ARAB HEAVY INDUSTRIES P.J.S.C.
AND SUBSIDIARY

Review report and consolidated interim financial information
for the nine months period ended 30 September 2012

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REPORT ON REVIEW OF CONSOLIDATED INTERIM FINANCIAL INFORMATION

To the Board of Directors of
Arab Heavy Industries P.J.S.C. and Subsidiary
Ajman
United Arab Emirates

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Arab Heavy Industries P.J.S.C. and Subsidiary as at 30 September 2012 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine months period then ended. Management is responsible for the preparation and presentation of this consolidated interim financial information in accordance with International Accounting Standard 34, *"Interim Financial Reporting"*. Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, *"Interim Financial Reporting"*.

Deloitte & Touche (M.E.)

Samir Madbak
Registration No. 386
21 October 2012

Condensed consolidated statement of financial position
At 30 September 2012

	Notes	30 September 2012 (unaudited) AED	31 December 2011 (audited) AED
ASSETS			
Non-current assets			
Property, plant and equipment	4	**110,077,355**	112,162,242
Goodwill		**2,773,497**	2,773,497
Total non-current assets		**112,850,852**	114,935,739
Current assets			
Inventories		**5,066,789**	6,723,056
Trade and other receivables		**31,646,655**	24,386,175
Due from a related party		**775,000**	7,150
Bank balances and cash	5	**83,319,337**	91,099,881
Total current assets		**120,807,781**	122,216,262
Total assets		**233,658,633**	237,152,001
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	6	**67,225,900**	67,225,900
Statutory reserve	7	**33,612,950**	33,612,950
General reserve	8	**6,722,590**	6,722,590
Retained earnings		**91,552,834**	92,807,969
Total equity		**199,114,274**	200,369,409
Non-current liabilities			
Provision for employees' end of service benefits		**6,842,289**	6,378,519
Current liabilities			
Trade and other payables		**27,446,292**	29,595,413
Due to related parties		**255,778**	808,660
Total current liabilities		**27,702,070**	30,404,073
Total liabilities		**34,544,359**	36,782,592
Total equity and liabilities		**233,658,633**	237,152,001

Chairman **Managing Director**

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

Condensed consolidated statement of income (unaudited) for the nine months period ended 30 September 2012

	Three months period ended 30 September		Nine months period ended 30 September	
	2012	2011	**2012**	2011
	AED	AED	**AED**	AED
Revenue	**16,912,530**	21,608,796	**75,295,617**	65,751,668
Operating expenses	**(15,818,107)**	(18,724,200)	**(62,349,983)**	(49,043,414)
Interest income	**300,521**	232,945	**885,974**	927,293
Other income	**102,945**	816,558	**2,619,732**	2,335,761
Profit for the period	**1,497,889**	3,934,099	**16,451,340**	19,971,308
Basic earnings per share (Note 10)	**2.23**	5.85	**24.47**	29.71

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

Condensed consolidated statement of comprehensive income (unaudited) for the nine months period ended 30 September 2012

	Three months period ended 30 September		Nine months period ended 30 September	
	2012	2011	**2012**	2011
	AED	AED	**AED**	AED
Profit for the period	**1,497,889**	3,934,099	**16,451,340**	19,971,308
Other comprehensive loss				
Board of Directors' remuneration	**-**	-	**(900,000)**	(900,000)
Total comprehensive income for the period	**1,497,889**	3,934,099	**15,551,340**	19,071,308

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

ARAB HEAVY INDUSTRIES P.J.S.C. AND SUBSIDIARY

Condensed consolidated statement of changes in equity (unaudited)
for the nine months period ended 30 September 2012

