Driving growth, Increasing value.

الشركة العربية للصناعات الثقيلة ش.م.ع.
ARAB HEAVY INDUSTRIES P.J.S.C.

REPORT TO SHAREHOLDERS 2005



His Highness Shaikh Khalifa
Bin Zayed Bin Sultan Al Nahyan
President of the United Arab Emirates
and Ruler of Abu Dhabi



His Highness Shaikh Mohammed Bin Rashid Al Maktoum

Vice President and Prime Minister
of the United Arab Emirates and
Ruler of Dubai



His Highness Shaikh Humaid Bin Rashid Al Nuaimi

Supreme Council Member and
Ruler of Ajman



His Highness Shaikh Ammar
Bin Humaid Al Nuaimi
Crown Prince of Ajman

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Driving growth, Increasing value

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• Provider of Choice, Partner in Solutions



Board of Directors



Obaid Ali Al Muhairi

Chairman
and Director since December 1989.



Ali Abdullah Al Hamrani

Vice Chairman and Director
since November 1990.
Director General of Ajman Municipality.
Member of the Federal National Council.



Leong Yew Kong

Director since April 1994.
Managing Director of
Arab Heavy Industries PJSC.
Seconded from Keppel Shipyard Limited,Singapore.
Director of Arab Eagle Marine Engineering LLC.



Keith S. Stack

Director since May 1988.
Group Director Overseas Al Futtaim Group.
Director of Al Futtaim Carillion LLC,
Al Futtaim Tarmac Quarry Products Co. LLC and
Al Ghazi Tractors Ltd.



Abdul Rahman Mohammed Nasser Al Owais

Director since May 1991.
Managing Director of Al-Owais Trading & Real Estate, Dubai.
Managing Director of Islamic Bank of Sharjah.
Managing Director of Sharjah Insurance &
Reinsurance Co. and
Chairman of Telecommunications Regulatory Authority (TRA).



Rashid Humaid Al Mazroei

Director since December 1992.
Chairman & Managing Director of Bahri &
Mazroei Trading Company, Dubai.

Board of Directors

Abdulla Ali Bushager

Director since December 1992.



Saleh Said Al Matrooshi

Director since December 1993.
Director General of Civil Defence, Ajman.





Nelson Yeo Chien Sheng

Director since September 2005.
Director of Keppel Shipyard Ltd,
Director of Keppel Singmarine Pte Ltd,
Chairman of Alpine Engineering Services Pte Ltd,
Chairman of Keppel Smit Towage Pte Ltd,
Chairman of Maju Maritime Pte Ltd.
Director of Blastech Abrasives Pte Ltd,
Director of Arab Eagle Marine Engineering LLC.
Director of Keppel Marine Agencies Inc,



Salem Abdulla Al Ghurair

Director since April 2001
Director for Technical Business Management LLC.
Director for Al Ghurair Investment LLC.
Chief Executive Officer for Al Ghurair Centre &
Abdulla Al Ghurair Real Estate.



Dr Foo Kok Seng

Director since September 2004.
Director of Regency Steel Japan Limited.
Director / General Manager of
Offshore Technology Development Pte Ltd.
General Manager (Technology Development) of
Keppel Offshore & Marine Limited.

Corporate Information

The Company was incorporated on 30 June 1975 under Emiri Decree No 4/75 issued by H.H. The Ruler of Ajman

MANAGEMENT & KEY PERSONNEL

LEONG YEW KONG
Managing Director

CHAN LIM HONG
General Manager

WONG WEI KEI
Finance & Administration Manager

D V FERNANDES
Production Manager

KAMAL AHMED
Commercial Manager

DIRECTORY

REGISTERED OFFICE:

P.O. Box 529, Ajman, U A E

Telephone	06 - 5263232
Telefax	06 - 5263233
E-mail	ahiaeme@emirates net.ae
Web	www.ahi-uae.com

MANAGING AGENT:

Keppel Shipyard Limited
(A member of the Keppel Group, Singapore)
51 Pioneer Sector 1,
Singapore 628437

Telephone	065-8614141
Telefax	065-8624059

AUDITORS

Ernst & Young
P.O. Box 9267, Dubai

TRADING LICENCES

Ajman Industrial Licence	Reg No 707
Ajman Chamber of Commerce Certificate	Reg No 2324
Commercial Registration	Reg No 1322
Industrial Licence (Ministry of Finance & Industry, Dubai)	Reg. No. 382
Abu Dhabi Trade Licence	Reg No 8177
Abu Dhabi Chamber of Commerce Certificate	Reg No 2775

Corporate
Information on Affiliate

ARAB EAGLE MARINE ENGINEERING LLC
(Afloat repairs division of the Company)

ARAB EAGLE MARINE ENGINEERING LLC was incorporated on 30 March 1995.

MANAGEMENT & KEY PERSONNEL

CHAN LIM HONG
Director & General Manager

WONG WEI KEI
Finance & Administration Manager

LAM KEE HEO
Operations Manager

CHANDRA SEKHARAN
Commercial Manager

DIRECTORY

REGISTERED OFFICE:

P.O. Box 8238, Dubai, U.A.E.

