DEPA LIMITED

Reports and consolidated financial statements for the year ended 31 December 2010

DEPA LIMITED

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for the year ended 31 December 2010

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Report of the Directors
for the year ended 31 December 2010

The Directors have pleasure in submitting their report, together with the audited consolidated financial statements of Depa Limited (the "Company") and its subsidiaries (together referred to as the "Group") for the year ended 31 December 2010.

Principal activity

The Group specialises in the full scope fit-out and furnitures of five star hotels, yachts and facilities and related services. The Group also carries out procurement contracts for specific furniture, fixtures and equipment projects.

Results and appropriation of income

Revenue for the year was AED 1,814 million (2009: AED 2,689 million). Loss for the year attributable to equity holders of the parent was AED 198 million (2009: Net profit of AED 234 million).

The proposed appropriation of profits is as follows:

	AED '000
Retained earnings at 31 December 2009	313,899
Loss for the year	(198,246)
Dividends paid	(79,914)
Partial disposal of subsidiary	1,090
Disposal of subsidiary	(944)
Retained earnings at 31 December 2010	**35,885**

Release

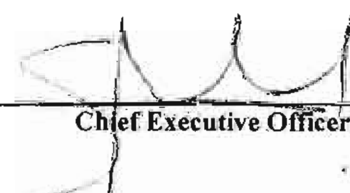
The Directors release from liability the Board of Directors and the external auditors in connection with their duties for the year ended 31 December 2010.

Auditors

A resolution proposing the reappointment of Deloitte & Touche (M.E.) as auditors of the Company for the year ending 31 December 2011 will be put to the Annual General Meeting.

On behalf of the Board

Chairman



Chief Executive Officer

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Depa Limited
Dubai, UAE

Report on the consolidated financial statements

We have audited the consolidated financial statements of Depa Limited (the "Company") and its subsidiaries (together as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's 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 and the applicable provisions of the Companies Law pursuant to DIFC Law No. 2 of 2009, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 entity'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 entity'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.

Deloitte.

INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

We also confirm that, in our opinion, the consolidated financial statements comply, in all material respects, with the applicable requirements of the Companies Law pursuant to DIFC Law No. 2 of 2009. We have obtained all the information and explanations which we required for the purpose of our audit and, to the best of our knowledge and belief, no violations of the Companies Law pursuant to DIFC Law No. 2 of 2009 have occurred during the year which would have had a material effect on the business of the Group or its financial position.

Dubai
27 March 2011

DEPA LIMITED

Consolidated statement of financial position at 31 December 2010

	Notes	2010 US $	2010 AED	2009 US $	2009 AED
ASSETS					
Non-current assets					
Property, plant and equipment	5	100,326,860	368,701,210	88,763,298	326,205,120
Intangible assets	6	47,314,942	173,882,412	29,971,976	110,147,012
Goodwill	7	105,623,318	388,165,695	79,504,571	292,179,299
Investment in associates	8	30,666,817	112,700,551	48,964,561	179,944,760
Available for sale investments	9	7,522,912	27,646,703	7,522,912	27,646,703
Contract retentions		44,797,740	164,631,694	36,239,632	133,180,648
Long term receivables		-	-	633,035	2,326,403
Deferred taxable assets	21	315,100	1,157,994	7,549,904	27,745,899
Other non-current assets		94,034	345,570	42,187	155,037
Total non-current assets		336,661,723	1,237,231,829	299,192,076	1,099,530,881
Current assets					
Trade receivables and other current assets	10	218,007,685	801,178,242	215,141,355	790,644,478
Amount due from customers on construction contracts	11	128,857,877	473,552,699	247,488,794	909,521,319
Held for trading investments		580,096	2,131,855	-	-
Inventories	12	20,155,602	74,071,839	7,928,813	29,138,386
Cash and bank balances	27	122,359,003	449,669,335	147,754,499	542,997,784
Total current assets		489,960,263	1,800,603,970	618,313,461	2,272,301,967
Total assets		826,621,986	3,037,835,799	917,505,537	3,371,832,848
EQUITY AND LIABILITIES					
Equity					
Share capital	13	245,832,598	903,434,799	245,832,598	903,434,799
Share premium		190,576,238	700,367,674	190,576,238	700,367,674
Share issuance costs		(17,643,619)	(64,840,298)	(17,643,619)	(64,840,298)
Treasury shares	15	(4,488,071)	(16,493,664)	(4,730,363)	(17,384,086)
Employee stock options plan share		(1,841,085)	(6,765,988)	(1,841,085)	(6,765,988)
Statutory reserve	14	11,512,742	42,309,326	11,512,742	42,309,326
Retained earnings		9,764,649	35,885,086	85,414,649	313,898,836
Translation reserve		1,630,471	5,991,981	(673,016)	(2,473,333)
Equity attributable to equity holders of the parent		435,343,923	1,599,888,916	508,448,144	1,868,546,930
Non-controlling interest		30,091,172	110,585,057	28,775,730	105,750,808
Total equity		465,435,095	1,710,473,973	537,223,874	1,974,297,738
Non-current liabilities					
Bank borrowings	16	42,853,032	157,484,891	13,402,922	49,255,740
Provision for employees' end of service benefit	17	11,773,706	43,268,369	8,708,893	32,005,182
Subcontractors' retention		8,743,429	32,132,101	14,696,954	54,011,305
Deferred tax liability		91,651	336,819	15,254	56,060
Long term payables		711,492	2,614,736	76,773	282,139
Due to a related party	19	128,019	470,468	174,544	641,449
Total non-current liabilities		64,301,329	236,307,384	37,075,340	136,251,875
Current liabilities					
Trade payables and other current liabilities	18	249,753,462	917,843,975	296,616,300	1,090,064,901
Bank borrowings	16	47,132,100	173,210,467	46,590,023	171,218,334
Total current liabilities		296,885,562	1,091,054,442	343,206,323	1,261,283,235
Total liabilities		361,186,891	1,327,361,826	380,281,663	1,397,535,110
Total equity and liabilities		826,621,986	3,037,835,799	917,505,537	3,371,832,848

Chairman **Chief Executive Officer** **Chief Financial Officer**

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

Consolidated statement of income
for the year ended 31 December 2010

	Notes	2010 US $	2010 AED	2009 US $	2009 AED
Revenue		493,712,400	1,814,393,070	731,698,548	2,688,992,165
Direct costs		(462,806,612)	(1,700,814,299)	(614,806,179)	(2,259,412,709)
Contract profit		30,905,788	113,578,771	116,892,369	429,579,456
General and administrative expenses		(75,962,068)	(279,160,600)	(52,294,037)	(192,180,586)
Amortisation of intangible assets	6	(7,050,734)	(25,911,446)	(7,049,433)	(25,906,667)
Share of profits from associates	8	9,913,496	36,432,097	6,299,917	23,152,195
Gain on acquisition of investment	25	5,066,624	18,619,844	-	-
Other income	20	6,685,912	24,570,726	5,577,553	20,497,509
Impairment loss on goodwill	7	(11,133,470)	(40,915,503)	(521,546)	(1,916,680)
Impairment loss on investment in associates	8	-	-	(1,054,844)	(3,876,553)
Finance (costs)/income, net		(1,131,164)	(4,157,028)	5,159,844	18,962,426
(Loss)/profit for the year before tax		(42,705,616)	(156,943,139)	73,009,823	268,311,100
Income tax (expense)/benefit	21	(13,262,140)	(48,738,364)	4,232,304	15,553,714
(Loss)/profit for the year	22	(55,967,756)	(205,681,503)	77,242,127	283,864,814
Attributable to:					
Equity holders of the parent		(53,944,380)	(198,245,598)	63,681,294	234,028,752
Non-controlling interest		(2,023,376)	(7,435,905)	13,560,833	49,836,062
		(55,967,756)	(205,681,503)	77,242,127	283,864,814
(Loss)/ earnings per share attributable to equity holders of the parent (in USD/AED per share)	23	(0.089)	(0.326)	0.105	0.385

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

Consolidated statement of comprehensive income
for the year ended 31 December 2010

	2010		2009	
	US $	AED	US $	AED
(Loss)/profit for the year	(55,967,756)	(205,681,503)	77,242,127	283,864,814
Other comprehensive income				
Exchange difference on translation of overseas operations	2,492,739	9,160,816	740,363	2,720,834
Total comprehensive (loss)/income for the year	(53,475,017)	(196,520,687)	77,982,490	286,585,648
Attributable to:				
Equity holders of the parent	(51,640,894)	(189,780,284)	64,483,092	236,975,360
Non-controlling interest	(1,834,123)	(6,740,403)	13,499,398	49,610,288
	(53,475,017)	(196,520,687)	77,982,490	286,585,648

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

Consolidated statement of changes in equity for the year ended 31 December 2010

	Share Capital AED	Share Premium AED	Share issuance costs AED	Treasury shares AED	Employee stock option plan share AED	Statutory reserve AED	Retained earnings AED	Translation reserve AED	Attributable to equity holders of the parent AED	Non-controlling interest AED	Total AED
Balance at 1 January 2009	921,111,208	702,973,041	(64,840,298)	(1,551,840)	-	18,906,451	173,223,538	(5,419,941)	1,744,402,159	73,489,508	1,817,891,667
Profit for the year	-	-	-	-	-	-	234,028,752	-	234,028,752	49,836,062	283,864,814
Exchange difference on translation of overseas operations	-	-	-	-	-	-	-	2,946,608	2,946,608	(225,774)	2,720,834
Total comprehensive income for the year	-	-	-	-	-	-	234,028,752	2,946,608	236,975,360	49,610,288	286,585,648
Shares cancelled	(17,676,409)	(2,605,367)	-	-	-	-	-	-	(20,281,776)	-	(20,281,776)
Repurchase of shares, net (note 15)	-	-	-	(15,832,246)	-	-	-	-	(15,832,246)	-	(15,832,246)
Employee stock option plan share	-	-	-	-	(6,765,988)	-	-	-	(6,765,988)	-	(6,765,988)
Non-controlling interest arising on a newly established subsidiary	-	-	-	-	-	-	-	-	-	700,000	700,000
Distribution to tax authority	-	-	-	-	-	-	-	-	-	(3,848,379)	(3,848,379)
Dividend	-	-	-	-	-	-	(68,331,355)	-	(68,331,355)	-	(68,331,355)
Directors' fees	-	-	-	-	-	-	(1,760,000)	-	(1,760,000)	-	(1,760,000)
Non-controlling interest on dividends paid	-	-	-	-	-	-	-	-	-	(14,059,833)	(14,059,833)
Non-controlling interest acquired	-	-	-	-	-	-	140,776	-	140,776	(140,776)	-
Transfer to statutory reserve	-	-	-	-	-	23,402,875	(23,402,875)	-	-	-	-
Balance at 31 December 2009	**903,434,799**	**700,367,674**	**(64,840,298)**	**(17,384,086)**	**(6,765,988)**	**42,309,326**	**313,898,836**	**(2,473,333)**	**1,868,546,930**	**105,750,808**	**1,974,297,738**

