Damas LLC and its Subsidiaries

FINANCIAL STATEMENTS

31 DECEMBER 2007

Board of Directors

H.E. Mr. Mohamed Alabbar (Director)
Mr. Abdulla Nasser Bin Huwaileel Mansouri (Director)
Mr. Tawfique Abdulla (Chairman)
Mr. Tawhid Abdulla (Managing Director)
Mr. Tamjid Abdulla (Deputy Managing Director)

Executive Members

Mr. Aamer Abdul Jalil Al Fahim
Mr. Ammar A Alkhudairy
Dr. Fahad A Almubarak
Mr. Saeed Hilal Abdulla
Mr. Tamjid Abdulla
Mr. Tawfique Abdulla
Mr. Tawhid Abdulla

Auditors

Ernst & Young

Bankers

ABN Amro Bank N.V, Dubai Branch
Abu Dhabi Commercial Bank, Dubai
Barclays Bank, Dubai
BNP Paribas, Dubai
Calyon Corporate & Investment Bank, Dubai
Diamond Bank Switzerland Ltd, Switzerland
Dubai Bank, Dubai
Emirates Bank International, Dubai
First Gulf Bank, Abu Dhabi
Gulf International Bank, Bahrain
HSBC Bank Middle East, Dubai
Mashreq Bank, Dubai
National Bank of Ras Al Khaimah, Dubai
National Bank of Dubai, Dubai
Standard Chartered Bank, Dubai
United Arab Bank, Dubai
Union National Bank, Dubai

Bullion Banks
Bank of Nova Scotia, London
Hollandsche Bank, Rotterdam
HSBC Bank Middle East, Dubai
National Bank of Dubai
National Bank of Fujairah
Standard Bank London, London
Standard Chartered Bank, Dubai

Syndicated Banks
ABN Amro Bank N.V., Dubai Branch
Bank Muscat International B.S.C
Bank Of Bahrain & Kuwait – Bahrain
Bank Of Taiwan, London Branch
Barclays Bank Plc
BNP Paribas
Commercial Bank of Dubai PSC
Doha Bank
State bank of India - Bahrain
Efibanca SPA - Rome
First Gulf Bank
First Commercial Bank LTD., London Branch
Gulf International Bank B.S.C
International Bank Of Qatar (Q.S.C)
National Bank of Abu Dhabi
National Bank of Dubai P.J.S.C
The Arab Investment Company S.A.A (OBU)
Union National Bank

Registered Office
Damas LLC
P.O. Box 1522,
3rd Floor, New Gold Center,
Suite No 57/58,
Deira, Dubai – UAE

Damas LLC and its Subsidiaries

Consolidated financial statements
31 December 2007

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damas L.L.C.

Director's Report

To the Members of Damas LLC

The Directors are pleased to present the Annual Report 2007 and the audited financial statements for the year ended 31 December 2007

Financial results	(AED in millions)	
	2007	2006
Revenue	**3,538**	4,042
Revenue (excluding bullion)	**3,281**	2,579
Gross profit	**628**	482
Profit for the year	**209**	232

Damas had another year of good performance in 2007. Year 2007 also happened to be a centenary year for Damas. In spite of the high volatility in gold prices, Damas saw an overall increase of 27.2% in Jewellery sales as compared to 2006.

Crafted gold jewellery sales grew by 30.9% while diamond jewellery and others grew by 20.8% over previous year whereas the decrease in overall sales is primarily due to drop in bullion sales which are lower by 82.4% in 2007 as compared to 2006.

During the year we have achieved a net profit of AED 209 million in 2007 which is lower by 9.8% as against AED 232 million in 2006. But for the one-time effect of the non-recurring income in 2006 to the tune of AED 88 million, the increase in net profits would have been 45.3%.

In line with the policy of expansion and organic growth, we continued with opening of new stores in new locations and new territories. As at 31 December 2007, the Group operated a total of 438 stores in 18 countries of which 318 stores were operated by Group's own subsidiaries and 120 through jointly controlled entities and associates.

As at 31 December 2007, the group had employed more than 2,800 employees and all our achievements have been possible because of the immense support extended by our strong Damas family. We take this opportunity to thank each one of them for their continued dedication and hard work.

On behalf of the Board of Directors

Mr. Tawhid Abdulla
Managing Director

ERNST & YOUNG

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DAMAS LLC

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Damas LLC ("the Company") and its subsidiaries, associates and joint ventures (collectively referred to as "the Group"), which comprise the consolidated balance sheet as at 31 December 2007, and the consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes. The consolidated financial statements of the Group as of 31 December 2006 were audited by another auditor whose report dated 24 May 2007, expressed an unqualified opinion on those statements, as originally stated.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the applicable provisions of the articles of association of Damas LLC and the UAE Commercial Companies Law of 1984 (as amended). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 financial statements in order to design audit procedures that are appropriate for 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 financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2007, 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 include in all material respects, the applicable requirements of the UAE Commercial Companies Law of 1984 (as amended) and the articles of association of the Company; proper books of account have been kept by the Company; an inventory was duly carried out and the contents of the report of the Directors relating to these financial statements are consistent with the books of account. 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 UAE Commercial Companies Law of 1984 (as amended) or of the articles of association of the Company have occurred during the year which would have had a material effect on the business of the Company or on its financial position.

Ernst & Young

17 May 2008

Dubai

CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2007

	Notes	*2007* *AED' 000*	*2006* *AED' 000* (restated)
Revenue		**3,538,141**	4,041,862
Cost of sales		**(2,910,173)**	(3,560,322)
Gross profit		**627,968**	481,540
General administration, selling and distribution expenses	5	**(416,856)**	(338,362)
Finance costs	6	**(107,620)**	(72,416)
Finance income		**33,830**	29,210
Share of results of associates and jointly controlled entities	7	**42,261**	39,133
Income on disposal of associates		-	75,338
Other income	8	**29,543**	17,475
Profit for the year		**209,126**	231,918
Attributable to:			
Shareholders of the company		**204,051**	229,339
Minority interest		**5,075**	2,579
		209,126	231,918
Basic and diluted earnings per share (EPS) in AED	24	**143.60**	161.39

The attached notes 1 to 33 form part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

Year ended 31 December 2007

	Notes	***2007 AED' 000***	*2006 AED' 000*
ASSETS			
Non current assets			
Property, plant and equipment	9	**218,888**	169,380
Goodwill	10	**558,510**	551,144
Intangible assets	11	**56,223**	38,161
Investments accounted for using the equity method	12 (a)	**376,798**	231,440
Other financial assets	12 (b)	**181,351**	123,449
Long term loans to related parties	16	**111,701**	51,515
		1,503,471	1,165,089
Current assets			
Inventories	13	**1,497,704**	1,225,390
Margin to trade payables against unfixed gold	13	**9,339**	161,782
Accounts receivable and prepayments	14	**510,477**	594,910
Bank balances and cash	15	**1,364,479**	864,769
Due from related parties	16	**105,581**	62,639
Shareholders' current accounts	17	**81,008**	74,032
		3,568,588	2,983,522
TOTAL ASSETS		**5,072,059**	4,148,611
EQUITY AND LIABILITIES			
Equity			
Share capital	18	**1,421,000**	1,421,000
Statutory reserve	19	**72,564**	52,240
Currency translation reserve	19	**5,923**	(766)
Retained earnings		**309,067**	224,735
Revaluation reserve		**-**	1,119
Attributable to shareholders of the Company		**1,808,554**	1,698,328
Minority interest		**51,264**	25,369
Total equity		**1,859,818**	1,723,697
Non-current liabilities			
Bank borrowings	20	**1,209,591**	207,720
Long term loans from shareholders	21	**150,000**	150,000
Employees' end of service benefits		**16,672**	12,747
		1,376,263	370,467
Current liabilities			
Bank borrowings	20	**661,912**	543,394
Accounts payable and accruals	22	**818,444**	1,350,611
Margin from trade receivables against unfixed gold	13	**260,379**	76,777
Due to related parties	16	**95,243**	83,665
		1,835,978	2,054,447
Total liabilities		**3,212,241**	2,424,914
TOTAL EQUITY AND LIABILITIES		**5,072,059**	4,148,611

The attached notes 1 to 33 form part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2007

	Note	*2007* *AED' 000*	*2006* *AED' 000*
OPERATING ACTIVITIES			
Profit before tax		**209,126**	231,918
Adjustments for:			
Depreciation	9	**31,408**	20,314
Intangible assets amortised	11	**8,772**	3,347
Provision for inventories	5	**8,332**	7,135
Provision for employees' end of service benefits (net)		**3,925**	1,428
Finance income		**(33,830)**	(29,210)
Finance cost		**100,349**	72,416
Profit on disposal of investment in associate		**-**	(75,338)
(Profit)/loss on disposal of property, plant and equipment		**(95)**	88
Share of results of associates and jointly controlled entities	7	**(42,261)**	(39,133)
Unrealized gain on revaluation of forward contracts		**(1,881)**	(10,904)
Gain on fair valuation of investments designated as fair value through profit or loss		**(12,459)**	-
Gain on disposal of investments designated as fair value through profit or loss		**(2,307)**	-
(Profit)/loss on sale of available for sale investments		**(390)**	307
		268,689	182,368
Working capital changes:			
Inventories		**(286,882)**	(228,804)
Accounts receivables and prepayments		**78,141**	(144,697)
Margin to trade payables against unfixed gold		**152,443**	(143,379)
Due from related parties		**(51,636)**	(27,727)
Due to related parties		**11,573**	52,407
Trade payables and other liabilities		**(511,685)**	863,883
Margin from trade receivables against unfixed gold		**183,602**	(114,105)
Cash (used in) from operations		**(155,755)**	439,946
Interest paid		**(102,010)**	(67,759)
Net cash (used in) from operating activities		**(257,765)**	372,187
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(84,708)**	(70,155)
Additions to intangibles		**(21,604)**	(16,945)
Proceeds from disposal of property, plant and equipment		**262**	462
Proceeds from disposal of investment in an associate		**918**	25,000
Acquisition of subsidiaries, net of cash acquired		**(4,093)**	(9,126)
Changes in the status of subsidiaries		**4,839**	-
Interest in joint ventures and associates acquired during the year		**(12,749)**	(112,032)
Proceeds from disposal of available for sale investments		**2,348**	6,072
Purchase of available for sale investments		**(41,615)**	-
Purchase of investments designated as fair value through profit and loss account		**(97,474)**	(614)
Proceeds from disposal of investments designated as fair value through profit and loss account		**7,586**	-
Advance against investments	12(b)	**-**	(85,864)
Dividends received		**4,228**	9,524
Net foreign exchange differences		**3,466**	87
Net cash used in investing activities		**(238,596)**	(253,591)

The attached notes 1 to 33 form part of these consolidated financial statements.

Consolidated cash flow statement (continued)

	Note	***2007*** ***AED' 000***	*2006* *AED' 000*
FINANCING ACTIVITIES			
Term loans availed during the year		**1,872,688**	310,160
Term loans repaid during the year		**(611,268)**	(163,169)
Net movement in trust receipts		**(14,114)**	12,525
Net movement in local bills discounting		**(5,733)**	6,507
Interest on fixed deposit		**32,629**	28,613
Fixed deposits placed under lien		**(132,836)**	(410,862)
Shareholders drawings		**(64,209)**	(123,708)
Dividend paid		**(42,237)**	(39,750)
Net movement in minority interest		**8,433**	5,925
Net movement in long term loan to related parties		**(63,381)**	9,762
Net cash from (used in) financing activities		**979,972**	(363,997)
INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		**483,611**	(245,401)
Cash and cash equivalents at the beginning of the year		**(184,490)**	60,911
Cash and cash equivalents at the end of the year	15	**299,121**	(184,490)

The attached notes 1 to 33 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2007

	Attributable to share holders of the Company							
	Share capital AED'000	*Statutory reserve AED'000*	*Currency translation reserve AED'000*	*Retained earnings AED'000*	*Revaluation reserve AED'000*	*Total share holders equity AED'000*	*Minority interest AED'000*	*Total equity AED'000*
At 1 January 2007	1,421,000	52,240	(766)	224,735	1,119	1,698,328	25,369	1,723,697
Currency translation adjustment	-	-	6,878	-	-	6,878	-	6,878
Fair value adjustment on business combination	-	75	5	-	-	80	-	80
Change in status to associate	-	-	(194)	-	(1,119)	(1,313)	-	(1,313)
Total income and expense for the year recognised directly in equity	-	75	6,689	-	(1,119)	5,645	-	5,645
Profit for the year	-	-	-	204,051	-	204,051	5,075	209,126
Total income and expense for the year	-	75	6,689	204,051	(1,119)	209,696	5,075	214,771
Transfer to statutory reserve	-	20,249	-	(20,249)	-	-	-	-
Minority interest acquired on business combination	-	-	-	-	-	-	327	327
Other movements,net	-	-	-	-	-	-	20,493	20,493
Dividend for the year 2006	-	-	-	(99,470)	-	(99,470)	-	(99,470)
At 31 December 2007	**1,421,000**	**72,564**	**5,923**	**309,067**	**-**	**1,808,554**	**51,264**	**1,859,818**

The attached notes 1 to 33 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2007

	Attributable to share holders of the Company							
	Share capital AED'000	*Statutory reserve AED'000*	*Currency translation reserve AED'000*	*Retained earnings AED'000*	*Revaluation reserve AED'000*	*Total share holders equity AED'000*	*Minority interest AED'000*	*Total equity AED'000*
At 1 January 2006	1,421,000	28,735	(2,540)	118,371	-	1,565,566	11,212	1,576,778
Currency translation adjustment	-	-	1,774	-	-	1,774	-	1,774
Fair value adjustments on business combination	-	-	-	-	1,539	1,539	-	1,539
Adjustments for fair value realised on sale of inventory	-	-	-	-	(420)	(420)	(476)	(896)
Total income and expense for the year recognised directly in equity	-	-	1,774	-	1,119	2,893	(476)	2,417
Profit for the year	-	-	-	229,339	-	229,339	2,579	231,918
Total income and expense for the year	-	-	1,774	229,339	1,119	232,232	2,103	234,335
Transfer to statutory reserve	-	23,505	-	(23,505)	-	-	-	-
Minority interest acquired on business acquisitions	-	-	-	-	-	-	5,959	5,959
Other movements, net	-	-	-	-	-	-	6,095	6,095
Dividend for the year 2005	-	-	-	(99,470)	-	(99,470)	-	(99,470)
At 31 December 2006	1,421,000	52,240	(766)	224,735	1,119	1,698,328	25,369	1,723,697

The attached notes 1 to 33 form part of these consolidated financial statements.

