ARABTEC HOLDING PJSC
AND ITS SUBSIDIARIES
DUBAI - UNITED ARAB EMIRATES

DIRECTORS' REPORT,
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2008

Arabtec Holding PJSC and its Subsidiaries
Dubai - United Arab Emirates

Directors' Report,
Consolidated Financial Statements and
Independent Auditor's Report
For the Year Ended December 31, 2008

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DIRECTORS' REPORT

The Board of Directors of Arabtec Holding PJSC (the 'Company') has pleasure in submitting the consolidated balance sheet of the Company and its subsidiaries (the 'Group') as of December 31, 2008, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year ended December 31, 2008.

Principal activities

During the year ended December 31, 2008 the Group was primarily engaged in the construction of high-rise towers, other buildings and residential villas and related activities through Arabtec Construction LLC and other contracting related subsidiaries and joint ventures.

Financial Results

The Group has reported a net profit for the year, attributable to the shareholders of the Company, of AED 958 million (2007: AED 535 million) representing a 79% increase over the previous year.

In accordance with the Articles of Association of the Company and UAE Federal Commercial Companies Law, an appropriation of AED 95.8 million (2007: AED 53.5 million) is made to statutory reserve from the distributable profit of AED 958 million (2007: AED 535 million).

Total equity attributable to the shareholders of the Company as at December 31, 2008 amounted to AED 1,893 million (2007: AED 1,250 million) an increase of 51%.

Directors

Sheikh Butti Bin Maktoom Bin Juma Al Maktoum — Chairman
Sheikh Sultan Bin Saqer Al Qassimi
Sheikh Nawaf Bin Naser Al Thani
Mr. Anis Abdullah Al Jallaf
Mr. Riad Burhan Kamal
Mr. Ibrahim Belselah
Mr. Adel Hassan Al-Nawais
Mr. Arif Naqvi
Mr. Raja Hani Ghanma

Auditors

Deloitte & Touche were appointed as external auditors of the Group for the year ended December 31, 2008. Deloitte & Touche are eligible for reappointment for 2009 and have expressed their willingness to continue in office.

On behalf of the Board

Sheikh Butti Bin Maktoom Bin Juma Al Maktoum
Chairman
Dubai
March 3, 2009

Deloitte.

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Independent Auditor's Report

The Shareholders
Arabtec Holding PJSC
Dubai
United Arab Emirates

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **Arabtec Holding PJSC (the "Company") and its Subsidiaries** (collectively the "Group"), which comprise the consolidated balance sheet as of December 31, 2008, the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the applicable provisions of the Company's Articles of Association and the UAE Federal Commercial Companies Law No. 8 of 1984, as amended. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Deloitte.

Independent Auditor's Report to the Shareholders of Arabtec Holding PJSC, Dubai, United Arab Emirates - continued (page 2 of 2)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Arabtec Holding PJSC and its Subsidiaries** as of December 31, 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion we draw attention to Note 9 to the consolidated financial statements which describes a contractual dispute subject to arbitration proceedings, the probable outcome of which cannot currently be determined as the proceedings are at a very early stage.

Report on Other Legal and Regulatory Requirements

Also, in our opinion, the Company has maintained proper books of account, the information included in the Directors' Report relating to these consolidated financial statements is in agreement with the accounting records and the physical inventory was properly conducted. We obtained all the information and explanations which we considered necessary for our audit. According to the information available to us, there were no contraventions during the year of the UAE Federal Commercial Companies Law No. 8 of 1984, as amended, or of the Company's Articles of Association which might have materially affected the financial position of the Company or the results of its operations for the year.

Deloitte & Touche (M.E.)



Anis Sadek
(Registration No. 521)

Dubai
March 3, 2009

Arabtec Holding PJSC and its Subsidiaries
Dubai - United Arab Emirates

Consolidated Balance Sheet
As of December 31, 2008
(In Arab Emirates Dirhams)

	Note	2008	2007
ASSETS			
Current assets			
Cash and cash equivalents	5	757,437,305	904,063,094
Other financial assets	6	92,924,889	93,573,721
Trade and other receivables	7	4,982,897,819	1,932,755,495
Due from related parties	10	278,024,004	126,375,727
Inventories	11	1,016,549,811	183,772,155
Other current assets	13	158,036,324	121,997,903
Deferred tax	30	344,886	-
Total current assets		7,286,215,038	3,362,538,095
Non-current assets			
Other financial assets	6	52,954,378	19,021,998
Intangible assets	14	242,339,851	280,608,557
Goodwill	15	252,265,152	232,927,034
Retentions receivable – non-current portion	16	236,991,655	177,534,858
Other non-current assets		7,570,885	17,445,124
Property, plant and equipment	17	1,381,322,629	749,539,423
Total non-current assets		2,173,444,550	1,477,076,994
Total Assets		9,459,659,588	4,839,615,089
LIABILITIES AND EQUITY			
Current liabilities			
Bank borrowings	18	1,101,858,778	209,286,609
Trade and other payables	19	5,732,160,578	2,923,231,324
Due to related parties	10	172,963,430	128,061,424
Income tax payable	30	2,949,150	225,117
Total current liabilities		7,009,931,936	3,260,804,474
Non-current liabilities			
Bank borrowings	18	153,608,016	19,934,354
Provision for employees' end of service indemnity	20	114,058,508	95,994,849
Advances received from customers for contract work		-	16,608,746
Retentions payable – non-current portion	21	64,118,861	58,175,479
Total non-current liabilities		331,785,385	190,713,428
Total Liabilities		7,341,717,321	3,451,517,902
Capital and reserves			
Issued share capital	22	1,196,000,000	598,000,000
Statutory reserve	36	187,616,086	91,811,549
Fair value adjustment reserve		(5,940,503)	9,714,178
Retained earnings		515,544,774	550,303,942
Equity attributable to equity holders of the Company		1,893,220,357	1,249,829,669
Minority interests		224,721,910	138,267,518
Total Equity		2,117,942,267	1,388,097,187
Total Liabilities and Equity		9,459,659,588	4,839,615,089

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

The consolidated financial statements on pages 4 to 59 were approved and authorized for issue by the Board of Directors on March 3, 2009 and signed on their behalf by:

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Arabtec Holding and its Subsidiaries
Dubai - United Arab Emirates

Consolidated Income Statement
For the Year Ended December 31, 2008
(In Arab Emirates Dirhams)

	Note	Year ended December 31, 2008	2007
Revenues	24	**9,721,682,335**	4,272,850,348
Direct costs	25	**(8,229,879,561)**	(3,533,801,761)
Gross profit		**1,491,802,774**	739,048,587
Other operating income	26	**167,100,059**	97,539,115
Selling, general and administrative expenses	27	**(585,805,474)**	(292,881,939)
Other income	28	**57,099,884**	46,167,360
Changes in fair value of non-current retentions	29	**(9,951,617)**	(7,444,990)
Finance costs		**(24,320,689)**	(3,644,395)
Profit before tax		**1,095,924,937**	578,783,738
Income tax expense	30	**(16,352,716)**	(1,247,182)
Profit for the year		**1,079,572,221**	577,536,556
Attributable to:			
Equity holders of the Company		**958,045,369**	535,353,233
Minority interests		**121,526,852**	42,183,323
		1,079,572,221	577,536,556
Basic earnings per share			
[Based on profit for the year and 1,196 million shares in issue (including 598 million bonus shares approved on December 23, 2008 and 78 million bonus shares approved on April 9, 2007)]		**AED 0.80**	AED 0.45

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

Arabtec Holding PJSC and its Subsidiaries
Dubai - United Arab Emirates

Consolidated Statement of Changes in Equity
For the Year Ended December 31, 2008
(In Arab Emirates Dirhams)

	Attributable to equity holders of the parent						
	Share capital	Statutory reserve	Fair value adjustment reserve	Retained earnings	Total	Minority interest	Total equity
Balance at December 31, 2006	520,000,000	38,276,226	909,887	224,486,032	783,672,145	26,397,526	810,069,671
Dividends paid (Note 32)	-	-	-	(78,000,000)	(78,000,000)	-	(78,000,000)
Issue of bonus shares (Note 22)	78,000,000	-	-	(78,000,000)	-	-	-
Minority interest arising on the acquisition of subsidiaries	-	-	-	-	-	69,686,669	69,686,669
Realised gain on sale of available-for-sale investments transferred to income statement	-	-	(1,005,107)	-	(1,005,107)	-	(1,005,107)
Unrealised gain on available-for-sale investments recognized directly in equity	-	-	9,809,398	-	9,809,398	-	9,809,398
Profit for the year	-	-	-	535,353,233	535,353,233	42,183,323	577,536,556
Total income recognized for the year	-	-	-	-	544,157,524	42,183,323	586,340,847
Transfer to statutory reserve	-	53,535,323	-	(53,535,323)	-	-	-
Balance at December 31, 2007	598,000,000	91,811,549	9,714,178	550,303,942	1,249,829,669	138,267,518	1,388,097,187
Dividends paid (Note 32)	-	-	-	(299,000,000)	(299,000,000)	-	(299,000,000)
Dividends paid to minority shareholders	-	-	-	-	-	(39,890,285)	(39,890,285)
Issue of bonus shares (Note 22)	598,000,000	-	-	(598,000,000)	-	-	-
Minority interest arising on the acquisition and incorporation of subsidiaries	-	-	-	-	-	4,817,825	4,817,825
Realised gain on sale of available-for-sale investments transferred to income statement	-	-	(2,185,365)	-	(2,185,365)	-	(2,185,365)
Unrealised loss on available-for-sale investments recognized directly in equity	-	-	(13,469,316)	-	(13,469,316)	-	(13,469,316)
Profit for the year	-	-	-	958,045,369	958,045,369	121,526,852	1,079,572,221
Total income recognized for the year	-	-	-	-	942,390,688	121,526,852	1,063,917,540
Transfer to statutory reserve	-	95,804,537	-	(95,804,537)	-	-	-
Balance at December 31, 2008	**1,196,000,000**	**187,616,086**	**(5,940,503)**	**515,544,774**	**1,893,220,357**	**224,721,910**	**2,117,942,267**