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

Consolidated statement of changes in equity for the year ended 31 December 2010 (consolidated)

	Share capital AED	Share Premium AED	Share issuance costs AED	Treasury shares AED	Employee stock option plan share AED	Statutory reserve AED	Retained earnings AED	Translation reserve AED	Attributable to equity holders of the parent AED	Non-controlling interest AED	Total AED
Balance at 1 January 2010	903,434,799	700,367,674	(64,840,298)	(17,384,086)	(6,765,988)	42,309,326	313,898,836	(2,473,333)	1,868,546,930	105,750,808	1,974,297,738
Loss for the year	-	-	-	-	-	-	(198,245,598)	-	(198,245,598)	(7,435,905)	(205,681,503)
Exchange difference on translation of overseas operations								8,465,314	8,465,314	695,502	9,160,816
Total comprehensive loss for the year	-	-	-	-	-	-	(198,245,598)	8,465,314	(189,780,284)	(6,740,403)	(196,520,687)
Movement in treasury shares	-	-	-	890,422	-	-	-	-	890,422	-	890,422
Partial disposal of a subsidiary (note 25)	-	-	-	-	-	-	1,090,555	-	1,090,555	6,845,998	7,936,553
Disposal of subsidiary	-	-	-	-	-	-	(944,269)	-	(944,269)	(711,202)	(1,655,471)
Dividend	-	-	-	-	-	-	(79,914,438)	-	(79,914,438)	-	(79,914,438)
Non-controlling interest on dividends paid	-	-	-	-	-	-	-	-	-	(8,076,977)	(8,076,977)
Non controlling interest acquired	-	-	-	-	-	-	-	-	-	26,982,310	26,982,310
Acquisition of non-controlling interest	-	-	-	-	-	-	-	-	-	(13,465,477)	(13,465,477)
Balance at 31 December 2010	**903,434,799**	**700,367,674**	**(64,840,298)**	**(16,493,664)**	**(6,765,988)**	**42,309,326**	**35,885,086**	**5,991,981**	**1,599,888,916**	**110,585,057**	**1,710,473,973**

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

Consolidated statement of cash flows for the year ended 31 December 2010

	2010		2009	
	US $	AED	US $	AED
Cash flows from operating activities				
(Loss)/profit for the year	(53,944,380)	(198,245,598)	63,681,294	234,028,752
Adjustment for:				
Depreciation of property, plant and equipment	11,509,328	42,296,781	10,018,422	36,817,700
Loss/(gain) on disposal of property, plant and equipment	192,669	708,057	(28,639)	(105,248)
Income tax expense/(benefit) recognised in profit or loss, net	13,262,140	48,738,364	(4,232,304)	(15,553,714)
Share of profits from associates	(9,913,496)	(36,432,097)	(6,299,917)	(23,152,195)
Impairment loss on goodwill	11,133,470	40,915,503	521,546	1,916,680
Impairment loss on investment in associates	-	-	1,054,844	3,876,553
Gain on acquisition of investment	(5,066,624)	(18,619,844)	-	-
Finance cost/ (income) recognised in income statement, net	1,131,164	4,157,028	(5,159,844)	(18,962,426)
Amortisation of intangible assets	7,050,734	25,911,446	7,049,433	25,906,667
Net movement in non-controlling interest	(2,560,130)	(9,408,479)	8,816,891	32,402,076
Provision for employees' end of service benefit	3,207,771	11,788,558	3,045,523	11,192,298
Operating cash flows before changes in operating assets and liabilities	(23,997,354)	(88,190,281)	78,467,249	288,367,143
Decrease/(increase) in amount due from customers on construction contracts	124,340,004	456,949,515	(12,892,322)	(47,379,285)
Decrease/(increase) in inventories	2,676,267	9,835,282	(3,341,505)	(12,280,030)
Decrease/(increase) in trade receivables and other assets	48,639,602	178,750,535	(45,745,749)	(168,115,632)
(Decrease)/increase in trade payables and other liabilities	(100,180,174)	(368,162,139)	12,769,828	46,929,114
Cash generated by operating activities	51,478,345	189,182,912	29,257,501	107,521,310
Income taxes paid	(1,713,920)	(6,298,655)	(620,615)	(2,280,759)
Employees' end of service benefit paid	(2,450,865)	(9,006,929)	(1,430,377)	(5,256,635)
Net cash generated by operating activities	47,313,560	173,877,328	27,206,509	99,983,916

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

Consolidated statement of cash flows for the year ended 31 December 2010 (continued)

	2010		2009	
	US $	AED	US $	AED
Net cash generated by operating activities	**47,313,560**	**173,877,328**	27,206,509	99,983,916
Cash flows from investing activities				
Payments for property, plant and equipment	**(6,581,888)**	**(24,188,439)**	(8,755,457)	(32,176,303)
Proceeds from disposal of property, plant and equipment	**1,443,251**	**5,303,947**	162,312	596,497
Proceeds from partial disposal of a subsidiary	**1,862,856**	**6,845,998**	6,802,721	25,000,000
Acquisition of investments in associates	**(5,345,700)**	**(19,645,447)**	(870,748)	(3,200,000)
Acquisition of subsidiaries, net of cash	**(65,278,374)**	**(239,898,023)**	(4,722,534)	(17,355,312)
Acquisition of available for sale investments	**-**	**-**	(2,029,558)	(7,458,625)
Acquisition of held for trading investments	**(580,097)**	**(2,131,855)**	-	-
Investment in short term deposits	**13,884,706**	**51,026,293**	(31,920,474)	(117,307,741)
Dividends received from associates	**3,804,237**	**13,980,571**	1,589,988	5,843,206
Interest (paid)/ received, net	**(1,623,661)**	**(5,966,954)**	3,077,915	11,311,338
Exchange differences arising on translation of foreign operations	**2,303,487**	**8,465,314**	692,341	2,946,608
Net cash used in investing activities	**(56,111,183)**	**(206,208,595)**	(35,973,494)	(131,800,332)
Cash flows from financing activities				
Net movement in shares reacquired and cancelled	**242,292**	**890,422**	(9,826,945)	(36,114,022)
Dividends paid	**(21,745,425)**	**(79,914,438)**	(18,593,566)	(68,331,355)
Directors' fees	**-**	**-**	(478,912)	(1,760,000)
Proceeds from borrowings	**64,229,224**	**236,042,400**	405,085	1,488,688
Repayments of borrowings	**(38,326,731)**	**(140,850,735)**	(30,049,605)	(110,432,297)
Net movement in bank overdraft and trust receipts	**(7,112,527)**	**(26,138,538)**	(17,983,011)	(66,087,567)
Net cash used in financing activities	**(2,713,167)**	**(9,970,889)**	(76,526,954)	(281,236,553)
Net decrease in cash and cash equivalents	**(11,510,790)**	**(42,302,156)**	(85,293,939)	(313,052,969)
Cash and cash equivalents at the beginning of the year	**115,834,025**	**425,690,043**	201,127,964	738,743,012
Cash and cash equivalents at the end of the year (note 27)	**104,323,235**	**383,387,887**	115,834,025	425,690,043

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

Consolidated statement of cash flows
for the year ended 31 December 2010 (continued)

Non-cash transactions

	2010		2009	
	US $	**AED**	US $	AED
Intangible assets transferred from goodwill (note 7)	**2,993,197**	**11,000,000**	3,738,692	13,739,695
Investment in associate transferred to investment in subsidiary at carrying amount (note 8)	**25,801,968**	**94,822,232**	-	-
Property, plant and equipment additions not settled	**5,325,714**	**19,572,000**	-	-
Net assets acquired (noted 25)	**65,739,785**	**241,593,711**	(654,139)	(2,403,960)
Investment in associate purchased on account (note 8)	-	-	3,950,735	14,518,950
Land acquired in settlement of receivable from a customer (note 5)	-	-	9,795,918	36,000,000

Notes to the consolidated financial statements
for the year ended 31 December 2010

1 General information

Depa Limited (the "Company") is a company limited by shares and registered in accordance with Dubai DIFC Law No. 3 of 2006. Depa Limited is the management company of Depa United Group P.J.S.C.

On incorporation on 25 February 2008, the initial registered paid up capital was US$50,000 divided into 50,000 ordinary shares of US$1 each. The initial paid up capital was subscribed to by The National Investor (PJSC), which at the time of the incorporation owned 25,500 ordinary shares of US$1.00 each, and Mr. Mohannad Sweid, who at the time of the incorporation owned 24,500 ordinary shares of US$1.00 each.

On 31 March 2008, the Company received 99.9% of the shares in Depa United Group (PJSC) against an issue and allotment of 460,271,308 ordinary shares of the Company, each with a nominal value of US$ 0.40 (Note 13).

Pursuant to a shareholders resolution dated 16 April 2008, the shareholders resolved to adopt the Articles and to sub-divide the issued and unissued share capital into 5,000,000,000 ordinary shares of US$ 0.40 each. The shareholders further resolved, that, with effect from, and conditional upon, the Dubai International Financial Exchange (DIFX) Admission and the United Kingdom Listing Authority (UKLA) Admission, the Board of Directors be generally authorised to allot 162,992,567 shares with a nominal value of US$ 0.40 (AED 1.47) through Initial Public Offering.

