ARAB HEAVY INDUSTRIES P.J.S.C.
AND SUBSIDIARY
AJMAN - UNITED ARAB EMIRATES

CONSOLIDATED INTERIM FINANCIAL INFORMATION AND REVIEW REPORT FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2007

Arab Heavy Industries P.J.S.C. and Subsidiary
Ajman - United Arab Emirates

Consolidated Interim Financial Information and Review Report For the Three Month Period Ended March 31, 2007

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Report on Review of Interim Financial Information

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

Introduction

We have reviewed the accompanying condensed consolidated balance sheet of **Arab Heavy Industries P.J.S.C. and Subsidiary, Ajman, United Arab Emirates** as of March 31, 2007 and the related condensed consolidated statements of income, changes in equity and cash flows for the three month period then ended and explanatory notes. 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. The comparative figures in the condensed consolidated balance sheet and related explanatory notes were audited by another auditor whose report dated January 25, 2007 expressed an unqualified opinion thereon. The prior period comparative figures in the condensed consolidated statements of income, changes in equity and cash flows were reviewed by another auditor who issued an unqualified report dated June 10, 2006.

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.

For Deloitte & Touche

Saba Y. Sindaha
Partner
(Registration No. 410)

Sharjah
May 3, 2007

Arab Heavy Industries P.J.S.C. and Subsidiary
Ajman - United Arab Emirates

Condensed Consolidated Balance Sheet
At March 31, 2007
(In Arab Emirates Dirhams)

	Notes	March 31, 2007 Unaudited	December 31, 2006 Audited
ASSETS			
Current assets			
Bank balances and cash	5	**62,996,265**	37,082,801
Trade and other receivables		**39,305,192**	26,737,706
Inventories		**4,977,094**	14,878,189
Due from related parties		**695,521**	7,075,919
Total current assets		**107,974,072**	85,774,615
Non-current assets			
Goodwill		**2,773,497**	2,773,497
Property, plant and equipment		**108,485,941**	109,129,297
Total non-current assets		**111,259,438**	111,902,794
Total Assets		**219,233,510**	197,677,409
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables		**76,676,807**	56,336,470
Due to related parties		**5,430,405**	3,842
Total current liabilities		**82,107,212**	56,340,312
Non-current liabilities			
Provision for employees' end of service indemnity		**6,610,098**	6,514,043
Total Liabilities		**88,717,310**	62,854,355
Capital and reserves			
Share capital	7	**67,225,900**	67,225,900
Statutory reserve		**18,998,611**	18,998,611
General reserve		**6,722,590**	6,722,590
Retained earnings		**37,569,099**	41,875,953
Total Equity		**130,516,200**	134,823,054
Total Liabilities and Equity		**219,233,510**	197,677,409

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

The consolidated interim financial information on pages 2 to 10 were approved by the Board of Directors and authorised for issue on May 3, 2007.

Chairman

Managing Director

Condensed Consolidated Statement of Income
For the three month period ended March 31, 2007
(In Arab Emirates Dirhams)

	Three month period ended March 31, 2007	Three month period ended March 31, 2006
	Unaudited	Unaudited
Revenue	**56,346,396**	22,836,522
Operating expenses	**(47,056,571)**	(18,427,419)
Operating profit	**9,289,825**	4,409,103
Interest income	**275,345**	207,956
Other income	**917,674**	368,014
Profit for the period	**10,482,844**	4,985,073
Basic earnings per share (Note 8)	**15.59**	7.42

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

Condensed Consolidated Statement of Changes in Equity
For the three month period ended March 31, 2007
(In Arab Emirates Dirhams)

	Share capital	Statutory reserve	General reserve	Retained earnings	Total
Balance at December 31, 2005 (Audited)	67,225,900	16,932,037	6,722,590	33,971,417	124,851,944
Dividends	-	-	-	(13,445,180)	(13,445,180)
Profit for the period	-	-	-	4,985,073	4,985,073
Balance at March 31, 2006 (Unaudited)	**67,225,900**	**16,932,037**	**6,722,590**	**25,511,310**	**116,391,837**
Balance at December 31, 2006 (Audited)	67,225,900	18,998,611	6,722,590	41,875,953	134,823,054
Dividends	-	-	-	(14,789,698)	(14,789,698)
Profit for the period	-	-	-	10,482,844	10,482,844
Balance at March 31, 2007 (Unaudited)	**67,225,900**	**18,998,611**	**6,722,590**	**37,569,099**	**130,516,200**

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

Interim Consolidated Statement of Cash Flows
For the three month period ended March 31, 2007
(In Arab Emirates Dirhams)

