the condensed consolidated financial statements for the period ended 30 September 2011 (continued)

3. Summary of significant accounting policies (continued)

3.2 Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the revenue/cost of revenue in the condensed consolidated statement of income.

3.3 AFS financial assets

Listed shares held by the Group that are traded in an active market are classified as being AFS and are stated at fair value. The Group also has other investments that are not traded in an active market but are also classified as AFS financial assets and stated at fair value because management considers that fair value can be reliably measured. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the cumulative change in fair values with the exception of impairment losses, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the cumulative change in fair values is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

Notes to the condensed consolidated financial statements
for the period ended 30 September 2011 (continued)

3. Summary of significant accounting policies (continued)

3.4 Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Held-to-maturity investments are recorded at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis. Where the Group decides to sell other than an insignificant amount of held-to-maturity assets, the entire category is considered to be tainted and reclassified as available-for-sale.

3.5 Development properties

Development properties consists of property being developed principally for sale and is stated at the lower of cost or net realisable value. Cost comprises all direct costs attributable to the design and construction of the property including direct staff costs. Net realisable value is the estimated selling price in the ordinary course of the business less estimated costs to complete and applicable variable selling expenses.

3.6 Investment in associates

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

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

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

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

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

Notes to the condensed consolidated financial statements
for the period ended 30 September 2011 (continued)

3. Summary of significant accounting policies (continued)

3.7 Investment properties

Investment properties under development that are being constructed or developed for future use as investments property are measured initially at cost including all direct costs attributable to the design and construction of the property including related staff costs. Subsequent to initial recognition, investment properties under development is measured at fair value. Gains and losses arising from changes in the fair value of investment properties under development are included in the profit or loss in the period in which they arise. Upon completion of construction or development, such properties are transferred to investment properties.

3.8 Interests in joint ventures

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

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

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

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

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising in a business combination as disclosed in Note 3.5 and 3.6 to the annual audited consolidated financial statements for the year ended 31 December 2010.

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

Notes to the condensed consolidated financial statements
for the period ended 30 September 2011 (continued)

3. Summary of significant accounting policies (continued)

3.9 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the profit or loss in the period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the assets' cost to their residual values over their estimated useful lives as follows:

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

Freehold land is not depreciated.

The estimated useful lives, residual values and depreciation method are reviewed at each year-end, with the effect of any changes in estimate accounted for on a prospective basis.

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

3.10 Basis of consolidation

The condensed consolidated financial statements of Gulf General Investments Co. (P.S.C.) and Subsidiaries (the "Group") incorporate the financial statements of the Parent Company and enterprises controlled by the Parent Company (its subsidiaries). Control is achieved where the Parent Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The list of subsidiaries is disclosed in annual consolidated financial statements as at and for the year ended 31 December 2010.

Investment in Al Sagr National Insurance Co. P.S.C. is registered in the name of related parties in trust and for the benefit of the Group.

All significant intra-group transactions, balances, income and expenses are eliminated on consolidation.

Notes to the condensed consolidated financial statements for the period ended 30 September 2011 (continued)

4. Bank balances and cash

	30 September 2011 (unaudited) AED '000	31 December 2010 (audited) AED '000
Cash on hand	**2,644**	2,196
Bank balances:		
Current accounts	**38,350**	43,664
Deposit accounts	**314,208**	310,987
	352,558	354,651
	355,202	356,847

5. Share capital

	30 September 2011 (unaudited) AED '000	31 December 2010 (audited) AED '000
Issued and fully paid:		
1,791 million ordinary shares of AED 1 each	**1,791,333**	1,791,333

6. Reserves

	Statutory reserve AED '000	Additional reserve AED '000	Land revaluation reserve AED '000	Total AED '000
Balance, at 31 December 2009 (audited)	450,298	264,190	119,005	833,493
Net movement	-	22,407	-	22,407
Balance at 30 September 2010 (unaudited)	450,298	286,597	119,005	855,900
Balance at 31 December 2010 (audited)	450,298	264,190	119,005	833,493
Transfer to retained earnings	-	(264,190)	-	(264,190)
Balance at 30 September 2011(unaudited)	450,298	-	119,005	569,303
	=======	=======	=======	=======

6. Reserves (continued)

Statutory reserve

In accordance with United Arab Emirates Federal Commercial Companies Law No. 8 of 1984, as amended, the Parent Company is required to establish a statutory reserve by appropriation of 10% of profit for each year until the reserve equals 50% of the paid up share capital. This reserve is not available for distribution except as stipulated by the Law. No transfer has been made during the nine month period ended 30 September 2011, as this will be based on the results of the year.