1 ACTIVITIES

Damas LLC ("the Company") is a Limited Liability Company registered in Dubai, United Arab Emirates ("UAE") established on April 14, 1994 as per commercial registration certificate no. 41717 issued by the Department of Economic Development. The Company's registered office is at P.O. Box 1522, 3rd Floor, New Gold Center, Suite No. 57/58, Deira, Dubai, UAE. The Group is primarily involved in the business of trading in gold and gold jewellery, diamond jewellery, pearls, watches, silver and precious stones on wholesale and retail basis. The consolidated financial statements of the Company as at 31 December 2007 comprise the Company and the subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

The following shareholders have contributed to the capital and share profit and losses in the given ratios as at 31 December 2007:

		% of Holding	Number of Shares
Mr. Tawfique Abdulla	UAE National	21.933%	311,666
Mr. Tawhid Abdulla	UAE National	23.183%	329,429
Mr. Tamjid Abdulla	UAE National	21.933%	311,666
Amwal Al Khaleej Commercial Investment Company	KSA Company	23.125%	328,602
Al Fahim Group of Companies	UAE Company	4.884%	69,408
Abdulla Nasser Hawaileel Al Mansouri	UAE National	4.942%	70,229

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. The consolidated financial statements have been presented in United Arab Emirates Dirhams ("AED"), rounded to the nearest thousand ("AED '000) except where otherwise stated.

The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of:

• Derivative financial instruments;
• Financial instruments at fair value through profit or loss;
• Available for sale financial assets.

Changes in accounting policies
The accounting polices adopted are consistent with those used in the preparation of the financial statements for the period ended 31 December 2006, except as follows:

Restatement of revenue and cost of sales
During 2007 the Company has changed its accounting policy with respect to revenue by including the value of gold sold in its revenue and cost of sales line in order for revenue and cost of sales to better reflect the economic substance of it sales transactions. Both revenue and cost of sales for the year ended 31 December 2006 were increased by AED 2,832 million for the purposes of the comparatives in these financial statements.

New accounting standards and interpretations
The Group has adopted the following new and amended IFRS and IFRIC interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Group. They did however give rise to following additional disclosures:

• IFRS 7 *Financial Instruments: Disclosures*
• IAS 1 *Amendment - Presentation of Financial Statements*
• IFRIC 8 *Scope of IFRS 2 Share Based Payments*
• IFRIC 9 *Reassessment of Embedded Derivatives*
• IFRIC 10 *Interim Financial Reporting and Impairment*

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

New Standards and Interpretations (continued)

The principal effects of these changes are as follows:

IFRS 7 *Financial Instruments: Disclosures*
This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. These new disclosures are shown in notes 14 and 27.

IAS 1 *Presentation of Financial Statements*
This amendment requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in note 27.

IFRIC 8 *Scope of IFRS 2 Share Based Payments*
This interpretation requires IFRS 2 to be applied to any arrangements in which the entity cannot identify specifically some or all of the goods received, in particular where equity instruments are issued for consideration which appears to be less than fair value. As equity instruments are only issued to employees in accordance with the employee share scheme, the interpretation had no impact on the financial position or performance of the Group.

IFRIC 9 *Reassessment of Embedded Derivatives*
IFRIC 9 states that the date to assess the existence of an embedded derivative is the date that an entity first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has no embedded derivative requiring separation from the host contract, the interpretation had no impact on the financial position or performance of the Group.

IFRIC 10 *Interim Financial Reporting and Impairment*
The Group adopted IFRIC Interpretation 10 as of 1 January 2007, which requires that an entity must not reverse an impairment loss recognized in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. As the Group had no impairment losses previously reversed, the interpretation had no impact on the financial position or performance of the Group.

Certain new standards, amendments to and interpretations of existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods but which the Group has not early adopted. Those that are applicable to the group are as follows:

1. IAS 1 ***'Presentation of Financial Statements (Revised)'*** effective for annual periods beginning on or after 1 January 2009 has been revised to enhance the usefulness of information presented in the financial statements. Management is considering the approach to meeting this requirement.

2. IFRS 2 ***'Amendments to IFRS 2 – Vesting Conditions and Cancellations'*** is required to be applied to periods beginning on or after 1 January 2009. This amendment clarifies the definition of non-vesting conditions and prescribes accounting treatment of an award that is cancelled because a non-vesting condition is not satisfied. This amendment will have no significant impact on the Group's financial statements.

3. IFRS 3 **'*Business Combinations (Revised)*'** and the amended version of **IAS 27** ***'Consolidated and Separate Financial Statements'***, effective for annual periods beginning on or after 1 July 2009, have been enhanced to, amongst other reasons, specify the accounting treatments for acquisition costs, contingent consideration, pre-existing relationships and reacquired rights. The revised standards include detailed guidance in respect of step acquisitions and partial disposals of subsidiaries and associates as well as in respect of allocation of income to non-controlling interests. Further, an option has been added to IFRS 3 to permit an entity to recognise 100 per cent of the goodwill of an acquired entity, not just the acquiring entity's portion of the goodwill. The impact of this standard on the Group is not expected to be significant.

4. IFRS 8 ***'Operating Segments'*** introduces the management approach to segment reporting. IFRS 8, which becomes mandatory for the Group's 2009 financial information, will require the disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's performance and allocate resources to them. Management is analysing the approach to be used in the segment information under IFRS 8.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

New Standards and Interpretations (continued)

5. IFRIC 14 –IAS 19 *'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'* clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements (MFR) on such assets. It also addresses when an MFR might give rise to a liability. IFRIC 14 will become mandatory for the Group's 2008 financial information, with retrospective application required. This will have no significant impact on the Group's financial statements.

6. Revisions to IAS 23 *'Borrowing costs'* have removed the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. An entity is, therefore, required to capitalise borrowing costs as part of the cost of such assets. The revised standard applies to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. This will have no impact on the Group as its accounting policy in this regard requires capitalization of borrowing costs.

7. IFRIC 11, IFRS 2 *'Group and Treasury Share Transactions'* effective for annual periods beginning on or after 1 March 2007 provides specific guidance on applying IFRS 2. It addresses share based payments involving an entity choosing or being required to buy its own equity instruments (treasury shares) to settle a share based payment obligation and the situation when the parent grants rights to its equity instruments to employees of its subsidiaries (both of which should be treated as equity-settled). In addition it addresses the situation when a subsidiary grants rights to equity instruments of its parent to its employees (which should be treated as cash settled). The Directors anticipate that the initial adoption of this standard will have no significant impact on the Group.

Basis of consolidation

Subsidiaries
The financial statements incorporate the financial statements of the Company and each of its controlled subsidiaries. The financial statements of subsidiaries are prepared for the same reporting year as the Company and where necessary, adjustments are made to the financial statements of the Group's subsidiaries to bring their accounting policies into line with those of the Group. The Group's investments in certain subsidiaries are held by certain directors and related parties for the beneficial interest of the Group.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the group. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. All intra-group balances and transactions, including unrealised profits, have been eliminated on consolidation.

Minority interests in subsidiaries consolidated by the group are disclosed separately from the group's equity and income statement. Losses attributable to minority interests in excess of the minority's interest in the net assets of the subsidiary are adjusted against the interest of the group unless there is a binding obligation on the part of the minority to contribute additional investment in the subsidiary.

Refer to note 32 for details of subsidiaries.

Associates and jointly controlled entities (equity accounted investments)
The Group's investment in its associates and jointly controlled entities is accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. A jointly controlled entity is one, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity.

Investments in associates and jointly controlled entities are carried in the balance sheet at cost, plus post-acquisition changes in the Group's share of net assets of the associate or the jointly controlled entity, less any impairment in value. The income statement reflects the Group's share of the results of its associates and jointly controlled entities.

The Group's investment in certain associates and jointly controlled entities is held by certain Directors and related parties for the beneficial interest of the Group.

Details of the Group's associated companies and jointly controlled entities are given in note 33.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies
The Company's functional and presentational currency is United Arab Emirates Dirhams. In the accounts of individual group companies, transactions in currencies other than a Company's functional currency are recorded at the prevailing rate of exchange at the date of the transaction. At the year end, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange prevailing at the balance sheet date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the rate of exchange as at the dates of the initial transactions. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated using the rate of exchange at the date the fair value was determined. All foreign exchange gains and losses are taken to the income statement with the exception of exchange differences arising on monetary assets and liabilities that form part of the Group's net investment in subsidiaries. These are taken directly to equity until the disposal of the net investment at which time they are recognised in the income statement.

The balance sheets of overseas subsidiaries are translated in to AED using the closing rate method, whereby assets and liabilities are translated at the rates of exchange prevailing at the balance sheet date. The income statements of overseas subsidiaries and joint ventures are translated at average exchange rates for the year. Exchange differences arising on the retranslation of net assets are taken directly to a separate component of equity.

On the disposal of a foreign entity, accumulated exchange differences are recognised in the income statement as a component of the gain or loss on disposal.

Investments and other financial assets
Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognised in profit or loss.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. After initial measurement held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial investments
Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss previously recorded in equity is recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value
The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis or other valuation models.

Amortised cost
Held-to-maturity investments and loans and receivables are measured at amortised cost. This is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

Derivative financial instruments
The Group holds derivative financial instruments to hedge its gold price risks and interest rate risk exposures. All derivative financial instruments are recognised initially at cost; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition derivative financial instruments are stated at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair values of gold futures and interest rate swap contracts are determined by reference to market values for similar instruments.

Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting are taken directly to profit or loss.

For the purposes of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability; or
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

The Group formally designates and documents the relationship between the hedging instrument and the hedged item at the inception of the transaction, as well as its risk management objectives and strategy for undertaking various hedge transactions. The documentation also includes identification of the hedging instrument, the hedged item or transaction, the nature of risk being hedged and how the group will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in the hedging transactions are highly effective in offsetting changes in fair values or cash flows of the hedged items.

The treatment of gains and losses arising from revaluing derivatives designated as hedging instruments depends on the nature of hedging relationship, as follows:

Fair value hedges
For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged; the derivative is remeasured at fair value and gains and losses from both are taken to the income statement. For hedged items carried at amortised cost, the adjustment is amortised through the income statement such that it is fully amortised by maturity.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the group revokes the designation.

Cash flow hedges
For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in the income statement. Amounts taken to equity are transferred to the income statement when the hedged transaction affects the income statement.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets
The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost
If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (ie the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognised in the income statement.

Assets carried at amortised cost (continued)
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, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in the income statement.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Available-for-sale financial investments
If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognised in profit or loss. Reversals of impairment losses on debt instruments are reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

Financial liabilities

Interest bearing loans and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs, and have not been designated 'as at fair value through profit or loss'.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Property, plant and equipment
Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Land and capital work in progress are not depreciated. Depreciation is calculated on a straight line basis over the estimated useful lives of the assets as follows:

Building	over 20 to 25 years
Vehicles	over 4 years
Furniture and fixtures	over 4 years
Office equipment	over 3 to 4 years
Machinery and accessories	over 4 years

Assets costing less than AED 5,000 are depreciated fully in the year of purchase. In respect of additions made during the year, full year's depreciation is charged for all assets purchased in the first half of the year and half year's depreciation is charged for all additions made in the second half of the year.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)
Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the income statement as the expense is incurred.

Business combinations and goodwill
Business combinations are accounted for using the purchase method.

Goodwill is initially measured at cost being the excess of the cost of the business combination over the Group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Stepped acquisition

When an acquisition is completed by a series of successive transactions, each significant transaction is considered individually for the purpose of determination of fair value of the identifiable assets, liabilities and contingent liabilities acquired and hence for the goodwill associated with the acquisition.

The fair values of the identifiable assets and liabilities acquired can vary at the date of each transaction. When a transaction results in taking control over the entity, the interest previously held in the entity is revalued on the basis of fair values of the identifiable assets and liabilities at that date. The contra posting for this revaluation is recorded directly in shareholders equity under revaluation reserve.

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Operating lease premium
Operating lease premium, included in intangible assets, represents the amount paid as premium to obtain key locations on rent. Such amounts are initially recognised at cost and in subsequent years these are stated at cost less accumulated amortisation and impairment losses, if any. Amortisation is charged to the income statement on a straight-line basis over the estimated useful life of intangible assets. Amortisation of these intangible assets is carried out over a period of 10 years from the date of initial recognition.

Distribution rights
Distribution rights are being amortised over a period of 5 years which represents the period over which the Group has contractually agreed the distribution rights with the principal.

Brand acquisition cost
Brand acquisition cost are amortised over a period of 15 years and relates to amount paid by the Group for purchase of rights to manufacture and distribute a brand of jewellery.

Impairment of non-financial assets
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

Goodwill
The Group assesses whether there are any indicators that goodwill is impaired at each reporting date. Goodwill is tested for impairment, annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than their carrying amount an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs its annual impairment test of goodwill as at 31 December.

Intangible assets
Intangible assets with indefinite useful lives are tested for impairment annually as of 31 December either individually or at the cash generating unit level, as appropriate.

Investment in associates and joint ventures
After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss of the Group's investment in its associates and joint ventures. The Group determines at each balance sheet date whether there is any objective evidence that the investment is impaired. If this is the case the Group calculates the amount of impairment as being the difference between the fair value of the associate or joint venture and the acquisition cost and recognises the amount in the income statement.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories
The cost of diamond jewellery, pearl jewellery and watches is determined based on specific identification method.

The cost of gold owned by the Group is determined on the basis of 12 months average purchase price.

The making charges related to inventory of own and unfixed gold jewellery is included in year-end inventories.