Telephone : 04 - 3241020
Telefax : 04 - 3241683
E-mail : ahiaeme2@emirates.net.ae
Web : www.ahi-uae.com

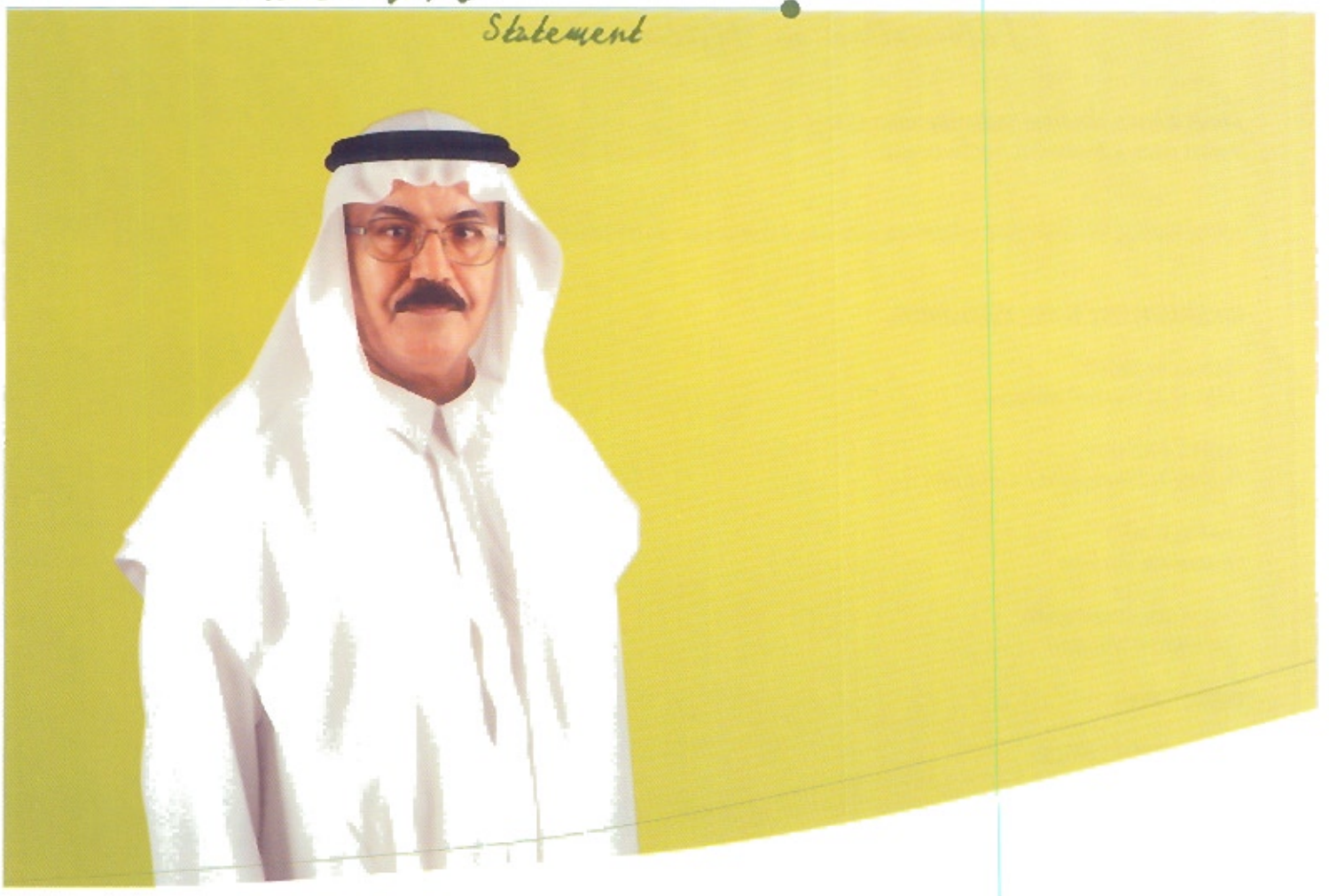
AUDITORS

Ernst & Young
P.O. Box 9267, Dubai

TRADING LICENCES

Dubai Industrial Licence	Reg. No. 300920
Dubai Chamber of Commerce Certificate	Reg. No. 55742
Commercial Registration	Reg. No. 44568

Chairman's Statement



On behalf of the Board I present the Arab Heavy Industries PJSC report for the year ended 31 December 2005

Results for the year

Arab Heavy Industries (AHI) achieved record performance in 2005. This is our eighteenth consecutive year of profitable operations.

The Company accomplished 22% and 9% year on year increase in revenue and profit to DH 122,887,016 and DH 17,557,522 respectively.

Overall performance for 2005 was enhanced by good interest income, scrap income from high steel prices and sterling performance from associate Arab Eagle Marine Engineering (AEME), although fabrication activities remained low due to an extremely competitive market. As the offshore and marine businesses continued in to ride the crest in 2005, AHI benefited from the favourable market conditions. We repaired a total of 210 vessels in 2005, of which 138 vessels were repaired on the slipways,40 in the Al Zora Drydock and the remaining 32 afloat.

The completion of two major projects during the year jackup rig *Gulf 2* and jackup barge *SEP-350* shored up our results for the full year. *Gulf 2* enabled AHI to make a breakthrough into the offshore market.

Arab Eagle Marine Engineering (AEME), our afloat repairs division, performed extremely well in 2005, registering a profit of DH 3,329,851. This sterling result contributed creditably to the overall results of the Company.