Additional reserve

The Parent Company's Articles of Association require that 10% of the annual net profit be appropriated to an additional reserve until a decision by the Ordinary General Assembly Meeting on the strength of proposal by the Board of Directors or if such reserve equals 50% of paid-up share capital of the Parent Company. No transfer has been made during the nine month period ended 30 September 2011, as this will be based on the results of the year.

At the Annual General Meeting held on 26 April 2011, the Shareholders approved the transfer of the balance in additional reserve as at 31 December 2010 of AED 264,190 thousand to retained earnings. The transfer has been reflected in these condensed consolidated financial statements of the Group.

7. Bank borrowings

Short term bank borrowings 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.

Term loans are secured by the following:

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

As at 30 September 2011, the Parent Company defaulted on the repayment of bank loans amounting to AED 568 million, the loan documentation of which stipulates repayment of whole remaining balance of the facilities become immediately payable to the banks. As required by IFRS, the non-current portion of the defaulted loans as at 30 September 2011 amounting to AED 277 million was reclassified in the condensed consolidated financial statements as current liabilities.

Notes to the condensed consolidated financial statements for the period ended 30 September 2011 (continued)

8. Revenue and cost of revenue

	Three month period ended 30 September		Nine month period ended 30 September	
	2011 (unaudited) AED '000	2010 (unaudited) AED '000	**2011 (unaudited) AED '000**	2010 (unaudited) AED '000
Revenue				
Sale of goods manufactured	**289,372**	261,375	**851,497**	822,809
Sales of development properties and investment properties	**1,465**	93,453	**139,336**	365,154
Sales of investments in securities	**5,784**	32,937	**45,723**	132,469
Gain on transfer of net assets of a subsidiary	**-**	15,599	**-**	15,599
Bargain purchase option	**-**	1,512	**-**	1,512
Insurance income	**61,358**	67,549	**214,356**	248,142
Trading income	**53,920**	64,481	**149,869**	175,085
Rental income	**11,221**	10,669	**33,791**	33,275
Dividend and interest	**-**	-	**13,715**	15,744
Service income	**25,679**	35,889	**90,604**	98,017
	448,799	583,464	**1,538,891**	1,907,806
Cost of revenue				
Cost of goods manufactured and sold	**261,371**	229,797	**760,811**	705,901
Cost of development properties and investment properties sold	**-**	23,610	**100,693**	205,052
Cost of investments in securities sold	**4,113**	59,692	**62,737**	188,224
Cost of insurance income	**66,216**	71,439	**197,633**	225,569
Cost of trading	**38,550**	40,888	**102,419**	127,586
Cost of services and rentals	**20,342**	17,200	**84,483**	52,285
	390,592	442,626	**1,308,776**	1,504,617

9. Basic (loss)/earnings per share

	Three month period ended 30 September		Nine month period ended 30 September	
	2011 (unaudited)	2010 (unaudited)	**2011 (unaudited)**	2010 (unaudited)
(Loss)/profit for the period (in AED '000)	**(146,044)**	48,851	**(304,242)**	9,757
Number of shares (in thousands)	**1,791,333**	1,791,333	**1,791,333**	1,791,333
Basic (loss)/earnings per share (in AED)	**(0.08)**	0.03	**(0.17)**	0.01

Notes to the condensed consolidated financial statements
for the period ended 30 September 2011 (continued)

10. Fundamental accounting concept

The ability of the Group to continue as a going concern is dependent on rescheduling the terms of obligations with the lenders (i.e. restructuring of interest bearing loans/overdrafts from short term to medium/long terms loans), continued support from shareholders and future profitability which is dependent on adoption and implementation of a restructuring plan currently in discussions with the majority of the Group's bank lenders as discussed in Note 7 to these condensed consolidated financial statements.

The management is confident of the positive outcome of the discussion with the lenders and the restructuring plan and, therefore, has prepared these condensed consolidated financial statements under the going concern concept of accounting.

