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, 2009

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, 2009

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DIRECTORS' REPORT

The Board of Directors of Arabtec Holding PJSC (the 'Company') has pleasure in submitting the consolidated statement of financial position of the Company and its subsidiaries (the 'Group') as of December 31, 2009, and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year ended December 31, 2009.

Principal activities

During the year ended December 31, 2009 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 495 million (2008: AED 958 million) representing a 48% decrease from the previous year. However, it should be noted that the 2009 result is arrived at after charging AED 294 million as allowances for doubtful debts (compared to a charge of AED 5 million in the prior year) which reflects management's prudent and conservative stance in view of the uncertainties affecting certain of the Group's contracting receivables.

In accordance with the Articles of Association of the Company and UAE Federal Commercial Companies Law, an appropriation of AED 49.5 million (2008: AED 95.8 million) is made to statutory reserve from the distributable profit of AED 495 million (2008: AED 958 million).

Total equity attributable to the shareholders of the Company as at December 31, 2009 amounted to AED 2,392 million (2008: AED 1,893 million) an increase of 26%.

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 (M.E.) were appointed as external auditors of the Group for the year ended December 31, 2009. Deloitte & Touche (M.E.) are eligible for reappointment for 2010 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 1, 2010

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 statement of financial position as of December 31, 2009, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

cont'd....

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, 2009, and 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 that is currently subject to arbitration proceedings, the probable outcome of which cannot currently be determined with reasonable certainty as the proceedings are still at a preliminary 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 1, 2010

ديلويت اند توش
Deloitte & Touche

Consolidated Statement of Financial Position
As of December 31, 2009
(In Thousand Arab Emirates Dirhams)

	Note	2009	2008
ASSETS			
Current assets			
Cash and cash equivalents	5	**634,051**	757,437
Other financial assets	6	**186,467**	92,925
Trade and other receivables	7	**4,678,301**	4,982,898
Due from related parties	10	**720,392**	278,024
Inventories	11	**647,642**	1,016,550
Other current assets	13	**149,321**	158,036
Deferred tax	31	**164**	345
Total current assets		**7,016,338**	7,286,215
Non-current assets			
Other financial assets	6	**59,641**	52,954
Investment in associate	14	**3,200**	-
Intangible assets	15	**195,416**	242,340
Goodwill	16	**252,265**	252,265
Retentions and trade receivables - non-current portion	17	**211,499**	236,992
Other non-current assets		**9,389**	7,571
Property, plant and equipment	18	**1,362,714**	1,381,323
Total non-current assets		**2,094,124**	2,173,445
Total Assets		**9,110,462**	9,459,660
LIABILITIES AND EQUITY			
Current liabilities			
Bank borrowings	19	**769,756**	1,101,859
Trade and other payables	20	**4,846,602**	5,732,161
Due to related parties	10	**375,642**	172,963
Income tax payable		**8,620**	2,949
Total current liabilities		**6,000,620**	7,009,932
Non-current liabilities			
Bank borrowings	19	**187,127**	153,608
Provision for employees' end of service indemnity	21	**137,726**	114,059
Retentions payable - non-current portion	22	**56,971**	64,119
Total non-current liabilities		**381,824**	331,786
Total Liabilities		**6,382,444**	7,341,718
Capital and reserves			
Issued share capital	23	**1,196,000**	1,196,000
Statutory reserve	24	**237,107**	187,616
Fair value adjustment reserve		**(2,342)**	(5,941)
Retained earnings		**960,962**	515,545
Equity attributable to equity holders of the Company		**2,391,727**	1,893,220
Non-controlling interests		**336,291**	224,722
Total Equity		**2,728,018**	2,117,942
Total Liabilities and Equity		**9,110,462**	9,459,660

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

The consolidated financial statements on pages 4 to 66 were approved and authorized for issue by the Board of Directors on March 1, 2010 and signed on their behalf by:

Sheikh Butti Bin Maktoum Bin Juma Al Maktoum
Chairman

Riad Burhan Kamal
Chief Executive and Board Member

Arabtec Holding and its Subsidiaries
Dubai - United Arab Emirates

Consolidated Income Statement
For the Year Ended December 31, 2009
(In Thousand Arab Emirates Dirhams)

	Note	Year ended December 31, 2009	2008
Revenues	25	**7,664,702**	9,721,682
Direct costs	26	**(6,338,083)**	(8,229,879)
Gross profit		**1,326,619**	1,491,803
Other operating income	27	**69,574**	167,100
Selling, general and administrative expenses	28	**(784,736)**	(585,805)
Other income	29	**78,684**	57,100
Net changes in fair value of non-current retentions and trade receivables	30	**(2,830)**	(9,952)
Finance costs		**(56,142)**	(24,321)
Profit before tax		**631,169**	1,095,925
Income tax expense	31	**(39,360)**	(16,353)
Profit for the year		**591,809**	1,079,572
Attributable to:			
Equity holders of the parent		**494,908**	958,045
Non-controlling interests		**96,901**	121,527
		591,809	1,079,572
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)]		**AED 0.41**	AED 0.80

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 Comprehensive Income
For the Year Ended December 31, 2009
(In Thousand Arab Emirates Dirhams)

	Year ended December 31,	
	2009	2008
Profit for the year	**591,809**	1,079,572
Other comprehensive gain/(loss)		
Realised gain on sale of available for sale financial assets	-	(2,185)
Unrealised gain/(loss) on available for sale financial assets	**3,599**	(13,469)
Total comprehensive income for the year	**595,408**	1,063,918
Total comprehensive income attributable to:		
Equity holders of the parent	**498,507**	942,391
Non-controlling interests	**96,901**	121,527
	595,408	1,063,918

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, 2009
(In Thousand Arab Emirates Dirhams)

	Attributable to equity holders of the parent						
	Share capital	Statutory reserve	Fair value adjustment reserve	Retained earnings	Total	Non-controlling interests	Total equity
Balance at December 31, 2007	598,000	91,812	9,713	550,304	1,249,829	138,268	1,388,097
Dividends paid (Note 34)	-	-	-	(299,000)	(299,000)	-	(299,000)
Dividends paid to non-controlling interests	-	-	-	-	-	(39,890)	(39,890)
Issue of bonus shares (Note 23)	598,000	-	-	(598,000)	-	-	-
Non-controlling interests arising on the acquisition and incorporation of subsidiaries	-	-	-	-	-	4,817	4,817
Realised gain on sale of available-for-sale financial assets transferred to income statement	-	-	(2,185)	-	(2,185)	-	(2,185)
Unrealised loss on available-for-sale financial assets recognised directly in equity	-	-	(13,469)	-	(13,469)	-	(13,469)
Profit for the year	-	-	-	958,045	958,045	121,527	1,079,572
Total income recognised for the year	-	-	-	-	942,391	121,527	1,063,918
Transfer to statutory reserve	-	95,804	-	(95,804)	-	-	-
Balance at December 31, 2008	1,196,000	187,616	(5,941)	515,545	1,893,220	224,722	2,117,942
Dividends paid to non-controlling interests	-	-	-	-	-	(21,672)	(21,672)
Non-controlling interests arising on,							
- Change in ownership	-	-	-	-	-	60	60
- Capital contribution	-	-	-	-	-	36,280	36,280
Unrealised gain on available-for-sale investments recognised directly in equity	-	-	3,599	-	3,599	-	3,599
Profit for the year	-	-	-	494,908	494,908	96,901	591,809
Total income recognised for the year	-	-	-	-	498,507	96,901	595,408
Transfer to statutory reserve	-	49,491	-	(49,491)	-	-	-
Balance at December 31, 2009	**1,196,000**	**237,107**	**(2,342)**	**960,962**	**2,391,727**	**336,291**	**2,728,018**