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

Arabtec Holding PJSC and its Subsidiaries
Dubai - United Arab Emirates

Consolidated Cash Flow Statement
For the Year Ended December 31, 2008
(In Arab Emirates Dirhams)

	Year ended December 31,	
	2008	2007
Operating activities		
Profit before tax	**1,095,924,937**	578,783,738
Adjustments for:		
Depreciation of property, plant and equipment	**219,565,907**	106,180,925
Amortization of intangible assets	**40,721,801**	14,481,940
Provision for employees' end of service indemnity	**29,432,710**	25,152,077
Accrued discretionary bonus	**29,000,000**	27,000,000
Provision for bonus for staff	**60,304,582**	30,814,006
Increase in allowance for doubtful debts	**5,425,044**	737,549
Allowance and impairment for/(reversal of) slow-moving inventories	**71,523,448**	(217,067)
Gain on sale of property, plant and equipment	**(1,044,492)**	(6,521,896)
Gain on sale of investment in available-for-sale securities	**(5,998,067)**	(7,368,070)
Interest income	**(21,591,604)**	-
Finance costs	**24,320,689**	3,644,395
Changes in fair value of non-current retentions receivable and payable	**9,951,617**	7,444,990
Operating movement in working capital before changes in operating assets and liabilities	**1,557,536,572**	780,132,587
Decrease/(increase) in other financial assets	**648,832**	(65,586,330)
Increase in trade and other receivables	**(3,047,091,034)**	(216,388,258)
Increase in due from related parties	**(151,648,277)**	(101,393,144)
(Increase)/decrease in inventories	**(899,774,623)**	31,707,545
Increase in other current assets	**(36,038,421)**	(65,772,698)
Increase in trade and other payables	**2,704,491,068**	1,159,513,183
Increase in due to related parties	**40,498,704**	96,040,547
Increase in retentions receivable - non-current portion	**(71,145,393)**	(79,022,662)
(Decrease)/increase in advances received from construction contract customers	**(16,608,746)**	16,608,746
Decrease/(increase) in retentions payable - non-current portion	**7,680,361**	(27,048,195)
Decrease/(increase) in other non-current assets	**9,874,239**	(7,921,568)
Cash generated from operations	**98,423,282**	1,520,869,753
Employees' end of service indemnity paid	**(11,546,966)**	(4,772,093)
Interest income received	**21,591,604**	-
Interest paid	**(24,320,689)**	(3,644,395)
Tax paid	**(13,973,569)**	(1,022,065)
Net cash from operating activities	**70,173,662**	1,511,431,200
Cash flows from investing activities		
Repayment of loan to a related party	**1,810,324**	1,876,420
Purchase of property, plant and equipment	**(867,662,762)**	(313,507,428)
Purchase of available-for-sale investments	**(103,274,138)**	(1,956,699)
Acquisition of subsidiaries, net of cash acquired (Note 33)	**(16,220,190)**	(320,279,289)
Proceeds from disposal of property, plant and equipment	**24,141,456**	28,223,325
Proceeds from disposal of available-for-sale investments	**57,874,820**	10,936,113
Net cash used in investing activities	**(903,330,490)**	(594,707,558)
Cash flows financing activities		
Proceeds from/(repayments of) borrowings (net)	**1,025,274,324**	(50,594,317)
Minority interests invested	**147,000**	14,952,073
Cash dividends paid - Group	**(299,000,000)**	(78,000,000)
Cash dividends paid - Minority interest	**(39,890,285)**	-
Net cash generated from/(used in) financing activities	**686,531,039**	(113,642,244)
Net (decrease)/increase in cash and cash equivalents	**(146,625,789)**	803,081,398
Cash and cash equivalents at the beginning of the year	**904,063,094**	100,981,696
Cash and cash equivalents at the end of the year (Note 5)	**757,437,305**	904,063,094

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

1. General information

Arabtec Holding PJSC [the "Company"] is a Public Joint Stock Company established under the laws of the United Arab Emirates pursuant to the resolution of the Department of Economic Development, Dubai, number 71 dated July 2, 2004.

The principal object of the Company is to invest in the construction sector through the acquisition of contracting and related companies.

The Company commenced operations on September 20, 2004 and its trade license was issued by the Department of Economic Development of the Government of Dubai on November 29, 2004.

The Company listed its shares on the Dubai Financial Market (DFM) on January 4, 2005.

The registered office of the Company is P.O. Box 72122 Dubai, U.A.E.

The Company has the following subsidiaries over which it exercises control:

Name of subsidiary and domicile	Percentage of beneficial holding	Principal activities
Arabtec Construction LLC, Dubai, U.A.E.	100%	Civil construction and related works.
Austrian Arabian Ready Mix Concrete Co. LLC, Dubai, U.A.E.	100%	Manufacture and transportation of ready mix concrete products.
House of Equipment Co. LLC, Dubai, UAE	33.33%	Trading and leasing of construction equipment
Arabtec Construction LLC, Doha, Qatar	49%	Civil construction and related works.
Arabtec Precast LLC, Dubai, UAE	100%	Manufacture of pre cast panels
Nasser Bin Khaled Factory Ready Mix Concrete Co. LLC, Doha, Qatar	49%	Manufacture and transportation of ready mix concrete product
Emirates Falcon Electromechanical Co. EFECO LLC, Dubai, UAE	55%	Electrical mechanical and plumbing contracts
Arabtec Engineering LLC, Dubai, UAE	100%	Infrastructure construction works
Arabtec International Company Limited, Mauritius	100%	Civil construction and related works
Arabtec Pakistan (Pvt) Limited (under formation), Pakistan	60%	Civil construction and related works
Target Engineering Construction Company, Abu Dhabi, UAE	60%	Civil construction and related works
Gulf Steel Industries FZC, Sharjah, UAE	55%	Fabrication of steel structures and profiles
AES-WCT Contracting LLC, Dubai, UAE	51%	Infrastructure construction works

1. General information (continued)

The investment in House of Equipment Co. LLC is held by one of the shareholders on trust and for the benefit of the Company.

The Company and its subsidiaries, referred to collectively in these consolidated financial statements as the "Group" are primarily engaged in the construction of high-rise towers, buildings and residential villas, in addition to the execution of related services such as drainage, electrical and mechanical works and equipment hire.

2. Adoption of new and revised International Financial Reporting Standards

Interpretations effective in the current year

Three Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are: IFRIC 11 - IFRS-2: *Group Treasury Shares Transactions*, IFRIC 12 *Service Concession Arrangements*, and IFRIC 14 – I*AS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.* The adoption of these Interpretations has not led to any changes in the Group's accounting policies.

Standards and Interpretations in issue not yet adopted

At the date of authorization of these consolidated financial statements, the following Standards and Interpretations were in issue but not yet effective:

IAS 1	*Presentation of Financial Statements (Revised)* - effective for periods beginning on or after January 1, 2009;
IAS 23	*Borrowing Cost (Revised)* - effective for periods beginning on or after January 1, 2009;
IAS 27	*Consolidated and Separate Financial Statements (Revised)* - effective for periods beginning on or after July 1, 2009;
IAS 32	(Revised) *Financial Instruments: Presentation* (effective for annual periods beginning on or after January 1, 2009);
IAS 39	(Revised) *Financial Instruments: Recognition and Measurement* (effective for annual periods beginning on or after July 1, 2008);
IFRS 1	(Revised) *First-time Adoption of International Financial Reporting Standards* (effective for annual periods beginning on or after January 1, 2009);
IFRS 2	(Revised) *Share-based Payment* (effective for annual periods beginning on or after January 1, 2009);
IFRS 3	(Revised) *Business Combinations* (effective for annual periods beginning on or after July 1, 2009);
IFRS 7	(Revised) *Financial Instruments: Disclosures* (effective for annual periods beginning on or after July 1, 2008);

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

Standards and Interpretations in issue not yet adopted - continued

IFRS 8 *Operating Segments* (effective for annual periods beginning on or after January 1, 2009);

IFRIC 13 *Customer Loyalty Programmes* (effective for annual periods beginning on or after July 1, 2008);

IFRIC 15 *Agreements for the Construction of Real Estate* (effective for annual periods beginning on or after January 1, 2009);

IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* (effective for annual periods beginning on or after October 1, 2008);

IFRIC 17 *Distribution of Non-cash Assets to Owners* (effective for annual periods beginning on or after July 1, 2009); and

IFRIC 18 *Transfers of Assets from Customers* (effective for annual periods beginning on or after July 1, 2009).

Management anticipates that the adoption of these Standards and Interpretations will have no material quantitative impact on the consolidated financial statements of the Group in the period of initial application. The adoption of IFRS 1 and IFRS 8 will result in changes in the disclosures of the consolidated financial statements.

3. Significant accounting policies

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). These consolidated financial statements are presented in United Arab Emirates Dirhams (AED) since that is the currency of the country in which the Company is domiciled.

The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments. The principal accounting policies adopted are set out below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). 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.