	Three month period ended March 31, 2007	Three month period ended March 31, 2006
	Unaudited	Unaudited
Operating activities		
Profit for the period	**10,482,844**	4,985,073
Adjustments for:		
Depreciation of property, plant and equipment	**1,450,390**	1,211,304
Provision for employees' end of service indemnity	**191,194**	258,758
Interest income	**(275,345)**	(207,956)
Gain on disposal of property plant and equipment	**(54,792)**	(14,875)
Operating cash flows before movements in working capital	**11,794,291**	6,232,304
Increase in trade and other receivables	**(12,567,486)**	(2,683,959)
Decrease in inventories	**9,901,095**	901,973
Decrease in due from related parties	**6,380,398**	250,470
Increase/(decrease) in trade and other payables	**5,550,639**	(3,732,968)
Increase/(decrease) in due to related parties	**5,426,563**	(2,525,446)
Cash generated from/(used in) operations	**26,485,500**	(1,557,626)
Employees' end of service indemnity paid	**(95,139)**	(68,860)
Net cash generated from/(used in) operating activities	**26,390,361**	(1,626,486)
Investing activities		
Purchase of property, plant and equipment	**(811,242)**	(2,968,051)
Proceeds from disposal of property, plant and equipment	**59,000**	14,875
Acquisition of subsidiary	**-**	4,680,917
Interest received	**275,345**	207,956
Net cash (used in)/ generated from investing activities	**(476,897)**	1,935,697
Financing activities		
Dividend paid	**-**	(8,693,860)
Cash used in financing activities	**-**	(8,693,860)
Net increase/(decrease) in cash and cash equivalents	**25,913,464**	(8,384,649)
Cash and cash equivalents at the beginning of the period	**37,082,801**	30,838,116
Cash and cash equivalents at the end of the period	**62,996,265**	22,453,467

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

Notes to the Consolidated Interim Financial Information
For the three month period ended March 31, 2007

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). 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. Basis of preparation

These consolidated interim financial information is prepared in accordance with the International Accounting Standard No. 34 - *Interim Financial Reporting* issued by the International Accounting Standard Board and also comply with the applicable requirements of the laws in the U.A.E. The consolidated interim financial information is prepared in accordance with the historical cost basis, except for the measurement at fair value of financial instruments. The consolidated interim financial information is presented in U.A.E. Dirhams (AED) since that is the currency in which the majority of the Group's transactions are denominated.

These consolidated interim financial information do not include all the information required for full annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at and for the year ended December 31, 2006. In addition, results for the 3 months ended March 31, 2007 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2007.

(a) Estimates

The preparation of consolidated interim financial information require management to make judgments, estimates and assumptions that affect 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 consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the annual consolidated financial statements as at and for the year ended December 31, 2006.

(b) Management of financial risk

The Group's financial risk management objectives and policies are consistent with those disclosed in the annual consolidated financial statements as at and for the year ended December 31, 2006.

3. Basis of consolidation

The consolidated interim financial information 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 significant intra-group transactions, balances, income and expenses are eliminated on consolidation.

Subsidiary:

Details of the Company's subsidiary at March 31, 2007 are as follows:

Name of subsidiary	Proportion of ownership interest	Country of incorporation	Principal activities
Arab Eagle Marine Engineering L.L.C.	100%	UAE	Engaged in the activity of ship repair.

4. Accounting policies

The accounting policies used in the preparation of these consolidated interim financial information are consistent with those used in the annual audited financial statements for the year ended December 31 2006, except for the adoption of new standards and interpretation noted below:

IFRS 7 Financial Instruments Disclosures
The Group has adopted IFRS 7, which requires disclosures that enable users 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 will be included in the Group's annual consolidated financial statements for the year ending December 31, 2007.

IAS 1 Amendment - 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 will be included in the Group's annual consolidated financial statements for the year ending December 31, 2007.

4. Accounting policies (continued)

Adoption of these Standards did not have any effect on the financial position or performance of the Group.

5. Bank balances and cash

	March 31, 2007	December 31, 2006
	Unaudited	Audited
	AED	AED
Cash on hand	**30,000**	32,000
Bank balances:		
Current accounts	**27,859,280**	11,458,811
Fixed deposits	**35,106,985**	25,591,990
	62,996,265	37,082,801

6. Related party transactions

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

	Three Month Period Ended March 31,	
	2007	2006
	Unaudited	Unaudited
	AED	AED
Sales	**14,042,718**	-
Purchases	**26,993**	18,036
Management fees to Keppel Group	**1,338,207**	725,797
Board of directors' remuneration	**868,000**	798,000
Other expenses	**1,117,417**	890,718

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 300,000 (2006: Singapore Dollars 300,000) per annum plus 10% of the net profit.

6. Related party transactions (continued)

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

The remuneration of directors has been approved by the Shareholders in the annual general meeting.

7. Share capital

	March 31, 2007	December 31, 2006
	Unaudited	Audited
	AED	AED
Issued and fully paid (672,259 ordinary shares of AED 100 each)	**67,225,900**	67,225,900

8. Basic earnings per share

	Three Month Period Ended March 31,	
	2007	2006
	Unaudited	Unaudited
Profit for the period (in AED)	**10,482,844**	4,985,073
Number of shares	**672,259**	672,259
Basic earnings per share (in AED)	**15.59**	7.42

9. Dividends

At the annual general meeting held on March 28, 2007, the Shareholders approved a dividend of AED 14,789,698 (AED 22 per share) for 2006 (2005: dividend of AED 13,445,180, AED 20 per share).

10. Commitments and contingent liabilities

Contingent liabilities and commitments as of the balance sheet date are as follows:

	March 31, 2007	December 31, 2006
	Unaudited	Audited
	AED	AED
Commitments		
Commitments for the acquisition of property, plant and equipment	**170,620**	714,274
Contingent liabilities		
Letters of guarantee	**38,150**	38,150

11. Comparative amounts

Certain amounts for the prior period were reclassified to conform to current period presentation.