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 Cash Flows
For the Year Ended December 31, 2009
(In Thousand Arab Emirates Dirhams)

	Year ended December 31,	
	2009	2008
Operating activities		
Profit before tax	**631,169**	1,095,925
Adjustments for:		
Depreciation of property, plant and equipment	**266,751**	219,566
Amortization of intangible assets	**46,924**	40,722
Provision for employees' end of service indemnity	**43,284**	29,433
Accrued discretionary bonus	**20,000**	29,000
Accrued bonus for staff	**60,851**	93,488
Increase in allowance for doubtful receivables	**293,874**	5,425
Allowance and impairment for slow-moving inventories	**13,962**	71,523
Gain on sale of property, plant and equipment	(**17,133**)	(1,044)
Gain on sale of investment in available-for-sale securities	-	(5,998)
Interest income	(**22,603**)	(21,592)
Finance costs	**56,142**	24,321
Changes in fair value of non-current retentions and trade receivables	**2,830**	9,952
Operating movement in working capital before changes in operating assets and liabilities	**1,396,051**	1,590,721
(Increase)/decrease in other financial assets	(**94,782**)	649
Decrease/(increase) in trade and other receivables	**10,723**	(3,047,091)
Increase in due from related parties	(**442,368**)	(151,648)
Decrease/(increase) in inventories	**354,946**	(899,775)
Decrease/(increase) in other current assets	**8,715**	(36,039)
(Decrease)/increase in trade and other payables	(**944,414**)	2,701,817
Increase in due to related parties	**206,429**	40,499
Decrease/(increase) in retentions receivable - non-current portion	**25,202**	(71,145)
Decrease in advances received from construction contract customers	-	(16,609)
(Decrease)/increase in retentions payable - non-current portion	(**9,687**)	7,680
(Increase)/decrease in other non-current assets	(**1,818**)	9,874
Cash generated from operations	**508,997**	128,933
Employees' end of service indemnity paid	(**19,617**)	(11,547)
Interest income received	**22,603**	21,592
Interest paid	(**56,142**)	(24,321)
Tax paid	(**33,508**)	(13,974)
Bonus paid	(**25,746**)	(30,509)
Net cash from operating activities	**396,587**	70,174
Cash flows from investing activities		
Repayment of loan to a related party	(**1,848**)	1,810
Purchase of property, plant and equipment	(**300,064**)	(867,661)
Purchase of available-for-sale investments	-	(103,274)
Acquisition of subsidiaries, net of cash acquired (Note 35)	-	(16,220)
Investment in associate	(**3,200**)	-
Proceeds from disposal of property, plant and equipment	**69,055**	24,139
Proceeds from disposal of available-for-sale investments	-	57,875
Net cash used in investing activities	(**236,057**)	(903,331)
Cash flows financing activities		
(Repayments of)/proceeds from borrowings (net)	(**298,584**)	1,025,274
Capital contribution from non-controlling interests	**36,280**	147
Proceeds from sale of investment company	**60**	-
Cash dividends paid - Group	-	(299,000)
Cash dividends paid - Non-controlling interest	(**21,672**)	(39,890)
Net cash (used in)/generated from financing activities	(**283,916**)	686,531
Net decrease in cash and cash equivalents	(**123,386**)	(146,626)
Cash and cash equivalents at the beginning of the year	**757,437**	904,063
Cash and cash equivalents at the end of the year (Note 5)	**634,051**	757,437

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 Company commenced operations on September 20, 2004.

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

The Company's shares are listed on the Dubai Financial Market (DFM).

The registered office of the Company is P.O. Box 72122 Dubai, UAE

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

Name of subsidiary and domicile	Percentage of beneficial holding	Principal activities
Arabtec Construction LLC, Dubai, UAE	100%	Civil construction and related works
Austrian Arabian Ready Mix Concrete Co. LLC, Dubai, UAE	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	80%	Infrastructure construction works
Arabtec International Company Limited, Mauritius	100%	Civil construction and related works
Arabtec Construction Syria LLC, Syria, (under formation)	100%	Civil construction and related works

1. General information (continued)

Name of subsidiary and domicile	Percentage of beneficial holding	Principal activities
Arabtec Pakistan (Pvt) Limited, 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
Arabtec Saudi Arabia LLC, Saudi Arabia	45%	Civil construction and related works

The Company has the following associate over which it exercises significant influence:

Name of associate and domicile	Percentage of beneficial holding	Principal activities
Polypod Middle East LLC, Abu Dhabi, UAE	40%	Assembly of bathroom pods and and other types of pods on the same concept.

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 investment in Arabtec Pakistan (Pvt) Limited is held by third parties trust and for the benefit of the Company. The investment in Arabtec Engineering LLC, Dubai is held by two of the shareholders on trust and for the benefit of the Company.

During the year ended December 31, 2009, the Company sold 20% of the shares in Arabtec Engineering LLC, Dubai at their carrying amount.

The Company and its subsidiaries, referred to collectively in this financial information 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, provision of readymix concrete and construction equipment supply and rental.

2. Adoption of new and revised International Financial Reporting Standards

Standards and Interpretations affecting amounts reported in the current year

The following new and revised Standards and Interpretations have been adopted in the current period and have had no effect on the amounts reported in these consolidated financial statements.

Standards affecting presentation and disclosures

IAS 1 (as revised in 2007) *Presentation of Financial Statements*	IAS 1(2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.
IFRS 8 *Operating Segments*	IFRS 8 is a disclosure Standard that requires re-designation of the Group's reportable segments based on the segments used by the Chief Operating Decision Maker to allocate resources and assess performance.
Improving Disclosures about Financial Instruments (Amendments to IFRS 7 Financial Instruments: Disclosures)	The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The Group has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments.

Standards and Interpretations adopted with no effect on the consolidated financial statements

The following new and revised Standards and Interpretations have also been adopted in these consolidated financial statements. Their adoption has not had any significant impact on the amounts reported in these consolidated financial statements but may affect the accounting for future transactions or arrangements.

Amendments to *IAS 38 Intangible Assets*	As part of Improvements to IFRSs (2008), IAS 38 has been amended to state that an entity is permitted to recognise a prepayment asset for advertising or promotional expenditure only up to the point at which the entity has the right to access the goods purchased or up to the point of receipt of services.