3. Significant accounting policies (continued)

Basis of consolidation - continued

Although the Company owns less than 50% of the equity shares in House of Equipment Co. LLC, Dubai, Arabtec Construction LLC, Doha and Nasser Bin Khaled Factory Readymix Concrete Co. LLC, Doha, the Group has the power to govern the strategic operating and financial decisions of these companies and therefore treats them as subsidiaries.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

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

Minority interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 *Business Combinations* are recognized at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, which are recognized and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

3. Significant accounting policies (continued)

Interests in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control, that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

Where the group entity undertakes its activities under joint venture arrangements directly, the Groups' share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognized in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognized when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using proportionate consolidation, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.* The Group's share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a subsidiary (see below).

Where the Group transacts with its jointly controlled entities, unrealized profits and losses are eliminated to the extent of the Group's interest in the joint venture.

Intangible assets

Intangible assets arising on business combinations are recognized only if all of the following conditions are met:

- The assets can be identified,
- It is probable that the asset will generate future economic benefits; and
- The fair value of the asset can be reliably measured.

Intangible assets are amortized on a straight-line basis over the estimated period of benefit.

3. Significant accounting policies (continued)

Goodwill

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognized at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly-controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, those costs that have been incurred in bringing the inventories to their present location and condition. Cost is calculated by using the weighted average method.

Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

Property, plant and equipment

Property, plant and equipment except for land are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets other than land and properties under construction, over their estimated useful lives, using the straight-line method as follows:

	Years
Office buildings	10 - 20
Plant and office equipment	3 - 15
Vehicles	5 - 7
Labour camps and buildings	10 - 20
Furniture	5
Scaffolding, cabins and tunnel forms	3 - 7
Leasehold land and improvements	Period of lease

3. Significant accounting policies (continued)

Property, plant and equipment - continued

The estimated useful lives and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the pattern of economic benefits expected to flow to the Group through the use of items of property, plant and equipment.

Labour camps built on leased plots of land are depreciated over the shorter of their estimated useful lives or the periods of the leases.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement when incurred.

Properties under construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

The 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 recognized in profit or loss.

Impairment of tangible and intangible assets, excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or the cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately, unless the relevant asset is land or buildings other than investment property carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

3. Significant accounting policies (continued)

Impairment of tangible and intangible assets, excluding goodwill - continued

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns and other similar allowances.

Construction revenue

Revenue from construction contracts is recognized in accordance with the Group's accounting policy on construction contracts (see below).

Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income

Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

3. Significant accounting policies (continued)

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the contract activity at the balance sheet date, which is determined based on the proportion of contract costs incurred to date to the estimated total contract costs. Variations in contract work are recognized to the extent that it is probable that they will result in revenue and such revenue can be reliably measured, contract claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred where the recoverability is probable. Contract costs are recognized in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized immediately.

Contract costs

Contract costs comprise direct contract costs and other costs relating to the contracting activity in general and which can be allocated to contracts. In addition, contract costs include other costs that are specifically chargeable to the customer under the terms of the contracts.

Costs that cannot be related to contract activity or cannot be allocated to a contract are excluded from the costs of the construction contracts and are included in general and administrative expenses.

Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

3. Significant accounting policies (continued)

Income Tax - continued

Deferred tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognized directly in equity.

3. Significant accounting policies (continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below). Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

3. Significant accounting policies (continued)

Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Arab Emirates Dirhams ("AED"), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in AED using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and recognized in the Group's foreign currency translation reserve. Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3. Significant accounting policies (continued)

Due from/to customers for contract work

Due from/to customers for contract work is the difference between the amount recognized based on percentage of completion and actual amount certified as progress billings. Where the difference is positive, the amount is classified as due from customers for contract work and when the difference is negative, the amount is classified as due to customers for contract work

Segment reporting

A business segment is a group of assets and operations engaged in providing services that are subject to risks and returns that are different from those of other business segments.

A geographical segment is engaged in providing services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

Financial instruments

Financial assets and financial liabilities are recognized on the Group's consolidated balance sheet when the Group has become a party to the contractual provisions of the instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, banks current accounts, demand deposits and short term highly liquid deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Other financial assets

Investments are recognized and de-recognized on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Trade and other receivables

Trade and other receivables excluding due from customers for contract work are measured at amortized cost as reduced by appropriate allowance for estimated doubtful debts.

Other current assets

Other current assets are measured at amortized cost.

3. Significant accounting policies (continued)

Financial instruments - continued

Available-for-sale (AFS) financial assets

Listed shares and listed redeemable notes held by the Group that are traded in an active market and other non listed shares that are acquired to provide the opportunity for return through dividend income and fair value gains are classified as being available-for-sale and are stated at fair value. Gains and losses arising from changes in fair value are recognized directly in equity in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognized directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the investments revaluation reserve is included in profit or loss for the period.

Dividends on AFS equity instruments are recognized in profit or loss when the Group's right to receive payments is established.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Bank borrowings

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges are accounted on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the year in which they arise.

Trade and other payables

Trade and other payables are measured at amortized cost.

Due from/to related parties

Amounts due from/to related parties are stated at their amortized cost.

4. Critical accounting judgments and key sources of estimation uncertainty

Critical judgments in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in Note 3, management has made the following judgments that have the most significant effect on the amounts recognized in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

Contract variations

Contract variations are recognized as revenues to the extent that it is probable that they will result in revenue which can be reliably measured. This requires the exercise of judgment by management based on prior experience, application of contract terms and relationship with the contract owners.

Percentage-of-completion

The Group uses the percentage-of-completion method in accounting for its construction contracts services. Use of the percentage-of-completion method requires the Group to estimate the proportion of work performed to date as a proportion of the total work to be performed and it is management's judgment that the use of costs to date in proportion to total estimated costs provides the most appropriate measure of percentage of completion.

Contract dispute

Note 9 describes a contract dispute that is currently in process with one of the Group's customers. The calling of the Performance Security and Advance Payment Guarantee "the Securities" and their encashment subsequent to the year-end, including the claim presented, raises questions about the accounting treatment for the transaction. In light of the contract dispute arising, the directors were required to consider whether it was appropriate to recognize the amount of the encashed securities as expenses for the year or, alternatively, as amounts receivable from the contract owner pending resolution of the dispute.

In making this judgment, management considered the criteria in IAS 10 *Events after the Balance Sheet Date* for recognizing the liability prior to the year-end, in conjunction with *The Framework for the Preparation and Presentation of Financial Statements* and with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* in considering whether the amounts payable can be recognized as an asset to the Group. In particular, consideration was given to whether the calling of the securities indicated that the Group had a present legal obligation as a result of a past event, and whether it is probable that recognition of the asset will result in future economic benefits flowing to the Group. As the call on the contract securities occurred prior to year end, in spite of the encashment occurring after the balance sheet date, management considered this to be a legal obligation as a result of a past event and has recorded the resulting liability. Further, in view of Management's judgment that the contract termination and call on Securities was not justified and, following receipt of preliminary legal opinion on the arbitration proceedings initiated by the Joint Venture, management considers that the outcome of the proceedings will be favourable and has recognized the amount of the Securities as a receivable, and not as an expense on the basis of the probability that any losses or additional costs to be borne by the Group will not exceed the contract profits yet to be recognized.

4. Critical accounting judgments and key sources of estimation uncertainty (continued)

Critical judgments in applying the Group's accounting policies - continued

Taxation

The Group is subject to tax in a number of jurisdictions and judgment is required in determining the provision for income taxes. The Group provides for future liabilities in respect of uncertain tax positions where additional tax may become payable in future periods, and such provisions are based upon management's assessment of exposures. Deferred tax is accounted for on temporary differences using the liability method, with deferred tax assets being recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

Joint ventures

The Group reports its interest in joint ventures/jointly controlled entities using the proportional consolidation method which management considers appropriately recognizes the substance of the business arrangements.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Construction cost estimates

The Group uses internal quantity surveyors together with project managers to estimate the costs to complete construction contracts. Factors such as escalation of material prices, labor costs and other costs are included in the construction cost estimates based on best estimates.

Allowance for slow-moving inventories

Inventories are stated at the lower of cost or market. Adjustments to reduce the cost of inventory to its realizable value, if required are made at the product level for estimated excess, obsolescence or impaired balances. Factors influencing these adjustments include changes in demand, technological changes, physical deterioration and quality issues.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date was AED 252.2 million.

4. Critical accounting judgments and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty - continued

Allowance for doubtful debts on trade receivables

Allowance for doubtful debts is determined using a combination of factors, including the overall quality and ageing of receivables, continuing credit evaluation of the customers' financial strength and collateral requirements from customers in certain circumstances. Management makes allowance for doubtful debts based on its best estimates at the balance sheet date.

Property, plant and equipment

Property, plant and equipment is depreciated over its estimated useful life, which is based on estimates for expected usage of the asset and expected physical wear and tear which are dependent on operational factors. Management has not considered any residual value as it is deemed immaterial.

Recoverability of intangible assets

During the year, management reconsidered the recoverability of the intangible assets arising from the Group's business combinations, which is included in its balance sheet at December 31, 2008 at AED 242 million. Management is confident that the carrying amount of the assets will be recovered in full, over the defined amortisation periods. This situation will be closely monitored, and adjustments made in future periods, if future assessments indicate that such adjustments are appropriate.

Non-current retentions

Non-current retentions receivable and payable are restated at their fair value at each period end by discounting at the Group's effective deposit and borrowing rates respectively, which management considers to be the appropriate discount rates for these assets and liabilities.