Together with AEME, we have established good track records and demonstrated our exemplary shiprepair capabilities to offer time and money savings for our global clientele. Our rewarding partnerships with repeat customers such as Boskalis Westminster NV, Lamnalco (Shp) Ltd, Swire Pacific Offshore, Tidewater International and Van Oord ACZ, amongst others, have maintained our profitability.

Business outlook

Oil and gas exploration and production is expected to expand. This should fuel business outlook in 2006, with increased marine and offshore activities.

Major civil developmental projects in UAE, Qatar and Bahrain have precipitated substantial dredging projects. The number of dredgers operating in the area has increased and potential for repairs of such vessels is high.

The robust economic development in the UAE will continue. People are our most vital assets, and we will enhance our effort to attract, develop, reward and retain talents. We will also increase our focus on critical areas like safety, cost and productivity, training and marketing.

Dividend and appropriation

The Board of Directors is pleased to recommend a dividend of 20% for the year ended 31 December 2005, having fully considered the following appropriations:-

	DH.
Net profit for the period	17,557,522
Transfer to statutory reserves	1,755,753
Proposed dividend	13,445,180
Other appropriation	798,000
TRANSFER TO RETAINED EARNINGS	1,558,589

Acknowledgement

On behalf of the Board, I thank His Highness Shaikh Humaid Bin Rashid Al Nuaimi, Supreme Council Member and Ruler of Ajman for his continued support and interest in the Company. I also wish to thank all the other government departments for their invaluable assistance and co-operation.

On behalf of the Board, I would also like to thank all the staff and management for their good work and all our customers, suppliers and shareholders for their support.

Obaid Ali Al Muhairi
Chairman
Ajman, UAE
7 February 2006



Repair & Conversion

The revenue of AHI reached a record high in 2005 on the back of sustained high oil prices strengthening the offshore sector and a robust shiprepair market.

The slipways and the 30,000 dwt Al Zora Dock were fully utilized. A total of 210 vessels were repaired, of which 40 were carried out in the dock, 138 at the slipways and the remaining afloat.

During the year, the yard also completed two major refurbishment projects. They were the jackup rig, *Gulf 2*, for Gulf Drilling International (GDI) of Qatar and the jackup barge, *SEP 350*, for Abu Dhabi-based National Petroleum Construction Company (NPCC).

Refurbishment and upgrading works carried out on *Gulf 2* were both significant and demanding for AHI. An entire new level of accommodation quarters was fabricated and installed, increasing the crew capacity to 96. Existing accommodation and the jacking control house were refurbished, and a new helicopter waiting room installed. The helideck was strengthened. An additional main generator engine was installed in the machinery room, where pipelines were modified and new exhaust line run to port leg area.

The cantilever was strengthened, with reinforcement made to hull and transom. The gripper and hydraulic skid rams were completely overhauled. Repair works to the derrick and substructure were also carried out.

There were extensive hull steel work repair. All tanks were surveyed, blasted and painted after removing the Eureka coating.

The raw water tower was totally refurbished with new forward rack and horizontal and diagonal bracings as well as a new coat of paint.

The hull, all three legs, deck and accommodation structure and helideck were all gritblasted and painted.

For *SEP350*, AHI's scope of work was to completely refurbish the barge in compliance with the latest regulations by ABS

The entire accommodation block was stripped down, renewed and modified. Additional rooms were created, including a new lounge and prayer room.

All electrical cables approximately 25,000 meters and HVAC trunkings were completely renewed. The sprinkler system, fire and gas alarm system, communications and navigational equipment, pumps, emergency generators, fuel pumps, ballast pumps was completely also renewed.

Two new Caterpillar main generator engines were installed, load tested and commissioned.

A total of 250 tons of high tensile steel and 5,000 meters of piping were renewed. All the tanks and the entire barge was blasted and coated with HEMPEL paint covering an area of 40,466 square meters.

A full commissioning of all equipment, machinery, electrical system was carried out, and the pipe pressure calibrated, to the client and class's satisfaction

Work done for other major customers who docked their vessels with AHI included blasting, painting, mechanical work and steel renewal. They included *Dredger Lelystad, Ham 312* and *Ham 317* owned by Van Oord ACZ from the Netherlands, and *Barge Jubail* and *Tug Gemini* owned by Bahrain Bulk Trade.

Trident Bibby One returned during the year for special survey. The rig's starboard leg hydraulic power pack was removed from the machinery room and installed on deck adjacent to leg. The jacking system, gearboxes, pinions and brake mechanism for all three legs were overhauled.

The yard carried out leg inspection and MPI on nodes of legs by rope access method, and at the same time scraped and degreased the legs. MPI was also carried out on leg rack, chords, braces, spud can, pinions, rack guides, underside of helideck, crane pedestal and inside tanks.

Clearance of pinions was checked, spares and replacement to the helideck safety net were provided. The helideck was also washed and coated.



Afloat Repairs

Associate Arab Eagle Marine Engineering (AEME) delivered a sterling performance in 2005 amidst stiff competition.