Inventories are stated at the lower of cost and net realizable value. Costs are those expenses incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

Accounts receivable
Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Cash and cash equivalents
For the purpose of the cash flow statement, cash and cash equivalents consist of cash in hand, bank balances, and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

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

Provisions
Provisions are recognised when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Employees' end of service benefits
The Group provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The provision has been calculated in accordance with the provisions of the UAE Federal Labour Law. Employees of subsidiaries, associates and joint ventures operating outside UAE are provided with benefits as per their relevant labour laws.The expected costs of these benefits are accrued over the period of employment.

Leases
Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Revenue recognition
Sale of goods
Revenue from sales of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

Interest income
Interest revenue is recognised as the interest accrues using the effective interest method, under which the rate used exactly discounts the estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Dividends
Revenue is recognised when the Group's right to receive the payment is established.

3 SEGMENT INFORMATION

The Group's operations are organised into four business segments: Gold bullion, gold jewellery (wholesale and retail), diamond jewellery (wholesale and retail) and silver, pearls, watches, precious stones and others (wholesale and retail) categorised as others. The accounting policies of the segments are the same as those described in note 2 above. The Group accounts for inter-segment sales as if the sales were to third parties, that is, at current market prices. The Group evaluates the performance of its segments and allocates resources to them based on this evaluation.

The Group's secondary segment reporting format is geographical. Geographical segments are based on the location of the group's assets. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers.

Business segments
The following tables present revenue and profit information and certain asset and liability information relating to the Group's business segments for the years ended 31 December 2007 and 2006. Included within the corporate, consolidation and eliminations columns are certain balances, which due to their nature, are not allocated to segments.

Year ended 31 December 2007

Amount in AED'000

Particulars	*Gold bullion*	*Gold jewellery*	*Diamond jewellery*	*Others*	*Unallocated and Corporate*	*Consolidation adjustments*	*Total*
External sales	257,533	2,149,245	934,410	196,953	-	-	3,538,141
Internal sales	-	1,349,178	381,897	95,476	-	(1,826,551)	-
Total revenue	257,533	3,498,423	1,316,307	292,429	-	(1,826,551)	3,538,141
Segment results	-	178,255	386,713	63,000	-	-	627,968
Unallocated corporate costs							
Cash Expenses	-	(905)	(72,222)	(7,332)	(286,182)	-	(366,641)
Non Cash expenses	-	(381)	(13,870)	(5,304)	(30,660)	-	(50,215)
Profit before finance income /costs	-	176,969	300,621	50,364	(316,842)	-	211,112
Finance costs	-	(14,470)	-	-	(93,150)	-	(107,620)
Finance income	-	-	-	-	33,830	-	33,830
Operational profit	-	162,499	300,621	50,364	(376,162)	-	137,322
Income from investments accounted for using equity method	-	6,142	4,041	14,057	18,021	-	42,261
Other income	-	-	-	-	29,543	-	29,543
Profit for the year	-	168,641	304,662	64,421	(328,598)	-	209,126

3 SEGMENT INFORMATION (continued)

Business segments (continued)

Year ended 31 December 2006

Amount in AED'000

Particulars	*Gold bullion*	*Gold jewellery*	*Diamond jewellery*	*Others*	*Unallocated and Corporate*	*Consolidation adjustments*	*Total*
External sales	1,462,779	1,642,229	681,034	255,820	-	-	4,041,862
Internal sales	-	818,719	365,210	59,176	-	(1,243,105)	-
Total revenue	**1,462,779**	**2,460,948**	**1,046,244**	**314,996**	**-**	**(1,243,105)**	**4,041,862**
Segment results	-	143,155	289,287	49,098	-	-	481,540
Unallocated corporate costs							
Cash Expenses	-	(118)	(55,047)	(4,622)	(247,708)	-	(307,495)
Non Cash expenses	-		(9,917)	(4,139)	(16,811)	-	(30,867)
Profit before finance income /costs	-	143,037	224,323	40,337	(264,519)	-	143,178
Finance costs	-	(8,875)	-	-	(63,541)	-	(72,416)
Finance income	-	-	-	-	29,210	-	29,210
Operational profit	-	134,162	224,323	40,337	(298,850)	-	99,972
Income from investment accounted for using equity method	-	-	5,305	5,463	28,365	-	39,133
Other income	-	-	-	-	92,813	-	92,813
Profit for the year	**-**	**134,162**	**229,628**	**45,800**	**(177,672)**	**-**	**231,918**

Geographical segments

The following tables present revenue, assets and capital expenditure by geographical segments for the years ended 31 December 2007 and 2006.

Year ended 31 December 2007

Amount in AED '000

Particulars	***UAE***	***GCC countries***	***Others***	***Consolidation adjustments and eliminations***	***Total***
Segment revenue	**4,745,070**	**338,542**	**281,080**	**(1,826,551)**	**3,538,141**
Carrying amount of segment assets	**4,772,378**	**25,346**	**274,335**	**-**	**5,072,059**
Capital expenditure					
Property, plant and equipments	**41,176**	**12,036**	**37,331**	**-**	**90,543**
Intangibles	**10,643**	**13,968**	**4,908**	**-**	**29,519**

3 SEGMENT INFORMATION (continued)

Geographical segments (continued)

Year ended 31 December 2006

Amount in AED '000

Particulars	*UAE*	*GCC countries*	*Others*	*Consolidation adjustments and eliminations*	*Total*
Segment revenue	4,936,,138	160,922	187,907	(1,243,105)	4,041,862
Carrying amount of segment assets	3,982,678	9,488	156,446	-	4,148,611
Capital expenditure					
Property, plant and equipments	41,385	2,756	35,075	-	79,216
Intangibles	14,219	862	4,957	_	20,038

4 ACQUISITION/ DISPOSAL OF SUBSIDIARIES

2007 Acquisitions/ disposals:

i. Acquisition of Damas & Al Ghannam Jewellery, Co. WLL

On 1 January, 2007 the Group acquired further 40% shares in Damas & Al Ghanam Jewellery, in addition to the 50% shares already held by the Group, for a purchase consideration of AED 7 million. Damas & Al Ghannam Jewellery, Co. WLL is a jewellery retailer in Kuwait.

The acquisition had the following effect on the Group's assets and liabilities on acquisition date.

		Pre-acquisition carrying amount AED '000	*Fair value adjustments AED '000*	***Recognised values on acquisition AED '000***
Property plant and equipment		5,835	-	**5,835**
Intangible assets		7,915	-	**7,915**
Inventories		9,765	-	**9,765**
Trade receivables		362	-	**362**
Prepayments and other receivables		7,975	-	**7,975**
Cash and cash equivalents		2,907	-	**2,907**
Bank borrowings		(2,500)	-	**(2,500)**
Trade and other payables		(32,665)	-	**(32,665)**
Net identifiable assets and liabilities		(406)	-	**(406)**
Net assets acquired (40%)				**(162)**
Goodwill on acquisition				**7,162**
Consideration paid, satisfied in cash	(A)			**7,000**
Cash acquired (100%)	(B)			**2,907**
Net cash out flow	(A-B)			**4,093**

The values of assets and liabilities recognised on acquisition are their estimated fair values.

4 ACQUISITION/ DISPOSAL OF SUBSIDIARIES (continued)

2007 Acquisitions/ disposals: (continued)

ii. Disposal of Damas Europe SPA and Dria SRL

As on 1 January 2007, the Group had restructured its investment in its subsidiaries Damas Europe SPA and Dria SRL by merging their operations with Adriano Facco SPA. As a result of the restructuring, the shareholding of the Group in Damas Europe SPA has decreased from 66% to 36.7% making the resulting entity an associate. The above restructuring did not impact the results for the year of the Group.

2006 Acquisitions:

i. Acquisition of Damas Europe SPA

On 6 October, 2006 the Group acquired further 36% shares in Damas Europe SPA, in addition to the 30% shares already held by the Group, for a purchase consideration of AED 4.67 million.
The acquisition had the following effect on the Group's assets and liabilities on acquisition date.

		Pre-acquisition carrying amount AED '000	*Fair value adjustments AED '000*	***Recognised values on acquisition AED '000***
Property plant and equipment		8,807	-	**8,807**
Intangible assets		3,093	-	**3,093**
Inventories		10,261	5,131	**15,392**
Trade receivables		9	-	**9**
Prepayments and other receivables		2,917	-	**2,917**
Cash and cash equivalents		128	-	**128**
Bank borrowings		(7,075)	-	**(7,075)**
Loans from shareholders		(2,133)	-	**(2,133)**
Trade and other payables		(12,945)	-	**(12,945)**
Net identifiable assets and liabilities		3,062	5,131	**8,193**
Net assets acquired (36%)				**2,949**
Goodwill on acquisition				**1,718**
Consideration paid, satisfied in cash	(A)			**4,667**
Cash acquired (100%)	(B)			**128**
Net cash out flow	(A-B)			**4,539**

The values of assets and liabilities recognised on acquisition are their estimated fair values.

4 ACQUISITION/ DISPOSAL OF SUBSIDIARIES (continued)

2006 Acquisitions: (continued)

ii. Acquisition of Dria srl

On 6 October, 2006 the Group acquired 70% shares in Dria srl for a purchase consideration of AED 0.88 million. The acquisition had the following effect on the Group's assets and liabilities on acquisition date.

		Pre-acquisition carrying amount AED '000	*Fair value adjustments AED '000*	***Recognised values on acquisition AED '000***
Property plant and equipment		254	-	**254**
Investments		458	-	**458**
Inventories		5,863	322	**6,185**
Trade receivables		10,652	-	**10,652**
Prepayments and other receivables		469	-	**469**
Cash and cash equivalents		(3,709)	-	**(3,709)**
Bank borrowings		(610)	-	**(610)**
Loans from shareholders		(905)	-	**(905)**
Trade and other payables		(12,343)	-	**(12,343)**
Net identifiable assets and liabilities		129	322	**451**
Net assets acquired (70%)				**316**
Goodwill on acquisition				**562**
Consideration paid, satisfied in cash	(A)			**878**
Overdraft acquired (100%)	(B)			**3,709**
Net cash out flow	(A+B)			**4,587**

The values of assets, liabilities and contingent liabilities recognised on acquisition are their estimated fair values

Goodwill recognised on the acquisition of the above entities is mainly attributable to the skills and expertise of the acquired business work force and the synergies expected to be achieved from integrating the entities into the Group's existing business.

5 GENERAL ADMINISTRATION, SELLING AND DISTRIBUTION EXPENSES

Included in general administration, selling and distribution expenses:

	2007 AED' 000	*2006 AED' 000*
Personnel expenses	**137,864**	97,841
Advertising, sales promotion/marketing and selling expenses	**87,273**	86,539
Administrative expenses	**79,028**	76,291
Rent	**62,476**	46,824
Depreciation (refer note 9)	**31,408**	20,314
Amortisation of intangible assets (refer note 11)	**8,772**	3,347
Provision for slow moving inventory	**8,332**	7,135
Bad debts written off	**1,703**	71
	416,856	338,362

6 FINANCE COSTS

	2007 AED' 000	*2006 AED' 000*
Term loan interest	**51,940**	26,382
Gold loan interest	**14,470**	8,875
Overdraft interest	**11,397**	16,532
Other bank charges	**22,542**	20,627
Loss on fair valuation of interest rate swaps	**7,271**	-
	107,620	72,416

7 INCOME FROM JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

	2007 AED' 000	*2006 AED' 000*
Share of income from jointly controlled entities (refer note 12(a))	**22,797**	12,837
Share of income from associates * and ** (refer note 12 (a))	**19,464**	26,296
	42,261	39,133

*Income from associates includes Nil (2006: AED 12.72 million) of income from Metamorph Real Estate WLL, Kuwait. Refer note 12 (a) (2).

** Income from associates is net of provision of AED 3.2 million (2006: Nil) made for losses incurred by an associate in excess of contributed capital. For balance sheet presentation purposes the same has been presented as a provision against long term dues from this associate.

8 OTHER INCOME

	2007 AED' 000	*2006 AED' 000*
Gain on fair valuation of investments designated as fair value through profit or loss	**12,459**	-
Income on consignment ventures	**6,162**	9,825
Miscellaneous income	**10,922**	7,650
	29,543	17,475

9 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings AED' 000	*Vehicles AED' 000*	*Furniture and fixtures AED' 000*	*Office equipment AED' 000*	*Machinery and accessories AED' 000*	*Capital work-in-progress AED' 000*	*Total AED' 000*
Cost							
At 1 January 2007	46,068	8,854	87,119	14,261	14,351	74,962	245,615
Aquisition of a subsidiary (refer note 4)	-	-	5,835	-	-	-	5,835
Additions	10,549	1,364	42,080	4,353	6,321	20,041	84,708
Transfers	49,679	-	447	214	(203)	(50,137)	-
Disposals	(43)	(594)	(2,311)	-	(287)	-	(3,235)
Disposal of a subsidiary (refer note 4)	-	(21)	(9,987)	(808)	(5)	-	(10,821)
Currency translation	416	2	310	154	147	41	1,070
At 31 December 2007	**106,669**	**9,605**	**123,493**	**18,174**	**20,324**	**44,907**	**323,172**
Depreciation							
At 1 January 2007	2,024	7,257	51,405	7,421	8,128	-	76,235
Charge for the year	2,755	1,150	17,606	4,234	5,663	-	31,408
Transfers	-	-	-	192	(192)	-	-
Disposals	(43)	(557)	(2,267)	-	(201)	-	(3,068)
Disposal of a subsidiary	-	(1)	(696)	(121)	(2)	-	(820)
Currency translation	19	2	98	79	331	-	529
At 31 December 2007	**4,755**	**7,851**	**66,146**	**11,805**	**13,727**	**-**	**104,284**
Net book value							
At 31 December 2007	**101,914**	**1,754**	**57,347**	**6,369**	**6,597**	**44,907**	**218,888**

Land and building amounting to AED 13 million (cost) (2006: AED 14.58 million) is held in the name of directors/their relatives for the beneficial interest of the Group. Capital work-in-progress amounting to AED 6.71 million (cost) (2006: AED 6.71 million) is held in the name of Oriental Int. Co. for Gold and Jewellery Trade, a related party for the beneficial interest of the Group.