5. Cash and cash equivalents

Cash and cash equivalents comprise bank balances, cash and short-term deposits held by the Group. The details are as follows:

	December 31,	
	2008	2007
	AED	AED
Cash and bank balances	**251,036,690**	239,826,370
Short term bank deposits	**506,400,615**	664,236,724
	757,437,305	904,063,094

6. Other financial assets

	Current		Non-current	
	December 31,		December 31,	
	2008	2007	**2008**	2007
	AED	AED	**AED**	AED
Financial assets carried at fair value				
Fixed deposits under lien	**89,448,313**	89,283,758	-	-
Margin deposits	**3,476,576**	4,289,963	-	-
	92,924,889	93,573,721	-	-
Available for sale shares *	-	-	**50,455,663**	14,712,959
Loans carried at amortized cost				
Loan to a related party [Note 10 (e)]	-	-	**2,498,715**	4,309,039
Total	**92,924,889**	93,573,721	**52,954,378**	19,021,998

* These investments, which are carried at fair value, represent investments in listed equity securities and non listed shares that offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. The fair value of these securities is based on the quoted market prices where available.

At December 31, 2008, available for sale investments amounting to AED 11.5 million were registered in the name of a director/shareholder of the Group, on trust and for the benefit of the Group.

7. Trade and other receivables

Contract receivables represent amounts due from customers for construction work rendered by the Group and certified by the customers' consultants.

Retentions receivable represent amounts withheld by the customers in accordance with contract terms and conditions. These amounts are to be released upon fulfillment of contractual obligations.

7. Trade and other receivables (continued)

	December 31, 2008	December 31, 2007
	AED	AED
Trade and other receivables	**84,643,584**	32,632,744
Contract receivables	**2,148,546,827**	898,577,134
Amounts due from customers for contract work (Note 8)	**1,364,785,824**	525,514,251
Retentions receivable - current portion (Note 16)	**471,191,074**	147,668,910
Advances paid to suppliers and sub contractors	**622,776,509**	328,362,456
Performance security and advance payment guarantee amount receivable (Note 9)	**269,281,837**	-
Contract work in progress	**21,672,164**	-
	4,982,897,819	1,932,755,495

An allowance has been made for estimated irrecoverable amounts for trade and other receivables of AED 6,421,200 (2007: AED 996,156). This allowance has been determined based on collections history and past experience of management and on management's assessment of current economic conditions as to the future recoverability of these balances.

Movement in the allowance for doubtful debts netted off from trade and other receivables:

	December 31, 2008	December 31, 2007
	AED	AED
Balance at the beginning of the year	**996,156**	258,607
Increase in allowance recognized during the year	**5,425,044**	737,549
Balance at the end of the year	**6,421,200**	996,156

Contract receivables

The average credit period on contract and trade receivables is 90 days. No interest is charged on the contract receivables overdue. The contract and trade receivables above 90 days are provided for based on estimated irrecoverable amounts, determined by reference to past default experience and on management's assessment of current economic conditions as to the future recoverability of these balances.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Of the contract and trade receivables balance at the end of the year, AED 561 million (2007: AED 143 million) is due from the Group's largest customer. There are no other customers who represent more than 15% of the total balance of contract receivables.

Included in the Group's contract and trade receivables balance are debtors with a carrying amount of AED 364 million (2007: AED 113 million) which are past due (exceeding 90 days) at the reporting date for which the Group has not provided for as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

7. Trade and other receivables (continued)

Ageing of past due but not impaired:

	December 31,	
	2008	2007
	AED	AED
Less than 3 months	**172,968,249**	110,668,833
More than 3 months	**190,740,562**	2,511,238
Total	**363,708,811**	113,180,071

In determining the recoverability of a contract and trade receivables, the Group considers any change in the credit quality of the contract and trade receivables from the date the credit was initially granted up to the reporting date. At the reporting date, management has taken the current market conditions into account when assessing the credit quality of contract and trade receivables. The project directors also hold regular meetings with contract customers to renegotiate payment terms and to ensure the credit-worthiness of the ultimate end-users. In addition, the concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, taking all of the above into account, the directors believe that there is no further credit provision required in excess of the current allowance for doubtful debts.

8. Amounts due from/(to) customers for contract work

	December 31,	
	2008	2007
	AED	AED
Amounts due from customers for contract work included in trade and other receivables (Note 7)	**1,364,785,824**	525,514,251
Amounts due to customers for contract work included in trade and other payables (Note 19)	**(477,800,065)**	(192,663,303)
	886,985,759	332,850,948
Contract costs incurred plus recognized profit less recognized losses to date on projects in progress	**16,129,452,910**	10,080,187,715
Less: Progress billings	**(15,242,467,151)**	(9,747,336,767)
	886,985,759	332,850,948

9. Contract dispute

On December 25, 2008, the Arabtec Construction L.L.C. – WCT Engineering Berhad (Dubai Branch) Joint Venture (the "Joint Venture") for the construction of the Nad Al Sheba racecourse in Dubai, in which the Group has a 50% share, received notice from the contract owner, Meydan L.L.C. ("Meydan") purporting to terminate the contract on January 9, 2009 for reasons which management consider did not justify such termination. Subsequently, by way of its notice dated January 10, 2009, the Joint Venture purported to terminate the contract on January 24, 2009 on a number of grounds including failure to pay certified amounts, the Joint Venture's exclusion from the site and Meydan's wrongful calls on the Performance Security and Advance Payment Guarantee.

Notice of the call of the Performance Security amounting to AED 461.3 million (Group's share: AED 230.65 million) and the Advance Payment Guarantee amounting to AED 77.3 million (Group's share: AED 38.6 million) was received by the Joint Venture on December 29, 2008. Management has accrued the amount payable in the consolidated financial statements, and has simultaneously recorded a receivable for the same amount from Meydan, pending resolution of the dispute. Refer to Note 4 on critical judgments for the contract disputes.

At December 31, 2008, the following balances relating to the above contract are held in the Group's consolidated financial statements:

	(Group's 50% share) AED
Income statement	
Contract revenue	710,242,342
Contract costs	(710,242,342)
Gross contract margin	-
Balance sheet	
Contract receivables	57,394
Performance security and advance payment guarantee amount receivable	269,281,837
Retention receivable - current portion	51,762,117
Amounts due from customer for contract work	260,763,965
Advances paid to suppliers and subcontractors	71,392,152
Property, plant and equipment	19,496,820
	672,754,285
Trade payables and other accruals	12,586,740
Performance security and advance payment guarantee amount payable	269,281,837
Amounts payable to subcontractors, excluding retentions	7,532,206
Provisions for subcontractors	273,493,378
Retentions payable - current portion	5,692,379
Advance received from customer	104,167,745
	672,754,285

9. Contract dispute (continued)

On January 11, 2009, the Joint Venture served its request for arbitration, submitting an initial claim of which the Group's share is in excess of AED 800 million. Management believes, based on a preliminary legal opinion they have received, that the prospects of success in the arbitration are good and that no additional provisions for the dispute are required at the balance sheet date.

In accordance with the Group's accounting policy relating to contracts where the outcome cannot be estimated reliably, revenue has been recognized only to the extent of contract costs incurred to date, which management considers is not doubtful of recovery and therefore no provision has been made against the amounts due from the customer for contract work. No profit has been taken on the contract to date pending the outcome of the Group's claims and conclusion of the arbitration proceedings. Had the project not been terminated, profit on the contract of approximately AED 169 million (Group's share AED 89.5 million) would have been recognized for the year ended December 31, 2008.

10. Related party transactions

a) The Group entered into a variety of transactions with companies and entities that fall within the definition of a related party as contained in International Accounting Standard No. 24: *Related Party Disclosures*. Related parties comprise the Group's directors and entities related to them, companies under common ownership and/or common management and control, their partners and key management personnel. Management decides on the terms and conditions of the transactions and services received/rendered from/to related parties as well as on other charges.

b) At the balance sheet date, due from related parties comprised the following:

	December 31,	
	2008	2007
	AED	AED
Joint ventures		
Amounts due from joint venture partners	**197,466,913**	70,823,932
Other related parties		
Entities with common ownership and management		
Al Waab City W.L.L., Doha, Qatar	**60,096,543**	20,386,462
National Industrial Contracting Company WLL, Qatar	**2,540,341**	691,887
Nasser Bin Khaled Al-Thani and Sons Group its related parties, Qatar	**10,100,000**	8,205,763
Depa Interiors LLC, Dubai, U.A.E.	-	10,054,800
Marintek Gulf, U.A.E.	-	12,526,248
Others	**7,820,207**	3,686,635
	80,557,091	55,551,795
	278,024,004	126,375,727

10. Related party transactions (continued)

c) At the balance sheet date, due to related parties comprised the following:

	December 31,	
	2008	2007
	AED	AED
Joint ventures		
Amounts due to joint venture partners	**51,654,238**	11,314,207
Other related parties		
Entities with common ownership and management		
Nasser Bin Khaled Al-Thani and Sons Group and its related parties, Qatar	**34,206,661**	40,297,715
WCT Engineering Berhad, Malaysia	**17,728,264**	-
Target Construct Corporation, Abu Dhabi, U.A.E.	**12,409,763**	-
Depa Interiors LLC, Dubai, U.A.E.	**5,668,637**	-
Marintek Gulf, U.A.E.	**4,565,018**	-
Nouman Fouad Trading, Abu Dhabi, U.A.E.	**11,635,588**	5,411,645
Current account of a director and major shareholder of the parent company		
Mr. Riad Kamal – a Director and major shareholder	**24,709,819**	13,727,727
Current accounts of shareholders in subsidiaries		
Mr.Ayman Taji Farouqi	-	36,053,248
Mr. Awadh Tarif Al Kutbi	**2,586,213**	16,712,785
Others	**7,799,229**	4,544,097
	121,309,192	116,747,217
	172,963,430	128,061,424

10. Related party transactions (continued)

d) The nature of significant related party transactions and the amounts involved were as follows:

