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

Review report and consolidated interim financial information
for the period ended 31 March 2011

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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 31 March 2011 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"*.

Deloitte & Touche

Samir Madbak
Registration No. 386
3 May 2011

Condensed consolidated statement of financial position
At 31 March 2011

	Notes	31 March 2011 (unaudited) AED	31 December 2010 (audited) AED
ASSETS			
Non-current assets			
Property, plant and equipment	4	**111,692,926**	113,267,552
Goodwill		**2,773,497**	2,773,497
Total non-current assets		**114,466,423**	116,041,049
Current assets			
Inventories		**8,362,230**	8,770,817
Due from related parties		**50,912**	-
Trade and other receivables		**23,619,577**	28,079,768
Bank balances and cash	5	**90,026,039**	77,881,239
Total current assets		**122,058,758**	114,731,824
Total assets		**236,525,181**	230,772,873
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		**74,274,434**	84,855,558
Total equity		**181,835,874**	192,416,998
Non-current liabilities			
Provision for employees' end of service benefits		**6,332,917**	6,479,122
Current liabilities			
Trade and other payables		**47,793,101**	31,496,763
Due to related parties		**563,289**	379,990
Total current liabilities		**48,356,390**	31,876,753
Total liabilities		**54,689,307**	38,355,875
Total equity and liabilities		**236,525,181**	230,772,873

Chairman **Managing Director**

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

Condensed consolidated statement of income (unaudited) for the period ended 31 March 2011

	Three month period ended 31 March 2011 AED	Three month period ended 31 March 2010 AED
Revenue	**20,655,597**	21,221,418
Operating expenses	**(14,401,618)**	(15,409,682)
Interest income	**383,498**	768,973
Other income	**487,874**	567,275
Profit for the period	**7,125,351**	7,147,984
Basic earnings per share (Note 10)	**10.60**	10.63

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

Condensed consolidated statement of comprehensive income (unaudited) for the period ended 31 March 2011

	Three month period ended 31 March 2011 AED	Three month period ended 31 March 2010 AED
Profit for the period	**7,125,351**	7,147,984
Other comprehensive loss		
Board of Directors' remuneration	**(900,000)**	(1,979,040)
Total comprehensive income for the period	**6,225,351**	5,168,944

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

Condensed consolidated statement of changes in equity (unaudited) for the period ended 31 March 2011

	Share capital AED	Statutory reserve AED	General reserve AED	Retained earnings AED	Total AED
Balance at 31 December 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 (Note 11)	-	-	-	(67,225,900)	(67,225,900)
Balance at 31 March 2010 (Unaudited)	67,225,900	33,612,950	6,722,590	70,548,805	178,110,245
Balance at 31 December 2010 (Audited)	67,225,900	33,612,950	6,722,590	84,855,558	192,416,998
Profit for the period	-	-	-	7,125,351	7,125,351
Directors' remuneration	-	-	-	(900,000)	(900,000)
Total comprehensive income for the period	-	-	-	6,225,351	6,225,351
Dividends (Note 11)	-	-	-	(16,806,475)	(16,806,475)
Balance at 31 March 2011 (Unaudited)	**67,225,900**	**33,612,950**	**6,722,590**	**74,274,434**	**181,835,874**

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

Condensed consolidated statement of cash flows (unaudited) for the period ended 31 March 2011

	Three month period ended 31 March	
	2011	2010
	AED	AED
Cash flows from operating activities		
Profit for the period	**7,125,351**	7,147,984
Adjustments for:		
Depreciation of property, plant and equipment	**1,924,666**	1,751,948
Provision for employees' end of service benefits	**71,404**	262,196
Allowance for doubtful debts - net	**1,101,334**	-
Interest income	**(383,498)**	(768,973)
Operating cash flows before changes in operating assets and liabilities	**9,839,257**	8,393,155
Decrease in trade and other receivables	**3,358,857**	2,653,980
Decrease in inventories	**408,587**	189,713
Increase in due from related parties	**(50,912)**	(2,010)
Decrease in trade and other payables	**(1,410,137)**	(4,383,729)
Increase in due to related parties	**183,299**	116,019
Cash generated from operations	**12,328,951**	6,967,128
Employees' end of service benefits paid	**(217,609)**	(31,918)
Net cash from operating activities	**12,111,342**	6,935,210
Cash flows from investing activities		
Purchase of property, plant and equipment	**(350,040)**	(878,817)
Decrease in fixed deposits	**-**	(5,274,912)
Interest received	**383,498**	768,973
Net cash generated from/(used in) investing activities	**33,458**	(5,384,756)
Net increase in cash and cash equivalents	**12,144,800**	1,550,454
Cash and cash equivalents at the beginning of the period	**77,881,239**	126,453,354
Cash and cash equivalents at the end of the period (Note 12)	**90,026,039**	128,003,808

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

Notes to the condensed consolidated financial statements for the period ended 31 March 2011

1. General

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. Adoption of new and revised International Financial Reporting Standards (IFRSs)

2.1 New and revised IFRSs adopted with no material effect on the condensed consolidated financial statements

The following new and revised IFRSs have been adopted in these condensed consolidated financial statements. The adoption of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for future transactions or arrangements.