The address of the Company's registered office is P.O. Box 56338, Dubai, United Arab Emirates.

The Company and its subsidiaries (together referred to as the "Group") specialise in the full scope fit-out and furnitures of five star hotels, yachts and facilities and related services. The Group also carries out procurement contracts for specific furniture, fixtures and equipment projects.

The consolidated financial statements are presented in UAE Dirham (AED) since that is the currency in which the majority of the Group's transactions are denominated. The US Dollars (US $) amounts, are presented solely for the convenience of the reader of the consolidated financial statements. The UAE Dirham amounts have been translated at the rate of AED 3.675 to US$ 1. The translation rate has remained constant throughout the year.

2 Application of new and revised International Financial Reporting Standards (IFRSs)

2.1 New and revised IFRSs applied with no material effect on the consolidated financial statements

The following new and revised IFRSs have been adopted in these consolidated financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

New and revised IFRSs	Summary of requirement
Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters*	The amendments provide two exemptions when adopting IFRSs for the first time relating to oil and gas assets, and the determination as to whether an arrangement contains a lease.
Amendments to IFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*	The amendments clarify the scope of IFRS 2, as well as the accounting for group cash-settled share-based payment transactions in the separate (or individual) financial statements of an entity receiving the goods or services when another group entity or shareholder has the obligation to settle the award.
Amendment to IFRS 3 *(revised) Business Combinations* and consequential amendments to IAS 27 (revised) *Consolidated and Separate Financial Statements*, IAS 28 (revised) *Investments in Associates* and IAS 31 (revised) *Interests in Joint Ventures*	Comprehensive revision on applying the acquisition method.
Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations (as part of Improvements to IFRSs issued in 2008)*	The amendments clarify that all the assets and liabilities of a subsidiary should be classified as held for sale when the Group is committed to a sale plan involving loss of control of that subsidiary, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.
Amendments to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*	The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options.

2 Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

2.1 New and revised IFRSs applied with no material effect on the consolidated financial statements (continued)

New and revised IFRSs	Summary of requirement
IFRIC 17 *Distributions of Non-cash Assets to Owners*	The Interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders.
IFRIC 18 Transfers of Assets from Customers	The Interpretation addresses the accounting by recipients for transfers of property, plant and equipment from 'customers' and concludes that when the item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognise the asset at its fair value on the date of the transfer, with the credit being recognised as revenue in accordance with IAS 18 *Revenue*.
Improvements to IFRSs issued in 2009	The application of Improvements to IFRSs issued in 2009 which amended IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9 and IFRIC 16 has not had any material effect on amounts reported in the consolidated financial statements.

2.2 New and revised IFRSs in issue but not yet effective

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 IFRS 1 relating to *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*	1 July 2010
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
IAS 24 *Related Party Disclosures* (revised in 2009)	1 January 2011

2 Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

2.2 New and revised IFRSs in issue but not yet effective (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 32 *Financial Instruments: Presentation*, relating to Classification of Rights Issues	1 February 2010
Amendments to IFRIC 14 relating to *Prepayments of a Minimum Funding Requirement*	1 January 2011
IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*	1 July 2010
Improvements to IFRSs issued in 2010 covering amendments to IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34 and IFRIC 13	1 January 2011, except IFRS 3 and IAS 27 which are effective 1 July 2010
Deferred Tax: Recovery of Underlying Assets – *Amendments to* IAS 12: *Income Taxes*	1 January 2012
Amendment to IFRS 1: *Removal of Fixed Dates for First-time Adopters*	1 July 2011
Amendment to IFRS 1: *Severe Hyperinflation*	1 July 2011

Management anticipates that the adoption of these Standards and Interpretations in future periods will have no material impact on the consolidated financial statements of the Group in the period of initial application.

3 Summary of significant accounting policies

Statement of compliance

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

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. Historical cost is generally based on fair value of the consideration given in exchange for assets.

The principal accounting policies are set out below:

3 Summary of significant accounting policies (consolidated)

Basis of consolidation

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

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

Non-controlling interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

Details of the Company's subsidiaries are summarised as follows:

Name of subsidiary	Proportion of ownership interest and voting power		Country of incorporation	Principal activities
	2010	2009		
Depa United Group P.J.S.C.	100%	100%	U.A.E.	Management activities of the holding Company.

3 Summary of significant accounting policies (consolidated)

Basis of consolidation (continued)

The Company also controls the following subsidiaries through its wholly owned subsidiary Depa United Group P.J.S.C.:

Name of subsidiary	Proportion of ownership interest and voting power 2010	2009	Country of incorporation	Principal activities
Depa Interiors L.L.C.	100%	100%	U.A.E.	Full scope fit out and furnishing of five star hotels, luxury villas and residential, hospitalities and services
Depa Decoration, Contracting & General Maintenance L.L.C.	100%	100%	U.A.E.	Interior decoration, contracting and general maintenance services for hotels and other entities
Pino Meroni Yatch Interiors L.L.C.	100%	100%	U.A.E.	Trading in material and requisites for Yacht upholstery and fabric for curtains and upholstery and trading in decoration and partition materials
Eldiar Furniture Manufacturing and Decoration L.L.C.	100%	100%	U.A.E.	Manufacturing and sale of wooden doors, wardrobes, furniture decoration
Deco Emirates L.L.C.	100%	100%	U.A.E.	Building, contracting and decoration activities and trading in furniture and related items and shops interiors
Depa for Hotels	91.95%	91.95%	Egypt	Decoration works, interior and exterior finishing for hotels, motels, tourist villages and nile cruise ships
Pino Meroni Wood & Metal Industries	86.17%	86.17%	Egypt	Manufacturing of wooden and steel furniture
Mivan Depa Contracting L.L.C.	60%	60%	U.A.E.	Historical sites restoration, interior and exterior decoration works for museums and nature projects and other related activities
Dragoni International L.L.C.	60%	60%	U.A.E.	Interior design, furniture manufacturing and supply and fit out of soft and hard furnishings
Depa Al Barakah L.L.C.	80%	80%	U.A.E.	Contracting of partitions and false ceilings and trading of gypsum products and false ceiling
Depamar SARL	80%	80%	Morocco	Interior design, decoration works and construction of buildings
Depa Mauritius	100%	100%	Mauritius	Management activities of holding companies
Depa Saudi Contracting and Interior Design L.L.C.	100%	100%	Saudi Arabia	Interior decoration, contracting and general maintenance services for hotels and other entities

3 Summary of significant accounting policies (continued)

Basis of consolidation (continued)

Details of the Company's subsidiaries are summarised as follows: (continued)

Name of subsidiary	Proportion of ownership interest and voting power 2010	2009	Country of incorporation	Principal activities
Depa Hungary	100%	100%	Hungary	Management activities of holding companies
Depa Manufacturing Investment Company	100%	100%	Mauritius	Management activities of a holding company
Lindner Depa Interiors L.L.C.	51%	51%	U.A.E.	Manufacturing and trading in interior decoration partition and false ceiling products
Paragon Creative Middle East L.L.C.	51%	51%	U.A.E.	Building, Maquette and model trading
DDS Asia Holdings Pte Ltd.	94.31%	55%	Singapore	Investment company
The Parker ME FZ L.L.C	51%	51%	U.A.E	Procurement services to hospitality industry
Depa Germany GmbH & Co. KG	100%	100%	Germany	Management activities of holding companies
Depa Germany Verwaltungs GmbH & Co. KG	100%	100%	Germany	Management activities of holding companies
Depa Jordan Investment W.L.L.	70%	70%	Bahrain	Management activities of holding companies
Depa Syria	100%	100%	Syria	Investment in real estate and all related services and activities
Depa Industrial Group Morocco	99.5%	99.5%	Morocco	Manufacturing and sale of wooden doors, wardrobes, furniture decoration
Depa Industrial Group (DIG) Dubai	90%	90%	U.A.E	Contracting of wooden doors, frames, windows, building metal products and other joinery products as well as manufacture of home furniture
Carrara Mideast Industrial Co. L.L.C.	100%	-	U.A.E.	Cutting, processing, polishing and fixing marble and granite.
Design Studio Furniture Manufacturer Limited	87.35%	24.72%	Singapore	Manufacture, supply and installation of paneling products to residential property projects. Interior fitting-out services to hospitality and commercial projects

3 Summary of significant accounting policies (continued)

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

3 Summary of significant accounting policies (continued)

Business combinations (continued)

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Business combinations that took place prior to 1 January 2010 were accounted for in accordance with the previous version of IFRS 3.

Goodwill

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in income statement.

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

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

Notes to the consolidated financial statements for the year ended 31 December 2010 (continued)

3 Summary of significant accounting policies (continued)

Goodwill (continued)

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

Investment in associates

An associate is an entity over which the Group has significant influence 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 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 under IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less dividends received and less any impairment in the value of individual investments. The Group's share in the associate's results is recorded in the consolidated income statement.

Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

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. The results and assets and liabilities of joint ventures are incorporated in these 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 under IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in joint venture are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the joint venture, less dividends received and less any impairment in the value of individual investments. The Group's share in the joint venture's results is recorded in the consolidated income statement.

Where the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture.

Notes to the consolidated financial statements
for the year ended 31 December 2010 (continued)

3 Summary of significant accounting policies (continued)

Revenue recognition

The Group's revenue is primarily derived from construction revenue.

Revenue from construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the statement of financial position date, as the proportion of contract costs incurred for work performed to date to the estimated total contract costs. Variations in contract work are recognised to the extent that it is probable that they will result in revenue and such revenue can be reliably measured. Claims and incentive payments are included to the extent that it is probable that the customer will accept the claim and the amount can be measured reliably.

Changes in estimates used in the determination of the amount of revenue and expenses are recognised in the statement of income in the period in which the change is made.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which these are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Revenue from procurement services

The procurement contracts require the Group to perform an indeterminate number of acts over a specified period of time including negotiating with vendors, tracking the progress of each purchase order, and monitoring the delivery process. Therefore, revenue is recognised on a straight-line basis over the term of the contracts as this is the best method to represent each contract's stage of completion.