Capital work in progress mainly includes cost of construction work related to ALMAS Tower 53A (office building) amounting to AED 6.45 million, ALMAS Tower 54A (office building) amounting to AED 6.41 million, AU Tower (office building) amounting to AED 7.26 million, Emirates hills first (office buildings) amounting to AED 5.6 million and Umm Uthaina South, Jordan (commercial shop) amounting to AED 8.2 million.

Property, plant and equipment amounting to AED 28 million (cost) (2006: AED 22.58 million) is mortgaged with banks against loans obtained by the Group. Also refer note 20.

9 PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and buildings AED' 000	*Vehicles AED' 000*	*Furniture and fixtures AED' 000*	*Office equipment AED' 000*	*Machinery and accessories AED' 000*	*Capital work-in-progress AED' 000*	*Total AED' 000*
Cost							
At 1 January 2006	28,157	9,236	59,295	10,254	8,520	51,945	167,407
Acquisition of subsidiaries	-	21	8,216	819	5	-	9,061
Other additions	9,805	366	20,128	5,031	4,901	29,924	70,155
Transfers	6,941	-	1,378	(1,865)	487	(6,941)	-
Disposals	-	(771)	(2,027)	(39)	(137)	-	(2,974)
Currency translation	1,165	2	129	61	575	34	1,966
At 31 December 2006	46,068	8,854	87,119	14,261	14,351	74,962	245,615
Depreciation							
At 1 January 2006	895	6,698	41,193	4,753	4,289	-	57,828
Charge for the year	1,109	1,166	11,468	3,288	3,283	-	20,314
Transfers	-	(10)	414	(625)	221	-	-
Disposals	-	(597)	(1,732)	(26)	(69)	-	(2,424)
Currency translation	20	-	62	31	404	-	517
At 31 December 2006	2,024	7,257	51,405	7,421	8,128	-	76,235
Net book value							
At 31 December 2006	44,044	1,597	35,714	6,840	6,223	74,962	169,380

10 GOODWILL

	2007 AED' 000	2006 AED' 000
Cost:		
As at 1 January	**551,144**	548,626
Additions during the year (refer note 4(i))	**7,162**	2,280
Currency translation reserve	**2,484**	238
Goodwill related to subsidiaries disposed (refer note 4 (ii))	**(2,280)**	-
Net book value as at 31 December	**558,510**	551,144

Impairment test for goodwill

The balance at the year end represents goodwill on the acquisition of Damas Jewellery LLC; DIT Group, Italy (formerly Stefan Hafner SPA, Italy) and Damas & Al Ghannam Jewellery Co. WLL. Annual impairment testing for goodwill is carried by management at 31 December. The impairment test is based on a "value in use" calculation. These calculations have used cash flow projections based on actual operating results and future expected performance. Cash flow projections beyond five years are projected using a 4% growth rate. The growth rate is considered appropriate considering the nature of the industry and the general growth in the economic activity witnessed in the region where these entities operate. A discount rate of 8% has been used in discounting the cash flows projected.

11 INTANGIBLE ASSETS

	2007 AED' 000	2006 AED' 000
Cost:		
As at 1 January	**53,819**	33,781
Operating lease premium additions during the year	**17,536**	2,490
Acquisition of a subsidiary (refer note 4(i))	**7,915**	3,093
Distribution rights acquired	-	11,025
Brand acquisition cost paid during the year	**4,068**	3,430
Disposal of subsidiaries	**(2,685)**	-
As at 31 December	**80,653**	53,819
Amortisation and impairment:		
As at 1 January	**15,658**	12,311
Amortisation	**8,772**	3,347
As at 31 December	**24,430**	15,658
Net book value:		
As at 31 December	**56,223**	38,161

12 (a) INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	2007 AED' 000	*2006 AED' 000*
Investments in jointly controlled entities (refer note 1 below)	**204,929**	154,798
Investments in associates (refer note 2 below)	**171,869**	76,642
Balance at 31 December	**376,798**	231,440

Note 1:
The movement in investments in jointly controlled entities is as follows:

	2007 AED' 000	*2006 AED' 000*
Balance as at 1 January	**154,798**	20,681
Investments made during the year	**27,334**	126,280
Dividend received during the year	**-**	(5,000)
Share of profit recognised during the year (refer note 7)	**22,797**	12,837
Balance as at 31 December	**204,929**	154,798

Summary financial information on jointly controlled entities – 100 percent

			2007 (AED'000)		
Names of jointly controlled entities	**Assets**	**Liabilities**	**Equity***	**Revenue**	**Profit/(loss)**
Premium Investments International LLC	100,651	40,849	59,802	33,773	7,998
Paspaley Pearl Jewellery LLC	23,405	22,913	492	12,120	607
Trading House Kristall DMCC	3,807	2,810	997	4,073	260
D'Damas Jewellery (India) Pvt. Ltd.	85,695	67,820	17,875	54,998	1,346
Al Manara	148,054	23,589	124,465	93,704	13,923
Al Zain Trading Co. WLL	163,431	86,460	76,971	79,146	8,975
Time Center LLC	36,393	31,737	4,656	37,410	3,431
Damas Toomban Pvt. Ltd	8,023	6,650	1,373	3,572	1,154
Damas Saudi Arabia Company Ltd.	117,061	7,520	109,541	107,018	(110)
Deepu Jewellery DMCC	272,115	230,027	42,088	539,809	12,285
Roberto Coin Middle East LLC	11,529	11,466	63	1,380	(237)
Flamingo Jewellery India Pvt Ltd	3,817	3,733	84	717	(200)

			2006 (AED'000)		
Names of jointly controlled entities	**Assets**	**Liabilities**	**Equity***	**Revenue**	**Profit/(loss)**
Premium Investments International LLC	70,405	36,842	33,563	34,457	10,630
Paspaley Pearl Jewellery LLC	17,610	17,726	(116)	7,690	(441)
Damas & Al Ghannam Jewellery Co. WLL	63,332	64,081	(749)	78,679	(1,374)
Trading House Kristall DMCC	2,004	1,257	747	2,844	77
D'Damas Jewellery (India) Pvt. Ltd.	82,209	64,750	17,459	40,280	957
Al Manara	133,939	23,397	110,542	71,951	10,542
Al Zain Trading Co. WLL	141,027	36,842	104,185	42,006	4,721
Time Center LLC	19,731	18,506	1,225	8,042	925
Damas Toomban Pvt. Ltd	2,704	2,701	3	-	-
Damas Saudi Arabia Company Ltd.	70,936	45,545	25,391	11,445	(413)

* Equity includes retained earnings/(accumulated losses)

12 (a) INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

Refer to note 33.1 for details of jointly controlled entities.

Details of new investments made in 2007

Deepu Jewellery DMCC
During the year, the Group acquired a 51 % shareholding in Deepu Jewelers DMCC (although the profit sharing is 50-50). Deepu Jewelers DMCC is involved in the business of manufacture and distribution of gold and diamond jewellery. The acquisition of the Group's interest in the entity was formalized on 10 April 2007 with the signing and registration of the Memorandum and Articles of the entity.

During the year, the Group has recognised AED 6.14 million as its share of income from this entity.

Roberto Coin Middle East LLC:
During the year the Group invested 50% in Roberto Coin Middle East LLC, a jointly controlled entity. This entity commenced its operations in the month of July 2007 by opening its first 'Roberto Coin' branded jewellery boutique at Wafi Mall, Dubai. During the year, the Group has recognised a loss of AED 0.118 million as its share of loss from this entity.

Flamingo Jewellery India Pvt Ltd:
During the year the Group invested 51% in Flamingo Jewellery India Pvt. Ltd., a jointly controlled entity. This entity is into setting up of duty free shops in various locations in India. During the year the Group has absorbed a loss of AED 0.1 million as its share in loss of this entity.

Note 2:
The movement of investment in associates is as follows:

	2007	*2006*
	AED' 000	*AED' 000*
Balance at 1 January	**76,642**	57,432
Investments made during the year	**71,279**	22,849
Change in status to associate	**7,342**	-
Disposed of during the year	**(918)**	(24,662)
Change in status to subsidiary	-	(749)
Dividend received	**(5,135)**	(4,524)
Share of profit recognised during the year (refer note 7)	**19,464**	26,296
Share of losses of an associate in excess of contributed capital netted against long term loans	**3,195**	-
Balance at 31 December	**171,869**	76,642

Summary financial information on associates – 100 percent

			2007		
			(AED'000)		
Names of associates	**Assets**	**Liabilities**	**Equity***	**Revenue**	**Profit/(Loss)**
Damas & Chalco General Trading Co LLC	38,169	33,397	4,772	14,908	(333)
Damas Mucevherat	31,677	20,047	11,630	46,276	739
Carati Jewellery S.A.L**	-	-	-	-	-
Style Avenue Middle East FZ Company	86,982	38,065	48,917	137,799	12,493
Daiso Japan Value Stores LLC	11,706	8,161	3,545	25,560	3,420
LTC International General Trading Co.	14,823	29,268	(14,445)	32,165	(9,128)
LTC International Qatar LLC	21,409	21,263	146	51,584	9,950
Daiso Trading	3,705	528	3,177	4,938	790
DPG Diamonds DMCC	604	367	237	-	-
Al Mana Jewellery Co. - Damas WLL	22,533	15,036	7,497	141,276	10,540
Al Baraka Jewellery	10,082	4,398	5,684	20,711	471
Himo LLC	17,550	261	17,289	6,077	3,704
Lucci 2 SARL	10,020	4,005	6,015	6,292	1,762
The Jewellery Stores DMCC	41,540	7,081	34,459	4,539	(4,424)
Metamorph Real Estate WLL **	-	-	-	-	-
Tanya collections limited	39,848	27,309	12,539	27,144	(1,894)

12 (a) INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

Summary financial information on associates – 100 percent **(continued)**

			2007 ***(AED'000)***		
Names of associates	**Assets**	**Liabilities**	**Equity***	**Revenue**	**Profit/(Loss)**
Emirates Jewellery Manufacturing Company	4,002	3,702	300	-	-
Islanders Maldives Pvt Ltd	18,487	12,376	6,111	37,668	1,816
Felopateer Palace	97,061	67,785	29,275	94,681	16,034
Crescendo Jewellery Design Ltd	30,163	21,434	8,729	58,350	4,181
Damas Europe SPA	84,362	61,046	23,316	62,201	(9,688)

			2006 *(AED'000)*		
Names of associates	**Assets**	**Liabilities**	**Equity***	**Revenue**	**Profit/(Loss)**
Damas & Chalco General Trading Co LLC	14,109	8,944	5,165	11,206	251
Damas Mucevherat	20,394	19,564	830	25,107	242
Carati Jewellery S.A.L**	-	-	-	-	-
Style Avenue Middle East FZ Company	85,059	48,636	36,423	104,298	6,268
Daiso Japan Value Stores LLC	9,790	5,289	4,501	20,368	1,502
LTC International General Trading Co.	24,849	28,736	(3,887)	31,400	(4,523)
LTC International Qatar LLC	17,571	9,803	7,768	38,857	5,938
Daiso Trading	2,635	524	2,111	3,934	742
DPG Diamonds DMCC	2,437	2,200	237	1,018	(71)
Al Mana Jewellery Co. - Damas WLL	19,926	16,159	3,767	111,701	6,759
Al Baraka Jewellery	12,881	7,672	5,209	19,185	473
Himo LLC	5,749	812	4,937	4,010	3,800
Lucci 2 SARL	8,142	3,863	4,279	7,196	2,831
The Jewellery Stores DMCC	36,165	9,620	26,545	1,463	(1,360)
Metamorph Real Estate WLL ***	54,427	7,985	46,442	50,856	42,411
Premium Investments, Kuwait	1,079	1,856	(777)	575	(1,409)

Refer to note 33.2 for details of associates

Details of new investments made in 2007

Tanya Collections Ltd
During the year the Group has acquired 49 % of Tanya Collections Ltd, Bangkok whose main activity is diamond jewellery manufacturing. The Group recognised AED 0.928 million as its share of loss from this entity, for the period ended 31 December 2007.

Emirates Jewellery Manufacturing Company
The Group has entered into an agreement with Emaar Industries & Investments PJSC and a new limited liability company in UAE has been formed with the Group acquiring a 48 % interest.

This entity would be engaged in the manufacture of gold and diamond jewellery and has commenced operations after the balance sheet date.

Islanders Maldives Pvt Ltd
The Group has entered into an agreement with Islanders Maldives to invest 50% in the capital of the company which is involved in the business of selling Luxury Brands – Watches, Cameras, Dive Gears, Sunglass, Travel Luggage and Electronics products in Male International Airport – Duty Free and Evince Outlet in Male' Downtown. For the year 2007 the group has recognized AED 0.90 million as its share of profit from this entity.

12 (a) INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

Details of new investments made in 2007 (continued)

Felopateer Palace
During the year the Group has invested 45% in the share capital of Felopateer Palace, an Egyptian company engaged in the business of trading in watches. During the year the group has recognized AED 7.22 million as its share in profit of this entity.

Crescendo Jewellery Design Ltd
During the year the Group has acquired 27 % of Crescendo Jewellery Design Ltd, Hong Kong whose main activity is diamond jewellery manufacturing. The Group recognised AED 1.1 million as its share of loss from this entity, for the period ended 31 December 2007.

Damas Europe SPA:
During the year the Group restructured its investment in a subsidiary Damas Europe SPA by merging its operations with Adriano Facco SPA. As a result of this restructuring the shareholding of the Group decreased from 66% to 36.7% thus making the entity an associate. (Please refer to note 4(ii))

* Equity includes retained earnings/ (accumulated losses).

**For the years 2007 and 2006, the Group was not been able to obtain any financial information with respect to these associates. The Directors of the Company have confirmed that the absence of financial information regarding this associate does not have a material impact on the financial statements of the Group.