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 1 relating to *Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters*	1 July 2010
IAS 24 Related Party Disclosures (revised in 2009)	1 January 2011
Amendments to IFRIC 14 relating to Prepayments of a Minimum Funding Requirement	1 January 2011
Improvements to IFRSs issued in 2010 covering amendments to IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34 and IFRIC 13	1 January 2011, except IFRS 3 and IAS 27 which are effective from 1 July 2010
Amendments to IAS 32 Financial Instruments: Presentation, relating to Classification of Rights Issues	1 February 2010

2.2 New and revised IFRSs in issue but not yet effective and not early adopted

The Group has not adopted the following new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 7 *Financial Instruments: Disclosures*, relating to Disclosures on Transfers of Financial Assets	1 July 2011

Notes to the condensed consolidated financial statements for the period ended 31 March 2011 (continued)

2. Adoption of new and revised International Financial Reporting Standards (IFRSs) (continued)

2.2 New and revised IFRSs in issue but not yet effective and not early adopted (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 9 *Financial Instruments* (as amended in 2010)	1 January 2013
Deferred Tax: Recovery of Underlying Assets – *Amendments to* IAS 12: *Income Taxes*	1 January 2012
Amendments to IFRS 1: *Removal of Fixed Dates for First-Time Adopter*	1 July 2011
Amendments to IFRS 1 : *Severe Hyperinflation*	1 July 2011

Management anticipates that these amendments will be adopted in the Group's consolidated financial statements for the period beginning 1 January 2012 or as and when they are applicable and adoption of these standards and interpretations may have no material impact on the consolidated financial statements of the Group in the period of initial application.

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 in these condensed consolidated financial statements are consistent with those used in the audited consolidated financial statements for the year ended 31 December 2010.

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.

3.2 Property, plant and equipment

Freehold land is stated at cost and 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.

Notes to the condensed consolidated financial statements for the period ended 31 March 2011 (continued)

3. Summary of significant accounting policies (continued)

3.2 Property, plant and equipment (continued)

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.

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 31 March 2011 are as follows:

Name of subsidiary	Proportion of 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.

Notes to the condensed consolidated financial statements for the period ended 31 March 2011 (continued)

4. Property, plant and equipment

During the period, the addition to property, plant and equipment was AED 350,040 (31 March 2010: AED 878,817) and depreciation charged was AED 1,924,666 (31 March 2010: AED 1,751,948). All property, plant and equipment of the Group are located in the U.A.E.

5. Bank balances and cash

	31 March 2011 AED (unaudited)	31 December 2010 AED (audited)
Cash on hand	**30,000**	30,000
Bank balances		
Current accounts	**6,961,754**	5,153,041
Fixed deposits	**83,034,285**	72,698,198
	90,026,039	77,881,239

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

6. Share capital

	31 March 2011 AED (unaudited)	31 December 2010 AED (audited)
Issued and fully paid:		
672,259 (2010: 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 net 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 period ended 31 March 2011 (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 month period ended 31 March	
	2011	2010
	(unaudited)	(unaudited)
	AED	AED
Purchases	**45,663**	16,866
Management fees to Keppel Group	**1,106,706**	1,064,221
Board of Directors' remuneration	**900,000**	1,979,040
Other expenses	**853,574**	720,246

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 (2010: 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 month period ended 31 March	
	2011	2010
	(unaudited)	(unaudited)
Profit for the period (in AED)	**7,125,351**	7,147,984
Number of shares	**672,259**	672,259
Basic earnings per share (in AED)	**10.60**	10.63

11. Dividends

At the annual general meeting held on 30 March 2011, the Shareholders approved a dividend of AED 16,806,475 (AED 25 per share) for 2010 (2009: dividend of AED 67,225,900, AED 100 per share).

Notes to the condensed consolidated financial statements for the period ended 31 March 2011 (continued)

12. Cash and cash equivalents

	31 March 2011 (unaudited) AED	31 March 2010 (unaudited) AED
Bank balances and cash	**90,026,039**	138,475,029
Bank fixed deposits with maturity greater than three months	**-**	(10,471,221)
	90,026,039	128,003,808

13. Seasonality of results

No income of seasonal nature was recorded in the condensed consolidated statement of income for the three month period ended 31 March 2011 and 2010.

14. Approval of condensed consolidated financial statements

The condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on 3 May 2011.