The Group also derives revenue by charging vendors a fee for the use of the Group's purchase order tracking software. The fees are based on the value of the merchandise ordered. Fees from vendors are earned and recognised when the vendors ship the merchandise ordered through the Group's purchase order tracking software to the Group's customers.

Revenue from sale of goods

Revenue from the sale of goods is recognised 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 the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group; and,
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

3 Summary of significant accounting policies (continued)

Revenue recognition (continued)

Dividend and interest income

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

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established.

Other income

Other income is recognised when title has passed to third party.

Borrowings

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period during which they are incurred.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

3 Summary of significant accounting policies (continued)

Leasing (continued)

The Group as lessee (continued)

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

For the purpose of these consolidated financial statements UAE Dirhams (AED) is the functional and the presentation currency of the Group.

Transactions in currencies other than AED (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the consolidated profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign subsidiaries are expressed in UAE Dirhams using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the translation reserve. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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.

Notes to the consolidated financial statements
for the year ended 31 December 2010 (continued)

3 Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

Depreciation is calculated using the straight-line method to allocate the assets' cost to their residual values over their estimated useful lives. The principal annual rates used for this purpose are as follows:

Buildings	10%
Machinery and equipment	10% – 50%
Motor vehicles	20% – 25%
Furniture and office equipment	20% – 33.33%
Operating equipment and tools	20%
Site equipment	10% – 25%
Caravans	20%

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.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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.

Capital work in progress

Properties or assets in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes all direct costs attributable to the design and construction of the property including related staff costs, and for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. When the assets are ready for intended use, the capital work in progress is transferred to the appropriate property, plant and equipment category and is depreciated in accordance with the Group's policies.

Intangible assets

Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful lives are reviewed at the end of each annual reporting period, with effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

3 Summary of significant accounting policies (continued)

Intangible assets (continued)

The intangible assets with definite useful lives are amortised on the following basis:

Customer relationships	5 - 10 years
Brand name	15 years
Contracts on hand	Over the expected period of the contract
Others	Over the life of the asset

During 2009, the Group has changed the useful life of the Brand name from indefinite life to 15 years.

Impairment of tangible and intangible assets excluding goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Employee benefits

An accrual is made for the estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by eligible employees up to the end of the year.

Provision is also made for the full amount of end of service benefit due to non-UAE national employees in accordance with the UAE Labour Law, for their period of service up to the end of the year. The accrual relating to annual leave and leave passage is disclosed as a current liability, while the provision relating to end of service benefit is disclosed as a non-current liability.

Notes to the consolidated financial statements for the year ended 31 December 2010 (continued)

3 Summary of significant accounting policies (continued)

Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation at the end of the reporting period, using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of receivable can be measured reliably.

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

Provision for taxation

The tax charge for the current accounting period is based on the results for the period as adjusted for items which are non-assessable or disallowed for tax purposes. The tax charge is calculated using the prevailing tax rates under the fiscal regime in the countries of operation taking into account exemptions which can be claimed pursuant to local, bilateral or international treaties and/or conventions as at the end of the reporting period.

Deferred income tax is provided using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on laws that have been enacted at the end of the reporting period.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross currency swaps.

3 Summary of significant accounting policies (continued)

Derivative financial instruments (continued)

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

a) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged item that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line of consolidated statement of income relating to the hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

b) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the "other gains and losses" line of the consolidated statement of income.

3 Summary of significant accounting policies (continued)

b) Cash flow hedges (continued)

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the consolidated statement of income as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL where 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 in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3 Summary of significant accounting policies (continued)

Financial assets (continued)

Financial assets at FVTPL (continued)

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 resultant gain or loss recognised in the consolidated profit or loss. The net gain or loss recognised in the consolidated profit or loss incorporates any dividend or interest earned on the financial asset.

Held-to-maturity investments

Commercial paper with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. 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.

AFS financial assets

Unlisted shares and listed redeemable notes held by the Group that are traded in an active market are classified as being AFS and are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in equity with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in the consolidated profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in the consolidated profit or loss for the period.

Dividends on AFS equity instruments are recognised in the consolidated 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 end of the reporting period. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in the consolidated profit or loss, and other changes are recognised in equity.

3 Summary of significant accounting policies (continued)

Financial assets (continued)

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For unlisted shares classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including redeemable notes classified as AFS and finance lease receivables, objective evidence of impairment could include:

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

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 120 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

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

Notes to the consolidated financial statements
for the year ended 31 December 2010 (continued)

3 Summary of significant accounting policies (continued)

Financial assets (continued)

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the consolidated 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 amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised through profit or loss are not reversed through the consolidated profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

The Group does not have any financial liabilities classified as FVTPL.

Trade and other payables and provision for employees' end of service benefits are classified as 'other financial liabilities' and are carried at nominal values.

3 Summary of significant accounting policies (continued)

Financial liabilities and equity instruments (continued)

Other financial liabilities

Other financial liabilities include balances due to banks and loans and are initially measured at fair value, net of transaction costs and include trade and other payables and provision for employees' end of service benefits which are carried at nominal values.

Other financial liabilities initially recorded at fair value are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised 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.

Derecognition of financial liabilities

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

4 Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 3, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if, the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying the Group's accounting policies

The following are the critical judgments, apart from those involving estimations described below, that the management have made in the process of applying the Group's accounting polices and have the most significant effect on the amounts recognised in the consolidated financial statements.

Business combinations

In accordance with International Financial Reporting Standards, on acquisition of a subsidiary, the Group is required to allocate the cost of the business combination by recognising, at fair value, the acquiree's identifiable assets, liabilities and contingent liabilities that meet certain recognition criteria. In doing so, management have exercised their judgment, based on experience and knowledge of the industry, in determining the applicability of the recognition criteria, including the separability of intangible assets, the forecasting horizon, the appropriate discount rate, the amortisation timetable and the impairment tests to be applied in future. The Directors are satisfied that these judgments have resulted in a fair and reasonable estimate of the fair value of the identifiable assets (including intangible assets), liabilities and contingent liabilities at the date of the acquisitions made.

Investment in securities

As described in Note 3, investments are classified as either held for trading or available for sale. In judging whether investments are held for trading or available for sale, management has considered the detailed criteria for determination of such classification as set out in IAS 39 "Financial Instruments: Recognition and Measurement". Management is satisfied that its investment in securities is appropriately classified as AFS investments.

Key sources of estimation

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

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

Key sources of estimation (continued)

Allowances for doubtful debts

Management has estimated the recoverability of accounts receivable and has considered the allowance required for doubtful debts. Management has estimated for the allowance for doubtful debts on the basis of prior experience and the current economic environment. Estimating the amount of the allowance for doubtful accounts requires significant judgment and the use of estimates related to the amount and timing of estimated losses based on historical loss experience, consideration of current economic trends and conditions and debtor-specific factors, all of which may be susceptible to significant change. A provision for bad debt is charged to operations based on management's periodic evaluation of the factors previously mentioned, as well as other pertinent factors. To the extent actual outcomes differ from management estimates, additional provision for bad debt could be required that could adversely affect earnings or financial position in future periods. Allowance for doubtful debts at 31 December 2010 is AED 77,642,730 (2009: AED 29,924,602).

Allowance for stock obsolescence

Management has estimated the recoverability of inventory balances and considered the allowance required for inventory obsolescence based on the current economic environment and best obsolescence history. Estimating the amount of the allowance for stock obsolescence requires significant judgment and the use of estimates related to the provision for amortisation based on historical loss experience and consideration of current interior design market trends, all of which may be susceptible to significant change. A provision for stock obsolescence is charged to contract costs based on management's periodic evaluation of the factors previously mentioned, as well as other pertinent factors. To the extent actual outcomes differ from management estimates, additional provision for stock obsolescence could be required that could adversely affect earnings or financial position in future periods. Allowance for stock obsolescence at 31 December 2010 is AED 10,859,854 (2009: AED 944,495).

Useful lives of property, plant and equipment

As described in Note 3, the Group estimates the useful lives of property, plant and equipment at the end of each annual reporting period. During the financial period, management has determined that these expectations do not differ from previous estimates.

Revenue on construction contracts

The Group uses the percentage-of-completion method in accounting for its construction contract revenue. Use of the percentage-of-completion method requires the Group to estimate the proportion of work performed as a proportion of contract costs incurred for work performed to date to the estimated total contract costs. Management considers that this is the most appropriate measure of determining the percentage-of-completion to arrive at the profit to be recognised for the year and to defer profits in excess of the overall estimated contract margin. Since project costs can vary from initial estimates, the reliance on the total project cost estimate represents an uncertainty inherent in the revenue recognition process. Individual project budgets are reviewed regularly with project leaders to ensure that cost estimates are based upon up to date and as accurate information as possible, and take into account any relevant historic performance experience.

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

Key sources of estimation (continued)

Revenue on construction contracts (continued)

Contract variations are recognised as revenues to the extent that it is probable that they will result in revenue which can be reliably measured, which requires the exercise of judgment by management based on prior experience, application of contract terms and relationship with the contract owners.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value which necessarily involves making numerous estimates and assumptions regarding revenue growth, operating margins, tax rates, appropriate discount rates and working capital requirements. These estimates will likely differ from future actual results of operations and cash flows, and it is possible that these differences could be material. The carrying amount of goodwill at the end of the reporting period was AED 388,165,695 (2009: AED 292,179,299).

Recoverability of intangible asset

During the year, management considered the recoverability of the intangible assets arising from the Group's business combinations, which is included in its statement of financial position at 31 December 2010 at AED 173,882,412 (2009: AED 110,147,012). This situation will be closely monitored, and adjustments made in future periods, if future assessments indicate that such adjustments are appropriate. During 2010, Management has written off AED 1,567,938 during the current year (2009: AED Nil) of intangible assets.

Fair value of available for sale investments

The Group records available for sale investments at fair value. For publicly traded investments this is based on market prices, however the Group is required to estimate the fair value for investments in private securities. The Group is required to make significant judgments in estimating these values and bases its estimate on available financial statements and information provided by investment managers.