***During the year 2006 the Group acquired a 30% investment in Metamorph Real Estate WLL ("Metamorph") which was established in conjunction with other investors to develop a shopping & entertainment centre in Kuwait. During the year 2006, the Group recognised AED 12.72 million as its share of profit from the associate. The total income of the associate, in 2006, included AED 50.8 million earned from the assignment to a third party, in May 2006, of portion of leasehold interest in land acquired by the associate on a long term lease (lease for 20 years). The one time premium of AED 50.8 million was settled to the associate and the third party has agreed to take over all the rights and obligations of Metamorph under the original lease. However, Metamorph's agreement with the third party provides for the transfer of the leasehold interest to be only effective on the approval of the assignment by the original owner of the land and a department of the Kuwait government. These approvals are outstanding at the balance sheet date.

The Directors of Damas LLC have confirmed that on the basis of this understanding between the parties involved the necessary approvals for the assignment will be forthcoming and with the collection of the amount of the consideration, the transaction has been finalised and any uncertainty in respect of the collectability of the revenue removed. Accordingly, they have confirmed the inclusion of the above income in the financial statements of the Group in 2006. The Directors have also provided an indemnity to the Company to make good any loss to the Company if the necessary approvals are not obtained.

12 (b) OTHER FINANCIAL ASSETS

	2007	*2006*
	AED' 000	*AED' 000*
Investments available for sale (refer note 1 below)	**46,865**	7,140
Investment designated as fair value through profit or loss (refer note 1 and note 2 below)	**115,754**	11,713
Investments held to maturity (refer note 20)	**18,732**	18,732
Advance against investment	**-**	85,864
Balance at 31 December	**181,351**	123,449

Note 1:
As at 31 December, these investments are held by a related party who has confirmed holding the same for the beneficial interest of the Group.

Note 2:
Investments designated as fair value through profit or loss represents shares in quoted equity securities.

13 INVENTORIES

	2007 AED' 000	2006 AED' 000
Cost of inventory on hand (net of consignment inventory) (gold and gold jewellery, diamonds, pearls, watches, silver and other precious stones)	**2,440,194**	1,728,212
Gold unfixed with trade receivables	**553,609**	257,502
Gold unfixed with jointly controlled entities/associated companies	**127,330**	146,794
Provision for gold purchases (refer note 22)	**261,232**	821,082
Gold (unfixed) received on loan from Banks (refer note 23)	**(1,771,697)**	(1,499,107)
Gold unfixed from trade payables	**(56,476)**	(167,046)
Gold unfixed from joint venturer's contribution, net	**(28,104)**	(41,995)
	1,526,088	1,245,442
Less: Provision for slow moving/ obsolete inventories	**(28,384)**	(20,052)
Net inventories	**1,497,704**	1,225,390

Notes:

In few cases, inventories are hypothecated to the banks against the borrowing facilities obtained by the Group (refer note 20).

Included in the inventory above is the making charges related to own and unfixed jewellery amounting to AED 129 million (2006: AED 91 million)

The Group in the normal course of business borrows and buys gold on an unfixed basis which it converts into gold jewellery or trades as bullion. This jewellery and bullion is further used as stock in trade and is sold to various customers on a fixed or unfixed basis. The Group enters into forward purchases and forward sales to minimize the price risk which it is being exposed.

Revaluation of open forward contracts at fair market value as at 31 December 2007 has resulted in an unrealised gain of AED 21.08 million (2006: AED 19.2 million) (refer notes 14 and 25).

This revaluation gain is grouped in prepayments and other receivables under current assets in the balance sheet. The Group monitors these forward contracts as part of its own/book stock as follows:

	2007 AED' 000	2006 AED' 000
Net inventory (as above)	**1,497,704**	1,225,390
Provision for gold purchases	**(261,232)**	(821,082)
Forward purchases (at cost) (note 25)	**634,605**	1,023,113
Forward sales (at cost) (note 25)	**(116,686)**	(40,484)
Economic position of Group's inventory	**1,754,391**	1,386,937

The Group has received margins against gold unfixed with trade receivables, which has been separately presented as a current liability. The Group has paid margins against gold unfixed from trade payables and banks which have been disclosed separately as margin to trade payables against unfixed gold and bank balances and cash respectively.

The Group provides gold on an unfixed basis to customers against cash margin. As at 31 December 2007 the value of such gold at the spot rate was in excess of cash margin held by AED 196 million. The Executive Directors are confident that no loss will arise from these transactions and have provided irrevocable personal guarantees against the credit risk associated with AED 108 million of this amount.

14 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2007	*2006*
	AED' 000	*AED' 000*
Trade receivables	**353,705**	376,390
Provision for doubtful debts	**(12,641)**	(12,700)
	341,064	363,690
Dues from credit card companies	**7,837**	19,174
Prepaid expenses	**28,055**	28,431
Advances and other receivables (note 1 below)	**103,895**	159,722
Deposits	**8,545**	4,693
Unrealised gain on revaluation of forward contracts (note 25)	**21,081**	19,200
	510,477	594,910

In few cases, trade receivables are hypothecated to banks against the borrowing facilities (refer note 20).

As at 31 December 2007, trade receivables at nominal value of AED 12.6 million (2006: AED 12.7 million) were impaired. Movements in the allowance for impairment of receivables were as follows:

	2007	*2006*
	AED'000	*AED'000*
At 1 January	**12,700**	13,459
Charge for the year	-	373
Amounts written off	-	(1,132)
Changes due to exchange rate fluctuations	**(59)**	-
At 31 December	**12,641**	12,700

As at 31 December, the ageing of unimpaired trade receivables is as follows:

		Past due but not impaired		
		<30	*30-180*	*>180*
	Total	*days*	*days*	*days*
	AED'000	*AED'000*	*AED'000*	*AED'000*
2007	**341,064**	**158,933**	**73,146**	**108,985**
2006	363,690	220,530	77,300	65,860

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. Included in unimpaired receivables are debts amounting to AED 64.2 million due from particular consignment debtors and AED 26.1 million due from certain high net worth and important customers who are otherwise familiar and acquainted with the executive directors. Recoveries of these balances are secured by personal guarantees of the executive directors.

Note 1:
Includes advances to suppliers amounting to AED 48.8 million (2006: AED 29.41 million).

The 2006 balance of advances and other receivables included an amount of AED 75 million (which was secured by bank guarantee) receivable on the disposal of investment in associate.

15 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statement of cash flows consist of the following balance sheet amounts:

	2007	*2006*
	AED' 000	*AED' 000*
Fixed deposits and margins with banks	**1,250,575**	837,381
Bank balances and cash	**113,904**	27,388
Total bank balances and cash	**1,364,479**	864,769
Less:		
Bank overdraft	**(100,328)**	(217,065)
Fixed deposits and margins under lien	**(811,749)**	(829,980)
Long term fixed deposits	**(153,281)**	(2,214)
Cash and cash equivalents	**299,121**	(184,490)

Fixed deposits carry interest rates from 4% to 5.7% depending on the tenure and maturity of deposits (2006: from 4% to 5.3%).

16 RELATED PARTY BALANCES AND TRANSACTIONS

Related parties represent subsidiaries, associates, joint ventures, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. The sales to and purchases from related parties are made at normal market prices. Pricing policies and terms of these transactions are approved by the Group's management.

Significant transactions with related parties are as follows:

			2007		***Amount in AED'000***
	Sales	***Purchases***	***Expenses paid on behalf of related parties***	***Fees for services rendered***	***Transfer of investments (note 17)***
Jointly controlled entities and associated companies	**168,004**	**82,583**	**-**	**2,227**	**-**
Major shareholders	**-**	**-**	**-**	**-**	**-**
Total	**168,004**	**82,583**	**-**	**2,227**	**-**

			2006		*Amount in AED'000*
	Sales	*Purchases*	*Expenses paid on behalf of related parties*	*Fees for services rendered*	*Transfer of investments (note 17)*
Jointly controlled entities and associated companies	223,762	49,558	1,003	-	-
Major shareholders	-	-	-	-	11,099
Total	223,762	49,558	1,003	-	11,099

16 RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Balances with related parties included in the balance sheet are as follows:

	2007			*2006*		
	Long term loans AED '000	***Due from related parties AED '000***	***Due to related parties AED '000***	*Long term loans AED '000*	*Due from related parties AED '000*	*Due to related parties AED '000*
Jointly controlled entities and associate companies	**114,896**	**105,581**	**95,243**	51,515	62,639	83,665
Less: Provision for additional losses of an associate in excess of contributed capital	**(3,195)**	**-**	**-**	-	-	-
	111,701	**105,581**	**95,243**	51,515	62,639	83,665

Long term loans to related parties (associates and jointly controlled entities) represent loans which are interest free, unsecured and have no fixed terms of repayment and it is not clear when repayments will take place. Accordingly, these loans have been considered to be repayable on demand. The Directors of the Company have provided an undertaking that these amounts will not be called upon for repayment within a period of twelve months from the balance sheet date and therefore classified as long term.

Compensation of key management personnel

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

	2007 AED' 000	*2006 AED' 000*
Short-term benefits	**720**	720
	720	720

Outstanding balances at the year-end arise in the normal course of business. For the year ended 31 December 2007, the Group has recorded an impairment of AED 3.2 million (2006: Nil) on amounts owed by related parties.

17 SHAREHOLDERS' CURRENT ACCOUNTS

	2007 AED' 000	*2006 AED' 000*
Balance at 1 January	**74,032**	21,143
Dividend	**(57,233)**	(59,720)
Transfer of investments *	-	(11,099)
Net drawings during the year	**64,209**	123,708
Balance as at 31 December	**81,008**	74,032

* Transferred as at 31 December 2006, no such transfers in 2007.

18 SHARE CAPITAL

	2007 AED' 000	2006 AED' 000
Authorised, issued and paid up capital:		
1,421,000 shares of AED 1,000 each	**1,421,000**	1,421,000

19 RESERVES

Statutory reserve
In accordance with the Articles of Association of entities in the Group and UAE Company law, 10% of the net profit for the year of the individual entities in the Group to whom this Law is applicable is transferred to statutory reserve which is non-distributable. Such transfer may be discontinued when the reserve equals 50% of the respective paid up share capital of the individual entities.

Currency translation reserve
The currency translation reserve represents all the foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries of the Group.

20 BANK BORROWINGS

	2007 AED' 000	2006 AED' 000
Current		
Bank overdrafts	**100,328**	217,065
Trust receipts	**44,144**	58,258
Short term loan	**497,780**	242,678
Local bills discounting	**19,660**	25,393
	661,912	543,394
Non current		
Long-term loan	**1,209,591**	207,720
Total	**1,871,503**	751,114

Bank borrowings are secured as under: -

I. Partly secured against fixed deposits amounting to AED 811 million and investments held to maturity amounting to AED 18 million (refer notes 12 & 15).
II. Hypothecation of inventories and receivables on pari pasu basis with a few banks.. (refer notes 13 & 14).
III. Assignment of insurance policy on pari pasu basis.
IV. Unconditional, continuing, joint and several guarantees of Mr. Tawfique Abdulla, Mr. Tawhid Abdulla and Mr. Tamjid Abdulla on behalf of the Group.
V. Mortgage of the properties, plant and equipments amounting to AED 28 million (refer note 9).
VI. Subordination of shareholders' long term loan (refer note 21).
VII. Corporate cross guarantees from Group companies.
VIII. Promissory note given to banks.

The above mentioned borrowings are subject to certain financial related covenants which are specified in each individual loan agreement. One of the key covenants imposed by the syndication banks is that the Group must maintain a tangible net worth of not less than AED 1,250 million at any time.

21 LONG TERM LOANS FROM SHAREHOLDERS

	2007	*2006*
	AED' 000	*AED' 000*
Balance as at 31 December	**150,000**	150,000

This represents long term loans from Mr.Tawfique Abdulla, Mr.Tawhid Abdulla and Mr.Tamjid Abdulla to the Company. This loan is interest free, unsecured and does not have a fixed repayment date. This loan is considered repayable on demand. However, the shareholders have provided an undertaking that the amount of the loan will not be called upon for repayment within twelve months from the balance sheet date. These loans are subordinated to banks against borrowings (note 20).

22 ACCOUNTS PAYABLE AND ACCRUALS

	2007	*2006*
	AED' 000	*AED' 000*
Trade payables	**507,037**	488,383
Accruals and provisions	**311,407**	862,228
	818,444	1,350,611

Accruals and provisions include an amount of AED 261 million (2006: AED 821 million) with respect to provisions for gold purchases. The Company has entered into forward contracts to cover its positions arising from these purchases (refer note 13).

23 CONTINGENCIES AND COMMITMENTS

	2007	*2006*
	AED' 000	*AED' 000*
Letters of credit	**4,150**	2,387
Corporate guarantees	**54,023**	44,857
Other bank guarantees	**19,818**	14,300
Stand-by letters of credit (refer note below)	**1,398,495**	905,712
Commitments		
Towards investment in associate companies	-	79,004
Capital commitments	**39,514**	11,807

Operating lease commitments

Future minimum lease payments:		
Within one year	**41,044**	22,560
After one year but not more than five years	**23,234**	16,271
More than five years	**3,946**	-
Total operating lease expenditure contracted for at the balance sheet date	**68,224**	38,831

The stand-by letters of credit are provided by banks in favour of the suppliers of gold who have lent unfixed gold and which is deducted from the total inventory on hand in note 13 under the head "Gold (unfixed) received on loan from banks".

23 CONTINGENCIES AND COMMITMENTS (continued)

Legal case

Outstanding legal cases against the Group as at 31 December 2007 include a case under arbitration relating to its subsidiary in Italy, DIT group SPA (formerly Stefan Hafner SPA) ("the subsidiary"). In the earlier years, the Group acquired the business of Stefan Hafner SPA from the previous owner, Mr. Stefan Hafner for an agreed consideration. Subsequently, Mr. Stefan Hafner commenced arbitration proceedings against the subsidiary where he claimed to have not been paid a fair price for the sale of his business and claimed an additional consideration of AED 41.94 million (Euro 7.75 million). The subsidiary has rejected this claim and filed a counter claim against Mr. Stefan Hafner claiming an amount of AED 8.7 million (Euro 1.6 million) representing losses suffered by the subsidiary on the non recovery of outstanding receivables taken over from Mr. Stefan Hafner and certain expenses incurred by the subsidiary on behalf of Mr. Stefan Hafner.