	December 31,	
	2008	2007
	AED	AED
Other related parties		
Contract revenue	**551,351,485**	29,385,019
Manpower and other charges to joint ventures	**167,100,059**	97,539,115
Subcontract costs	**151,513,777**	29,956,159
Assets purchased/hired	**30,116,292**	20,360,074
Subcontractor advance	**28,314,414**	31,000,000
Purchase of property, plant and equipment	**11,045,000**	1,697,089
Rent received	**5,071,060**	77,100
Wages and salaries	**1,727,495**	151,453
Miscellaneous charges	**266,640**	415,410
Interest received on loans	**189,676**	430,527
Realized profit arising from investments held in trust by a director/shareholder	-	4,029,493
Sale of property, plant and equipment	-	3,260,941
Bank charges	-	2,392
Division income	-	330

e) The Group has provided a loan of AED 2,498,715 (2007: AED 4,309,039) to a minority shareholder in House of Equipment Co. LLC (Note 6). Interest on the loan is charged at 7% per annum.

f) The remuneration of directors and other members of key management during the period was as follows:

	Year ended December 31,	
	2008	2007
	AED	AED
Management fees to directors	**1,800,000**	1,800,000
Short term benefits	**58,188,745**	37,493,768
End of service indemnity	**534,750**	320,199
Discretionary bonus approved for prior year	-	3,000,000
Discretionary bonus accrued for current year	**29,000,000**	27,000,000

The remuneration of directors and key executives is determined by the Board of Directors having regard to individual performance and market trends.

10. Related party transactions (continued)

g) Amounts due from key management personnel included in other current assets:

	2008	2007
	AED	AED
Balance at beginning of the year	**5,236,698**	3,280,125
Advances during the year	**-**	2,370,016
Repayments during the year	**(4,601,783)**	(579,497)
Interest charged during the year	**49,156**	166,054
Balance at end of the year	**684,071**	5,236,698

h) Amounts due to key management personnel included in trade and other payables for management fees payable to directors:

	December 31,	
	2008	2007
	AED	AED
Accrued during the year	**1,800,000**	1,800,000

i) Included in trade and other payables is an amount of AED 12,164,984 (2007: AED 18,164,479) representing contributions from employees and directors towards an employee benefit scheme. Assets of the scheme are included in the consolidated balance sheet under cash and cash equivalents AED 3,704,484 (2007: AED 9,164,371) and other current assets AED 8,460,500 (2007: AED 9,000,108).

11. Inventories

	December 31,	
	2008	2007
	AED	AED
Steel inventories required for specific projects	**804,514,471**	65,495,020
General steel inventories	**127,168,960**	-
Trading goods	**62,094,142**	48,949,175
Other construction materials	**43,417,680**	37,689,088
Ready mix concrete and other related materials	**43,008,561**	12,686,891
Work in progress	**7,869,445**	18,951,981
	1,088,073,259	183,772,155
Less: Allowance for slow-moving inventories and impairment losses on general steel inventories	**(71,523,448)**	-
	1,016,549,811	183,772,155

11. Inventories (continued)

Movement in the allowance for slow moving inventories and impairment losses:

	Year ended December 31,	
	2008	2007
	AED	AED
Balance at beginning of the year	-	-
Allowance for slow moving inventories	(7,238,488)	-
Impairment losses on general steel inventories during the year	(64,284,960)	-
Balance at end of the year	(71,523,448)	-

During the year, an amount of AED 64.3 million was recorded as an impairment loss for general steel inventories. Large amounts of steel were purchased in bulk in order to safeguard against increasing steel prices in the year. At the balance sheet date, the price of steel had declined significantly. Using prevailing market rates to assess the fair value of steel, Management recorded an impairment, writing down the carrying amount of steel inventories to the net realizable value. Steel inventories required for specific projects are carried at cost and included in contract cost estimates.

12. Joint ventures

The Group had the following significant interests in joint ventures (JV):

	Share in JV
a) Abu Dhabi Investment Authority Head Quarter joint venture project	40%
b) Six Construct/Arabtec joint venture projects	50%
c) Samsung/Six Construct/Arabtec joint venture project	30%
d) Arabtec/Max Bogl joint venture projects	50%
e) Arabtec/Mace joint venture project	50%
f) Arabtec/Aktor joint venture project	60%
g) Arabtec/Emirates Sunland joint venture projects	50%
h) Arabtec/WCT Engineering joint venture projects	50%
i) Arabtec/Engineering Enterprises Company joint venture project	50%
j) Arabtec/AMN Holdings joint venture project	60%
k) Arabtec/Dubai Contracting Company joint venture project	50%
l) Target Engineering and Construction Company LLC/Marintek Middle East and Asia FZE joint venture project	65%
m) Arabtec Engineering Services/WCT Engineering joint venture project	50%
n) Arabian Construction Company/Arabtec joint venture project	50%

The Group is entitled to a proportionate share of the joint ventures' assets and revenues and bears a proportionate share of the liabilities and outgoings.

12. Joint ventures (continued)

The following amounts are included in the Group's consolidated financial statements as a result of the proportionate consolidation of the joint ventures:

	December 31,	
	2008	2007
	AED	AED
Current assets	**1,529,581,014**	584,673,829
Non-current assets	**138,863,715**	102,414,112
Current liabilities	**1,475,593,870**	582,603,613
Non-current liabilities	**32,514,769**	27,045,307
Commitments	**623,470**	365,081
Contingent liabilities	**604,071,321**	765,722,346

	Year ended December 31,	
	2008	2007
	AED	AED
Revenue	**2,324,442,054**	785,399,004
Expenses	**2,235,329,452**	744,520,019

13. Other current assets

	December 31,	
	2008	2007
	AED	AED
Prepaid expenses	**102,741,445**	68,555,314
Due from employees	**22,627,073**	22,723,318
Other receivables	**32,667,806**	30,719,271
	158,036,324	121,997,903

14. Intangible assets

	Leasehold Property benefit	Arabtec brand	Customer contracts	Other intangibles	Total
	AED	AED	AED	AED	AED
Cost					
At December 31, 2006	2,040,097	110,000,000	-	-	112,040,097
Additions (Note 33)	1,206,600	-	195,055,800	9,000,000	205,262,400
At December 31, 2007	3,246,697	110,000,000	195,055,800	9,000,000	317,302,497
Additions (Note 33)	2,453,095	-	-	-	2,453,095
At December 31, 2008	**5,699,792**	**110,000,000**	**195,055,800**	**9,000,000**	**319,755,592**
Accumulated amortization					
At December 31, 2006	212,000	22,000,000	-	-	22,212,000
Charge for the year	284,240	11,000,000	2,297,700	900,000	14,481,940
At December 31, 2007	496,240	33,000,000	2,297,700	900,000	36,693,940
Charge for the year	703,601	11,000,000	28,118,200	900,000	40,721,801
At December 31, 2008	**1,199,841**	**44,000,000**	**30,415,900**	**1,800,000**	**77,415,741**
Carrying amount					
At December 31, 2008	**4,499,951**	**66,000,000**	**164,639,900**	**7,200,000**	**242,339,851**
At December 31, 2007	2,750,457	77,000,000	192,758,100	8,100,000	280,608,557

14. Intangible assets (continued)

The intangible assets included above, arising on business combinations, have finite useful lives, over which the assets are amortized.

Amortization of the leasehold property benefits are based on the underlying leases over periods of 18 and 21 years respectively.

The Arabtec brand value is amortized over the expected period of 10 years, following which continuing brand value will have been internally generated and not recognisable as an asset under IFRS.

The value of customer contracts acquired as a result of the acquisition of Target Engineering Construction Company L.L.C. [Note 33(b)] are amortized over the estimated period of 10 years.

Other intangibles are amortized over the estimated period of 10 years and represent technological expertise, the trade name and the special historic and beneficial working relationship between the companies, that together form a set of complementary assets described as 'technological expertise' and which has been valued based on the price and quality differential for electro-mechanical services available to the Group as a result of the acquisition of Emirates Falcon Electromechanical Co. (L.L.C.) [Note 33(a)].

15. Goodwill

Goodwill arising on acquisition of:

	December 31,	
	2008	2007
	AED	AED
a) Arabtec Construction L.L.C	**87,962,867**	87,962,867
b) Arabian Austrian Ready Mix Concrete Co. L.L.C	**933,499**	933,499
c) Emirates Falcon Electro Mechanical Co. (L.L.C.)	**9,085,833**	9,085,833
d) Target Engineering Construction Company L.L.C.	**134,944,835**	134,944,835
e) Gulf Steel Industries FZC	**19,338,118**	-
	252,265,152	232,927,034

Gulf Steel Industries FZC was acquired during the year as detailed in Note 33 (c).

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGU's) that are expected to benefit from the business combination. Management has allocated goodwill as follows:

	December 31,	
	2008	2007
	AED	AED
Construction business (CGU)	**251,331,653**	231,993,535
Ready mix business (CGU)	**933,499**	933,499
	252,265,152	232,927,034

15. Goodwill (continued)

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the CGU's are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding growth rates, discount rates and expected profitability.

The Group prepares cash flow forecasts derived from most recent experience for a minimum of the next 5 years and discounts these to present value using discount rates based on market risk free rates and premiums for risk and uncertainty. The resultant value in use calculation provides the basis for determining whether an impairment in the value of goodwill has occurred.

Management's calculation of the value in use of goodwill at December 31, 2008 indicates that no impairment has occurred.

16. Retentions receivable – non-current portion

Retentions receivable – non-current portion represent retentions that become due in a period exceeding one year from the balance sheet date.