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

Standards and Interpretations adopted with no effect on the consolidated financial statements - continued

Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* and IAS 27 *Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*	The amendments deal with the measurement of the cost of investments in subsidiaries, jointly controlled entities and associates when adopting IFRSs for the first time and with the recognition of dividend income from subsidiaries in a parent's separate financial statements.
Amendments to IFRS 2 *Share-based Payment - Vesting Conditions and Cancellations*	The amendments clarify the definition of vesting conditions for the purposes of IFRS 2, introduce the concept of 'non-vesting' conditions, and clarify the accounting treatment for cancellations.
IFRS for *SMEs Small and Medium-sized Entities*	This Standard is available immediately but the adoption has to be decided by the jurisdiction of implementation.
IAS 23 (as revised in 2007) *Borrowing Costs*	The principal change to the Standard was to eliminate the option to expense all borrowing costs when incurred.
Amendments to IAS 32 Financial Instruments: *Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation*	The revisions to IAS 32 amend the criteria for debt/equity classification by permitting certain puttable financial instruments and instruments (or components of instruments) that impose on an entity an obligation to deliver to another party a pro-rata share of the net assets of the entity only on liquidation, to be classified as equity, subject to specified criteria being met.

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

Standards and Interpretations adopted with no effect on the consolidated financial statements - continued

Amendments to IAS 39 Financial Instruments: *Recognition and Measurement - Eligible Hedged Items*	The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options.
Embedded Derivatives (Amendments to IFRIC 9 and IAS 39)	The amendments clarify the accounting for embedded derivatives in the case of a reclassification of a financial asset out of the 'fair value through profit or loss' category as permitted by the October 2008 amendments to IAS 39 Financial Instruments: Recognition and Measurement (see above).
IFRS 13 *Customer Loyalty Programmes*	The Interpretation provides guidance on how entities should account for customer loyalty programmes by allocating revenue on sale to possible future award attached to the sale.
IFRIC 15 *Agreements for the Construction of Real Estate*	The Interpretation addresses how entities should determine whether an agreement for the construction of real estate is within the scope of IAS 11 Construction Contracts or IAS 18 Revenue and when revenue from the construction of real estate should be recognised. The requirements have not affected the accounting for the Group's construction activities.
IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*	The Interpretation provides guidance on the detailed requirements for net investment hedging for certain hedge accounting designations.
Improvements to IFRSs (2008)	In addition to the changes affecting amounts reported in the financial statements described above, the Improvements have led to a number of changes in the detail of the Group's accounting policies – some of which are changes in terminology only, and some of which are substantive but have had no material effect on amounts reported. The majority of these amendments are effective from January 1, 2009.

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

Standards and Interpretations in issue not yet adopted

At the date of authorisation of these consolidated financial statements, the following new and revised Standards and Interpretations were in issue but not yet adopted:

New Standards and amendments to Standards:	Effective for annual periods beginning on or after
• IFRS 1 (revised) *First time Adoption of IFRS* and IAS 27 (revised) *Consolidated and Separate Financial Statements* – Amendment relating to Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	July 1, 2009
• IFRS 3 (revised) *Business Combinations* – Comprehensive revision on applying the acquisition method and consequential amendments to IAS 27 (revised) *Consolidated and Separate Financial Statements*, IAS 28 (revised) *Investments in Associates* and IAS 31 (revised) *Interests in Joint Ventures*	July 1, 2009
• IAS 39 (revised) *Financial Instruments: Recognition and Measurement* – Amendments relating to Eligible Hedged Items(such as hedging Inflation risk and Hedging with options)	July 1, 2009
• IFRS 1 (revised) *First time Adoption of IFRS* – Amendment on additional exemptions for First-time Adopters	January 1, 2010
• IFRS 2 (revised) *Share-based payment* – Amendment relating to Group cash-settled Share-based payments	January 1, 2010
• IAS 32 (revised) *Financial Instruments: Presentation* – Amendments relating to classification of Rights Issue	February 1, 2010
• IFRS 9 *Financial Instruments: Classification and Measurement* (intended as complete replacement for IAS 39 and IFRS 7)	January 1, 2013
• Amendments to IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36, IAS 38 and IAS 39 resulting from April 2009 *Annual Improvements to IFRSs*.	Majority effective for annual periods beginning on or after January 1, 2010

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

Standards and Interpretations in issue not yet adopted - continued

New Interpretations and amendments to Interpretations:	Effective for annual periods beginning on or after
• IFRIC 17: *Distributions of Non-cash Assets to Owners*	July 1, 2009
• IFRIC 18: *Transfers of Assets from Customers*	July 1, 2009
• IFRIC 19: *Extinguishing Financial Liabilities with Equity Instruments*	July 1, 2010
• Amendment to IFRIC 14: *IAS 19: The limit on a defined Benefit Asset, Minimum Funding Requirement and their interaction*	January 1, 2011

Management anticipates that the adoption of these Standards and Interpretations in future will have no material quantitative impact on the consolidated financial statements of the Group in the period of initial application.

3. Significant accounting policies

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

Basis of preparation

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 assets. 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.

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

3. Significant accounting policies (continued)

Basis of consolidation - continued

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.

Non-controlling interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination (see below) and the non-controlling interest's share of changes in equity since the date of the combination. Losses applicable to the non-controlling interest's in excess of the non-controlling interest's in the subsidiary's equity are allocated against the interests of the Group except to the extent that the non-controlling interest 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 acquisition 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 recognised 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 recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised 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 recognised. 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 recognised immediately in profit or loss.

The non-controlling interest in the acquiree is initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

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 recognised 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 recognised 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.

3. Significant accounting policies (continued)

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, 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*. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Intangible assets

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

- The assets can be identified and are separable;
- 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 carried at cost less accumulated amortization and accumulated impairment losses. Amortisation is recognised on a straight-line basis over the estimated period of benefit from the intangible assets.

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 recognised at the date of acquisition. Goodwill is initially recognised 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 recognised 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
Plant machinery 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	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 recognised 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 recognised 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 recognised in profit or loss.

Impairment of tangible and intangible assets, excluding goodwill

At each statement of financial position 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 recognised 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 recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised 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 recognised in accordance with the Group's accounting policy on construction contracts (see below).

Sale of goods

Revenue from the sale of goods is recognised 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 recognised 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 recognised by reference to the stage of completion of the contract activity at the end of the reporting period, which is determined based on the proportion of contract costs incurred to date to the estimated total contract costs. Variations in contract work are recognised to the extent that it is probable that they will result in revenue and such revenue can be reliably measured, while contract claims and incentive payments are included only 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 recognised only to the extent of contract costs incurred where the recoverability is probable. Contract costs are recognised in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the total expected loss is recognised 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 end of the reporting period.

3. Significant accounting policies (continued)

Income tax - continued

Deferred tax

Deferred tax is recognised on temporary 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. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised 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 recognised 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 recognised 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 recognised 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 the end of each reporting period 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 end of the reporting period. 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 recognised as an expense or income in the consolidated income statement, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss.