AEME repaired a total of 19 vessels. *DSV Eclipse*, owned by Cal Dive International Inc, was docked for major repair and overhaul to its cranes. The Dynamic Positioning (DP) Unit was overhauled, helideck zero discharged and piping renewed. Various piping including those for sewage and Alfa Laval Coolers were renewal

The radar dome pedestal was renewed with additional reinforcements. Various other structures were fabricated and supplied, including mock up pallet, subsea connectors, spreader beams and anchor assemblies

Repeat customer, Hallworthy Shipping Ltd, continued to support AEME with work on jackup rig *FD V*. A major programme of hull steel renewal in pre-load and ballast tanks was carried out while the rig was in active operation. The vessel was in Iranian waters and a logistical supply chain was arranged from Sharjah, UAE, to rotate manpower and provide steel equipment and other consumables.

Hanging stagings were arranged and a planned sequence of hull steel plate and internal frames was progressively renewed. All work was in accordance to ABS' requirements and full non-destructive test (NDT) inspection was conducted to class and owner's satisfaction.

AEME also clinched the major contract for pipe-laying *Castoro-2* owned by Saipem, Italy. Major modifications and reinforcement of the firing line in the aft was carried out in afloat conditions. Twin cofferdams were erected to keep out the sea.

The work was carried out to the exacting requirement of design engineers from Saipem. Firing line roller guide structure was similarly fabricated to very strict tolerances and installed. Sea gravity anchors were completely remodeled and strengthened by renewing lifting eyes and structural frames. New weight blocks made from concrete filled steel containers were set and installed.

Talent Development & Community Service

Staff Training

Staff training and development is key to higher productivity. To stay ahead of competition and to meet future challenges, employees are equipped with the latest knowledge and skills.

During the year, supervisors attended seminars on compressors, SKF products and Autocad 2005 conduct by Anchor Marine, Gulf Mechanical Engineering & supplies and Omnix International Inc respectively.

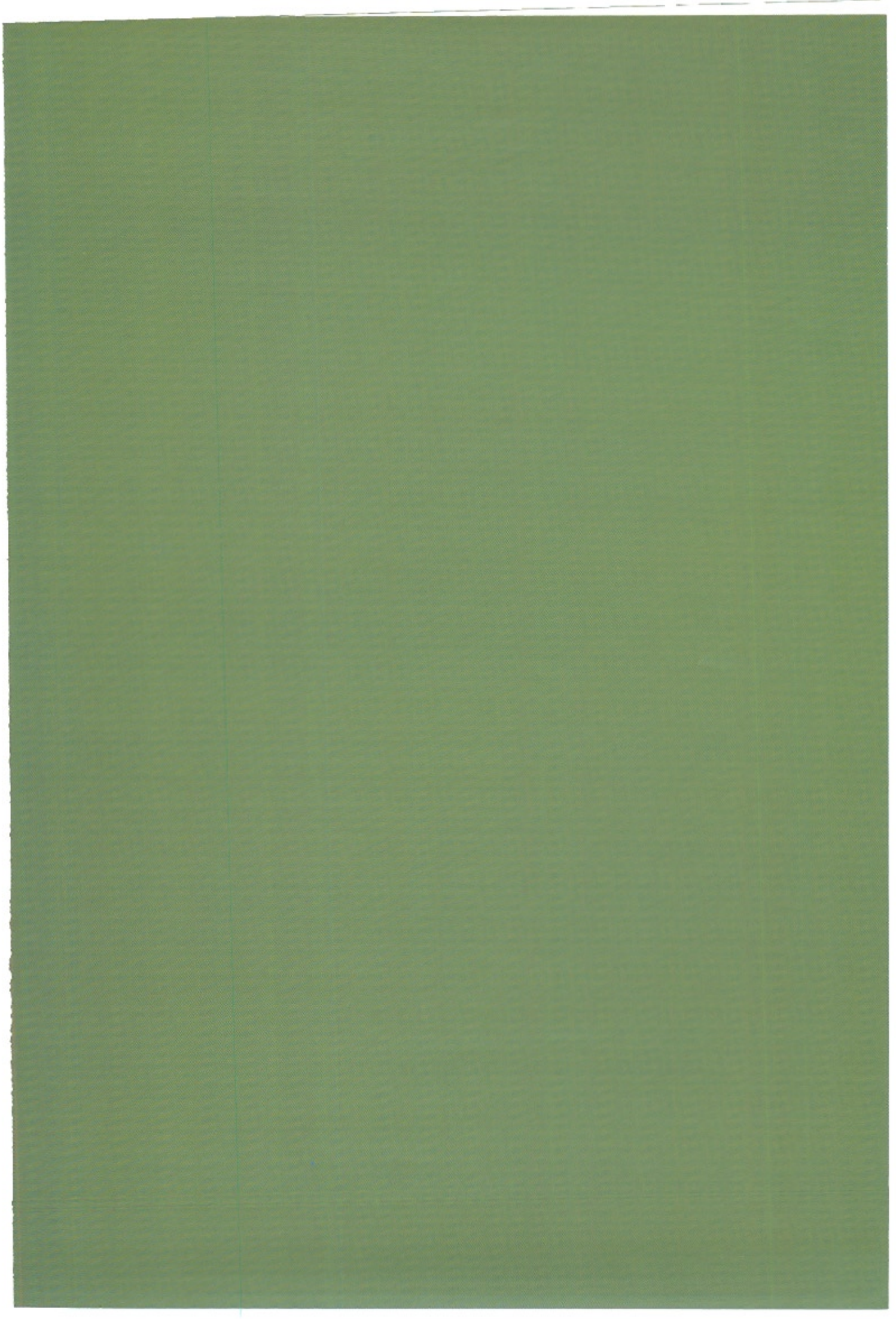
Safety remained in focus at the yard. Lessons learned by officers at seminars on safe work practices were shared with rest of staff. Another example is the seminar attended by AHI production manager on selection, application, operations and maintenance of pumps in piping, dredging and heavy-duty applications conducted by Gulf Mechanical Group, Dubai.