The arbitration panel appointed experts to look into the details of the case and submit their report and the final hearing of the arbitration proceedings took place on 8 January 2008. The group legal counsel has confirmed they don't forsee any liabilities arising as a result of these proceedings however, the outcome of the arbitration proceedings are not predictable. The management have represented that the price paid for the purchase of the business was a fair price and was mutually agreed between the parties. Management are also confident of the collectability of the amount of AED 8.7 million from Mr. Stefan Hafner and hold assets as security against this debt (this amount is currently recorded under advances and other receivables – refer note 14). Management is confident of defending the case and consider their arguments to be strong and possibility of any loss to be incurred by the Group not probable. Accordingly, no provision has been made against this claim in these consolidated financial statements.

24 EARNING PER SHARE (EPS)

Basic earnings per share is calculated by dividing profit for the year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the profit by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. There were no potentially dilutive shares as at 31 December 2007.

	2007	*2006*
Earnings:		
Profit for the year – AED '000	**204,051**	229,339
Shares:		
Weighted average number of shares outstanding for calculating basic EPS	**1,421,000**	1,421,000
Basic and diluted earning per share AED	**143.60**	161.39

25 FORWARD GOLD CONTRACTS

Open position - December 2007

	Cost			*Fair value*	*Revaluation*
	Less than 3 months AED'000	*Between 3 months to 1 year AED'000*	*Total AED'000*	*Total AED'000*	*Gain/ (Loss) AED'000*
Forward purchases	**634,605**	**-**	**634,605**	**656,903**	**22,298**
Forward sales	**116,686**	**-**	**116,686**	**117,903**	**(1,217)**
					21,081

25 FORWARD GOLD CONTRACTS (continued)

These forward contracts are measured at fair value as at 31 December 2007 which resulted in the recognition of income in the income statement and a corresponding asset amounting to AED 21 million (refer note 14).

Open position - December 2006

	Cost			*Fair value*	*Revaluation*
	Less than 3 months AED'000	*Between 3 months to 1 year AED'000*	*Total AED'000*	*Total AED'000*	*Gain/ (Loss) AED'000*
Forward purchases	1,023,113	-	1,023,113	1,044,535	21,422
Forward sales	40,484	-	40,484	42,707	(2,223)
					19,199

These forward contracts are measured at fair value as at 31 December 2006 which resulted in the recognition of income in the income statement and a corresponding asset amounting to AED 19.2 million (note 14)

26 KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, 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:

Impairment of accounts receivable
An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

At the balance sheet date, gross trade accounts receivable were AED 353.7 million (2006: AED 376.40 million), and the provision for doubtful debts was AED 12.6 million (2006: AED 12.7 million). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the income statement.

Impairment of inventories
Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

At the balance sheet date, gross inventory was AED 1,526.1 million (2006: AED 1,245.4 million) with provision required for aged and obsolete inventories of AED 28.4 million (2006: AED 20.1 million).

Impairment of non-financial assets
The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill is tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. For details of the projections refer note 10.

27 RISK MANAGEMENT

The Group's principal financial liabilities, other than derivatives, comprise bank borrowings, trade payables and other liabilities, margin from trade receivable against unfixed gold, long term loans from shareholders and dues to related parties. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such investments, cash in hand, bank current accounts, bank fixed deposit accounts, bank margin accounts, due from related parties, trade receivables, other receivables, shareholders' current accounts and margin to trade payable against unfixed gold, which arise directly from its operations.

The Group also enters into derivative transactions, primarily forward gold contracts and interest rate swaps The purpose is to hedge its gold price and interest rate risks.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk and foreign currency risk. The Board of Directors review and agree policies for managing each of these risks which are summarised below.

Interest rate risk
The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

To manage this, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount. These swaps are designated to hedge underlying debt obligations.

Interest rate risk table
The following table demonstrates the sensitivity of the income statement to reasonably possible changes in interest rates, with all other variables held constant. There is no impact on the Group's equity.

	Increase/ decrease in basis points	*Effect on profit for the year AED '000*
2007		
	+10	**(2,607)**
	-10	**2,607**
2006		
	+10	(1,635)
	-10	**1,635**

Credit risk
The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables.

The Group sells its products to a large number of customers comprising the Group's customer base. No single customer accounts for more than 10% of the total outstanding for the year ended 31 December 2007.

With respect to credit risk arising from the other financial assets of the Group, including cash and cash equivalents, investments and derivative instruments with positive values, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk
The Group limits its liquidity risk by ensuring bank facilities and funds from shareholders are available. The Group's terms for retail sales require amounts to be paid on delivery of jewellery and for wholesale sales within 30 to 180 days of the date of sale except on sales to consignment debtors, high net worth individuals and sales on approval basis.

27 RISK MANAGEMENT (continued)

Liquidity risk (continued)

The table below summarises the maturities of the Group's undiscounted financial liabilities at 31 December 2007, based on contractual payment dates and current market interest rates.

Year ended 31 December 2007

	Less than 6 months AED'000	***6 to 12 months AED'000***	***1 to 5 years AED'000***	***>5 years AED'000***	***Total AED'000***
Trade payables (excluding customer deposits AED15.2 million)	**486,330**	**5,509**	**-**	**-**	**491,839**
Bank overdraft	**100,328**	**-**	**-**	**-**	**100,328**
Trust Receipts	**44,144**	**-**	**-**	**-**	**44,144**
Local Bills Discounted	**19,660**	**-**	**-**	**-**	**19,660**
Term loan	**216,863**	**280,917**	**1,204,361**	**5,230**	**1,707,371**
Total	**867,325**	**286,426**	**1,204,361**	**5,230**	**2,363,342**

Year ended 31 December 2006

	Less than 6 months AED'000	*6 to 12 months AED'000*	*1 to 5 years AED'000*	*>5 years AED'000*	*Total AED'000*
Trade payables (Excluding customer deposits AED 7.2 million)	474,705	6,493	-	-	481,198
Bank overdraft	217,065	-	-	-	217,065
Trust Receipts	58,258	-	-	-	58,258
Local Bills discounted	25,393	-	-	-	25,393
Term loan	147,957	94,721	198,770	8,950	450,398
Total	923,378	101,214	198,770	8,950	1,232,312

Foreign currency risk

As a result of investment operations in Europe, the Group's balance sheet can be impacted significantly by movements in the AED/Euro exchange rates.

There is no other significant exchange rate risk as substantially all of the financial assets and financial liabilities are denominated in UAE Dirhams or USD to which the UAE Dirham is pegged. Foreign currency exposures to currencies other than USD are monitored and managed centrally by the Group by obtaining forward exchange covers. The Group accounts for gains and losses in the income statement arising from the utilisation of these forward exchange covers. There are no outstanding forward currency contracts as at 31 December 2007.

The table below indicates the Group's foreign currency exposure at 31 December, as a result of its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the AED currency rate against the Euro, with all other variables held constant, on the income statement (due to the fair value of currency sensitive monetary assets and liabilities).

	Increase/ decrease in Euro rate to the AED	*Effect on profit before tax AED'000*
2007	**+5%**	**3,940**
	-5%	**(3,940)**
2006	+5%	988
	-5%	(988)

27 RISK MANAGEMENT (continued)

Capital management
The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2007 and 31 December 2006. Equity comprises share capital, retained earnings and other reserves and is measured at AED 1,808.6 million as at 31 December 2007 (2006: AED 1,698.3 million).

28 DIVIDENDS PAID

During the year, dividends of AED 70 per share totalling AED 99.5 million relating to 2006 were declared and paid (2006: AED 70 per share totalling AED 99.5 million relating to 2005).

29 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets, financial liabilities and derivatives.

Financial assets consist of cash and bank balances, due from related parties and receivables. Financial liabilities consist of bank overdrafts, term loans, due to related parties, and payables. Derivatives consist of forward gold contracts and interest rate swaps.

The fair values of financial instruments, with the exception of certain available-for-sale investments carried at cost, are not materially different from their carrying values.

30 RESTATEMENT OF COMPARATIVES

The following restatements have been made in order to improve the quality of information presented:-

1) Certain investments have been reclassified from bank balances and cash to investments held to maturity included under other financial assets. Comparative amounts totaling to AED 16.5 million have been reclassified accordingly.

2) For the purpose of cash flow statement, trust receipts have been reclassified from cash and cash equivalents to bank borrowings. Comparative amount of AED 58.3 million has been reclassified accordingly.

3) End of service benefits payable to employees has been reclassified from other current liabilities to non-current liabilities. Comparative amount of AED 12.7 million thousand has been reclassified accordingly.

4) Interest income has been reclassified from ‘finance costs (net)’ to ‘finance income’ disclosed on the face of income statement. Comparative amounts totaling to AED 29.2 million have been reclassified accordingly.

5) Investment in associates and jointly controlled entities, which are accounted for under the equity method have been reclassified from investments and presented separately on the face of the balance sheet as investment accounted for using the equity method. Comparative amounts totaling to AED 231.4 million have been reclassified accordingly.

6) Income earned from consignment ventures have been reclassified from sales to other income. Comparative amounts totaling AED 9.8 million have been reclassified accordingly.

7) Receivables from consignment ventures have been reclassified from long term loans to related parties to other receivables. Comparative amounts totaling AED 7 million have been reclassified accordingly.

8) Due from consignment ventures has been reclassified from due from related parties to trade receivables. Comparative amounts totaling to AED 13.6 million have been reclassified accordingly.

31 EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to the year end. the group has entered in to a memorandum of understanding to divest its investment in Carati Jewellery SAL. The agreement is expected to be finalised in the second quarter of 2008.

32 ENTITIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements represent a line-by-line consolidation of operating results and financial position of the Company and its subsidiaries as set out below.

	Name of the Company	Country of incorporation
1.	Damas Jewellery LLC	UAE
2.	Mukund Jewellery LLC	UAE
3.	Ocean Jewellery LLC	UAE
4.	Dhanak Jewellery LLC	UAE
5.	Armaan Jewellery LLC	UAE
6.	Al Mana Damas International LLC	UAE
7.	Gem Universe LLC	Oman
8.	Universe Jewellers Limited	USA
9.	Damas Company WLL	Kingdom of Bahrain
10.	Islanders Demas Pvt. Ltd.	Maldives
11.	DIT group SPA (formerly stefen hafner SPA)	Italy
12.	Stefan Hafner (NY) Inc	USA
13.	Tawhid & Muktasem Jewellery	Jordan
14.	Damas Jewellery SAL	Lebanon
15.	Damas Jewellery Company	Egypt
16.	Diminco Damas Diamond Manufacturing DMCC	UAE
17.	Demas Jewellery Pvt. Ltd.	India
18.	Soir Jewellery Pvt. Ltd.	India
19.	Damas Gold Fields Jewellery Private Limited	India
20.	Damas Hong Kong Ltd.	Hong Kong
21.	Damas Thailand Co. Ltd.	Thailand
22.	Royal Jewellers Inc.	USA
23.	7816 3rd Avenue LLC	USA
24.	Damas Jewellery DMCC	UAE
25.	Ayodhya Jewellers LLC	UAE
26.	Damas & Al ghannam jewellery Co WLL	Kuwait
27.	Time art watches and optics trading LLC	UAE
28.	Damas Southall Limited	UK
29.	Damas Dis Ticarat A.S	Turkey
30.	Damas Uk Ltd	UK
31.	Al Nahrain Jewellers Factory LLC	UAE

32 ENTITIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

32.1 Damas Jewellery LLC - Dubai

Damas Jewellery LLC - Dubai is a limited liability Company established on December 20, 1993 as per the commercial registration certificate no. 41342 issued by the Department Of Economic Development, Dubai.

The following shareholders have contributed to the share capital of the Damas Jewellery LLC - Dubai and share profits and losses in the following ratios:

Damas LLC	UAE Company	99.998%	49,999 shares
Mr. Tawhid Abdulla	UAE National	0.002%	1 share

The share capital of Damas Jewellery LLC - Dubai is AED 50,000,000/- divided into 50,000 shares of AED 1,000/- each. Mr. Tawhid Abdulla holds one share for the beneficial interest of the Company.

32.2 Mukund Jewellery LLC – Dubai

Mukund Jewellery LLC - Dubai is a limited liability company registered on July 18, 1979 - as per commercial registration certificate no. 47915 issued by the Department Of Economic Development – Dubai. Mukund Jewellery LLC - Dubai had been acquired by the Group on August 27, 1999.

The following shareholders have contributed to the share capital of the Mukund Jewellery LLC - Dubai and share profits and losses in the following ratios:

Damas Jewellery LLC	UAE Company	70%	210 shares
Mr. Amratlal Vallabhdas	Indian National	20%	60 shares
Mr. Chetan Amratlal Vaya	Indian National	10%	30 shares

The share capital of Mukund Jewellery LLC - Dubai is AED 300,000/- divided into 300 shares of AED 1,000/- each.

32.3 Ocean Jewellery LLC – Dubai

Ocean Jewellery LLC - Dubai is a limited liability company registered on August 2, 1992 - as per commercial registration certificate no.40500 issued by the Department Of Economic Development – Dubai. Ocean Jewellery LLC - Dubai had been acquired by the Group on 6 July, 1996.

The following shareholders have contributed to the share capital of the Ocean Jewellery LLC - Dubai and share profits and losses in the following ratios:

Damas Jewellery LLC	UAE Company	65.00%	195 shares
Mrs. Sagar Kalavati Jayantilal	Indian National	6.33%	19 shares
Mr. Praveenkumar Jayantilal	Indian National	12.67%	38shares
Mr. Prakash Jayantilal	Indian National	8.00%	24 shares
Mr. Mayur Jayantilal	Indian National	8.00%	24 shares

The share capital of Ocean Jewellery LLC - Dubai is AED 300,000/- divided into 300 shares of AED 1,000/- each.

32 ENTITIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

32.4 Dhanak Jewellery LLC – Dubai

Dhanak Jewellery LLC - Dubai is a limited liability company registered on January 1, 1964 - as per commercial registration certificate no. 47490 issued by the Department Of Economic Development – Dubai. Dhanak Jewellery LLC - Dubai was acquired by the Group on 7 August, 2001.