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 recognised 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 statement of financial position 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 recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised 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 recognised 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 recognised as a liability. The aggregate benefit of incentives is recognised 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 recognised 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 the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. 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 recognised 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 end of the reporting period. 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 recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate). Such exchange differences are recognised 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 recognised 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 recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, 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 recognised 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 recognised based on the percentage of completion of a contract and the actual amount certified represented by 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.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's consolidated statement of financial position 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 recognised and de-recognised 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, advances paid to suppliers for contract work and prepaid expenses) are measured at amortised cost as reduced by appropriate allowance for estimated doubtful debts.

Other current assets

Other current assets are measured at amortised 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 a 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 recognised directly in equity in the fair value adjustments 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 recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.

Dividends on AFS equity instruments are recognised 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 (excluding advances received from customers and amounts due to customers for contract work) are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost.

Due from/to related parties

Amounts due from/to related parties are stated at their amortised 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 recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

Contract variations

Contract variations are recognised 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 reliably 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" by the contract owner and their encashment, 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, alternatively, as amounts receivable from the contract owner pending resolution of the dispute.

In making this judgment, management considered the criteria in *The Framework for the Preparation and Presentation of Financial Statements* in conjunction with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* in considering whether the amounts payable can be recognised as an asset of the Group. In particular, consideration was given to whether it is probable that recognition of the asset will result in future economic benefits flowing to the Group. In view of management's judgment that the contract termination and call on the Securities was not justified, and, as per continuing legal opinion on the arbitration proceedings initiated by the Joint Venture, management continues to consider that the outcome of the proceedings will be favourable to the Group and continues to recognize the amount of the Securities as a receivable, and not as an expense.

Management has continued to obtain legal advice related to the arbitration proceedings and, based on this advice, considers that the Group continues to have a strong case which will ultimately result in the full recovery – as a minimum – of all related amounts included in receivables in these financial statements.

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 recognised 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 statement of financial position 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 net realisable value. 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.

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 end of the reporting period.

At the end of the reporting period the Group has significant receivables from entities related to the Dubai Government, some of which are undergoing debt re-structuring. Management has carefully considered these receivables in light of current economic circumstances and the status of negotiations with customers, together with potential offsetting arrangements with advances received from contract owners and amounts due to subcontractors in order to determine a reasonable provision for potential impairment losses which may occur in finalizing collection of contract receivables, amounts due from customers for contract work and retentions receivable.

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. 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,	
	2009	2008
	AED'000	AED'000
Cash and bank balances	**210,509**	251,037
Short term bank deposits	**423,542**	506,400
	634,051	757,437

6. Other financial assets

	Current		Non-current	
	December 31,		December 31,	
	2009	2008	**2009**	2008
	AED'000	AED'000	**AED'000**	AED'000
Financial assets carried at fair value				
Fixed deposits under lien	**172,737**	89,448	-	-
Margin deposits	**13,730**	3,477	-	-
	186,467	92,925	-	-
Available for sale financial assets *	-	-	**55,294**	50,455
Loans carried at amortised cost				
Loan to related parties [Note 10 (e)]	-	-	**4,347**	2,499
Total	**186,467**	92,925	**59,641**	52,954

* 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, 2009, available-for-sale investments amounting to AED 7.7 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.

	December 31,	
	2009	2008
	AED'000	AED'000
Trade and other receivables	**325,782**	360,346
Contract receivables	**2,562,689**	2,148,547
Amounts due from customers for contract work (Note 8)	**917,014**	1,364,786
Allowance for doubtful debts	**(299,288)**	(6,421)
	3,506,197	3,867,258
Retentions receivable - current portion (Note 17)	**657,715**	471,191
Advances paid to suppliers and sub contractors	**500,441**	622,777
Contract work in progress	**13,948**	21,672
	4,678,301	4,982,898

Included in the above are amounts totaling AED 671.8 million (2008: AED 653.2 million) receivable from Meydan L.L.C. in connection with the contract dispute described in Note 9.

An allowance has been made for estimated irrecoverable amounts for trade and other receivables of AED 299.3 million (2008: AED 6.4 million). 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 project completion, negotiations underway, future recoverability of these balances and potential offsetting arrangements with contract owners and subcontractors.

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

	December 31,	
	2009	2008
	AED'000	AED'000
Balance at the beginning of the year	**6,421**	996
Write off to trade receivables	**(1,007)**	-
Increase in allowance recognised during the year	**293,874**	5,425
Balance at the end of the year	**299,288**	6,421

7. Trade and other receivables (continued)

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 333 million (2008: AED 561 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 1,318 million (2008: AED 364 million) which are past due (exceeding 90 days) at the reporting date for which the Group has not recorded any allowance 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.

Ageing of past due but not impaired:

	December 31,	
	2009	2008
	AED'000	AED'000
Past due for less than 3 months	**427,291**	172,968
Past due for more than 3 months	**890,869**	190,741
Total	**1,318,160**	363,709

In determining the recoverability of 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 discussed above.

7. Trade and other receivables (continued)

Ageing of impaired trade receivables:

	December 31,	
	2009	2008
	AED'000	AED'000
Current	**460,599**	-
Past due for more than 3 months	**195,134**	10,896
Past due for more than 6 months	**586,505**	5,442
	1,242,238	16,338

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

	December 31,	
	2009	2008
	AED'000	AED'000
Amounts due from customers for contract work included in trade and other receivables (Note 7)	**917,014**	1,364,786
Amounts due to customers for contract work included in trade and other payables (Note 20)	**(305,315)**	(477,800)
	611,699	886,986
Contract costs incurred plus recognised profit less recognised losses to date on projects in progress	**21,240,643**	16,129,453
Less: Progress billings	**(20,628,944)**	(15,242,467)
	611,699	886,986

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. Both securities were payable on demand and, on payment by the banks concerned, management has recorded a receivable for the net amount due from Meydan, pending resolution of the dispute. The corresponding liability recorded at the December 31, 2008 year end has since been converted into a loan taken from a bank on which Arabtec Construction L.L.C. is paying interest.

9. Contract dispute (continued)

Contract revenues and contract costs relating to the above contract are as follows:

	(Group's 50% share) December 31,	
	2009	2008
	AED'000	AED'000
Income statement		
Contract revenue - representing value of work completed prior to contract termination	-	710,242
Contract costs	-	(710,242)
Gross contract margin	-	-

On January 11, 2009, the Joint Venture served its request for arbitration, submitting an initial claim of which the Group's share was in excess of AED 800 million. Since then, the arbitration proceedings have commenced and the amount claimed by the Joint Venture has increased to AED 2.79 billion (Group's share: AED 1.4 billion). Management believes, based on continuing legal opinion received, that the prospects of success in the arbitration are good and that no additional provisions for the dispute are required at the end of the reporting period.

In accordance with the Group's accounting policy relating to contracts where the outcome cannot be estimated reliably, revenue has been recognised 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 recognised on the contract to date pending the outcome of the Group's claim and conclusion of the arbitration proceedings.

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.