	December 31,	
	2008	2007
	AED	AED
Total retentions receivable	**708,182,729**	325,203,768
Less: Retentions receivable – current portion (Note 7)	**(471,191,074)**	(147,668,910)
Retentions receivable - non-current portion, at fair value	**236,991,655**	177,534,858

17. Property, plant and equipment

	Land	Leasehold land	Office buildings	Plant, machinery and office equipment	Vehicles	Labour camps and buildings	Furniture	Scaffolding cabins and tunnel forms	Properties under construction	Total
	AED	AED	AED	AED	AED	AED	AED	AED	AED	AED
Cost or valuation										
At December 31, 2006	15,000,000	5,287,500	45,775,188	319,982,837	69,897,671	48,920,401	12,189,406	64,911,032	17,413,696	599,377,731
Acquired through acquisition of subsidiaries	-	-	26,819,177	128,252,243	14,002,851	-	14,801,796	-	-	183,876,067
Fair value adjustment on acquisition of subsidiaries	-	-	-	18,186,087	806,677	-	-	-	-	18,992,764
Additions	22,696,669	-	15,030,519	141,811,439	53,337,146	2,464,859	4,480,930	6,598,282	67,087,584	313,507,428
Transfers	-	-	-	15,430,352	-	17,413,696	-	-	(32,844,048)	-
Disposals	-	-	(1,127,947)	(19,902,209)	(1,361,228)	(3,129,813)	(63,045)	(6,612,163)	-	(32,196,405)
At December 31, 2007	37,696,669	5,287,500	86,496,937	603,760,749	136,683,117	65,669,143	31,409,087	64,897,151	51,657,232	1,083,557,585
Acquired through acquisition of subsidiaries	-	-	4,043,652	3,313,730	602,900	-	338,821	-	-	8,299,103
Additions	33,030,699	-	146,899,387	401,425,679	94,579,197	46,051,016	18,886,031	53,863,634	72,927,119	867,662,762
Transfers	-	-	1,450,648	18,448,544	8,607,000	16,349,201	1,475,076	7,365,400	(53,695,869)	-
Disposals	-	-	(1,417,358)	(32,561,434)	(5,538,556)	-	(851,377)	(3,538,417)	-	(43,907,142)
At December 31, 2008	70,727,368	5,287,500	237,473,266	994,387,268	234,933,658	128,069,360	51,257,638	122,587,768	70,888,482	1,915,612,308

17. Property, plant and equipment (continued)

	Land	Leasehold land	Office buildings	Plant, machinery and office equipment	Vehicles	Labour camps and buildings	Furniture	Scaffolding cabins and tunnel forms	Properties under construction	Total
	AED	AED	AED	AED	AED	AED	AED	AED	AED	AED
Accumulated depreciation										
At December 31, 2006	-	-	5,453,683	97,369,280	16,999,767	13,733,634	7,745,918	42,126,516	-	183,428,798
Acquired through acquisition of subsidiaries	-	-	3,927,459	36,207,424	6,021,622	-	8,746,910	-	-	54,903,415
Charge for the year	-	114,946	6,186,891	63,638,989	13,743,683	5,752,976	4,082,516	12,660,924	-	106,180,925
Disposals	-	-	(506,620)	(2,229,044)	(874,085)	(1,486,843)	(22,842)	(5,375,542)	-	(10,494,976)
At December 31, 2007	-	114,946	15,061,413	194,986,649	35,890,987	17,999,767	20,552,502	49,411,898	-	334,018,162
Acquired through acquisition of subsidiaries	-	-	397,800	834,961	183,449	-	99,578	-	-	1,515,788
Charge for the year	-	114,946	20,316,752	136,826,780	27,462,549	11,426,698	11,584,446	11,833,736	-	219,565,907
Transfer	-	-	-	(1,367,665)	1,417,155	-	(49,490)	-	-	-
Disposals	-	-	(1,097,514)	(14,758,787)	(1,608,806)	-	(153,975)	(3,191,096)	-	(20,810,178)
At December 31, 2008	-	229,892	34,678,451	316,521,938	63,345,334	29,426,465	32,033,061	58,054,538	-	534,289,679
Carrying amount										
At December 31, 2008	70,727,368	5,057,608	202,794,815	677,865,330	171,588,324	98,642,895	19,224,577	64,533,230	70,888,482	1,381,322,629
At December 31, 2007	37,696,669	5,172,554	71,435,524	408,774,100	100,792,130	47,669,376	10,856,585	15,485,253	51,657,232	749,539,423

Note: The Group head office in Dubai is situated on land owned jointly by Arabtec Construction LLC (Arabtec) and a shareholder. The land was granted to Arabtec during 2003 and was originally recorded at nil value and subsequently at fair value on acquisition by the Group. For the purposes of the financial statements as at December 31, 2005, land was revalued by Messrs Pioneers – Surveyors and Loss Adjusters at open market value of AED 15,000,000.

18. Bank borrowings

	Current		Non-current	
	December 31,		December 31,	
	2008	2007	2008	2007
	AED	AED	AED	AED
Secured - at amortized cost				
Bank overdrafts	909,757,806	149,551,377	-	-
Acceptances	34,663,792	-	-	-
Trust receipts (ii)	106,071,068	52,369,967	-	-
Vehicle loan	57,960	-	-	-
Term loan (i)	51,308,152	7,365,265	153,608,016	19,934,354
Total	1,101,858,778	209,286,609	153,608,016	19,934,354

(i) The term loans are repayable as follows:

	December 31,	
	2008	2007
	AED	AED
Secured – at amortized cost		
On demand or within one year	51,308,152	7,365,265
In the second year	46,479,913	19,934,354
In the third year to fifth year (inclusive)	89,968,102	-
Over 5 years	17,160,000	-
	204,916,167	27,299,619
Less: Amount due for settlement within 12 months (shown under current liabilities)	(51,308,152)	(7,365,265)
Amount due for settlement after 12 months	153,608,015	19,934,354

The term loans are repayable over the period of 1-7 years and carry fixed interest rates of EIBOR + 1.5% and EIBOR + 2%.

(ii) Variable interest rate loan of EIBOR + 2% (2007: EIBOR + 1%) taken for the purchase of inventories. This is secured by a charge over the Group's inventory.

(iii) The bank facilities are subject to certain restrictive covenants on overall borrowing outstanding at any time, including:

- Irrevocable assignment of project proceeds to the financing banks to be confirmed by the customers.
- Irrevocable undertaking by the subsidiary to deposit the proceeds of projects financed by banks into the specific accounts maintained with the financing banks.
- Assignment of sub-contractors performance bonds in favour of the financing banks for specific contracts.
- Corporate guarantee of the Company.

19. Trade and other payables

	December 31,	
	2008	2007
	AED	AED
Trade payables	879,265,002	444,954,123
Advances received from customers for contract work	1,654,855,881	1,134,107,603
Advances from customers for trading	153,504,166	-
Amounts due to subcontractors	523,051,545	268,304,769
Subcontractors retentions payable – current portion (Note 21)	238,778,271	108,622,163
Refundable deposit	3,622,644	2,212,794
Amounts due to customers for contract work (Note 8)	477,800,065	192,663,303
Performance security and advance payment guarantee amount payable (Note 9)	269,281,837	-
Accruals and other payables	1,532,001,167	772,366,569
	5,732,160,578	2,923,231,324

20. Provision for employees' end of service indemnity

The activity on this account during the year was as follows:

	Year ended December 31,	
	2008	2007
	AED	AED
Balance at beginning of the year	95,994,849	47,758,972
Acquired on acquisition of subsidiaries	177,915	27,855,893
Expense for the year	29,432,710	25,152,077
Payments during the year	(11,546,966)	(4,772,093)
Balance at end of the year	114,058,508	95,994,849

Provision for employees' end of service indemnity is made in accordance with the relevant labour laws and is based on current remuneration and cumulative years of service at the balance sheet date.

21. Retentions payable – non current portion

Retention payable – non current portion represent retentions that have been withheld by the Group from payments due to sub-contractors. These amounts become due in a period exceeding one year from the balance sheet date.

	December 31,	
	2008	2007
	AED	AED
Total retentions payable	302,897,132	166,797,642
Less: Retentions payable - current portion (Note 19)	(238,778,271)	(108,622,163)
Retentions payable - non-current portion at fair value	64,118,861	58,175,479

22. Share capital

Following a bonus share issue of 100% during 2008 of 598 million shares of AED 1 each (2007: 78 million shares of AED 1 each), for which approval was given at the Extra Ordinary General Meeting of the shareholders held on December 23, 2008, the share capital comprises of 1,196,000,000 authorized, issued and fully paid shares of AED 1 each (2007: 598,000,000 authorized, issued and fully paid shares of AED 1 each).

23. Segment reporting

Business segment

The Group primarily engages in the construction of high-rise towers, buildings and residential villas, in addition to the execution of related services such as drainage, electrical and mechanical works and equipment hire. The subsidiary businesses involved in readymix concrete, equipment hire, precast concrete and steel frame manufacture are essentially integrated into the construction business. As such, management considers that one business segment exists for which the Group reports its primary segment information. The disclosures relating to the primary reportable format are similar to the disclosure relating to the secondary reportable format (see below) with the totals of the geographical segments representing the one reportable business segment.