Notes to the consolidated financial statements for the year ended 31 December 2010 (continued)

5 Property, plant and equipment

	Land and buildings AED	Machinery and equipment AED	Motor vehicles AED	Furniture and office equipment AED	Operating equipment and site tools AED	Site equipment AED	Caravans AED	Capital work-in progress AED	Total AED
Cost									
At 1 January 2009	179,482,022	44,269,160	12,295,525	29,507,672	317,217	1,061,755	56,484	70,367,549	337,357,384
Additions	37,741,770	8,967,951	658,267	5,873,149	56,407	147,845	25,470	14,705,444	68,176,303
Acquisition from business combination	3,555,116	4,725,100	190,000	745,926	-	-	-	-	9,216,142
Disposals	-	(1,769,373)	(560,618)	(2,697,832)	-	(120,098)	-	(207,193)	(5,355,114)
Transfers	5,534,952	(2,989,948)	(200,586)	3,556,737	-	(58,329)	-	(8,694,272)	(2,851,446)
At 31 December 2009	226,313,860	53,202,890	12,382,588	36,985,652	373,624	1,031,173	81,954	76,171,528	406,543,269
Additions	10,515,604	3,672,548	686,326	3,218,803	220	57,071	16,621	25,593,246	43,760,439
Acquisition from business combination	26,222,837	66,695,544	9,578,491	8,455,703	-	-	-	421,124	111,373,699
Disposals	(5,609,143)	(1,486,052)	(1,049,696)	(3,850,813)	-	(206,846)	(5,075)	(924,765)	(13,132,390)
Transfers	11,384,051	(381,500)	125,913	2,235,539	-	-	-	(13,693,450)	(329,447)
At 31 December 2010	**268,827,209**	**121,703,430**	**21,723,622**	**47,044,884**	**373,844**	**881,398**	**93,500**	**87,567,683**	**548,215,570**
Accumulated depreciation									
At 1 January 2009	21,255,487	9,291,622	3,771,671	9,282,864	196,956	388,709	31,029	-	44,218,338
Charge for the year	17,087,097	7,519,923	2,643,905	9,191,922	80,874	283,737	10,242	-	36,817,700
Acquisition from business combination	2,082,369	4,019,315	190,000	725,738	-	-	-	-	7,017,422
Disposal	-	(1,711,857)	(394,966)	(2,652,515)	-	(104,527)	-	-	(4,863,865)
Transfers	-	(2,717,517)	-	(133,929)	-	-	-	-	(2,851,446)
At 31 December 2009	40,424,953	16,401,486	6,210,610	16,414,080	277,830	567,919	41,271	-	80,338,149
Charge for the year	19,446,487	6,864,967	4,148,204	11,551,417	64,471	213,624	7,611	-	42,296,781
Acquisition from business combination	9,823,959	43,442,031	6,221,390	4,841,883	-	-	-	-	64,329,263
Disposal	(2,224,888)	(1,454,123)	(799,158)	(2,520,252)	-	(121,965)	-	-	(7,120,386)
Transfers	-	-	(255,587)	(73,860)	-	-	-	-	(329,447)
At 31 December 2010	**67,470,511**	**65,254,361**	**15,525,459**	**30,213,268**	**342,301**	**659,578**	**48,882**	-	**179,514,360**
Carrying amount									
At 31 December 2010	**201,356,698**	**56,449,069**	**6,198,163**	**16,831,616**	**31,543**	**221,820**	**44,618**	**87,567,683**	**368,701,210**
At 31 December 2009	185,888,907	36,801,404	6,171,978	20,571,572	95,794	463,254	40,683	76,171,528	326,205,120

5 Property, plant and equipment (continued)

During 2009, the Group acquired a plot of land in settlement of receivable from a customer amounting to AED 36,000,000.

6 Intangible assets

	Brand name AED	Customer relationships AED	Contracts on hand AED	Others AED	Total AED
Cost					
1 January 2009	83,365,235	36,059,652	19,878,425	19,874,960	159,178,272
Additions	-	-	13,739,695	-	13,739,695
31 December 2009	83,365,235	36,059,652	33,618,120	19,874,960	172,917,967
Additions	14,473,000	40,664,000	10,217,000	24,890,000	90,244,000
Write off	(251,938)	(716,000)	-	(600,000)	(1,567,938)
31 December 2010	**97,586,297**	**76,007,652**	**43,835,120**	**44,164,960**	**261,594,029**
Accumulated amortisation					
1 January 2009	-	10,026,751	19,878,425	6,959,112	36,864,288
Amortisation for the year	5,557,682	4,396,777	12,123,094	3,829,114	25,906,667
31 December 2009	5,557,682	14,423,528	32,001,519	10,788,226	62,770,955
Amortisation for the year	6,296,787	9,894,742	2,690,510	7,626,561	26,508,600
Eliminated on write off	(251,938)	(716,000)	-	(600,000)	(1,567,938)
31 December 2010	**11,602,531**	**23,602,270**	**34,692,029**	**17,814,787**	**87,711,617**
Carrying amount					
31 December 2010	**85,983,766**	**52,405,382**	**9,143,091**	**26,350,173**	**173,882,412**
31 December 2009	77,807,553	21,636,124	1,616,601	9,086,734	110,147,012

During 2010, the Group recognised additional intangible assets as a result of the purchase price allocation for the acquisition of Carrara Mid East Industrial Co. L.L.C. and Design Studio Furniture Manufacturer Limited ("Design Studio"), for AED 9,586,000 and AED 69,658,000, respectively. The intangible assets arising from the acquisition of Design Studio include AED 6,582,680 relating to the non-controlling interest. The amortisation attributable to this portion amounted to AED 597,154 and has been recognised as a reduction from non-controlling interest.

Also during the year, the Group recognised additional intangible assets as a result of purchase price allocation for the acquisition in 2008 of Thrislington Gulf L.L.C., for AED 11,000,000 million. This represents identifiable assets allocated to the lease agreement of the plots located in Mussafah along with the buildings and premises constructed on these plots. On 1 January 2010, these assets were assigned and transferred to Eldiar Furniture Manufacturing & Decoration L.L.C.

6 Intangible assets (continued)

During 2009, the Group recognised additional intangible assets as a result of purchase price allocation for the acquisition of Mobelwerkstattten Vedder Gmbh., a subsidiary acquired in 2008. During 2009, the Group finalised the purchase accounting based on, among other things, an independent valuation. In accordance with IFRS 3, any adjustments to the previously recorded purchase accounting were recorded during the year.

7 Goodwill

	2010 AED	2009 AED
Balance at 1 January	**292,179,299**	288,615,651
Goodwill recognised in relation to business combination during the year (note 25)	**147,901,899**	20,903,960
Impairment loss	**(40,915,503)**	(1,916,680)
Deferred tax assets allocation	-	(1,683,937)
Purchase price allocation	**(11,000,000)**	(13,739,695)
Balance at 31 December	**388,165,695**	292,179,299

During the year, additional goodwill amounting to AED 3,875,890 and AED 144,026,009 (2009: AED 20,903,960) was recognised for the acquisition of Carrara Mid East Industrial Co. L.L.C. and Design Studio, respectively (2009: Thrislington Gulf L.L.C.) (note 25).

Goodwill is attributable to the anticipated profitability of the acquired subsidiaries.

Annual test for impairment

During the year, the Group assessed the recoverable amount of goodwill, and determined that goodwill associated with the Group's construction, manufacturing and procurement operations are impaired. Impairment loss amounting to AED 40,915,503 (2009: AED 1,916,680) has been recognised during the year. The recoverable amount of the relevant cash-generating unit was assessed by reference to value in use. A weighted average cost of capital of 14 - 19% per annum was applied in the value in use model.

Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to the following cash-generating units:

- Contracting activities
- Procurement operations
- Manufacturing activities

	2010 AED	2009 AED
Contracting activities	**250,181,599**	153,496,630
Procurement operations	**42,672,093**	43,370,666
Manufacturing activities	**95,312,003**	95,312,003
	388,165,695	292,179,299

7 Goodwill (continued)

The recoverable amount of the above cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a five-year period, and a weighted average cost of capital of 14 – 19% per annum. The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

8 Investment in associates

Details of the Group's associates are as follows:

Name of associate	Principal activities	Place of incorporation and operation	Ownership interest 2010	Ownership interest 2009
Thailand Carpet Manufacturing Public Company Limited	Manufacturing of carpets	Thailand	25.98%	25.98%
Al Tawasoul Property Development Company	Property management and development	United Arab Emirates	15.6%	15.6%
Jordan Wood Industries PLC	Manufacturing of furniture	Jordan	36.41%	36.41%
Decolight Trading LLC	Trading of electrical and decoration materials	United Arab Emirates	45.1%	45.1%
Polypod Middle East LLC	Assembly of bathroom pods or other types of pods	United Arab Emirates	40.0%	40.0%
Design Studio Furniture Manufacturer Limited	Manufacturing of furniture	Singapore	-	24.72%

Although the Group holds less than 20% in Al Tawasoul Property Development Company, the Group exercises significant influence by virtue of its contractual right to appoint directors to the board of the investee.

As of 31 December 2009, the Group owned 24.72% of Design Studio and the investment was previously recognised by the Group in accordance with the equity method. During the year, the Group acquired additional shares in Design Studio and at year end the ownership percentage increased to 87.35% (note 25). As a result, the investment in associate was transferred to investment in subsidiary and the financial information was consolidated on a line by line basis.

8 Investment in associates (continued)

Movement in investment in associates during the year is as follows:

	2010 AED	2009 AED
Balance at 1 January	**179,944,760**	148,793,374
Acquisition of investment in associates	**5,126,497**	17,718,950
Share of profit, net	**36,432,097**	23,152,195
Dividends received	**(13,980,571)**	(5,843,206)
Investment transferred to investment in subsidiaries	**(94,822,232)**	-
Impairment loss	-	(3,876,553)
Balance at 31 December	**112,700,551**	179,944,760

Summarised financial information in respect of the Group's associates is set out below:

	2010 AED	2009 AED
Total assets	**514,058,113**	703,181,836
Total liabilities	**(234,373,260)**	(217,005,142)
Net assets	**279,684,853**	486,176,694
Group's share of net assets of associates	**69,531,385**	127,626,855
Total revenue	**455,016,857**	536,705,534
Total profit for the year	**55,411,129**	86,112,993
Group's share of profit of associates	**36,432,097**	23,152,195

Included in the investment value of associates is goodwill amounting to AED 43,169,166 (2009: AED 37,798,960).