10. Related party transactions (continued)

b) At the end of the reporting period, due from related parties comprised the following:

	December 31,	
	2009	2008
	AED'000	AED'000
Joint ventures		
Amounts due from joint venture partners	**388,394**	197,467
Other related parties		
Entities with common ownership and management		
Al Waab City W.L.L., Doha, Qatar	**258,122**	60,097
National Industrial Contracting Company WLL, Qatar	**2,082**	2,540
Nasser Bin Khaled Al-Thani and Sons Group its related parties, Qatar	**43,930**	10,100
Others	**27,864**	7,820
	331,998	80,557
	720,392	278,024

c) At the end of the reporting period, due to related parties comprised the following:

	December 31,	
	2009	2008
	AED'000	AED'000
Joint ventures		
Amounts due to joint venture partners	**247,609**	51,654
Other related parties		
Entities with common ownership and management		
Nasser Bin Khaled Al-Thani and Sons Group and its related parties, Qatar	**43,137**	34,207
WCT Engineering Berhad, Malaysia	**8,298**	17,728
Target Construct Corporation, Abu Dhabi, UAE	**-**	12,410
Depa Interiors LLC, Dubai, UAE	**17,520**	5,669
Others	**9,431**	16,201
Current account of a director and major shareholder of the parent company		
Mr. Riad Kamal - a Director and major shareholder	**33,012**	24,710
Current accounts of shareholders in subsidiaries	**16,635**	10,384
	128,033	121,309
	375,642	172,963

10. Related party transactions (continued)

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

	December 31,	
	2009	2008
	AED'000	AED'000
Other related parties		
Contract revenue	**1,204,283**	551,351
Manpower and other charges to joint ventures	**69,574**	167,100
Subcontract costs	**68,614**	151,514
Assets purchased/hired	**505**	30,116
Subcontractor advance	**21,343**	28,314
Purchase of property, plant and equipment	**25,642**	11,045
Rent received	**3,396**	5,071
Wages and salaries	**10,951**	1,727
Unrealized profit arising from investments held in trust by a director/shareholder	**3,710**	-
Sale of property, plant and equipment	**3,467**	-

e) The Group has provided a loan of AED 2.7 million (2008: AED 2.5 million) to a minority shareholder in House of Equipment Co. LLC and AED 1.6 million to the shareholders of Polypod Middle East 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 year was as follows:

	Year ended December 31,	
	2009	2008
	AED'000	AED'000
Management fees to directors	**1,800**	1,800
Short term benefits	**32,815**	58,189
End of service indemnity	**275**	535
Discretionary bonus accrued	**20,000**	29,000

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

g) Included in trade and other payables is an amount of AED 21.7 million (2008: AED 12.2 million) representing contributions from employees and directors towards an employee benefit scheme. Assets of the scheme are included in the consolidated statement of financial position under cash and cash equivalents AED 12.2 million (2008: AED 3.7 million) and other current assets AED 9.5 million (2008: AED 8.5 million).

11. Inventories

	December 31,	
	2009	2008
	AED'000	AED'000
Steel inventories required for specific projects	**269,776**	804,514
General steel inventories	**219,734**	127,169
Trading goods	**26,847**	62,094
Other construction materials	**121,106**	43,418
Ready mix concrete and other related materials	**4,547**	43,009
Work in progress	**5,870**	7,869
	647,880	1,088,073
Less: Allowance for slow-moving inventories and impairment losses on general steel inventories	**(238)**	(71,523)
	647,642	1,016,550

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

	Year ended December 31,	
	2009	2008
	AED'000	AED'000
Balance at the beginning of the year	**(71,523)**	-
Allowance for slow moving inventories	**-**	(7,238)
Impairment losses on general steel inventories during the year	**(13,962)**	(64,285)
Write off to general steel inventories	**78,247**	-
Write off to trading goods	**7,000**	-
Balance at the end of the year	**(238)**	(71,523)

During the year, an amount of AED 13.96 million (2008: AED 64.29 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 end of the reporting period, 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) Samsung/Arabtec 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 projects	50%/60%
g) Arabtec/Emirates Sunland joint venture projects	50%
h) Arabtec/WCT Engineering joint venture projects	50%
i) Arabtec/Engineering Enterprises Company joint venture projects	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%
o) Arabtec/National Projects and Construction 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.

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,	
	2009	2008
	AED'000	AED'000
Current assets	**1,765,663**	1,529,581
Non-current assets	**111,002**	138,864
Current liabilities	**1,592,249**	1,475,594
Non-current liabilities	**37,136**	32,515
Commitments	**-**	623
Contingent liabilities	**839,333**	604,071

	Year ended December 31,	
	2009	2008
	AED'000	AED'000
Revenue	**1,119,444**	2,324,442
Expenses	**1,171,494**	2,235,329

13. Other current assets

	December 31,	
	2009	2008
	AED'000	AED'000
Prepaid expenses	**67,587**	102,741
Due from employees	**20,165**	22,627
Other receivables	**61,569**	32,668
	149,321	158,036

14. Investment in associate

On May 6, 2009, Polypod Middle East LLC, Abu Dhabi was formed. Arabtec Holding PJSC has a 40% interest in Polypod which is carried at cost as the company is in a preliminary stage with limited transactions to date.

15. Intangible assets

	Leasehold Property benefit	Arabtec brand	Customer contracts	Other intangibles	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
Cost					
At December 31, 2007	3,247	110,000	195,056	9,000	317,303
Additions (Note 35)	2,453	-	-	-	2,453
At December 31, 2008	5,700	110,000	195,056	9,000	319,756
At December 31, 2009	**5,700**	**110,000**	**195,056**	**9,000**	**319,756**
Accumulated amortization					
At December 31, 2007	496	33,000	2,298	900	36,694
Charge for the year	704	11,000	28,118	900	40,722
At December 31, 2008	1,200	44,000	30,416	1,800	77,416
Charge for the year	644	11,000	34,380	900	46,924
At December 31, 2009	**1,844**	**55,000**	**64,796**	**2,700**	**124,340**
Carrying amount					
At December 31, 2009	**3,856**	**55,000**	**130,260**	**6,300**	**195,416**
At December 31, 2008	4,500	66,000	164,640	7,200	242,340

15. Intangible assets (continued)

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

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 amortised 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. are amortised over the estimated useful life of 10 years.

Other intangibles are amortised over the estimated useful lives 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.

16. Goodwill

Goodwill arising on acquisition of:

	December 31,	
	2009	2008
	AED'000	AED'000
a) Arabtec Construction L.L.C	**87,963**	87,963
b) Arabian Austrian Ready Mix Concrete Co. L.L.C	**933**	933
c) Emirates Falcon Electro Mechanical Co. (L.L.C.)	**9,086**	9,086
d) Target Engineering Construction Company L.L.C.	**134,945**	134,945
e) Gulf Steel Industries FZC	**19,338**	19,338
	252,265	252,265

Gulf Steel Industries FZC was acquired during 2008 as detailed in Note 35.

Goodwill acquired in a business combination is allocated, on 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,	
	2009	2008
	AED'000	AED'000
CGU:		
Construction business	**251,332**	251,332
Ready mix business	**933**	933
	252,265	252,265

16. 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 calculated for each CGU individually. 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, 2009 indicates that no impairment has occurred.

17. Retentions and trade receivables - non-current portion

Retentions and trade receivables - non-current portion represent retentions and trade receivables that become due in a period exceeding one year from the end of the reporting period.