Had the going concern basis not been used, adjustments would be made relating to the recoverability of recorded asset amounts, or to the amounts of liabilities to reflect the fact the Group may be required to realise its assets and extinguish its liabilities other than in the normal course of business, at amounts different from those stated in these condensed consolidated financial statements.

11. Cash and cash equivalents

	30 September	
	2011 (unaudited) AED '000	2010 (unaudited) AED '000
Bank balances and cash	**355,202**	347,429
Less: Deposits under lien and deposits with maturity over three months	**(244,333)**	(209,329)
	110,869	138,100

12. Approval of condensed consolidated financial statements

The condensed consolidated financial statements were approved and authorised for issue on 2 November 2011.

Notes to the condensed consolidated financial statements for the period ended 30 September 2011 (continued)

13. Location of assets

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

	30 September 2011 (unaudited)			31 December 2010 (audited)		
	In U.A.E. AED '000	**In other countries AED '000**	**Total AED '000**	In U.A.E. AED '000	In other countries AED '000	Total AED '000
Property, plant and equipment	764,762	-	764,762	767,593	-	767,593
Land	168,240	-	168,240	168,240	-	168,240
Investment properties	1,599,526	82,125	1,681,651	1,683,496	89,320	1,772,816
Investments in associates	133,076	137,314	270,390	167,329	170,215	337,544
Held-to-maturity investments	7,118	-	7,118	7,216	-	7,216
Available-for-sale investments	299,035	38,556	337,591	376,559	42,342	418,901
Development properties	1,353,570	-	1,353,570	1,346,401	-	1,346,401
Held for trading investments	442,311	17,863	460,174	538,883	19,153	558,036
Bank balances	352,374	184	352,558	353,867	784	354,651
	5,120,012	**276,042**	**5,396,054**	5,409,584	321,814	5,731,398

Notes to the condensed consolidated financial statements
for the period ended 30 September 2011 (continued)

14. Segment information

	Manufacturing		Investments		Services and others		Total	
	Nine month period ended 30 September		Nine month period ended 30 September		Nine month period ended 30 September		Nine month period ended 30 September	
	2011 (unaudited) AED '000	2010 (unaudited) AED '000	**2011 (unaudited) AED '000**	2010 (unaudited) AED '000	**2011 (unaudited) AED '000**	2010 (unaudited) AED '000	**2011 (unaudited) AED '000**	2010 (unaudited) AED '000
Income								
Total income	**851,497**	822,809	**232,565**	563,753	**454,829**	521,244	**1,538,891**	1,907,806
Result								
Segment results	**90,686**	116,908	**(62,199)**	69,920	**37,294**	115,804	**65,781**	302,632
Unallocated general expenses	**-**	-	**-**	-	**-**	-	**(402,912)**	(330,145)
Other income	**-**	-	**-**	-	**-**	-	**22,527**	44,679
Net (loss)/profit for the period							**(314,604)**	17,166
Non-controlling interest							**10,362**	(7,409)
Net (loss)/profit for the period attributable to Owners of the parent							**(304,242)**	9,757

Notes to the condensed consolidated financial statements
for the period ended 30 September 2011 (continued)

14. Segment information (continued)

	Manufacturing		Investments		Services and others		Total	
	30 September 2011 (unaudited) AED '000	31 December 2010 (audited) AED '000	**30 September 2011 (unaudited) AED '000**	31 December 2010 (audited) AED '000	**30 September 2011 (unaudited) AED '000**	31 December 2010 (audited) AED '000	**30 September 2011 (unaudited) AED '000**	31 December 2010 (audited) AED '000
Total assets								
Segment assets	**560,055**	564,822	**3,820,666**	4,020,128	**1,841,329**	2,214,529	**6,222,050**	6,799,479
Unallocated corporate assets							**1,770,424**	1,603,734
Consolidated total assets							**7,992,474**	8,403,213
Total liabilities								
Segment liabilities	**497,342**	351,489	**2,532,617**	2,684,764	**1,097,387**	1,336,405	**4,127,346**	4,372,658
Unallocated corporate liabilities							**1,457,752**	1,266,774
Consolidated total liabilities							**5,585,098**	5,639,432