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, 2010

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, 2010

Table of Contents

	Page
Report on Review of Consolidated Interim Financial Information	1
Condensed Consolidated Statement of Financial Position	2
Condensed Consolidated Statement of Income	3
Condensed Consolidated Statement of Comprehensive Income	4
Condensed Consolidated Statement of Changes in Equity	5
Condensed Consolidated Statement of Cash Flows	6
Notes to the Consolidated Interim Financial Information	7 - 11

Deloitte.

Deloitte & Touche (M.E.)
Corniche Plaza II, Suite 701
P.O. Box 5470, Sharjah
United Arab Emirates
Tel : +971(6) 574 1052
Fax: +971(6) 574 1053
www.deloitte.com

Ref: 32601FS10

Report on Review of Consolidated 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 statement of financial position of **Arab Heavy Industries P.J.S.C. and Subsidiary, Ajman, United Arab Emirates** as of March 31, 2010 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three month 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.

For Deloitte & Touche

Saba Y. Sindaha
Partner
(Registration No. 410)

Sharjah
May 9, 2010

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

Condensed Consolidated Statement of Financial Position
At March 31, 2010
(In Arab Emirates Dirhams)

	Notes	March 31, 2010 Unaudited	December 31, 2009 Audited
ASSETS			
Current assets			
Bank balances and cash	5	**138,475,029**	131,649,663
Trade and other receivables		**43,076,732**	45,730,712
Inventories		**12,049,176**	12,238,889
Due from a related party		**2,010**	-
Total current assets		**193,602,947**	189,619,264
Non-current assets			
Goodwill		**2,773,497**	2,773,497
Property, plant and equipment		**106,791,089**	107,664,220
Total non-current assets		**109,564,586**	110,437,717
Total Assets		**303,167,533**	300,056,981
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables		**117,669,137**	52,847,926
Due to related parties		**410,897**	294,878
Total current liabilities		**118,080,034**	53,142,804
Non-current liabilities			
Provision for employees' end of service benefits		**6,977,254**	6,746,976
Total Liabilities		**125,057,288**	59,889,780
Capital and reserves			
Share capital	6	**67,225,900**	67,225,900
Statutory reserve		**33,612,950**	33,612,950
General reserve		**6,722,590**	6,722,590
Retained earnings		**70,548,805**	132,605,761
Total Equity		**178,110,245**	240,167,201
Total Liabilities and Equity		**303,167,533**	300,056,981

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

Chairman

Managing Director

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

Condensed Consolidated Statement of Income
For the three month period ended March 31, 2010
(In Arab Emirates Dirhams)

	Three month period ended March 31, 2010	Three month period ended March 31, 2009
	Unaudited	Unaudited
Revenue	**21,221,418**	70,065,782
Operating expenses	**(15,409,682)**	(46,129,808)
Profit from operations	**5,811,736**	23,935,974
Interest income	**768,973**	1,669,235
Other income	**567,275**	1,190,350
Profit for the period	**7,147,984**	26,795,559
Basic earnings per share (Note 8)	**10.63**	39.86

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

Condensed Consolidated Statement of Comprehensive Income
For the three month period ended March 31, 2010
(In Arab Emirates Dirhams)

	Three month period ended March 31, 2010	Three month period ended March 31, 2009
	Unaudited	Unaudited
Profit for the period	**7,147,984**	26,795,559
Other comprehensive income/(loss) for the period		
Board of Directors' remuneration	**(1,979,040)**	(2,083,200)
Total comprehensive income for the period	**5,168,944**	24,712,359

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

Condensed Consolidated Statement of Changes in Equity
For the three month period ended March 31, 2010
(In Arab Emirates Dirhams)

	Issued capital	Statutory reserve	General reserve	Retained earnings	Total
Balance at December 31, 2008 (Audited)	67,225,900	32,861,244	6,722,590	118,493,901	225,303,635
Profit for the period	-	-	-	26,795,559	26,795,559
Directors' remuneration	-	-	-	(2,083,200)	(2,083,200)
Total comprehensive income for the period	-	-	-	24,712,359	24,712,359
Dividends	-	-	-	(73,948,490)	(73,948,490)
Balance at March 31, 2009 (Unaudited)	67,225,900	32,861,244	6,722,590	69,257,770	176,067,504
Balance at December 31, 2009 (Audited)	67,225,900	33,612,950	6,722,590	132,605,761	240,167,201
Profit for the period	-	-	-	7,147,984	7,147,984
Directors' remuneration	-	-	-	(1,979,040)	(1,979,040)
Total comprehensive income for the period	-	-	-	5,168,944	5,168,944
Dividends	-	-	-	(67,225,900)	(67,225,900)
Balance at March 31, 2010 (Unaudited)	**67,225,900**	**33,612,950**	**6,722,590**	**70,548,805**	**178,110,245**