	December 31,	
	2009	2008
	AED'000	AED'000
Total retentions and trade receivables	**869,214**	708,183
Less: Retentions receivable - current portion (Note 7)	**(657,715)**	(471,191)
Retentions and trade receivables - non-current portion, at fair value	**211,499**	236,992

18. Property, plant and equipment

	Land	Leasehold land	Plant, machinery and office equipment	Vehicles	Labour camps and buildings	Furniture	Scaffolding, cabins and tunnel forms	Properties under construction	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Cost or valuation									
At December 31, 2007	37,697	5,288	603,761	136,683	152,166	31,409	64,897	51,657	1,083,558
Acquired through acquisition of subsidiaries	-	-	3,314	603	4,044	339	-	-	8,300
Additions	33,030	-	401,425	94,579	192,950	18,886	53,864	72,927	867,661
Transfers	-	-	18,449	8,607	17,800	1,475	7,365	(53,696)	-
Disposals	-	-	(32,561)	(5,539)	(1,417)	(851)	(3,538)	-	(43,906)
At December 31, 2008	70,727	5,288	994,388	234,933	365,543	51,258	122,588	70,888	1,915,613
Additions	-	-	163,390	16,730	20,361	6,246	5,062	88,275	300,064
Transfers	-	-	31,376	-	303	166	-	(31,845)	-
Disposals	-	-	(88,990)	(4,558)	(2,963)	(2,269)	(8,700)	(3170)	(110,650)
At December 31, 2009	**70,727**	**5,288**	**1,100,164**	**247,105**	**383,244**	**55,401**	**118,950**	**124,148**	**2,105,027**

18. Property, plant and equipment (continued)

	Land AED'000	Leasehold land AED'000	Plant, machinery and office equipment AED'000	Vehicles AED'000	Labour camps and buildings AED'000	Furniture AED'000	Scaffolding, cabins and tunnel forms AED'000	Properties under construction AED'000	Total AED'000
Accumulated depreciation									
At December 31, 2007	-	115	194,987	35,891	33,061	20,553	49,412	-	334,019
Acquired through acquisition of subsidiaries	-	-	835	183	398	100	-	-	1,516
Charge for the year	-	115	136,827	27,463	31,743	11,584	11,834	-	219,566
Transfer	-	-	(1,368)	1,417	-	(49)	-	-	-
Eliminated on disposals	-	-	(14,759)	(1,609)	(1,098)	(154)	(3,191)	-	(20,811)
At December 31, 2008	-	230	316,522	63,345	64,104	32,034	58,055	-	534,290
Charge for the year	-	115	165,188	33,699	37,196	10,803	19,750	-	266,751
Transfer	-	-	(43)	-	-	43	-	-	-
Eliminated on disposals	-	-	(45,039)	(1,832)	(2,749)	(1,827)	(7,281)	-	(58,728)
At December 31, 2009	**-**	**345**	**436,628**	**95,212**	**98,551**	**41,053**	**70,524**	**-**	**742,313**
Carrying amount									
At December 31, 2009	**70,727**	**4,943**	**663,536**	**151,893**	**284,693**	**14,348**	**48,426**	**124,148**	**1,362,714**
At December 31, 2008	70,727	5,058	677,866	171,588	301,439	19,224	64,533	70,888	1,381,323

Note: The Group head office in Dubai is situated on land owned jointly by Arabtec Construction LLC (Arabtec) and a shareholder.

19. Bank borrowings

	Current		Non-current	
	December 31,		December 31,	
	2009	2008	**2009**	2008
	AED'000	AED'000	**AED'000**	AED'000
Secured - at amortised cost				
Bank overdrafts	**430,719**	909,758	-	-
Acceptances	**82,667**	34,664	-	-
Trust receipts (ii)	**36,203**	106,071	-	-
Vehicle loan	-	58	-	-
Term loan (i)	**220,167**	51,308	**187,127**	153,608
Total	**769,756**	1,101,859	**187,127**	153,608

(i) The term loans are repayable as follows:

	December 31,	
	2009	2008
	AED'000	AED'000
Secured – at amortised cost		
On demand or within one year	**220,167**	51,308
In the second year	**94,334**	46,480
In the third year to fifth year (inclusive)	**89,913**	89,968
Over 5 years	**2,880**	17,160
	407,294	204,916
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(220,167)**	(51,308)
Amount due for settlement after 12 months	**187,127**	153,608

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% (2008: EIBOR + 2%) 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.

20. Trade and other payables

	December 31,	
	2009	2008
	AED'000	AED'000
Trade payables	**773,273**	879,265
Advances received from customers for contract work	**1,203,381**	1,797,342
Advances from customers for trading	**2,031**	11,018
Amounts due to subcontractors	**616,502**	523,051
Subcontractors retentions payable - current portion (Note 22)	**335,569**	238,778
Refundable deposits	**4,815**	3,623
Amounts due to customers for contract work (Note 8)	**305,315**	477,800
Performance security and advance payment guarantee amount payable (Note 9)	**-**	269,282
Subcontractor and other accruals and other payables	**1,605,716**	1,532,002
	4,846,602	5,732,161

Included in trade and other payables are amounts totaling to AED 344.4 million (2008: AED 672.7 million) that are payable to third parties in connection with the Nad Al Sheba racecourse project which is subject to a contractual dispute described in Note 9.

21. Provision for employees' end of service indemnity

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

	Year ended December 31,	
	2009	2008
	AED'000	AED'000
Balance at the beginning of the year	**114,059**	95,995
Acquired on acquisition of subsidiaries	**-**	178
Expense for the year	**43,284**	29,433
Payments made during the year	**(19,617)**	(11,547)
Balance at the end of the year	**137,726**	114,059

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 end of the reporting period.

22. 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 end of the reporting period.

	December 31,	
	2009	2008
	AED'000	AED'000
Total retentions payable	**392,540**	302,897
Less: Retentions payable - current portion (Note 20)	**(335,569)**	(238,778)
Retentions payable - non-current portion at fair value	**56,971**	64,119

23. Share capital

Following a bonus share issue of 100% during 2008 of 598 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.

24. 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.