Geographical segments

The Group's core business segment operates in 3 geographical areas. The geographical segment analysis is based on the location of assets and conduct of operations. These geographical areas are the basis on which the Group reports its secondary segment information, which is as follows:

23. Segment reporting (continued)

Geographical segments - continued

	2008 AED	2007 AED
Segment revenues		
GCC countries	9,661,526,358	4,272,850,348
Pakistan	31,704,972	-
Levant*	28,451,005	-
Revenues	9,721,682,335	4,272,850,348
Segment result		
GCC countries	1,089,217,769	561,954,167
Pakistan	11,671,339	-
Levant*	1,608,103	-
Corporate expenses	(29,399,852)	(18,248,404)
	1,073,097,359	543,705,763
Other income	57,099,884	46,167,360
Changes in fair value of non-current retentions	(9,951,617)	(7,444,990)
Finance costs	(24,320,689)	(3,644,395)
Profit before tax	1,095,924,937	578,783,738
Income tax expense	(16,352,716)	(1,247,182)
Profit for the year	1,079,572,221	577,536,556
Segment assets		
GCC countries	8,804,221,176	4,271,462,034
Pakistan	57,570,952	-
Levant*	30,077,087	-
	8,891,869,215	4,271,462,034
Corporate operations	567,790,373	568,153,055
Total assets	9,459,659,588	4,839,615,089
Segment liabilities		
GCC countries	7,219,235,414	3,433,276,195
Pakistan	53,849,831	-
Levant*	39,886,070	-
	7,312,971,315	3,433,276,195
Corporate operations	28,746,006	18,241,707
Total Liabilities	7,341,717,321	3,451,517,902

23. Segment reporting (continued)

	2008 AED	2007 AED
Capital expenditure:		
GCC countries	856,641,786	478,388,873
Pakistan	2,184,848	-
Levant*	8,824,478	-
Corporate operations	11,650	18,994,622
Total capital expenditure	867,662,762	497,383,495
Depreciation of property, plant and equipment:		
GCC countries	212,660,348	157,571,697
Pakistan	413,860	-
Levant*	450,182	-
Corporate operations	6,041,517	3,512,643
Total depreciation of property, plant and equipment	219,565,907	161,084,340
Amortization of intangible assets:		
GCC countries	40,721,801	14,481,940
Impairment losses;		
GCC countries	(64,284,960)	-

* The Levant geographical segment comprises of operations in Syria and Jordan

24. Revenues

Revenues comprise of the following:

	Year ended December 31,	
	2008 AED	2007 AED
Contract revenue	9,156,624,835	4,051,040,994
Sales of readymix concrete/precast	202,908,776	52,700,161
Sale and hire of equipment	224,202,104	111,430,212
Plant division revenue	22,600,953	14,577,260
Electrical division revenue	20,265,918	7,204,706
Scaffolding division revenue	17,449,165	2,772,269
Drainage division revenue	24,291,189	30,283,658
Model division revenue	53,339,395	2,841,088
	9,721,682,335	4,272,850,348

25. Direct costs

Direct costs comprise the following:

	Year ended December 31,	
	2008	2007
	AED	AED
Contract costs	7,951,765,242	3,368,465,756
Cost of sales of ready mix concrete/precast	53,060,363	43,375,293
Cost of sales of equipment	149,966,915	76,199,105
Plant division costs	14,279,260	7,609,062
Electrical division costs	15,556,185	8,507,473
Scaffolding division costs	7,165,929	1,442,528
Drainage division costs	-	26,299,721
Model division costs	38,085,667	1,902,823
	8,229,879,561	3,533,801,761

26. Other operating income

	Year ended December 31,	
	2008	2007
	AED	AED
Manpower and other charges to joint ventures	167,100,059	97,539,115

27. Selling, general and administrative expenses

	Year ended December 31,	
	2008	2007
	AED	AED
Employees' salaries and benefits	90,135,385	40,820,859
Employees' end of service indemnity and leave pay	88,605,280	51,486,007
Visa and immigration	54,361,276	29,761,484
Employees' bonus	93,488,479	64,083,629
Management fees to directors	1,800,000	1,800,000
Tender expenses	3,420,644	4,014,710
Selling expenses	2,208,965	6,660,904
Communication and utilities	18,172,893	3,746,255
Office rent	12,522,520	3,297,403
Depreciation (apportioned)	25,325,996	17,861,254
Amortisation of intangible assets (Note 14)	40,721,801	14,481,940
Discretionary bonus approved for prior year	-	3,000,000
Discretionary bonus accrued for current year	29,000,000	27,000,000
Allowance for slow-moving inventories and impairment losses	71,523,448	-
Other general and administrative expenses	54,518,787	24,867,494
	585,805,474	292,881,939

28. Other income

	Year ended December 31,	
	2008	2007
	AED	AED
Gain on sale of property, plant and equipment	1,044,492	6,521,896
Interest income	21,591,604	25,897,222
Insurance claims	105,205	217,793
Exchange difference	-	2,046,315
Gain on sale of investment in securities	5,998,067	7,368,070
Other income	28,360,516	4,116,064
	57,099,884	46,167,360

29. Changes in fair value of non-current retentions

	Year ended December 31,	
	2008	2007
	AED	AED
Fair value reduction in non-current retentions receivable	11,688,596	7,399,123
Fair value (reduction)/increase in non-current retentions payable	(1,736,979)	45,867
	9,951,617	7,444,990

30. Income tax

Income tax recognized in the consolidated financial statements

	Year ended December 31,	
	2008	2007
	AED	AED
Tax expense comprises:		
Current tax expense	16,697,602	1,247,182
Deferred tax income relating to the origination and reversal of temporary differences	(344,886)	-
Total tax expense	16,352,716	1,247,182

The Group's profit before tax arises from continuing operations. Therefore the Group's tax charge also relates solely to continuing operations.

30. Income tax (continued)

The total charge for the year can be reconciled to the accounting profit as follows:

	Year ended December 31,	
	2008	2007
	AED	AED
Profit before tax	**1,095,572,221**	577,536,556
Income tax expense calculated at the United Arab Emirates tax rate of 0% (2007: 0%)	-	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	**16,352,716**	1,247,182
Income tax expense recognised in profit or loss	**16,352,716**	1,247,182

The effective tax rate on profits for the year-ended December 31, 2008 is 1.49% (2007: 0.22%).

Deferred tax balances

Deferred tax assets arise from temporary differences on property, plant and equipment as follows:

	December 31,	
	2008	2007
	AED	AED
Opening balance	-	-
Credited to the income statement	**344,886**	-
Closing balance	**344,886**	-

31. Operating lease arrangements

The Group as lessee:

	December 31,	
	2008	2007
	AED	AED
Minimum lease payments under operating leases recognized as expense in income statement for the year	**60,518,371**	46,288,523

At the balance sheet date, the Group had outstanding commitments under non-cancelable operating leases, which fall due as follows:

	December 31,	
	2008	2007
	AED	AED
Within one year	**60,518,371**	19,494,701
In the second to fifth years inclusive	**36,287,459**	1,809,137
Later than five years	**932,880**	4,969,841
	97,738,710	26,273,679

Operating lease payments represents rentals payable by the Group for land, certain labour camps and rented vehicles.

32. Dividends paid and proposed

No cash dividends are proposed by the directors for the year ended December 31, 2008.

Based on the results for the year ended December 31, 2007, the directors proposed a cash dividend of AED 299 million, for which approval was received at the Annual General Meeting of the shareholders held on March 24, 2008.

Based on the results for the year ended December 31, 2006, the directors proposed a cash dividend of AED 78 million, for which approval was received at the Annual General Meeting of the shareholders held on April 9, 2007.

33. Acquisition of subsidiaries

a) On January 1, 2007, the Group acquired 55 per cent of the issued share capital of Emirates Falcon Electromechanical Co. (L.L.C.) for cash consideration of AED 18.33 million. This transaction has been accounted for using the purchase method of accounting in accordance with IFRS 3 *Business Combinations* which has been determined by management.

The net assets acquired in the transaction, and goodwill arising, are as follows:

	AED
Net assets acquired at fair value:	
Property, plant and equipment	142,497
Inventories	156,800
Trade and other receivables	36,081,315
Bank and cash balances	3,113,044
Provision for employees' end of service indemnity	(1,882,229)
Trade and other payables	(12,832,781)
Due to related parties	(23,976,523)
Due from related parties	450,000
Bank overdraft	(802,123)
	450,000
Less: Minority interest	(202,500)
Goodwill (Note 15)	9,085,833
Other intangible asset	9,000,000
Total consideration, satisfied by cash	18,333,333
Net cash outflow arising on acquisition:	
Cash consideration paid	(18,333,333)
Cash and cash equivalents acquired	3,563,044
	(14,770,289)

The goodwill arising on the acquisition of Emirates Falcon Electromechanical Co. (L.L.C.) is attributable to the anticipated future profitability of the company's products and services and the anticipated future operating synergies from the combination with the Group.

The other intangible assets represents technological expertise, the trade name and the special historic and beneficial working relationship with Arabtec, that together form a set of complementary assets described as 'technological expertise' and which has been valued based on the price and quality differential for electro-mechanical services available to the Group from the acquisition.

Emirates Falcon Electromechanical Co. (L.L.C.) contributed AED 31.3 million to the Group's profit for the period between the date of acquisition and December 31, 2007.

33. Acquisition of subsidiaries (continued)

b) On November 13, 2007, the Group acquired 60 per cent of the issued share capital of Target Engineering Construction Company L.L.C. for cash consideration of AED 432 million. This transaction has been accounted for using the purchase method of accounting in accordance with IFRS 3 *Business Combinations*.