The following shareholders have contributed to the share capital of the Dhanak Jewellery LLC - Dubai and share profits and losses in the following ratios:

Damas Jewellery LLC	UAE Company	60%	180 shares
Mr. Chandrakant Girdhar Dhanak	Indian National	40%	120 shares

The share capital of Dhanak Jewellery LLC - Dubai is AED 300,000/- divided into 300 shares of AED 1,000/- each.

Dhanak Gold Smith – Dubai

Dhanak Gold Smith - Dubai is registered as a Service Agent from July 21, 1997 - as per commercial registration certificate no. 500072 issued by the Department of Economic Development – Dubai having following shareholders.

Mr. Tawhid Abdulla	UAE National
Mr. Chandrakant Girdhar Dhanak	Indian National
Mr. Paresh C. Dhanak	Indian National

As per a separate Memorandum of Understanding between Mr. Tawhid Abdulla, Mr. Chandrakant Girdhar Dhanak, Mr. Paresh C. Dhanak, with effect from January 1, 2003 the operating results and the share capital will be shared in the following ratio:

Mr. Tawhid Abdulla	60%
Jointly with:	
Mr. Chandrakant Girdhar Dhanak and Mr. Paresh C. Dhanak	40%

Mr. Tawhid Abdulla holds 60% of the shares for the beneficial interest of Damas Jewellery LLC through a separate memorandum of understanding.

32.5 Armaan Jewellery LLC – Dubai

Armaan Jewellery LLC - Dubai is a limited liability company registered as per commercial registration certificate no. 239943 issued by the Department Of Economic Development – Dubai.

The following shareholders have contributed to the share capital of the Armaan Jewellery LLC -Dubai and share profits and losses in the following ratios:

Damas Jewellery LLC	UAE Company	60%	180 shares
Mr. Dinesh Dhanak	Indian National	14%	42 shares
Mr. Prakash Chandra Dhanak	Indian National	13%	39 shares
Mr. Sanjay Kumar Dhanak	Indian National	13%	39 shares

The share capital of Armaan Jewellery LLC - Dubai is AED 300,000/- divided into 300 shares of AED 1,000/- each.

32 ENTITIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

32.6 Al Mana Damas International LLC - Dubai

Al Mana Damas International LLC – Dubai is limited liability company established on April 21, 2002 as per the commercial registration certificate no. 59128 issued by the Department Of Economic Development, Dubai.

The following shareholders have contributed to the share capital of the Al Mana Damas International LLC – Dubai and share profits and losses in the following ratios:

Mr. Tawfique Abdulla	UAE National	17%	51 shares
Mr. Tawhid Abdulla	UAE National	17%	51 shares
Mr. Tamjid Abdulla	UAE National	17%	51 shares
Mr. Hisham Saleh H. Al Mana	Qatari National	16.33%	49 shares
Mr. Kamal Saleh H. Al Mana	Qatari National	16.33%	49 shares
Mr. Wissam Saleh H. Al Mana	Qatari National	16.34%	49 shares

The share capital of Al Mana Damas International LLC – Dubai is AED 300,000/- divided into 300 shares of AED 1,000/- each. Mr.Tawfique Abdulla, Mr. Tawhid Abdulla and Mr.Tamjid Abdulla hold shares for the beneficial interest of Damas Jewellery LLC.

32.7 Gem Universe LLC - Oman

Gem Universe LLC - Oman is a Limited Liability Company registered on March 19, 2002 as per commercial registration certificate no. 1/12279/7 issued by the Ministry of Trade & Industry – Muscat.

The following shareholders have contributed to the share capital of the Gem Universe LLC - Oman:

Damas Jewellery LLC	UAE Company	70%	105,000 shares
Mr. Mohd. Bin Omer Abdul Rehman	Oman National	30%	45,000 shares

However, through a separate memorandum of understanding, the shareholders hold the share capital of Gem Universe LLC - Oman and share the profits and losses in the following ratios:

Damas Jewellery LLC	UAE Company	60%	90,000 shares
Mr. Mohd. Bin Omer Abdul Rehman	Oman National	30%	45,000 shares
Mr. P.N. Bhandarkar	Indian National	10%	15,000 shares

The share capital of Gem Universe LLC - Oman is Omani Riyals 150,000 divided into 150,000 shares of Omani Riyals 1/- each.

Mr. Mohd. Bin Omer Abdul Rehman has represented that he holds shares for the beneficial interest of Damas Jewelley LLC.

32.8 Universe Jewellers Limited – USA

Universe Jewellers Ltd – New York - USA is a limited company incorporated in state of New York – USA as per certificate dated March 30, 1999 issued as per the Provisions of the Business Corporation Law of the State of New York.

The following shareholders have contributed to the share capital of Universe Jewellers Ltd – New York - USA and share profits and losses in the following ratios:

Mr. Tamjid Abdulla	UAE National	1%	2 shares
Damas Jewellery LLC	UAE Company	99%	198 shares

The share capital of Universe Jewellers Ltd – New York - USA is divided into 200 shares with no par value.

Mr. Tamjid Abdulla holds shares for the beneficial interest of Damas Jewellery LLC through a separate memorandum of understanding.

32 ENTITIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

32.9 Damas Company WLL - Bahrain

Damas Company WLL - Bahrain is a limited liability company incorporated in Kingdom of Bahrain as per certificate no. 40554 dated April 29, 1998 issued by Ministry of Commerce – Kingdom of Bahrain.

The following shareholders have contributed to the share capital of the Damas Company WLL - Bahrain and share profits and losses in the following ratios:

Mr. Mohd. Tamjid Abdulla	UAE National	0.10%	1shares
Damas Jewellery LLC	UAE Company	99.90%	999shares

The share capital of Damas Company WLL - Bahrain is Bahraini Dinar 100,000 divided into 1,000 shares Bahraini Dinar 100/- each.

Mr. Mohd. Tamjid Abdulla holds one share for beneficial interest of Damas Jewellery LLC through a separate memorandum of understanding.

32.10 Islanders Demas Pvt. Ltd. - Maldives

Islanders Demas Pvt. Ltd. - Maldives is a private limited company incorporated in Republic of Maldives as per certificate no. C-36/2002 dated January 31, 2002 issued by Ministry of Trade and Industries – Republic of Maldives.

The following shareholders have contributed to the share capital of Islanders Demas Pvt. Ltd. - Maldives and share profits and losses in the following ratios:

Damas Jewellery LLC	UAE Company	75%	7,500 shares
Mr. Abdul Rasheed	Maldivian National	12.50%	1,250 shares
Mr. Hussein Waheed	Maldivian National	12.50%	1,250 shares

The share capital of Islanders Demas Pvt. Ltd. - Maldives is Maldivian Rufiyaa 10,000 divided into 10,000 shares of Maldivian Rufiyaa 1/- each.

32.11 DIT Group SPA (formerly Stefan Hafner SPA – Italy)

DIT group SPA- Italy is a private limited company incorporated in Italy as per company registration no. 222300 – Alessandria bearing VAT no. 03175200249 dated August 5, 2004 issued by Ministry of Finance – Italy.

The following shareholders have contributed to the share capital of DIT group SPA - Italy and share profits and losses in the following ratios:

Damas Jewellery LLC	UAE Company	71.58%	9,950,000 shares
Demas Holding INC	BVI Company	15.65%	2,175,000 shares
LI.PRO.FIN. B.V	Netherland Company	12.77%	1,775,000 shares

The share capital of DIT Group SPA - Italy is Euro 13,900,000 includes 5,000,000 issued shares of Euro 1/- each and share application for 8,900,000 shares of Euro 1/- each.

Demas Holding Inc holds shares in Stefan Hafner SPA for the beneficial interest of Damas Jewellery LLC.

The name of the entity has been changed from Stefan Hafner SPA to DIT Group SPA in the current year.

32 ENTITIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

32.12 Stefan Hafner (NY) Inc – USA

Stefan Hafner (NY) Inc - USA is a private limited company incorporated in the State of New York, USA vide Registration number 041124000891 dated November 24, 2004 and amendment of the certificate of incorporation was made vide registration no. 050823000756 dated August 23, 2005.

The following shareholders have contributed to the share capital of Stefan Hafner (NY) Inc - USA and share profits and losses in the following ratios:

Common stock

DIT group SPA	Italian Company	85%	85 shares
Ms. Peggy Grosz	US National	15%	15 shares

The Common stock capital of Stefan Hafner (NY) Inc - USA is US$ 50,000 divided into 100 shares of US$ 500 each.

Preferred stock

DIT group SPA	Italian Company	100%	400 shares

The Preferred stock capital of the Stefan Hafner (NY) Inc - USA is US$ 400,000 divided into 400 shares of US$ 1,000 each.

32.13 Tawhid & Muktasem Jewellery - Jordan

Tawhid & Muktasem Jewellery, Jordan is registered under no. 58086 on January 7, 2001 in the Hashemite Kingdom of Jordan.

The following shareholders have contributed to the share capital of the Tawhid & Muktasem Jewellery, Jordan in the following ratios, however the profit sharing ratios for each shop is governed by a separate memorandum of understanding:

Mr. Tawhid Abdulla	UAE National	50%	JD 50,000
Mr. Al Muktasem Mohammes Bakheet Al Shayab	Jordanian National	50%	JD 50,000

The share capital of Tawhid & Muktasem Jewellery, Jordan is JD 100,000. Mr. Tawhid Abdulla holds shares for the beneficial interest of Damas Jewellery LLC through a separate memorandum of understanding.

32.14 Damas Jewellery SAL - Lebanon

Damas Jewellery SAL, Lebanon was registered on November 5, 2003 in Lebanon Mount commercial register under No. 2002149 C.R. in accordance with Articles 26, 49 and 98 of the Law of Commerce of the Ministry of Justice in the Republic of Lebanon.

The following shareholders have contributed to the share capital of Damas Jewellery SAL, Lebanon and share profits and losses in the following ratios:

Mr. Tawhid Abdulla	UAE national	96.66%	290 shares
Mr. Joseph Hana Himo	Lebanese national	1.67%	5 shares
Mr. Bashir Hana Himo	Lebanese national	1.67%	5 shares

The share capital of Damas Jewellery SAL, Lebanon has been set at Lebanese Lira (LL) 30 million divided into 300 shares with a nominal value of LL 100,000 each. Mr. Tawhid Abdulla holds shares for the beneficial interest of Damas Jewellery LLC through a separate memorandum of understanding.

32 ENTITIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

32.15 Damas Jewellery Company - Egypt

Damas Jewellery Company, Egypt is an Egyptian Joint stock company headquartered in the city of Cairo and registered in the Cairo commercial register 1871 dated November, 14 1998. The purpose for which the Company has been established is to trade in gold, precious stones, semi – precious stones, silver, watches, gifts and exports.

The shareholding of the entity has been revised in 2006 with the following shareholders contributing to the share capital of Damas Jewellery Company, Egypt and sharing the profits and losses in the following ratios:

Damas Jewellery LLC	UAE Company	60%	108,000 shares
Mr. Mohd Sayed Mohd Omar	Egyptian national	9.50%	17,100 shares
Ms. Nourhan Mohd Sayed Mohd Omar	Egyptian national	9.50%	17,100 shares
Ms. Reem Mohd Sayed Mohd Omar	Egyptian national	9.50%	17,100 shares
Ms. Mai Mohd Sayed Mohd Omar	Egyptian national	9.50%	17,100 shares
Mr. Maha Mahmoud Ahmed Musa	Egyptian national	2%	3,600 shares

The authorized capital is fixed at Egyptian Pound (EP) 900,000,000. The issued capital of Damas Jewellery Company, Egypt is EP 90,000,000 divided into 180,000 shares, the value of each share is EP 500 and all of them are cash shares.

The earlier shareholding of Damas Jewellery Company, Egypt was as under:

Mr. Tawhid Abdulla	UAE National	55%	275 shares
Mr. Mohd Sayed Mohd Omar	Egyptian national	40%	200 shares
Mr. Maha Mahmoud Ahmed Musa	Egyptian national	5%	25 shares

32.16 Diminco Damas Diamond Manufacturing DMCC

Diminco Damas Diamond Manufacturing DMCC is a company incorporated in the Emirate of Dubai as per license no. 30063 dated May 22, 2004.

The following shareholders have contributed to the share capital of Diminco Damas Diamond Manufacturing DMCC and share the profits and losses in the following ratios:

Digico Holding Ltd.	Hong Kong Company	47.50%	95 shares
Damas Jewellery LLC	UAE Company	52.50%	105shares

The share capital of Diminco Damas Diamond Manufacturing DMCC is AED 200,000 divided into 200 equity shares of AED 1,000 each par value.

32.17 Demas Jewellery Pvt. Ltd. – India

Demas Jewellery Pvt. Ltd. – India is a company incorporated in the State of Karnataka in India on February 6, 2006.

The following shareholders have contributed to the share capital of Demas Jewellery Pvt. Ltd. – India and share the profits and losses in the following ratios:

Mr. Mukund Vaya	Indian National	7%	5,000 shares
Mr. Chetan Vaya	Indian National	93%	66,500 shares

The authorized capital is fixed at Indian Rupees (INR) 1,000,000. The issued capital of the Demas Jewellery Pvt. Ltd. – India is INR 715,000 divided into 71,500 shares, the value of each share is INR 10 and all of them are cash shares.

Mr. Mukund Vaya and Mr. Chetan Vaya hold the above shares for beneficial interest of Damas Jewellery LLC through separate memorandum of understanding.

32 ENTITIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

32.18 Soir Jewellery Pvt. Ltd. - India

Soir Jewellery Pvt. Ltd. - India is a Company incorporated in the State of Maharashtra in India on March 28, 2006.

The following shareholders have contributed to the share capital of Soir Jewellery Pvt. Ltd. - India and share the profits and losses in the following ratios:

Damas LLC	UAE Company	99.99%	1,994,640 shares
Mr. Tamjid Abdulla	UAE National	00.01%	100 share

The authorized capital is fixed at INR 20,000,000. The issued capital of Soir Jewellery Pvt. Ltd. - India is INR 19,947,400 divided into 1,994,740 shares, the value of each share is INR 10 and all of them are cash shares.