Staff Recreation and Community Service

AHI's active participation in sporting, social development and charitable events underscores the importance it places on staff recreation and community services.

During the year, the company contributed to various welfare and public organizations through donations in cash and kind. It also sponsored an educational trip for students of Higher College of Technology, Sharjah.

The annual in-house cricket tournament for employees was well-supported.



Statutory Report & Accounts

Balance Sheet

At 31 December 2005

	Notes	2005 AED	2004 AED
Assets			
Non-current assets			
Property, plant and equipment, net	6	**105,678,936**	96,848,234
Investment in an associate	7	**1,321,503**	1,449,078
		107,000,439	98,297,312
Current Assets			
Inventories	8	**3,793,360**	3,524,845
Work-in-progress		**3,689,896**	16,031,666
Due from related parties	9	**307,695**	543,597
Accounts receivable	10	**24,597,577**	18,552,522
Prepayments and other assets	11	**1,696,022**	4,550,735
Bank balances and cash	12	**30,838,116**	29,975,131
		64,922,666	73,178,496
Total Assets		**171,923,105**	171,475,808
Equity And Liabilities			
Capital and reserves			
Share capital	1	**67,225,900**	67,225,900
Statutory reserve	13	**16,932,037**	15,176,284
General reserve	13	**6,722,590**	6,722,590
Retained earnings		**20,526,237**	18,967,648
Proposed dividends	14	**13,445,180**	11,428,403
Total equity		**124,851,944**	119,520,825
Non-current liabilities			
Employees' end of service benefits	15	**5,286,000**	4,885,390
Current liabilities			
Accrued expenses, provisions and other liabilities	16	**29,433,082**	31,301,940
Due to related parties	9	**2,871,792**	2,950,441
Accounts payable		**9,480,287**	12,817,212
		41,785,161	47,069,593
Total Equity And Liabilities		**171,923,105**	171,475,808

The attached notes 1 to 20 form part of these financial statements.

Income Statement

Year ended 31 December 2005

	Notes	2005 AED	2004 AED
Revenues	3	**122,887,016**	100,799,516
Operating expenses	4	**(110,660,192)**	(88,260,277)
Operating profit		**12,226,824**	12,539,239
Interest income		**686,681**	195,150
Share of results of an associate	7	**1,664,925**	1,009,678
Other income		**2,979,092**	2,395,325
Profit for the year		**17,557,522**	16,139,392
Earnings per share	5	**26.12**	24.01

The attached notes 1 to 20 form part of these financial statements.

Statement Of Changes In Equity

Year ended 31 December 2005

	Share capital AED (Note 1)	*Statutory reserve AED (Note 13)*	*General reserve AED (Note 13)*	*Retained earnings AED*	*Proposed dividends AED*	*Total AED*
Balance as of 1 January 2004	67,225,900	13,562,345	6,722,590	16,668,598	-	104,179,433
Net profit for 2004	-	-	-	16,139,392	-	16,139,392
Transfer to statutory reserve	-	1,613,939	-	(1,613,939)	-	-
Proposed dividends (Note 14)	-	-	-	(11,428,403)	11,428,403	-
Directors' remuneration (Note 16)	-	-	-	(798,000)	-	(798,000)
Balance as of 31 December 2004	67,225,900	15,176,284	6,722,590	18,967,648	11,428,403	119,520,825
Net profit for 2005	-	-	-	17,557,522	-	17,557,522
Transfer to statutory reserve	-	1,755,753	-	(1,755,753)	-	-
Dividends paid	-	-	-	-	(11,428,403)	(11,428,403)
Proposed dividends (Note 14)	-	-	-	(13,445,180)	13,445,180	-
Directors' remuneration (Note 16)	-	-	-	(798,000)	-	(798,000)
Balance at 31 December 2005	**67,225,900**	**16,932,037**	**6,722,590**	**20,526,237**	**13,445,180**	**124,851,944**

The attached notes 1 to 20 form part of these financial statements.

Statement Of Cash Flows

Year ended 31 December 2005

	Note	2005 AED	2004 AED
Operating Activities			
Net profit for the year		**17,557,522**	16,139,392
Adjustments for:			
Depreciation		**4,639,132**	4,759,539
Employees' end of service benefits, net		**400,610**	180,780
Gain on disposal of property, plant and equipment		**(203,141)**	-
		22,394,123	21,079,711
Working capital changes:			
Inventories		**(268,515)**	(2,789,240)
Work-in-progress		**12,341,770**	(14,449,610)
Due from related parties		**235,902**	(255,851)
Accounts receivable		**(6,045,055)**	(4,466,926)
Prepayments and other assets		**2,854,713**	(3,741,175)
Accrued expenses, provisions and other liabilities		**(1,868,858)**	20,936,228
Due to related parties		**(78,649)**	1,456,395
Accounts payable		**(3,336,925)**	3,092,968
Net cash from operating activities		**26,228,506**	20,862,500
Investing Activities			
Purchase of property, plant and equipment		**(13,469,887)**	(1,754,661)
Proceeds from disposal of property, plant and equipment		**203,194**	-
Investment in an associate		**127,575**	(12,178)
Net cash used in investing activities		**(13,139,118)**	(1,766,839)
Financing Activities			
Dividends paid		**(11,428,403)**	(7,394,849)
Directors' remuneration paid		**(798,000)**	(387,000)
Net cash used in financing activities		**(12,226,403)**	(7,781,849)
Net Increase In Cash And Cash Equivalents		**862,985**	11,313,812
Cash and cash equivalents at the beginning of the year		**29,975,131**	18,661,319
Cash And Cash Equivalents At The End Of The Year	12	**30,838,116**	29,975,131

The attached notes 1 to 20 form part of these financial statements.