	Share capital AED	Statutory reserve AED	General reserve AED	Retained earnings AED	Total AED
Balance at 1 January 2011 (Audited)	67,225,900	33,612,950	6,722,590	84,855,558	192,416,998
Profit for the period	-	-	-	19,971,308	19,971,308
Board of Directors' remuneration	-	-	-	(900,000)	(900,000)
Total comprehensive income for the period	-	-	-	19,071,308	19,071,308
Dividends (Note 11)	-	-	-	(16,806,475)	(16,806,475)
Balance at 30 September 2011 (Unaudited)	67,225,900	33,612,950	6,722,590	87,120,391	194,681,831
Balance at 1 January 2012 (Audited)	67,225,900	33,612,950	6,722,590	92,807,969	200,369,409
Profit for the period	-	-	-	16,451,340	16,451,340
Board of Directors' remuneration	-	-	-	(900,000)	(900,000)
Total comprehensive income for the period	-	-	-	15,551,340	15,551,340
Dividends (Note 11)	-	-	-	(16,806,475)	(16,806,475)
Balance at 30 September 2012 (Unaudited)	**67,225,900**	**33,612,950**	**6,722,590**	**91,552,834**	**199,114,274**

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

Condensed consolidated statement of cash flows (unaudited) for the nine months period ended 30 September 2012

	Nine months period ended 30 September	
	2012	2011
	AED	AED
Cash flows from operating activities		
Profit for the period	**16,451,340**	19,971,308
Adjustments for:		
Depreciation of property, plant and equipment	**5,879,535**	5,876,714
Provision for employees' end of service benefits	**735,063**	358,997
(Reversal of)/allowance for doubtful debts	**(8,250)**	1,572,961
Interest income	**(885,974)**	(927,293)
Operating cash flows before changes in operating assets and liabilities	**22,171,714**	26,852,687
Increase in trade and other receivables	**(7,252,230)**	(4,793,917)
Increase in due from a related party	**(767,850)**	(199,115)
Decrease/(increase) in inventories	**1,656,267**	(1,699,740)
(Decrease)/increase in trade and other payables	**(2,149,121)**	5,038,413
(Decrease)/increase in due to related parties	**(552,882)**	219,036
Cash generated from operations	**13,105,898**	25,417,364
Employees' end of service benefits paid	**(271,293)**	(570,220)
Net cash from operating activities	**12,834,605**	24,847,144
Cash flows from investing activities		
Purchase of property, plant and equipment	**(3,794,648)**	(2,459,844)
Interest received	**885,974**	927,293
Net cash used in investing activities	**(2,908,674)**	(1,532,551)
Cash flows from financing activities		
Dividends paid	**(16,806,475)**	(16,806,475)
Directors' remuneration paid	**(900,000)**	(900,000)
Net cash used in financing activities	**(17,706,475)**	(17,706,475)
Net (decrease)/increase in cash and cash equivalents	**(7,780,544)**	5,608,118
Cash and cash equivalents at the beginning of the period	**91,099,881**	77,881,239
Cash and cash equivalents at the end of the period	**83,319,337**	83,489,357

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

Notes to the condensed consolidated financial statements for the nine months period ended 30 September 2012

1. General information

Arab Heavy Industries P.J.S.C. (the "Company") is a public joint stock company incorporated in the Emirate of Ajman, United Arab Emirates, pursuant to a decree issued by H.H. the Ruler of Ajman in 1975. The "Group" comprises Arab Heavy Industries P.J.S.C. and Arab Eagle Marine Engineering L.L.C. (see note 3.3). The address of the Company's registered office is P. O. Box 529, Ajman, United Arab Emirates.

The principal activity of the Company is ship repair and steel fabrication.

2. Standards and Interpretations in issue but not yet effective and not early adopted

The Group has not early applied the following new standards, amendments and interpretations that have been issued but not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
• Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards relating to accounting for government loans at below market interest rate.	1 January 2013
• Amendments to IFRS 9 require all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value.	1 January 2015
• IFRS 10 *Consolidated Financial Statements** uses control as the single basis for consolidation, irrespective of the nature of the investee. IFRS 10 requires retrospective application subject to certain transitional provisions providing an alternative treatment in certain circumstances. Accordingly IAS 27 *Separate Financial Statements** and IAS 28 *Investments in Associates and Joint Ventures** have been amended for the issuance of IFRS 10.	1 January 2013
• IFRS 11 *Joint Arrangements** establishes two types of joint arrangements: Joint operations and joint ventures. The two types of joint arrangements are distinguished by the rights and obligations of those parties to the joint arrangement. Accordingly IAS 28 *Investments in Associates and Joint Ventures* has been amended for the issuance of IFRS 11.	1 January 2013
• IFRS 12 *Disclosure of Interests in Other Entities** combines the disclosure requirements for an entity's interests in subsidiaries, joint arrangements, associates and structured entities into one comprehensive disclosure Standard.	1 January 2013

Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2012 (continued)

2. Standards and Interpretations in issue but not yet effective and not early adopted (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
• Amendments to IFRS 10, IFRS 11 and IFRS 12 transition guidance issued in June 2012.	When IFRS 10, IFRS 11 and IFRS 12 are first adopted
• IFRS 13 *Fair Value Measurement* issued in May 2011 establishes a single framework for measuring fair value and is applicable for both financial and non-financial items.	1 January 2013
• Amendments to IAS 1 – *Presentation of Other Comprehensive Income*. The amendments retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate statements. However, items of other comprehensive income are required to be grouped into those that will and will not subsequently be reclassified to profit or loss with tax on items of other comprehensive income required to be allocated on the same basis.	1 July 2012
• Annual Improvements 2009 – 2011 Cycle covering amendments to IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34.	1 January 2013
• Amendments to IAS 19 *Employee Benefits* eliminate the "corridor approach" and therefore require an entity to recognize changes in defined benefit plan obligations and plan assets when they occur.	1 January 2013
• IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine.*	1 January 2013
• Amendments to IFRS 7 *Financial Instruments: Disclosures* enhancing disclosures about offsetting of financial assets and liabilities.	1 January 2013
• Amendments to IAS 32 *Financial Instruments: Presentation* relating to application guidance on the offsetting of financial assets and financial liabilities.	1 January 2014
• Amendments to IFRS 7 *Financial Instruments: Disclosures* relating to disclosures about the initial application of IFRS 9.	1 January 2015 (or otherwise when IFRS 9 is first applied)

*In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011). These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements for the period beginning 1 January 2013 or as and when they are applicable and adoption of these new standards, interpretations and amendments may have no material impact on the consolidated financial statements of the Group in the period of initial application.

Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2012 (continued)

3. Summary of significant accounting policies

3.1 Basis of preparation

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) No. 34, *"Interim Financial Reporting"* and also comply with the applicable requirements of the laws in the U.A.E.

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

These condensed consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at fair value or at amortised cost.

The accounting policies, presentation and methods used in these condensed consolidated financial statements are consistent with those used in the audited consolidated financial statements for the year ended 31 December 2011.

As required by the Securities and Commodities Authority ("SCA") notification dated 12 October 2008, accounting policies relating to property, plant and equipment have been disclosed in the condensed consolidated financial statements.

These condensed consolidated financial statements do not include all the information required for full annual consolidated financial statements and should be read in conjunction with the Group's audited annual consolidated financial statements as at and for the year ended 31 December 2011. In addition, results for the nine months period ended 30 September 2012 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2012.

3.2 Property, plant and equipment

Freehold land is stated at cost and is not depreciated.

Capital work in progress is stated at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Other property, plant and equipment are stated at cost less accumulated depreciation and any identified impairment losses.

Depreciation is charged so as to write off the cost of assets, other than freehold land and capital work in progress, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2012 (continued)

3. Summary of significant accounting policies (continued)

3.2 Property, plant and equipment (continued)

The useful lives considered in the calculation of depreciation for the assets are as follows:

	Years
Buildings and structure	3 to 35
Plant and machinery	3 to 35
Vehicles, vessels and moving equipment	3 to 20
Tools, computers and furniture and fixture	3 to 5

3.3 Basis of consolidation

The condensed consolidated financial statements of Arab Heavy Industries P.J.S.C. and Subsidiary (the "Group") incorporate the financial information of the Company and enterprise controlled by the Company (its Subsidiary). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

Subsidiary:

Details of the Company's subsidiary at 30 September 2012 are as follows:

Name of subsidiary	Proportion of legal ownership interest	Country of incorporation	Principal activities
Arab Eagle Marine Engineering L.L.C.	99.9%	UAE	Engaged in the activity of afloat repair.