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

Condensed Consolidated Statement of Cash Flows
For the three month period ended March 31, 2010
(In Arab Emirates Dirhams)

	Three month period ended March 31, 2010	Three month period ended March 31, 2009
	Unaudited	Unaudited
Cash flows from operating activities		
Profit for the period	**7,147,984**	26,795,559
Adjustments for:		
Depreciation of property, plant and equipment	**1,751,948**	1,618,933
Provision for employees' end of service benefits	**262,196**	395,671
Interest income	**(768,973)**	(1,669,235)
Operating cash flows before changes in operating assets and liabilities	**8,393,155**	27,140,928
Decrease/(increase) in trade and other receivables	**2,653,980**	(13,500,997)
Decrease in inventories	**189,713**	6,501,658
Increase in due from a related party	**(2,010)**	-
(Decrease)/increase in trade and other payables	**(4,383,729)**	4,552,862
Increase in due to related parties	**116,019**	108,546
Cash generated from operations	**6,967,128**	24,802,997
Employees' end of service benefits paid	**(31,918)**	(7,471)
Net cash generated from operating activities	**6,935,210**	24,795,526
Cash flows from investing activities		
(Increase)/decrease in fixed deposits	**(5,274,912)**	11,915,343
Purchase of property, plant and equipment	**(878,817)**	(1,420,921)
Interest received	**768,973**	1,669,235
Net cash (used in)/generated from investing activities	**(5,384,756)**	12,163,657
Net increase in cash and cash equivalents	**1,550,454**	36,959,183
Cash and cash equivalents at the beginning of the period	**126,453,354**	95,840,617
Cash and cash equivalents at the end of the period (Note 10)	**128,003,808**	132,799,800

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

Notes to the Consolidated Interim Financial Information
For the three month period ended March 31, 2010

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

This 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.

This 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 audited consolidated financial statements as at and for the year ended December 31, 2009. In addition, results for the 3 month period ended March 31, 2010 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2010.

(a) Estimates

The preparation of consolidated interim financial information require management to make judgements, 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 this consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that were applied to the annual audited consolidated financial statements as at and for the year ended December 31, 2009.

(b) Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the annual audited consolidated financial statements as at and for the year ended December 31, 2009.

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, 2010 are as follows:

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

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

4. Accounting policies

The accounting policies used in the preparation of this consolidated interim financial information are consistent with those used in the annual audited consolidated financial statements for the year ended December 31 2009. The Group has adopted new standards, amendments to standards, new interpretations and amendments to Interpretations which are effective for the annual periods beginning on or after January 1, 2010 in this interim consolidated financial information. The adoption of these standards and interpretations has not had material impact on the Group's accounting policies.

5. Bank balances and cash

	March 31, 2010	December 31, 2009
	Unaudited	Audited
	AED	AED
Cash on hand	**30,000**	30,000
Bank balances:		
Current accounts	**18,081,800**	12,789,388
Fixed deposits	**120,363,229**	118,830,275
	138,475,029	131,649,663

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

6. Share capital

	March 31, 2010	December 31, 2009
	Unaudited	Audited
	AED	AED
Issued and fully paid		
(672,259 ordinary shares of AED 100 each)	**67,225,900**	67,225,900

7. Related party transactions

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

	Three Month Period Ended March 31,	
	2010	2009
	Unaudited	Unaudited
	AED	AED
Purchases	**16,866**	15,039
Management fees to Keppel Group	**1,064,221**	3,247,284
Board of Directors' remuneration	**1,979,040**	2,083,200
Other expenses	**433,921**	390,522

7. Related party transactions (continued)

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 (2009: Singapore Dollars 450,000) per annum plus 10% of the net profit.

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

8. Basic earnings per share

	Three Month Period Ended March 31,	
	2010	2009
	Unaudited	Unaudited
Profit for the period (in AED)	**7,147,984**	26,795,559
Number of shares	**672,259**	672,259
Basic earnings per share (in AED)	**10.63**	39.86

9. Dividends

At the annual general meeting held on March 24, 2010, the Shareholders approved a dividend of AED 67,225,900 (AED 100 per share) for 2009 (2008: dividend of AED 73,948,490, AED 110 per share).

10. Cash and cash equivalents

	March 31, 2010	March 31, 2009
	Unaudited AED	Unaudited AED
Bank balances and cash	**138,475,029**	145,851,099
Bank fixed deposits with maturity greater than three months	**(10,471,221)**	(13,051,299)
	128,003,808	132,799,800

11. Approval of consolidated interim financial information

The consolidated interim financial information were approved by the Board of Directors and authorised for issue on May 9, 2010.