Notes To The Financial Statements

At 31 December 2005

1 ACTIVITIES

Arab Heavy Industries Public Joint Stock Company (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 authorized, issued and fully paid-up share capital of the Company comprises 672,259 shares of AED 100 each. The registered address of the Company is P.O. Box 529, Ajman, United Arab Emirates.

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

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation
The financial statements have been prepared in accordance with International Financial Reporting Standards.

The financial statements have been presented in United Arab Emirates Dirhams.

Accounting convention
The financial statements are prepared under the historical cost convention.

The accounting policies are consistent with those used in the previous year.

Revenue recognition
Revenue is recognized by reference to the stage of completion of the jobs and stated net of discounts and allowances

Interest revenue is recognized as the interest accrues.

Property, plant and equipment
Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. No depreciation is provided on freehold land and construction-in-progress.

Depreciation is provided on a straight-line basis over the assets' estimated useful lives at the following annual rates:

Building and structure	2.85 to 33%
Plant and machinery	2.85 to 33%
Vehicles, vessels and moving equipment	5 to 33%
Tools, computers and furniture and fixtures	20 to 33%

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, the assets are written down to their recoverable amount.

Impairment and uncollectibility of financial assets
An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the income statement. Impairment is determined as the difference between cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

Investment in associate
The Company's investment in its associate is accounted for under the equity method of accounting. An associate is an entity in which the Company has from 20% to 50% of the voting power or over which it exercises significant influence. Investment in associate is carried in the balance sheet at cost, plus post-acquisition changes in the Company's share of net assets of the associate, less any impairment in value. The income statement reflects the Company's share of the results of its associate.

Unrealised profits and losses resulting from transactions between the Company and its associate are eliminated to the extent of the Company's interest in the associate.

2 SIGNIFICANT ACCOUNTING POLICIES - continued

Work-in-progress
Work-in-progress is stated at cost plus attributable profit, less provision for any anticipated losses. Where the payments received and receivable for any contract exceed the cost plus attributable profit or less anticipated losses, the excess is shown as excess billings. Costs include direct materials, wages, subcontractors' costs and overheads.

Inventories
Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average basis. Cost includes purchase cost, freight, insurance and other related expenses incurred in bringing the goods to their present condition and location. Net realizable value is based on the normal selling price, less cost expected to be incurred on disposal.

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
Cash and cash equivalents consist of cash on hand and cash at banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the date of deposit and that are subject to an insignificant risk of change in value.

Employees' end of service benefits
The Company provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

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

Provisions
Provisions are recognized when the Company has an obligation arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Provision for warranty is made on the completion of a job to cover any liability which may arise during the warranty period and is based on management's judgment.

Foreign currency translation
Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

3 REVENUES

	2005 AED	2004 AED
Ship repair	**122,607,550**	100,619,896
Steel fabrication	**279,466**	179,620
	122,887,016	100,799,516

4 OPERATING EXPENSES

	2005 AED	2004 AED
Material and subcontractor cost	**78,113,543**	57,245,370
Other operating expenses	**11,723,376**	11,876,075
Payroll and related expenses	**16,184,141**	14,379,293
Depreciation	**4,639,132**	4,759,539
	110,660,192	88,260,277

5 EARNINGS PER SHARE

The calculation of earnings per share is based on earnings of AED 17,557,522 (2004: AED 16,139,392) divided by the number of ordinary shares of 672,259 (2004: 672,259 shares).

6 PROPERTY, PLANT AND EQUIPMENT

	Freehold land	*Building and structure*	*Plant and machinery*	*Vehicles, vessels and moving equipment*	*Tools, computers and furniture and fixtures*	*Construction -in-progress*	*Total*
	AED	*AED*	*AED*	*AED*	*AED*	*AED*	*AED*
Cost:							
At 1 January 2005	17,500,000	98,152,092	57,616,859	17, 595,123	7,277,753	3,372,161	201,513,988
Additions	-	301,585	1,116,673	522,600	446,105	11,082,924	13,469,887
Disposals	-	-	(2,435,993)	(166,342)	(324,513)	-	(2,926,848)
At 31 December 2005	**17,500,000**	**98,453,677**	**56,297,539**	**17,951,381**	**7,399,345**	**14,455,085**	**212,057,027**
Depreciation:							
At 1 January 2005	-	44,215,036	42,191,045	11,631,664	6,628,009	-	104,665,754
Depreciation charge for the year	-	2,692,844	1,171,411	463,808	311,069	-	4,639,132
Relating to disposals	-	-	(2,435,992)	(166,342)	(324,461)	-	(2,926,795)
At 31 December 2005	-	**46,907,880**	**40,926,464**	**11,929,130**	**6,614,617**	-	**106,378,091**
Net carrying amount							
At 31 December 2005	**17,500,000**	**51,545,797**	**15,371,075**	**6,022,251**	**784,728**	**14,455,085**	**105,678,936**
At 31 December 2004	17,500,000	53,937,056	15,425,814	5,963,459	649,744	3,372,161	96,848,234

7 INVESTMENT IN AN ASSOCIATE

The Company has a 50% interest in Arab Eagle Marine Engineering L.L.C. (AEME), which is involved in the business of providing afloat repair services. In accordance with an agreement effective 1 January 2006, the Company has acquired the balance 50% interest in AEME.