25. Revenues

Revenues comprise of the following:

	Year ended December 31,	
	2009	2008
	AED'000	AED'000
Contract revenue	**7,295,278**	9,156,625
Sales of ready mix concrete/precast	**32,047**	202,909
Sale and hire of equipment	**76,344**	224,202
Plant division revenue	**17,943**	22,601
Electrical division revenue	**27,647**	20,266
Scaffolding division revenue	**17,764**	17,449
Drainage division revenue	**192,410**	24,291
Model division revenue	**5,269**	53,339
	7,664,702	9,721,682

26. Direct costs

Direct costs comprise the following:

	Year ended December 31,	
	2009	2008
	AED'000	AED'000
Contract costs	**6,035,913**	7,951,765
Cost of sales of ready mix concrete/precast	**60,390**	53,061
Cost of sales of equipment	**59,773**	149,967
Plant division costs	**13,464**	14,279
Electrical division costs	**26,745**	15,556
Scaffolding division costs	**4,752**	7,166
Drainage division costs	**134,260**	-
Model division costs	**2,786**	38,085
	6,338,083	8,229,879

27. Other operating income

	Year ended December 31,	
	2009	2008
	AED'000	AED'000
Manpower and other charges to joint ventures	**69,574**	167,100

28. Selling, general and administrative expenses

	Year ended December 31,	
	2009	2008
	AED'000	AED'000
Employees' salaries and benefits	**90,677**	90,135
Employees' end of service indemnity and leave pay	**65,550**	88,605
Visa and immigration	**35,551**	54,361
Employees' bonus	**60,851**	93,488
Management fees to directors	**1,800**	1,800
Tender expenses	**5,425**	3,421
Selling expenses	**10,581**	2,209
Communication and utilities	**19,278**	18,173
Office rent	**3,705**	12,523
Depreciation (apportioned)	**35,108**	25,326
Amortisation of intangible assets (Note 15)	**46,924**	40,722
Discretionary bonus accrued for current year	**20,000**	29,000
Allowance for slow-moving inventories and impairment losses	**13,962**	71,523
Allowance for doubtful debts	**293,874**	5,425
Other general and administrative expenses	**81,450**	49,094
	784,736	585,805

29. Other income

	Year ended December 31,	
	2009	2008
	AED'000	AED'000
Interest income	**22,603**	21,592
Gain on sale of property, plant and equipment	**17,133**	1,044
Gain on sale of investment in securities	**-**	5,998
Other income	**38,948**	28,466
	78,684	57,100

30. Net changes in fair value of non-current retentions and trade receivables

	Year ended December 31,	
	2009	2008
	AED'000	AED'000
Fair value reduction in non-current retentions receivable	**291**	11,689
Fair value increase/(reduction) in non-current retentions payable	**2,539**	(1,737)
	2,830	9,952

31. Income tax

Income tax recognised in the consolidated financial statements

	Year ended December 31,	
	2009	2008
	AED'000	AED'000
Tax expense comprises:		
Current tax expense	**39,179**	16,698
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	**181**	(345)
Total income tax expense	**39,360**	16,353

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

31. Income tax (continued)

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

	Year ended December 31,	
	2009	2008
	AED'000	AED'000
Profit before tax	**631,169**	1,095,572
Income tax expense calculated at the United Arab Emirates tax rate of 0% (2008: 0%)	-	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	**39,360**	16,353
Income tax expense recognised in profit or loss	**39,360**	16,353

The effective tax rate on profits for the year ended December 31, 2009 is 5.1% (2008: 1.49%).

Deferred tax balances

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

	December 31,	
	2009	2008
	AED'000	AED'000
Opening balance	**345**	-
(Recognised)/credited to the income statement	**(181)**	345
Closing balance	**164**	345

32. Segment information

The Group has four reportable segments: building construction, precast and concrete production, drainage and electromechanical works and marine construction. The building construction segment primarily engages in the construction of high-rise towers, buildings and residential villas. The precast and concrete production segment produces ready mix concrete and precast mainly to serve the building construction segment. The drainage and electrocmechanical segment is involved in the execution of drainage, electrical and mechanical works. The fourth segment is involved in marine construction.

The accounting policies of the operating segments are the same as those applied to the consolidated financial statements as at and for the year ended December 31, 2008. Arabtec Holding PJSC evaluates performance on the basis of profit or loss from operations before tax expense.

Inter-segment sales and transfers are accounted for as if the sales or transfers were to third parties, i.e. at current market prices.

The reportable segments described above are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies. Most of the businesses were acquired/formed as individual units, and the management at the time of the acquisition was retained.

32. Segment information (continued)

Information about reportable segment profit or loss, assets and liabilities

	Building construction AED'000	Precast and concrete production AED'000	Drainage and electro-mechanical works AED'00	Marine construction AED'000	All other AED'000	Total AED'000
December 31, 2009						
Revenues from external customers	6,573,250	37,316	780,102	128,757	145,277	7,664,702
Inter-segment revenues	-	331,155	368,830	-	21,442	721,427
Other income	51,622	5,531	5,795	651	4,698	68,297
Interest expense	33,755	177	9,655	1,368	11,187	56,142
Depreciation	165,224	40,751	20,290	7,495	27,210	260,970
Reportable segment profit before tax	447,490	40,206	187,029	2,425	6,210	683,360
Income tax expense	29,438	8,035	1,887	-	-	39,360
Reportable segment assets	7,483,965	392,938	884,703	57,234	241,093	9,059,933
Expenditures for reportable segment non-current assets	231,863	29,780	12,432	2,179	23,810	300,064
Reportable segment liabilities	5,933,389	163,738	609,038	52,608	132,408	6,891,181

32. Segment information (continued)

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities:

	December 31, 2009 AED'000
Revenues	
Total revenues for reportable segments	8,240,852
Other revenues	145,277
Elimination of inter-segment revenues	(721,427)
Group's revenues	**7,664,702**
Profit	
Total profit for reportable segments	677,150
Other profit	6,210
Other corporate expenses	(52,191)
Group's profit before income tax expense	**631,169**
Assets	
Total assets for reportable segments	8,818,840
Other assets	241,093
Corporate assets	577,011
Elimination of inter-segment receivables	(526,482)
Group's assets	**9,110,462**
Liabilities	
Total liabilities for reportable segments	6,758,773
Other liabilities	132,408
Corporate liabilities	17,745
Elimination of inter-segment payables	(479,304)
Elimination of payable to corporate headquarters	(47,178)
Group's liabilities	**6,382,444**

32. Segment information (continued)

Information about reportable segment profit or loss, assets and liabilities

	Building construction AED'000	Precast and concrete production AED'000	Drainage and electro-mechanical works AED'000	Marine construction AED'000	All other AED'000	Total AED'000
December 31, 2008						
Revenues from external customers	8,442,100	144,387	423,886	375,246	336,063	9,721,682
Inter-segment revenues	-	462,703	534,116	-	45,168	1,041,987
Other income	32,096	1,758	4,228	-	4,561	42,643
Interest expense	12,347	187	1,978	3,008	6,461	23,981
Depreciation	129,728	45,714	17,120	6,546	18,056	217,164
Reportable segment profit before tax	892,776	66,172	120,605	14,386	64,032	1,157,971
Income tax expense	14,740	1,494	-	119	-	16,353
December 31, 2008						
Reportable segment assets	7,822,642	405,194	600,146	65,677	354,449	9,248,108
Expenditures for reportable segment non-current assets	488,743	89,236	144,861	32,709	112,112	867,661
Reportable segment liabilities	6,766,579	204,730	454,724	49,210	243,202	7,718,445

32. Segment information (continued)

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities:

	December 31, 2008 AED'000
Revenues	
Total revenues for reportable segments	10,427,606
Other revenues	336,063
Elimination of inter-segment revenues	(1,041,987)
Group's revenues	**9,721,682**
Profit	
Total profit for reportable segments	1,093,939
Other profit	64,032
Other corporate expenses	(62,046)
Group's profit before income tax expense	**1,095,925**
Assets	
Total assets for reportable segments	8,893,659
Other assets	354,449
Corporate assets	617,025
Elimination of inter-segment receivables	(405,473)
Group's assets	**9,459,660**
Liabilities	
Total liabilities for reportable segments	7,475,243
Other liabilities	243,202
Corporate liabilities	28,746
Elimination of inter-segment payables	(356,238)
Elimination of payable to corporate headquarters	(49,235)
Group's liabilities	**7,341,718**

32. Segment information (continued)

Geographical information

	December 31, 2009		December 31, 2008	
	Revenues	Non-current assets	Revenues	Non-current assets
	AED'000	AED'000	AED'000	AED'000
GCC Countries	**7,563,818**	**1,351,067**	9,661,526	1,371,178
Pakistan	**9,334**	**679**	31,705	1,771
Levant	**67,690**	**8,077**	28,451	8,374
Russia	**23,860**	**1,046**	-	-

a) Revenues are attributed to countries on the basis of the construction projects' location.

b) Non-current assets exclude financial instruments and corporate assets.