The net assets acquired in the transaction, and goodwill arising, are as follows:

	Acquiree's carrying amounts before combination	Fair value adjustment	Fair value
	AED	AED	AED
Net assets acquired:			
Property, plant and equipment	128,830,000	18,992,764	147,822,764
Trade and other receivables	483,482,000	-	483,482,000
Other assets	11,615,000	-	11,615,000
Bank and cash balances	126,491,000	-	126,491,000
Trade and other payables	(466,657,903)	-	(466,657,903)
Bank borrowings	(121,454,000)	-	(121,454,000)
Provision for employees' end of service indemnity	(25,974,000)	-	(25,974,000)
	136,332,097	**18,992,764**	**155,324,861**
Less: Minority interest			(54,532,096)
Customer contracts and related customer relationships		195,055,800	195,055,800
Lease agreement		1,206,600	1,206,600
Goodwill (Note 15)		-	134,944,835
Total consideration, satisfied by cash			**432,000,000**
Net cash outflow arising on acquisition:			
Cash consideration paid			**(432,000,000)**
Cash and cash equivalents acquired			**126,491,000**
			(305,509,000)

Target Engineering Construction Company L.L.C. contributed AED 8.2 million to the Group's profit for the period between the date of acquisition and December 31, 2007.

In applying the purchase method of accounting to the acquisition of Target Engineering Construction Company L.L.C. 'Target', the Company has obtained a valuation report analysing the value of intangible assets based on the requirements of IFR3 *Business Combinations* and IAS 38 *Intangible assets* prepared for management by Ernst & Young Dubai based on the following determinations and assumptions:

33. Acquisition of subsidiaries (continued)

The fair values of property, plant and equipment acquired were determined by third party valuers – Pioneers Surveyors & Loss Adjusters.

- The fair values of the remaining tangible assets and monetary financial assets and liabilities at the acquisition date approximate to their carrying value in the financial statements of Target.
- The fair values of customer contracts and related customer relationships were determined based on contractual legal criteria for identification as intangible assets.
- The fair value of the lease agreement for a plot of land was identified based on significant savings compared to the average market rental rates charged in the surrounding areas.

The goodwill arising on the acquisition of Target is attributable to the anticipated profitability of the business resulting from the future economic benefits of the non-separable elements including workforce capability, licenses, brand name, computer software and economic goodwill.

c) On January 3, 2008, the Group acquired 55 per cent of the issued share capital of Gulf Steel Industries FZC for a cash consideration of AED 27.5 million. This transaction has been accounted for by the purchase method of accounting in accordance with IFRS 3 *Business Combinations*.

The net assets acquired in the transaction stated at fair value, and the goodwill arising, are as follows:

	AED
Net assets acquired at fair value:	
Property, plant and equipment	6,783,315
Inventories	4,526,481
Trade and other receivables	8,476,334
Bank and cash balances	11,279,810
Provision for employees' end of service indemnity	(177,915)
Trade and other payables	(15,133,604)
Due to related parties	(4,403,302)
Bank borrowings	(971,507)
	10,379,612
Less: Minority interest	(4,670,825)
Intangible asset (lease agreement) – Note 14	2,453,095
Goodwill – Note 15	19,338,118
Total consideration, satisfied by cash	27,500,000
Net cash outflow arising on acquisition:	
Cash consideration paid	27,500,000
Cash and cash equivalents acquired	(11,279,810)
	16,220,190

33. Acquisition of subsidiaries (continued)

In applying the purchase method of accounting to the acquisition of Gulf Steel Industries FZC, management, assisted by Messrs. Moore Stephens, Dubai, prepared a purchase price allocation report for determining the value of intangible assets based on the requirements of IFRS 3 – *Business Combinations* and IAS 38 – *Intangible Assets* and made the following determinations and assumptions

- the fair values of tangible assets and monetary financial assets and liabilities at the acquisition date approximate their carrying value in the financial statements of Gulf Steel FZC.
- the fair value of the lease agreement for a plot of land was identified based on the significant savings compared to the average market rental rates charged in the surrounding areas.

The goodwill arising on the acquisition of Gulf Steel Industries FZC is attributable to the anticipated future profitability of the company's products and services and the anticipated future operating synergies from the combination with the Group.

Gulf Steel Industries FZC contributed AED 9.5 million to the Group's profit for the period between the date of acquisition and December 31, 2008.

34. Commitments and contingencies

	December 31,	
	2008	2007
	AED	AED
Commitments		
Commitments for the acquisition of property, plant and equipment	**169,698,003**	195,727,144
Contingent liabilities		
Performance and bid bonds	**3,252,296,965**	1,868,035,695
Advance payment bonds	**2,083,375,960**	934,331,452
Financial guarantees	**125,616,423**	44,664,948
Retention bonds	**455,780,982**	302,698,615
Labour guarantees	**31,261,919**	12,052,850
Letters of credit	**286,512,792**	202,760,176

35. Financial instruments

(a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the consolidated financial statements.

(b) Categories of financial instruments

	December 31,	
	2008	2007
	AED	AED
Financial assets		
At amortized cost	**4,167,413,999**	2,267,598,313
At fair value	**287,447,318**	192,247,817
Financial liabilities		
At amortized cost	**4,917,955,581**	1,970,351,551
At fair value	**64,118,861**	58,175,479

(c) Financial risk management objectives

The Group's financial risk management relies on the close involvement of senior management in determining the Group's overall business strategies and its risk management philosophy, which seeks to minimize potential adverse effects of financial performance of the Group.

The Group's activities expose it to a variety of financial risks, including the effects of changes in foreign currency exchange rates and interest rates.

The Group does not hold or issue derivative financial instruments for speculative purposes.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

35. Financial instruments (continued)

(d) Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

The carrying amounts of the Group's foreign currency denominated monetary liabilities and assets at the reporting date are as follows:

	Liabilities		Assets	
	2008	2007	2008	2007
	AED	AED	AED	AED
Euro	2,746,690	6,778,810	8,545,562	101,026
GBP	283,364	3,539,481	1,256	5,872
Pakistani Rupee	54,159,410	-	58,277,945	-
Jordanian Dinar	19,172,247	-	22,696,460	-

There were no outstanding derivative financial instruments as at December 31, 2008 or 2007. The majority of the liabilities in foreign currencies are denominated either in US Dollars or the above GCC countries denominated currencies which are pegged to the US Dollar.

(e) Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 10% increase and decrease in the AED against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit and other equity where the AED strengthens 10% against the relevant currency. For a 10% weakening of the AED against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

	Profit or (loss)	
	2008	2007
	AED	AED
Euros	579,887	(667,778)
GBP	(28,211)	(353,361)
Pakistan Rupee	411,854	-
Jordanian Dinar	352,421	-

35. Financial instruments (continued)

(f) Interest rate risk management

The Group is exposed to interest rate risk as the Group borrows funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

(g) Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates on bank borrowings had been 50 basis points higher and all other variables were held constant, the Group's profit for the year ended December 31, 2008 would decrease by AED 6,434,757 (2007: decrease by AED 561,810). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

(h) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management regularly and the Group maintains an allowance for doubtful accounts receivable based on expected collectibility of all accounts receivable.

35. Financial instruments (continued)

(h) Credit risk management - continued

Trade and contract receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk did not exceed 15% of gross monetary assets at any time during the year. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

(i) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and financial liabilities.

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

35. Financial instruments (continued)

(i) *Liquidity risk management* - continued

	Weighted average effective interest rate	Less than 1 year	2 - 5 years	Total
	%	AED	AED	AED
ASSETS				
2008				
Non-interest bearing instruments	**Nil**	**599,325,504**	**-**	**599,325,504**
Fixed interest rate instruments	**4-6%**	**3,855,535,813**	**-**	**3,855,535,813**
		4,454,861,317	**-**	**4,454,861,317**
2007				
Non-interest bearing instruments	Nil	757,810,445	-	757,810,445
Fixed interest rate instruments	3-5%	1,702,035,685	-	1,702,035,685
		2,459,846,130	-	2,459,846,130
LIABILITIES				
2008				
Non-interest bearing instruments	**Nil**	**3,726,607,648**	**-**	**3,726,607,648**
Variable interest rate instruments	**EIBOR + 1.5% - 2%**	**1,101,858,778**	**153,608,016**	**1,255,466,794**
		4,828,466,426	**153,608,016**	**4,982,074,442**
2007				
Non-interest bearing instruments	Nil	1,741,130,588	58,175,479	1,799,306,067
Variable interest rate instruments	EIBOR+1%	209,286,609	19,934,354	229,220,963
		1,950,417,197	78,109,833	2,028,527,030

35. Financial instruments (continued)

(j) Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices.

The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

(k) Price risk

The Group has exposure to price risk in its construction materials. The results of operations and cash flows can vary with fluctuation in these market prices. These are affected by factors outside the Group's control, including the market forces of supply and demand and regulatory issues. The Group mitigates the price risk through advance procurement of materials when they determine that the price of the materials will secure their forecast margins and costs on projects which are due to commence or which are in progress.

(l) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2007.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 18, cash and cash equivalents and equity attributable to equity holders of the parent (comprising issued capital, reserves and retained earnings) as disclosed in Notes 5 and 22 respectively.

Gearing ratio

The gearing ratio at the year end was as follows:

	December 31,	
	2008	2007
	AED	AED
Debt (i)	**1,255,466,794**	229,220,963
Equity (ii)	**1,893,220,357**	1,249,829,669
Debt to equity ratio	**66%**	18%

(i) Debt is defined as long-and short-term borrowings, as detailed in Note 18.

(ii) Equity includes all capital and reserves of the Group.

36. Statutory reserve

In accordance with United Arab Emirates Federal Companies law number 8 of 1984, as amended, and the Company's Articles of Association, the Group is required to establish a statutory reserve by appropriation of a minimum of 10% of net profit for each year until the reserve equals a minimum of 50% of the share capital, for which purposes the Group uses the net profit attributable to the equity holders of the Company. This reserve is not available for distribution except in the circumstances stipulated by the Law.

37. Comparative amounts

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