The remaining equity in the above Subsidiary is held by the Company beneficially through nominee arrangements.

3.4 Judgements and estimates

The preparation of condensed consolidated financial statements requires management to make judgements, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated financial statements, the significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements as at and for the year ended 31 December 2011.

3.5 Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2011.

Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2012 (continued)

4. Property, plant and equipment

During the period, the additions to property, plant and equipment were AED 3,794,648 (30 September 2011: AED 2,459,844) and depreciation charged was AED 5,879,535 (30 September 2011: AED 5,876,714). All property, plant and equipment of the Group are located in the U.A.E.

5. Bank balances and cash

	30 September 2012 AED (unaudited)	31 December 2011 AED (audited)
Cash on hand	**30,000**	30,000
Bank balances		
Current accounts	**9,630,080**	4,647,034
Fixed deposits	**73,659,257**	86,422,847
	83,319,337	91,099,881

Bank balances are maintained with banks in U.A.E.

6. Share capital

	30 September 2012 AED (unaudited)	31 December 2011 AED (audited)
Issued and fully paid:		
672,259 (2011: 672,259) ordinary shares of AED 100 each	**67,225,900**	67,225,900

7. Statutory reserve

In accordance with United Arab Emirates Federal Companies Law Number 8 of 1984, as amended, the Company has established a statutory reserve by appropriation of 10% of its net profit for each year until the reserve equals 50% of the share capital. This reserve is not available for distribution except as stipulated by the Law.

8. General reserve

The Company's Articles of Association require that 10% of the annual profit be appropriated to a general reserve until such reserve equals 10% of paid-up share capital. This reserve is distributable in accordance with the Articles of Association of the Company.

Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2012 (continued)

9. Related party transactions

Related parties are those entities in which the Shareholders, Directors, key management personnel of the Group and entities they control, have a significant interest.

During the period, the Group entered into the following transactions with related parties:

	Three months period ended 30 September		Nine months period ended 30 September	
	2012	2011	**2012**	2011
	AED	AED	**AED**	AED
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Purchases	**164,596**	134,691	**1,522,446**	1,372,986
Management fees to Keppel Group	**503,932**	752,122	**2,840,427**	3,164,034
Board of Directors' remuneration	**-**	-	**900,000**	900,000
Other expenses	**692,839**	591,351	**2,048,016**	1,749,981

The Group is managed by a member of the Keppel Group. As per the management agreement, the Group is charged a fee of Singapore Dollars 450,000 (2011: Singapore Dollars 450,000) per annum plus 10% of the profit.

Transactions with related parties were entered into on terms agreed with management.

10. Basic earnings per share

	Three months period ended 30 September		Nine months period ended 30 September	
	2012	2011	**2012**	2011
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Profit for the period (in AED)	**1,497,889**	3,934,099	**16,451,340**	19,971,308
Number of shares	**672,259**	672,259	**672,259**	672,259
Basic earnings per share (in AED)	**2.23**	5.85	**24.47**	29.71

11. Dividends

At the annual general meeting held on 28 March 2012, the Shareholders approved a dividend of AED 16,806,475 (AED 25 per share) for 2011 (2010: dividend of AED 16,806,475 AED 25 per share).

12. Seasonality of results

No income of seasonal nature was recorded in the condensed consolidated statement of income for the nine months period ended 30 September 2012 and 2011.

Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2012 (continued)

13. Segment information

The Group is engaged in the dry-docking, ship repairs and related services which are the only operating segment of the Group. All the relevant information relating to this operating segment is disclosed in the condensed consolidated financial statements.

The Group carries out their operations only in one geographical segment which is United Arab Emirates.

14. Approval of the condensed consolidated financial statements

The condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on 21 October 2012.