Information about major customers

Revenues from the largest 4 customers of the building construction segment represent approximately AED 2.4 billion (December 31, 2008: AED 4.2 billion) of the Group's total revenues.

33. Operating lease arrangements

The Group as lessee:

	December 31,	
	2009	2008
	AED'000	AED'000
Minimum lease payments under operating leases recognised as expense in the consolidated income statement for the year	**83,704**	60,518

At the end of the reporting period, the Group had outstanding commitments under non-cancelable operating leases, which fall due as follows:

	December 31,	
	2009	2008
	AED'000	AED'000
Within one year	**42,351**	60,518
In the second to fifth years inclusive	**6,042**	36,287
Later than five years	**400**	933
	48,793	97,738

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

34. Dividends paid and proposed

No cash dividends are proposed by the directors for the year ended December 31, 2009.

Based on the results for the year ended December 31, 2008, 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, 2009.

35. Acquisition of subsidiaries

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'000
Net assets acquired at fair value:	
Property, plant and equipment	**6,783**
Inventories	**4,526**
Trade and other receivables	**8,476**
Bank and cash balances	**11,280**
Provision for employees' end of service indemnity	**(178)**
Trade and other payables	**(15,133)**
Due to related parties	**(4,402)**
Bank borrowings	**(972)**
	10,380
Less: Non controlling interest	**(4,671)**
Intangible asset (lease agreement) – Note 15	**2,453**
Goodwill - Note 16	**19,338**
Total consideration, satisfied by cash	**27,500**
Net cash outflow arising on acquisition:	
Cash consideration paid	**27,500**
Cash and cash equivalents acquired	**(11,280)**
	16,220

35. 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.

36. Commitments and contingencies

	December 31,	
	2009	2008
	AED'000	AED'000
Commitments		
Commitments for the acquisition of property, plant and equipment	**43,917**	169,698
Contingent liabilities		
Performance and bid bonds	**2,707,463**	3,252,297
Advance payment bonds	**1,193,268**	2,083,376
Financial guarantees	**25,329**	125,616
Retention bonds	**457,105**	455,781
Labour guarantees	**33,924**	31,262
Letters of credit	**131,398**	286,513

Legal cases

In connection with the claim against Meydan (Note 9), one of the nominated sub-contractors on the Nad Al Sheba Racecourse project has instituted legal proceedings against the Joint Venture for recovery of amounts due to them. Preliminary legal opinion received considers the nominated sub-contractor's claim to have a number of significant problems to overcome. Due to the uncertainty around the outcome of the proceedings instituted as well as the uncertainty of the quantum attached to the nominated subcontractor's claim, the Group has not made any provisions for this claim at the end of the reporting period.

37. 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 recognised, 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,	
	2009	2008
	AED'000	AED'000
Financial assets		
Loans and receivables	**5,094,777**	4,404,406
Available-for-sale financial assets	**55,294**	50,455
Financial liabilities		
At amortised cost	**4,725,371**	4,938,550

(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 minimise 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.

37. 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	
	2009	2008	**2009**	2008
	AED'000	AED'000	**AED'000**	AED'000
Euro	**280**	2,747	**4**	8,546
GBP	**138**	283	**7**	1
Pakistani Rupee	**40,093**	54,159	**55,249**	58,278
Jordanian Dinar	**22,359**	19,172	**25,708**	22,696
Syrian Pound	**28,041**	-	**32,234**	-
Russian Roubles	**25,212**	14,355	**47,868**	16,381

There were no outstanding derivative financial instruments as at December 31, 2009 or 2008. 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.

37. Financial instruments (continued)

(e) Foreign currency sensitivity analysis - continued

	Profit or (loss)	
	2009	2008
	AED'000	AED'000
Euros	(28)	580
GBP	(13)	(28)
Pakistan Rupee	1,516	412
Jordanian Dinar	335	352
Syrian Pound	419	203
Russian Roubles	2,266	-

(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 statement of financial position date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the statement of financial position 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, 2009 would decrease by AED 4.8 million (2008: decrease by AED 6.3 million). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

37. Financial instruments (continued)

(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 collectability of all accounts receivable.

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 which are registered in the respective country.

(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 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 assets and financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial assets and 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.

37. Financial instruments (continued)

(i) *Liquidity risk management* - continued

	Weighted average effective interest rate	Less than 1 year	2 - 5 years	Total
	%	AED'000	AED'000	AED'000
ASSETS				
2009				
Non-interest bearing instruments	Nil	**4,259,533**	**276,182**	**4,535,715**
Fixed interest rate instruments	4-6%	**610,009**	**4,347**	**614,356**
		4,869,542	**280,529**	**5,150,071**
2008				
Non-interest bearing instruments	Nil	3,558,019	295,018	3,853,037
Fixed interest rate instruments	4-6%	599,325	2,499	601,824
		4,157,344	297,517	4,454,861
LIABILITIES				
2009				
Non-interest bearing instruments	Nil	**3,711,517**	**56,971**	**3,768,488**
Variable interest rate instruments	EIBOR + 1.5% - 2%	**769,756**	**187,127**	**956,883**
		4,481,273	**244,098**	**4,725,371**
2008				
Non-interest bearing instruments	Nil	3,618,964	64,119	3,683,083
Variable interest rate instruments	EIBOR + 1.5% - 2%	1,101,859	153,608	1,255,467
		4,720,823	217,727	4,938,550

37. 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 2008.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 19, 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 23 respectively.

Gearing ratio

The gearing ratio at the year end was as follows:

	December 31,	
	2009	2008
	AED'000	AED'000
Debt (i)	**956,883**	1,255,467
Equity (ii)	**2,391,727**	1,893,220
Debt to equity ratio	**40%**	66%

(i) Debt is defined as long-term and short-term borrowings, as detailed in Note 19.

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

38. Subsequent events

In January 2010 an announcement was made regarding a transaction through which Aabar Investments PJSC, an entity incorporated in Abu Dhabi would acquire a 70% stake in Arabtec Holding PJSC which would result in an increase in the issued share capital. Discussions are currently in progress between the Company and Aabar Investments PJSC.

39. Comparative amounts

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