AEME is a limited company registered in the Emirate of Dubai, U.A.E. and is not listed on any public exchange. Therefore, there is no published quotation price for the fair value of this investment.

	2005 AED	2004 AED
Share of associate's balance sheet:		
Current assets	**3,179,113**	2,328,546
Non-current assets	**110,206**	95,358
Current liabilities	**(1,528,339)**	(562,187)
Non-current liabilities	**(439,477)**	(412,639)
Net assets	**1,321,503**	1,449,078
Share of associate's revenue and results:		
Revenue	**6,188,300**	4,598,061
Results	**1,664,925**	1,009,678

8 INVENTORIES

	2005 AED	2004 AED
Spares, consumables and supplies	**5,289,360**	4,900,383
Provision for slow-moving items	**(1,496,000)**	(1,459,200)
	3,793,360	3,441,183
Goods-in-transit	**-**	83,662
	3,793,360	3,524,845

9 BALANCES AND TRANSACTIONS WITH RELATED PARTIES

		2005 AED	2004 AED
a.	Due from related parties comprises:		
	Al Futtaim Group of companies	-	9,112
	Keppel Kazakhstan	**1,794**	-
	Keppel FELS Ltd	**2,817**	534,485
	Arab Eagle Marine Engineering LLC	**303,084**	-
		307,695	543,597
b.	Due to related parties comprises:		
	Arab Eagle Marine Engineering L.L.C.	-	675,489
	Keppel Shipyard	**1,771,474**	1,681,660
	Al Futtaim Group of companies	**1,092,137**	593,292
	Keppel Corporation Limited	**8,181**	-
		2,871,792	2,950,441

c. These represent transactions with related parties, i.e. shareholders, directors and senior management of the Company, and companies of which they are principal owners. Pricing policies and terms of these transactions are approved by the Company's management.

Significant transactions with related parties included in the income statement are as follows:

	2005 AED	2004 AED
Keppel Shipyard (management fee, payroll and related services and other charges)	**3,417,177**	3,218,744
Keppel Sea Scan (material)	**213,568**	163,319
Keppel FELS Ltd (revenue and other charges)	**20,534,920**	9,724,539
Arab Eagle Marine Engineering L.L.C.:		
- Revenue	**(2,568,006)**	(2,397,652)
- Expenses incurred	**(199,192)**	(211,326)
- Materials, manpower supply and payroll charges	**3,558,571**	3,972,263
Al Futtaim Group of companies (for spares, property, plant and equipment, insurance premium and claims)	**2,944,869**	2,131,196

d. The Company is managed by a member of the Keppel Group. As per the management agreement, the Company is charged a fee of Singapore Dollars 200,000 (2004: Singapore Dollars 160,000) per annum plus 10% of the net profit, if any.

e. Directors' remuneration amounted to AED 798,000 (2004: AED 798,000.)

10 ACCOUNTS RECEIVABLE

	2005 AED	2004 AED
Trade receivables	**29,439,569**	20,945,111
Provision for doubtful debts and discounts	**(4,841,992)**	(2,392,589)
	24,597,577	18,552,522

11 PREPAYMENTS AND OTHER ASSETS

	2005 AED	2004 AED
Prepayments	**256,068**	179,458
Advances to suppliers	**997,376**	3,694,477
Other receivables	**442,578**	676,800
	1,696,022	4,550,735

12 BANK BALANCES AND CASH

	2005 AED	2004 AED
Cash at banks and in hand	**7,319,092**	2,887,595
Fixed deposits	**23,519,024**	27,087,536
Cash and cash equivalents	**30,838,116**	29,975,131

The fixed deposits have maturities of 30 to 90 days (2004: 30 to 180 days) and carry interest at rates ranging from 3.5 % to 4% (2004: 0.28% to 1.19%) per annum.

13 RESERVES

In accordance with the Articles of Association of the Company and the U.A.E. Federal Commercial Companies Law No. 8 of 1984 and its amendments, 10% of the annual net profit of the Company is allocated to a statutory reserve until such reserve equals 50% of the paid-up share capital of the Company. This reserve is no available for distribution.

The Company's Articles of Association also require that 10% of the annual net profit be appropriated to a general reserve until such reserve equals 10% of paid-up share capital. As the general reserve is equal to 10% of paid-up share capital, no further appropriation has been made during the year.

14 PROPOSED DIVIDENDS

Subsequent to 31 December 2005, the Board of Directors has proposed dividends of AED 13,445,180 for the year ended 31 December 2005 (2004: AED 11,428,403).