Mr. Tamjid Abdulla holds the above shares for beneficial interest of Damas LLC as per a separate memorandum of understanding.

32.19 Damas Gold Fields Jewellery Pvt. Ltd. - India

Damas Gold Fields Jewellery Pvt. Ltd. - India is a company incorporated in the State of Maharashtra in India on May 26, 2006.

The following shareholders have contributed to the share capital of Damas Gold Fields Jewellery Pvt. Ltd. - India and share the profits and losses in the following ratios:

Soir Jewellery Private Limited	Indian Company	99.99%	9,999 shares
Mr. John Joy	Indian National	00.01%	1 share

The authorized capital is fixed at INR 500,000. The issued capital of Damas Gold Fields Jewellery Pvt. Ltd. - India is INR 100,000 divided into 10,000 shares, the value of each share is INR 10 and all of them are cash shares.

Mr. John Joy holds one share for the beneficial interest of Soir Jewellery Pvt. Ltd. as per a separate memorandum of understanding.

32.20 Damas Hong Kong Limited - Hongkong

Damas Hong Kong Limited - Hongkong is a company incorporated in Hong Kong as per license no. 1034325 dated March 28, 2006. Damas Jewellery LLC holds 100% of the equity of the company.

The share capital of Damas Hong Kong Limited - Hongkong is Hong Kong Dollar 1,000 divided into 100 equity shares of Hong Kong Dollar 10 each par value.

32.21 Damas (Thailand) Co. Ltd. - Thailand

Damas (Thailand) Co. Ltd - Thailand is a company incorporated in Bangkok as on March 14, 2003. The following shareholders have contributed to the share capital of the Damas (Thailand) Co. Ltd - Thailand and share profits and losses in the following ratios:

Nithi Takviriyanun	Thai National	50.95%	5,095 shares
Panitta Saengchai	Thai National	0.01%	1 shares
Pokepiboon Aon-Eiam	Thai National	0.01%	1 shares
Preeyawan Luesuwanthad	Thai National	0.01%	1 shares
Srisamorn Kooyingrat	Thai National	0.01%	1 shares
Onruedee Mitcharoenthavorn	Thai National	0.01%	1 shares
Damas Jewellery LLC	UAE Company	49.00%	4,900 shares

The share capital of Damas (Thailand) Co. Ltd - Thailand is Thailand Bhat 1,000,000 divided into 10,000 equity shares of Thailand Bhat 100 each par value.

The above share holders are holding shares for the beneficial interest of Damas Jewellery LLC through a separate Memorandum of Understanding.

32 ENTITIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

32.22 Royal Jewellers Inc. - USA

Royal Jewellers Inc. – New York – USA is a limited company incorporated in State of New York – USA as per certificate dated March 30, 1999 issued as per the Provisions of the Business Corporation Law of the State of New York.

The following shareholders have contributed to the share capital of Royal Jewellers Inc. – New York – USA and share profits and losses in the following ratios:

Mr. Tamjid Abdulla	UAE National	1%	2 shares
Damas Jewellery LLC	UAE Company	99%	198 shares

The share capital of Royal Jewellers Inc. – New York – USA is divided into 200 shares with no par value.

Mr. Tamjid Abdulla holds shares for the beneficial interest of Damas Jewellery LLC through a separate memorandum of understanding.

32.23 7816 3rd Avenue LLC - USA

7816 3rd Avenue LLC – New York – USA is a limited liability company incorporated in State of New York – USA as per certificate dated June 9, 2005 issued as per the Provisions of the Limited Liability Company Law of the State of New York.

The following shareholders have contributed to the share capital of 7816 3rd Avenue LLC – New York – USA and share profits and losses in the following ratios:

Royal Jewellers Inc	USA Company	1%	1 units
Damas Jewellery LLC	UAE Company	99%	99 units

The share capital of 7816 3rd Avenue LLC – New York – USA is divided into 100 units with no par value.

32.24 Damas Jewellery DMCC - Dubai

Damas Jewellery DMCC - Dubai is a limited liability company registered on February 6, 2006 - as per commercial registration certificate no. 30411 issued by the Dubai Multi Commodity Centre – Dubai.

The following shareholders have contributed to the share capital of Damas Jewellery DMCC - Dubai and share profits and losses in the following ratios:

Damas LLC	UAE Company	100%	36 shares

The share capital of Damas Jewellery DMCC - Dubai is AED 3,600,000/- divided into 36 shares of AED 100,000/- each.

32.25 Ayodhya Jewellers LLC - Dubai

Ayodhya Jewellers LLC - Dubai is a limited liability company registered on December 28, 1994 - as per commercial registration certificate no. 105327/94 issued by the Department Of Economic Development – Dubai.

The following shareholders have contributed to the share capital of Ayodhya Jewellers LLC - Dubai and share profits and losses in the following ratios:

Mr. Tawhid Abdulla	UAE National	99%	297 shares
Mr. Tawfique Abdulla	UAE National	1%	3 shares

The share capital of Ayodhya Jewellers LLC - Dubai is AED 300,000/- divided into 300 shares of AED 1,000/- each. Mr.Tawfique Abdulla and Mr. Tawhid Abdulla hold shares for the beneficial interest of Damas Jewellery LLC.

32 ENTITIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

32.26 Damas & Al Ghannam jewellery Co WLL, Kuwait

Damas & Al Ghannam jewellery Co WLL Kuwait is a limited liability company registered on July 21, 2003 - as per commercial registration certificate no. 95245 issued by the Ministry of Commerce & Industry – Kuwait.

The following shareholders have contributed to the share capital of Damas & Al Ghannam jewellery Co WLL, Kuwait and share profits and losses in the following ratios:

Damas Jewellery LLC	UAE Company	90%	90 shares
Kapico Group Holding Company Co.,	Kuwaiti National	10%	10 shares

The share capital of Damas & Al Ghannam Jewellery Co WLL, Kuwait is KD 250,000/- divided into 100 shares of KD 2,500/- each.

32.27 Time art watches and optics trading LLC UAE

Time art watches and optics trading LLC, UAE is a limited liability company registered on June 18, 2007 - as per commercial registration certificate no. 596870 issued by the Department of Economic Development – Dubai.

The following shareholders have contributed to the share capital of Time art watches and optics trading LLC and share profits and losses in the following ratios:

Mr. Tawfique Abdulla	UAE National	33%	99 shares
Mr. Tamjid Abdulla	UAE National	34%	102 shares
Mr. Tawhid Abdulla	UAE National	33%	99 shares

The share capital of Time art watches and optics trading LLC, UAE is AED 300,000/- divided into 300 shares of AED 1,000/- each. Mr.Tawfique Abdulla, Mr. Tamjid Abdulla and Mr. Tawhid Abdulla holds shares for the beneficial interest of Damas Jewellery LLC.

32.28 Damas Southall Limited UK

Damas Southhall Limited UK is a private limited company incorporated under the Companies Act 1985 on August 14, 2006 - vide certificate of incorporation no. 5905292 issued by the Registrar of companies for England and Wales.

The following shareholders have contributed to the share capital of Damas Southhall Limited UK and share profits and losses in the following ratios:

Damas Jewellery LLC	UAE Company	99%	99 shares
Mr. Tawhid Abdulla	UAE National	1%	1 shares

The share capital of Damas Southhall Limited UK is GBP100/- divided into 100 shares of GBP 1/- each. Mr. Tawhid Abdulla holds one share for the beneficial interest of Damas Jewellery LLC.

32.29 Damas Dis Ticarat A.S Turkey

Damas Dis Ticaret A.S. (Damas Foreign Trade Stock Company) is a stock company registered in accordance with Turkish Commercial Code on July 16, 2007 - vide certificate of incorporation no. 632885 issued by the Trade Registry Office, Istanbul.

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The following shareholders have contributed to the share capital of Damas Southhall Limited UK and share profits and losses in the following ratios:

Mr. Tawfique Abdulla	UAE National	1%	400 shares
Mr. Tamjid Abdulla	UAE National	1%	400 shares
Mr. Tawhid Abdulla	UAE National	1%	400 shares
Damas Jewellery LLC	UAE Company	96%	38,400 shares
Mr. Mehmet Gokce Atuk	Turkish National	0.5%	200 shares
Mr. Mehmet Bulent Atuk	Turkish national	0.5%	200 shares

The share capital of Damas Dis Ticaret A.S. is YTL (New Turkish Lira) 4,000,000/- divided into 40,000 shares of YTL 100/- each. Mr.Tawfique Abdulla, Mr. Tamjid Abdulla and Mr. Tawhid Abdulla hold the shares for the beneficial interest of Damas Jewellery LLC.

32 ENTITIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

32.30 Damas Uk Ltd UK

Damas UK Limited UK is a private limited company incorporated under the Companies Act 1985 on June 21, 2006 - vide certificate of incorporation no. 5852897 issued by the Registrar of companies for England and Wales.

The following shareholders have contributed to the share capital of Damas UK Limited UK and share profits and losses in the following ratios:

Damas Jewellery LLC	UAE Company	99%	99 shares
Mr. Tawhid Abdulla	UAE National	1%	1 shares

The share capital of Damas UK Limited UK is GBP100/- divided into 100 shares of GBP 1/- each. Mr. Tawhid Abdulla holds one share for the beneficial interest of Damas Jewellery LLC.

32.31 Al Nahrain Jewellers Factory LLC, UAE

Al Nahrain Jewellers Factory LLC is a limited liability company registered on October 29, 2007 - as per commercial registration certificate no. 553721 issued by the Economic Development Department – Sharjah.

The following shareholders have contributed to the share capital of Al Nahrain Jewellers Factory and share profits and losses in the following ratios:

Damas Jewellery LLC	UAE Company	51%	153 shares
Mr. Chimanlal Bhoot Sagar	UAE National	25%	25 shares
Mr. Hareshkumar Bhoota Sagar	UAE National	24%	24 shares

The share capital of Al Nahrain Jewellers Factory LLC - Dubai is AED 300,000/- divided into 300 shares of AED 1,000/- each.

33 INVESTMENTS IN EQUITY ACCOUNTED ENTITIES

33.1 Investments in jointly controlled entities

The Group also holds investments in the following jointly controlled entities as at 31 December 2007:

Name of the company	*Country of incorporation*	*Ownership interest*
Premium Investments International LLC (note 1 below)	UAE	50%
Paspaley Pearl Jewellery LLC (notes 1 & 6 below)	UAE	51%
Trading House Kristall DMCC (note 2 below)	UAE	50%
D'Damas Jewellery (India) Private Ltd. (note 1 and 3 below)	India	49%
Al Zain Trading Co WLL (note 1 below)	Bahrain	50%
Al Manara (notes 1 and 3 below)	UAE	49%
Time Center LLC (note 1 below)	UAE	50%
Damas Toomban Pvt. Ltd (notes 1, 4 and 5 below)	Pakistan	50%
Damas Saudi Arabia Company Ltd. (notes 1 and 3 below)	KSA	49%
Deepu Jewellery DMCC (note 1 and 3 below) *	UAE	51%
Flamingo Jewellery India Pvt Ltd (note 1 and 3 below)*	India	51%
Roberto Coin Middle East LLC (notes 1 & 6 below) *	UAE	51%

* new investments made during the year

1. The shares are held in the name of Damas Jewellery LLC.
2. The shares are held in the name of Damas LLC.
3. The investment is considered to be an investment in jointly controlled entity since the Company has joint control over the financial and operating policies of these companies.
4. Mr. Tawhid Abdulla holds shares in this entity for the beneficial interest of Damas Jewellery LLC.
5. Mr. Tamjid Abdulla holds shares in this entity for the beneficial interest of Damas Jewellery LLC.
6. Damas share in profit is 50%

33 INVESTMENTS IN EQUITY ACCOUNTED ENTITIES (continued)

33.2 Investments in associates

The Group also holds investments in the following associates as at 31 December 2007:

Name of the company	*Country of incorporation*	*Ownership interest*
Damas & Chalco General Trading Co LLC (note 4 below)	UAE	51%
Damas Mucevherat (notes 1, 2, 3, 4 & 5 below)	Turkey	51%
Carati Jewellery SAL (note 1 below)	Lebanon	49%
Style Avenue Middle East FZ Company	UAE	31%
Daiso (Japan) Value Stores LLC (note 4 & 5 below)	UAE	51%
LTC International General Trading Co. (note 1 below)	Kuwait	35%
LTC International Qatar LLC (notes 1& 4 below)	Qatar	50%
Daiso Trading (note 1 below)	Bahrain	35%
DPG Diamonds DMCC (note 1 below)	UAE	33.33%
Al Mana Jewellery Co. - Damas WLL (note 1 below)	Qatar	49%
Al Baraka Jewellery WLL(note 1 below)	Bahrain	33.33%
Himo LLC (notes 1& 4 below)	Lebanon	50%
Lucci 2 SARL (notes 1& 4 below)	Lebanon	50%
The Jewellery Stores DMCC (note 1 below)	UAE	27%
Metamorph Real Estate WLL (note 1 below)	Kuwait	30%
Tanya Collections Ltd (note 6 below)*	Bangkok	49%
Emirates Jewellery Manufacturing Company (note 7 below)*	UAE	48%
Islanders Maldives Pvt Ltd (notes 4 below)*	Maldives	50%
Felopateer Palace (note 6 below)*	Egypt	45%
Crescendo Jewellery Design Ltd *	Hongkong	27%
Damas Europe SPA**	Italy	36.7%

*New investments made during the current year.

** This entity was a subsidiary in 2006 and due to the restructuring explained in note 12 this entity has during the current year become an associate.

1. Mr. Tawhid Abdulla holds shares in these entities for the beneficial interest of Damas Jewellery LLC.
2. Mr. Tamjid Abdulla holds shares in these entities for the beneficial interest of Damas Jewellery LLC.
3. Mr. Tawfique Abdulla holds shares in these entities for the beneficial interest of Damas Jewellery LLC.
4. The investment is considered to be an investment in associate since the Company does not have control over the financial and operating policies of these Companies.
5. Damas share in profit is 50%
6 The shares are held in the name of Damas Jewellery LLC.
7. The shares are held in the name of Damas LLC.