During 2009, management has assessed that the investment in one of the associates is impaired by AED 3,876,553 and has been charged to income during 2009.

9 Available for sale investments

	2010 AED	2009 AED
Balance at 1 January	**27,646,703**	20,188,078
Acquisition during the year	-	7,458,625
Balance at 31 December	**27,646,703**	27,646,703

The Group has investments in Saraya Real Estate MENA Fund Company and in Al Futtaim Mena Real Estate Sharia Development Fund amounting to AED 11,390,665 and AED 16,256,038, respectively. The Group has a commitment to invest further in Al Futtaim Mena Real Estate Sharia Development Fund for AED 20,493,963. Management believes that the cost of this investment approximates its fair value.

10 Trade receivables and other current assets

	2010 AED	2009 AED
Trade receivables	**450,313,379**	436,426,730
Contract retentions	**200,021,879**	195,359,247
Advances to subcontractors	**52,360,226**	68,721,792
Due from related parties (note 19)	**4,513,509**	9,847,081
Prepayments	**19,606,239**	23,094,002
Other receivables and current assets	**152,005,740**	87,120,228
	878,820,972	820,569,080
Less: Allowances for doubtful trade receivables	**(77,642,730)**	(29,924,602)
	801,178,242	790,644,478

Other receivables and current assets balance include post dated cheques amounting to AED 50,581,880 (2009: AED 5,408,613), refundable deposits amounting to AED 18,512,845 (2009: AED 6,410,942), margins amounting to AED 17,655,673 (2009: AED 11,523,524) and tax receivables amounting to AED 23,471,517 (2009: AED Nil).

Prepayments mainly include prepaid rent amounting to AED 4,014,248 (2009: AED 6,099,247), prepaid insurance of AED 4,090,784 (2009: AED 1,532,845) and prepaid labor visa expenses of AED 5,223,314 (2009: AED 5,804,479).

Notes to the consolidated financial statements for the year ended 31 December 2010 (continued)

10 Trade receivables and other current assets (continued)

The movement in the allowance for doubtful trade receivables during the year is as follows:

	2010 AED	2009 AED
Balance at 1 January	**29,924,602**	14,318,959
Impairment losses on receivables	**51,086,228**	16,696,080
Impairment losses reversed	**(3,320,900)**	-
Amounts written off	**(47,200)**	(1,090,437)
Balance at 31 December	**77,642,730**	29,924,602

There has been no allowance established for any of the other current assets.

The average credit period on contract revenue is 120 days. No interest is charged on the trade receivables. Trade receivables more than 120 days are provided for based on estimated irrecoverable amounts, determined by reference to past default experience.

Before accepting any new customer the Group assesses the potential credit quality of the customer. Out of the trade receivables balance at the end of year, AED 254 million (2009: AED 269 million) is due from the Group's major customers.

Included in the Group's trade receivable balance are debtors with a carrying amount of AED 135 million (2009: AED 118 million) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Ageing of past due but not impaired

	2010 AED	2009 AED
Due for 120 to 180 days	**24,559,390**	17,404,048
Due for 181 to 365 days	**32,713,876**	62,595,817
Due for more than 365 days	**78,097,645**	37,579,000
	135,370,911	117,578,865

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Notes to the consolidated financial statements for the year ended 31 December 2010 (continued)

11 Construction contracts

	2010 AED	2009 AED
Contracts in progress at end of the reporting period		
Amount due from contract customers included in current assets	**473,552,699**	909,521,319
Amount due to contract customers included in trade and other payables (note 18)	**(10,057,704)**	(17,595,785)
	463,494,995	891,925,534
Contract cost incurred plus recognised profits less recognised losses to date	**6,099,610,105**	4,343,873,946
Less: Progress billings	**(5,636,115,110)**	(3,451,948,412)
	463,494,995	891,925,534

The Group's amount due from customers on construction contracts includes amounts which have been recognised as revenue and have not been billed at the end of the reporting period. The Group policy is to bill the customers in accordance with the relevant contract terms, which is generally between 60 to 120 days after completion of the relevant contracts works. The balance is net of impairment allowance amounting to AED 42,648,809 (2009: AED 24,827,050).

12 Inventories

	2010 AED	2009 AED
Inventories	**84,931,693**	30,082,881
Less: allowance for slow moving and obsolete inventories	**(10,859,854)**	(944,495)
	74,071,839	29,138,386

16 Bank borrowings

	2010 AED	2009 AED
Bank overdrafts	**50,098,995**	16,576,024
Bank loans	**251,552,378**	156,360,713
Trust receipts and acceptances	**29,043,985**	47,537,337
	330,695,358	220,474,074
The borrowings are repayable as follows:		
On demand or within one year	**173,210,467**	171,218,334
In the second year	**91,044,774**	23,947,744
In the third year	**51,243,522**	19,375,142
In the fourth year	**15,196,595**	5,932,854
	330,695,358	220,474,074
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(173,210,467)**	(171,218,334)
Amount due for settlement after 12 months	**157,484,891**	49,255,740

Bank overdrafts

This represents overdrafts on the Group's banking accounts. The interest rate on the overdrafts varies between EIBOR plus 1.85% and 3.5% and fixed rate varies between 7.5% to 13% and the balances change daily depending on cash flows.

Bank loans

These comprise the following:

- During 2007, the Group obtained loan facility amounting to US$ 55 million to be used to fund general investment and capital expenditure requirements of the Group. The loan carries interest at LIBOR plus 0.9% per annum and is payable on a monthly basis. The principal is repayable in five semi-annual installments starting December 2008. The total facility amounting to US$ 55 million or AED 201,850,000 was utilised during 2008 and the loan was fully settled during the year.

16 Bank borrowings (continued)

Bank loans (continued)

- During 2007, the Group entered into a loan facility for borrowings of up to AED 100,000,000 to fund investment and project requirements. Interest accrues at EIBOR rate plus 3.5% p.a.. Principal and interest are to be repaid in 18 quarterly installments beginning December 2007 and the facility expires in June 2012. At 31 December 2010, the outstanding limit was AED 48,789,008 and the outstanding balance of the loan was AED 48,789,008.

- A term loan amounting AED 20,790,900 bearing an interest 5% p.a. and matures in July 2009. Interest and principal are payable on a semi-annual basis and is under the corporate guarantee of Depa United Group P.J.S.C. The loan was fully repaid during the year.

- The Group borrowed AED 16,000,000 during 2006 under a term loan that bears interest at EIBOR plus 1.5%. Principal and interest payments are due on a quarterly basis and the loan matured in March 2010.

- The Group borrowed AED 14,700,000 in 2006 under a term loan that bears interest at EIBOR plus 2%. Principal and interest payments are due on quarterly basis. The loan was fully repaid as at 31 December 2010.

- During the year, the Group obtained a loan facility of AED 120,000,000 to be used to acquire up to 30.29% shares of Design Studio. The total facility amounting to AED 120,000,000 was utilised during the year. The loan carries interest at 4% per annum over 3 months EIBOR. Principal and interest are to be repaid in 6 installments beginning December 2010 and the facility expires in June 2013. The outstanding balance at 31 December 2010 is AED 100,000,000.

- In 2009, the Group obtained a loan from a local bank amounting to AED 414,400, bearing interest at 10% per annum and maturing in 2011. The interest and principal are payable on a monthly basis and the loan is under the corporate guarantee of Depa Interiors L.L.C. At 31 December 2010, the outstanding balance is AED 255,961.

- During 2009 the Group obtained a loan of AED 1,440,000 from a local bank to be used to fund the purchase of various machineries. Principal and interest are to be repaid in 18 monthly installments of EIBOR plus 3% per annum At 31 December 2010, the outstanding balance was AED 240,000.

- A term loan of AED 80,000,000 was taken during the year from a local bank bearing interest at the rate of 8% per annum and is repayable in 48 monthly installments. At 31 December 2010, the outstanding balance is AED 74,267,409.

- During the year, the Group obtained a loan facility amounting to AED 36,000,000 from a local bank to finance the acquisition of a subsidiary. The loan bears an interest of 8% and is repayable in 36 equal monthly installments. At 31 December 2010, the outstanding balance is AED 28,000,000.

The Group has various debt covenants related to its borrowings which require maintaining certain financial ratios within stipulated limits as required by the debt issuing institutions. These financial ratios address the liquidity and capital structure of the Group. As of 31 December 2010, the Group was in compliance with all debt covenants.

Notes to the consolidated financial statements
for the year ended 31 December 2010 (continued)

16 Bank borrowings (continued)

Trust receipts

Trust receipts are one of the financing facilities used by the Group for imports. The buyer promises to hold the goods received in the name of the bank arranging the financing, although the bank retains title to the goods until the debt is settled. These facilities are obtained from local banks and the payment terms vary between 30 to 180 days and are subject to an average rate of interest of 7.5%.

17 Provision for employees' end of service benefits

The movement in the provision for employees' end of service benefits is as follows:

	2010 AED	2009 AED
Balance at 1 January	**32,005,182**	25,699,000
Acquired on business combinations	**8,481,558**	370,519
Charge during the year	**11,788,558**	11,192,298
Payments during the year	**(9,006,929)**	(5,256,635)
Balance at 31 December	**43,268,369**	32,005,182

18 Trade payables and other current liabilities

	2010 AED	2009 AED
Trade payables	**238,503,591**	276,641,267
Advances received	**222,346,000**	421,379,446
Sub-contractors' retentions	**65,510,528**	62,173,486
Accrued expenses	**190,993,057**	47,080,345
Due to related parties (note 19)	**11,751,844**	63,667,883
Dividends payable	**50,000,000**	50,000,000
Amount due to customers on construction contracts (note 11)	**10,057,704**	17,595,785
Income tax payable	**20,633,327**	5,062,282
Payable on acquisition on investment in associate	-	14,518,950
Finance lease	**193,377**	109,813
Other payables	**107,854,547**	131,835,644
	917,843,975	1,090,064,901

The average credit period on purchases of goods is 60-120 days. No interest is charged on the trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

Other payables mainly include employees related payables of AED 41,219,102 (2009: AED 57,138,298) and amount payable on new head office construction of AED 19,572,000 (2009: AED Nil).