15 EMPLOYEES' END OF SERVICE BENEFITS

	2005 AED	2004 AED
Movements in the provision recognised in the balance sheet are as follows:		
Provision as at 1 January	**4,885,390**	4,704,610
Provided during the year	**659,861**	522,350
Paid during the year	**(259,251)**	(341,570)
Provision as at 31 December	**5,286,000**	4,885,390

16 ACCRUED EXPENSES, PROVISIONS AND OTHER LIABILITIES

	2005 AED	2004 AED
Advances received from customers	**1,358,451**	14,425,787
Payroll and payroll-related accruals	**3,103,815**	2,860,904
Proposed Directors' remuneration	**798,000**	798,000
Accrual for jobs	**20,374,600**	11,180,753
Provision for warranties	**2,772,898**	1,612,184
Unclaimed dividends	**19,325**	22,345
Retention payable	**646,349**	-
Other accruals	**359,644**	401,967
	29,433,082	31,301,940

17 RISK MANAGEMENT

Interest rate risk
The Company is exposed to interest rate risk on its bank deposits.

Credit risk
The Company seeks to limit its credit risk by undertaking a credit review prior to granting credit to it customers and by closely monitoring the collection of outstanding receivables.

The Company performs services for a large number of vessel owners. Its ten largest customers account for 90% of the outstanding debtors at 31 December 2005 (2004: 89%).

Exchange rate risk
The Company occasionally undertakes transactions in currencies other than the UAE Dirham, primarily in US Dollars. The rate of exchange between the US Dollar and the UAE Dirham is fixed and accordingly no significant exchange risk arises from these transactions.

Liquidity risk
The Company limits its liquidity risk by ensuring that bank facilities and shareholder funds are available. The Company's terms of sales require amounts to be paid within 60 days of invoice date. Trade payable are normally settled within 90 days of the date of purchase.

18 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of receivables and cash and bank balances. Financial liabilities consist of payables and accruals.

The fair values of financial instrument are not materially different from their carrying values.

19 CONTINGENT LIABILITIES AND EXPENDITURE COMMITMENTS

	2005 ***AED***	*2004* *AED*
Capital expenditure commitment	**7,646,023**	141,672
Letters of guarantee	**2,043,288**	4,090,402

20 COMPARATIVE AMOUNTS

The corresponding figures for 2004 have been reclassified in order to conform with the presentation for the current year. Such reclassifications do not affect previously reported net profit or shareholders' equity.

Auditors' Report

At 31 December 2005

AUDITORS' REPORT TO THE SHAREHOLDERS OF
ARAB HEAVY INDUSTRIES PUBLIC JOINT STOCK COMPANY

We have audited the accompanying balance sheet of Arab Heavy Industries Public Joint Stock Company (the "Company") as of 31 December 2005, and the related statements of income, cash flows and changes in equity for the year then ended. These financial statements are the responsiblity of the Company's management. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial postion of the Company as of 31 December 2005 and the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards.

We also confirm, that in our opinion proper books of account have been maintained by the Company, an inventory was duly carried out and the contents of the Directors report relating to these financial statements are in agreement 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 ended 31 December 2005 which would have had a material effect on the business of the Company or on its financial positon.

Ernst & Young

By: Edward B. Quinlan (Registration No. 93)
For: Ernst & Young

5 January 2006

Principal Shareholders

At 31 December 2005

Name	No. of shares held	%
KEPPEL GROUP	223,965	33.32
AL-FUTTAIM GROUP	186,728	27.78
GOVERNMENT OF AJMAN	168,000	24.99
MASHREQ BANK PSC.	56,000	8.33
MITSUI ENGINEERING & SHIPBUILDING CO. LTD.	24,000	3.57
OTHERS	13,566	2.01
	672,259	100.00%

Notice To The Shareholders

At 31 December 2005

Notice is hereby given to the shareholders of Arab Heavy Industries P.J S.C. ("Company") that the Board of Directors ("Board") of the Company has called for the Twenty Ninth (29th) Annual General Meeting ("AGM") of shareholders to be held on Wednesday, the 29th day of March 2006 at Ajman 1 Meeting Hall, Ajman Kempinski Hotel, Ajman at 5.00 p.m.

The Annual General Meeting shall have the following agenda:

1. Review and adopt the Chairman's Report.
2. Consider the Auditors' Report and approve the Balance Sheet and Profit and Loss Statement for the year ended 31 December 2005.
3. Approve dividends and appropriation of profit.
4. Appoint Auditors for the financial year 2006 and approve the Auditor's fees.
5. Release the Board and the Auditors from liability.
6. Approve appointment of two directors appointed by the Board.

Note.

Shareholders of the Company may appoint a proxy to attend and vote on their behalf at the meeting. Instruments appointing proxies should be signed before a Notary Public and deposited with the Company at least forty-eight hours prior to the meeting in order to be valid.

Arab Heavy Industries P.J.S.C.

Ajman

8 March 2006

Proxy Nomination

To :

M/s Arab Heavy Industries P.J.S.C.
P. O. Box 529
Ajman, UAE

I/We being a Shareholder of the above named Company hereby

appoint_____

_____

of _____ or

failing him _____of

_____ as

my/our proxy to vote for me/us on my/our behalf at the Twenty Ninth Annual General Meeting of the Company to be held at 5.00 pm on Wednesday, the 29th day of March 2006 and at any adjournment thereof.

Dated this _____day of_____2006.

Signature. _____

Name : _____

Address : _____