19 Related parties

Transactions between the Company and its subsidiaries have been eliminated upon consolidation and are not disclosed in this note. Related parties include employees, Directors, Shareholders and entities in which the Shareholders have the ability to control and exercise a significant influence in financial and operating decisions.

The Group maintains significant balances with related parties which arise from commercial and non-commercial transactions. The types of related party transactions are described below.

Commercial transactions:

The Group receives and provides services to related parties in the normal course of business. These services consist of construction/fit-out work, leasing office space or land, use of specialised skills on certain projects, and use of employees from related party entities. In addition, the Group purchases supplies and inventory from certain related parties.

Administrative costs:

The Group has incurred certain costs such as notary fees, legal expenses, relating to the establishment of various entities which are not wholly owned by the Group. The Group is to be reimbursed for those costs by the minority shareholders or, with board approval, by way of deduction from dividend payments payable to such shareholders.

In addition, the Group has incurred costs while acting as an administrator for certain related party entities in matters concerning the liquidation of non-operating entities. Amounts due are to be repaid by the shareholder or, with board approval, by way of deduction from salary or dividend payments, as appropriate.

The tables below summarise amounts due to and due from related parties, as well as amounts included in costs of sales and management remuneration.

	2010	2009
	AED	AED
Purchases from associates included in cost of sales	**56,191,289**	98,609,251

Notes to the consolidated financial statements for the year ended 31 December 2010 (continued)

19 Related parties (continued)

	2010 AED	2009 AED
Amounts due from related parties (Note 10)		
Paragon Creative Limited	**136,970**	136,970
Al Tawasoul Property Development L.L.C.	**97,161**	4,089,806
Polypod Middle East	**95,058**	97,711
Decolight Trading L.L.C.	**15,448**	574,770
Arabtech Construction Company L.L.C.	**4,056**	74,056
Others	**4,164,816**	4,873,768
	4,513,509	9,847,081
Amounts due to related parties		
Shown under current liabilities (Note 18)		
Linder AG	**8,850,788**	25,188,090
Mivan Ireland Limited	**606,588**	3,307,045
Al Mazuri Holding L.L.C.	**27,600**	302,156
Design Studio Furniture Manufacturer Limited	-	28,195,911
Others	**2,266,868**	6,674,681
	11,751,844	63,667,883
Shown under non-current liabilities		
Due to a shareholder	**470,468**	641,449
Key management remuneration	**44,217,416**	46,521,914

20 Other income

	2010 AED	2009 AED
Reversal of provision	**6,211,727**	5,234,973
(Loss)/gain on disposal of property, plant and equipment	**(708,057)**	105,248
Miscellaneous	**19,067,056**	15,157,288
	24,570,726	20,497,509

21 Income tax

	2010 AED	2009 AED
Current tax	**22,199,282**	794,471
Deferred tax	**26,539,082**	14,759,243
	48,738,364	15,553,714

The Company operates in the UAE and, accordingly, is not subject to tax. The Group's tax provision of AED 21,869,700 (2009: AED 7,343,041) is a result of income taxes associated with its subsidiaries that operate in other jurisdictions. Similarly, the Group's deferred tax assets and liabilities are derived from these entities. The deferred tax assets primarily related to provision and the deferred tax liabilities relate to property, plant and equipment, goodwill impairment and gratuity. Deferred tax assets and liabilities are offset on the statement of financial position when a legal right of offset exists.

22 (Loss)/ profit for the year

(Loss)/ profit for the year is stated after charging:

	2010 AED	2009 AED
Staff costs	**454,595,323**	470,139,148
Depreciation	**42,296,781**	36,817,700
Amortisation	**25,911,446**	25,906,667

23 Earnings per share

Basic and diluted earnings per share is calculated by dividing the net profit attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year which amounted to 607,860,365 (2009: 607,860,365) shares, net of the shares reacquired during the year (note 15).

Notes to the consolidated financial statements
for the year ended 31 December 2010 (continued)

24 Contingencies and commitments

	2010 AED	2009 AED
Letters of credit	**236,467,507**	90,844,635
Letters of guarantee	**739,821,106**	829,514,936

Letters of credit are issued by various financial institutions which the Group deals with and they provide an irrevocable payment undertaking to suppliers against complying documents as stated in the letters of credit. The facilities are mainly initiated to facilitate dealings with foreign suppliers.

Letters of guarantee are issued by various financial institutions and they mainly take the form of performance bond and advance payment guarantees. The Group issues various guarantees to clients for whom projects are executed, whereby if the Group fails to execute according to specifications laid out by the client, the latter is guaranteed compensation for monetary losses.

The above letters of credit and guarantee were issued in the normal course of business.

The Group has a commitment to invest AED 20,493,963 in Al Futtaim Mena Real Estate Shari'a Development Fund (Note 9).

Legal cases

The Group companies are defendants in a number of legal proceedings which arose in the normal course of business. The Group does not expect that the outcome of such proceedings either individually or in the aggregate will have a material effect on the Group's operations, cash flows or financial position.

25 Acquisition of subsidiaries

The Group entered into purchase agreements to acquire equity interests in a number of companies during the period that are presented in these consolidated financial statements. The Group uses the purchase method to account for these acquisitions, with the results of the subsidiaries being consolidated from the date of acquisition.

The majority of these acquisitions resulted in the recognition of goodwill. Management believes the goodwill arose in such acquisitions because the cost of the combination included a control premium paid to acquire subsidiaries. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of the subsidiaries acquired. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably estimated.

25 Acquisition of subsidiaries (continued)

Effective 1 January 2010, the Group acquired 100% of ownership in Carrara Mid East Industrial Co. L.L.C. for a purchase consideration of AED 41,000,000. This transaction has been accounted for using the purchase method of accounting.

The assets and liabilities arising from and as of date of acquisition were as follows:

	AED
Property, plant and equipment (note 5)	**12,593,153**
Inventories	**25,273,329**
Trade and other receivables	**85,275,046**
Cash and bank balances	**6,714,839**
Provision for end of service benefits	**(8,481,558)**
Trade and other payables	**(52,668,542)**
Bank borrowings	**(41,168,157)**
Total net assets	**27,538,110**
Identifiable assets acquired	**9,586,000**
Goodwill (note 7)	**3,875,890**
Total consideration paid	**41,000,000**
Net cash outflow arising on acquisition:	
Cash consideration paid	**(41,000,000)**
Cash and cash equivalents acquired	**6,714,839**
	(34,285,161)

Management believes that the goodwill arose in such acquisition because the cost of the combination included a control premium paid to acquire subsidiaries. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of the subsidiaries acquired. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably estimated.

25 Acquisition of subsidiaries (continued)

Effective 30 September 2010, the Group acquired 90.55% of ownership in Design Studio.

The assets and liabilities arising from and as of date of acquisition were as follows:

	AED
Property, plant and equipment (note 5)	**34,451,282**
Investment in associate	**18,323,073**
Inventories	**29,495,406**
Trade and other receivables	**126,058,280**
Cash and bank balances	**81,873,737**
Trade and other payables	**(76,146,177)**
Total net assets	**214,055,601**
Identifiable assets acquired	**69,658,000**
Fair value of previously held shares	**(113,442,077)**
Non controlling interest	**(26,810,934)**
Goodwill (note 7)	**144,026,009**
Total consideration paid	**287,486,599**
Net cash outflow arising on acquisition:	
Cash consideration paid	**(287,486,599)**
Cash and cash equivalents acquired	**81,873,737**
	(205,612,862)

As of 30 June 2010, the Company owned 26.10% of Design Studio and the investment was previously recognised by the Company in accordance with the equity method. In a business combination achieved in stages, the Company has remeasured its previously held equity interest at its fair value on the original acquisition date and recognised the resulting gain in profit or loss amounting to AED 18,619,844.

Subsequent to the date of acquisition, the Company disposed off shares amounting to AED 14,782,551 which led to the decrease in shares held to 87.35% as of 31 December 2010.

Changes in the Company's ownership interest in the subsidiary that do not result in a loss of control are accounted for as equity transactions, as these represent transactions with owners in their capacity as owners. As a result, the carrying amounts of the controlling and non-controlling interests were adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received were recognised directly in equity and attributed to the owners of the Company.

Notes to the consolidated financial statements
for the year ended 31 December 2010 (continued)

25 Acquisition of subsidiaries (continued)

During 2009, a subsidiary acquired 100% of ownership in Thrislington Gulf L.L.C. effective 1 April 2009 for a purchase consideration of AED 18,500,000. This transaction has been accounted for using the purchase method of accounting:

The assets and liabilities arising from and as of date of acquisition were as follows:

	AED
Property, plant and equipment (note 5)	2,198,720
Inventories	1,142,809
Trade and other receivables	8,651,741
Due from a related party	695,604
Prepayments	307,931
Cash and bank balances	1,144,688
Provision for end of service benefits	(370,519)
Trade and other payables	(16,099,536)
Bank overdraft	(75,398)
Total net assets	(2,403,960)
Goodwill (note 7)	20,903,960
Total consideration paid	18,500,000

Net cash outflow arising on acquisition:	
Cash consideration paid	(18,500,000)
Cash and cash equivalents acquired	1,144,688
	(17,355,312)

Notes to the consolidated financial statements for the year ended 31 December 2010 (continued)

26 Segment information

26.1 Business segment information

The Group operates in three business segments: contracting, procurement and manufacturing. The following table shows the Group's primary segment analysis:

At 31 December 2010:

	Contracting AED	Procurement AED	Manufacturing AED	Unallocated AED	Group AED
External revenue	1,368,926,956	20,966,655	424,499,459	-	1,814,393,070
Contract profit	6,041,170	6,160,736	101,376,865	-	113,578,771
Loss for the year	(130,372,936)	(22,513,821)	39,691,336	(92,486,082)	(205,681,503)
Total assets	1,406,626,801	48,272,919	724,181,060	858,755,019	3,037,835,799
Total liabilities	938,277,655	12,669,825	262,584,332	113,830,014	1,327,361,826
Equity	365,525,522	36,363,636	374,246,376	934,338,439	1,710,473,973
Capital expenditure	3,590,572	133,885	15,027,028	25,008,954	43,760,439
Depreciation	23,854,867	809,123	16,475,657	1,157,134	42,296,781
Amortisation	9,648,249	2,453,922	2,199,191	11,610,084	25,911,446

26 Segment information (continued)

26.1 Business segment information (continued)

At 31 December 2009:

	Contracting AED	Procurement AED	Manufacturing AED	Unallocated AED	Group AED
External revenue	2,308,257,223	34,462,154	346,272,788	-	2,688,992,165
Contract profit	329,870,138	13,324,838	86,384,480	-	429,579,456
Profit for the period	226,772,149	12,043,620	40,750,709	4,298,336	283,864,814
Total assets	1,514,680,307	80,523,729	577,296,979	1,199,331,833	3,371,832,848
Total liabilities	890,649,712	21,637,304	373,463,117	111,784,977	1,397,535,110
Equity	624,030,595	58,886,425	203,833,862	1,087,546,856	1,974,297,738
Capital expenditure	49,561,996	68,267	10,639,193	7,906,847	68,176,303
Depreciation	20,415,092	857,962	14,571,185	973,461	36,817,700
Amortisation	120,000	2,424,273	12,123,094	11,239,300	25,906,667

Notes to the consolidated financial statements for the year ended 31 December 2010 (continued)

26 Segment information (continued)

26.2 Geographical segment information (continued)

At 31 December 2009:

	UAE AED	MENA (excluding UAE) AED	Rest of the world (excluding MENA) AED	Total AED
External revenue	1,775,965,753	448,832,227	464,194,185	2,688,992,165
Contract profit	360,995,145	2,963,498	65,620,813	429,579,456
Profit for the year	254,688,250	(3,802,572)	32,979,136	283,864,814
Total assets	2,425,197,926	454,181,886	492,453,036	3,371,832,848
Total liabilities	714,586,537	355,940,755	327,007,818	1,397,535,110
Equity	1,710,611,389	98,241,131	165,445,218	1,974,297,738

Notes to the consolidated financial statements for the year ended 31 December 2010 (continued)

27 Cash and bank balances

Cash and bank balances at 31 December 2010 include fixed term deposits that have maturity period of more than three months, amounting to AED 66,281,448 (2009: AED 117,307,741) and carry interest rates ranging from 2.85% to 7.5%.

28 Financial instruments

28.1 Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the consolidated financial statements.

28.2 Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2009.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 18, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

Gearing ratio

The Group's risk management committee reviews the capital structure on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio of maximum 10-20% determined as the proportion of net debt to equity through the issue of new debt, acquisitions and the payment of dividends.

The gearing ratio at the year end was as follows:

	2010 **AED**	2009 AED
Debt	**330,695,358**	220,474,074
Cash and cash equivalents	**(383,387,887)**	(425,690,043)
Net debt	**(52,692,529)**	(205,215,969)
Equity	**1,599,888,916**	1,868,546,930
Net debt to equity ratio	**N/A**	N/A

Notes to the consolidated financial statements
for the year ended 31 December 2010 (continued)

28 Financial instruments (continued)

28.2 Capital risk management (continued)

Debt is defined as long-and short-term borrowings, as detailed in Note 16. Equity includes all capital and reserves of the Group.

28.3 Categories of financial instruments

	2010 AED	2009 AED
Financial assets		
Investment in associates	**112,700,551**	179,944,760
Available-for-sale investments	**27,646,703**	27,646,703
Held for trading investments	**2,131,855**	-
Loans and receivables (including cash and cash equivalent)	**1,335,743,758**	1,405,234,455
Total	**1,478,222,867**	1,612,825,918
Financial liabilities		
Trade payables and other liabilities	**716,377,052**	636,876,799
Bank borrowings	**330,695,358**	220,474,074
Total	**1,047,072,410**	857,350,873

At the reporting date there are no significant concentration of credit risk for loans and receivables designated at FVTPL. The carrying amount reflected above represent the Group's maximum exposure to credit risk for such loans and receivables.

28.4 Financial risk management objectives

The Group's treasury function co-ordinates access to domestic and international functional markets and monitors and manages the financial risk exposure relating to the operations of the Group.

The Group is exposed to the following risks related to financial instruments - credit risk, liquidity risk, fair value interest rate risk and foreign currency risk.

28 Financial instruments (continued)

28.5 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group, and arises principally from the Group's trade and other receivables and bank balances. The Group has adopted a policy of only dealing with creditworthy counterparties, however significant revenue is generated by dealing with high profile well known customers, for whom the credit risk is assessed to be low. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific non-related counterparties, and continually assessing the creditworthiness of such non-related counterparties. Balances with banks are assessed to have low credit risk of default since these banks are highly regulated by the central banks of the respective countries.

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location. Trade and other receivables from major customers is AED 254 million (2009: AED 269 million) which represents 56% (2009: 62%) of the total trade and other receivables at the end of the reporting period. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The amount that best represents maximum credit risk exposure on consolidated financial assets at the end of the reporting period, in the event counterparties failing to perform their obligations generally approximates their carrying value. Trade and other receivables and balances with banks are not secured by any collateral.

28.6 Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

As of 31 December 2010, financial liabilities disclosed in Note 28.3 are based on existing contractual repayment arrangements of one year from end of the reporting period except for bank borrowings, whose the maturity profile is disclosed in Note 16.

Notes to the consolidated financial statements
for the year ended 31 December 2010 (continued)

28 Financial instruments (continued)

28.7 Foreign currency risk

The Group undertakes certain transactions denominated in foreign currencies. Thus, exposures to exchange rate fluctuations arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	31 December 2010		31 December 2009	
	AED Liabilities	**AED Assets**	AED Liabilities	AED Assets
US Dollars	**9,900,383**	**38,825,212**	19,012,475	67,117,859
Qatari Riyal	**24,799,271**	**52,523,550**	24,131,670	59,609,199
Saudi Riyal	**43,975,400**	**41,466,813**	24,976,534	31,438,731
Indian Rupee	**14,163,895**	**20,080,204**	3,997,295	14,664,126
Moroccan Dirham	**99,197,951**	**94,942,785**	147,262,801	158,314,620
Egyptian pound	**60,433,669**	**84,454,044**	125,345,537	152,550,818
Bahraini Dinar	**11,750,085**	**17,627,041**	28,855,296	48,102,592
Singaporean Dollar	**136,939,540**	**423,630,503**	101,697,384	135,954,146
Euro	**78,669,514**	**168,595,423**	201,300,670	273,716,911

28.7.1 Foreign currency sensitivity analysis

The Group is mainly exposed to United States Dollars (USD), Qatari Riyals (QR), Saudi Riyals (SR), Indian Rupee (INR), Moroccan Dinar (MAD), Egyptian Pound (LE), Bahraini Dinar (BHD), Singaporean Dollar (SGD) and Euro. Due to the AED, QR, and SR link to USD, management believes that no currency fluctuation risk exist on these currencies.

At 31 December 2010, if the INR, MAD, LE, BHD, SGD and Euro had weakened by 10% against the AED, with all other variables held constant, net equity at year end would have been lower by AED 40,817,535 (2009: AED 17,484,423) mainly as a result of foreign exchange loss on translation of INR, MAD, LE, BHD, SGD and Euro denominated outstanding balances.

28.7.2 Forward foreign exchange contracts

The Group sometimes enters into forward foreign exchange contracts to manage the risk associated with fluctuations in exchange rates. At year end the Group did not have any outstanding derivatives.

28.8 Interest rate risk

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings. The Group plans to enter into derivative financial instruments to manage interest rate risk in the future. The Group's exposures to interest rates on financial liabilities are detailed in Note 18.

Notes to the consolidated financial statements
for the year ended 31 December 2010 (continued)

28 Financial instruments (continued)

28.8 Interest rate risk (continued)

28.8.1 Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole period.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year would decrease/increase by AED 1,653,477 (2009: AED 1,102,370). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings. The Group's sensitivity to interest rates has increased during the current period mainly due to the increase in variable rate borrowings.

28.9 Fair value of financial assets and liabilities

Fair value represents the amount at which an asset can be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Differences can therefore arise between book value under the historical cost method and fair value estimates.

For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months) the carrying amounts approximate to their fair value. This applies to demand deposits, savings accounts without a specific maturity and variable rate financial instruments.

Valuation of all financial instruments, where these are recorded at fair value, is based on quoted market prices. The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;

- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

- IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs create the following fair value hierarchy:

Following the amendment to IFRS 7, all financial instruments that are required to be measured at fair value (subsequent to initial recognition) should disclosed in a fair value hierarchy or grouping into 3 levels (Levels 1 to 3) based on the degree to which the fair value is observable.

Level 1 fair values are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 fair value measurements are derived from inputs other than quoted prices, and Level 3 are those that are derived from valuation techniques using unobservable inputs.

Notes to the consolidated financial statements for the year ended 31 December 2010 (continued)

28 Financial instruments (continued)

28.9 Fair value of financial assets and liabilities (continued)

Investment in associates

The fair value for investments in Al Tawasoul Property Management and Decolight Trading L.L.C has not been disclosed because it cannot be reliably measured due to the fact that those investments are not quoted.

The fair value of investments in Thailand Carpet Manufacturing Public Company Limited and Jordan Wood Industries PLC at 31 December 2010 was AED 49,695,791 (2009: AED 140,513,164) compared to a carrying amount of AED 69,344,667 (2009: AED 136,050,443). The fair values of the investment are based on quoted market prices.

Available for sale investments

Investment of AED 27,646,703 (2009: AED 27,646,703) is in private equity funds. In management's opinion its carrying amount approximates the fair value at the reporting date.

Except as detailed in the previous paragraphs, management considers that the carrying amounts of financial assets and financial liabilities in the consolidated financial statements approximate their fair values.

29 Approval of consolidated financial statements

The consolidated financial statements were approved by management and authorised for issue on 27 March 2011.