Arabtec Holding PJSC and its Subsidiaries

Reports and consolidated financial statements for the year ended 31 December 2010

Arabtec Holding PJSC and its Subsidiaries

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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 31 December 2010, 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 31 December 2010.

Principal activities

During the year ended 31 December 2010 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 both in the UAE and Overseas.

Financial results

The Group has reported a net profit for the year, attributable to the shareholders of the Company, of AED 307 million (2009: AED 495 million) representing a 38% decrease from the previous year. The 2010 result is arrived at after a net write back of allowances for doubtful debts amounting to AED 32 million.

In accordance with the Articles of Association of the Company and UAE Federal Commercial Companies Law, an appropriation of AED 30.7 million (2009: AED 49.5 million) is made to statutory reserve from the distributable profit of AED 307 million (2009: AED 495 million).

Total equity attributable to the shareholders of the Company as at 31 December 2010 amounted to AED 2,698 million (2009: AED 2,392 million) an increase of 13%. The directors are proposing a bonus share dividend of 299 million shares, on a 1 for 4 basis paid up from retained earnings, which is subject to approval at the forthcoming Annual General Meeting of the Company.

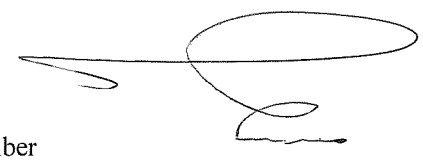
Directors

Sheikh Butti Bin Maktoum Bin Juma Al Maktoum	Chairman
Sheikh Sultan Bin Saqer Al Qassimi	
Sheikh Nawaf Bin Naser Al Thani	
Mr. Riad Burhan Kamal	
Mr. Ibrahim Belselah	
Mr. Adel Hassan Al-Nawais	
Mr. Raja Hani Ghanma	
Dr. Henry Azzam	
Mr. Mutaz Sawaf	
Mr. Iyad Duwaji	
Mr. Ibrahim Hamati (resigned)	
Mr. Abdullah Kalban	

Auditors

Deloitte & Touche (M.E.) were appointed as external auditors of the Group for the year ended 31 December 2010. Deloitte & Touche (M.E.) are eligible for reappointment for 2011 and have expressed their willingness to continue in office.

On behalf of the Board



Riad Burhan Kamal
Chief Executive and Board Member

Dubai
8 March 2011

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 31 December 2010, 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 information.

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 for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 (continued)

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 31 December 2010, and the Group's financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

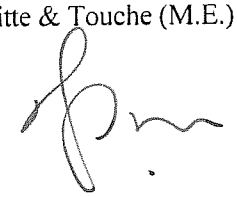
Emphasis of matter

Without qualifying our opinion we draw attention to Note 9 to the consolidated financial statements, which describes a contractual dispute that continues to be subject to arbitration proceedings, the probable outcome of which cannot currently be determined with reasonable certainty at the date of this report.

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. To the best of our knowledge and belief, based on 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 Number 521
8 March 2011

Consolidated statement of financial position as at 31 December 2010

	Note	2010 AED'000	2009 AED'000
ASSETS			
Current assets			
Cash and cash equivalents	5	588,130	634,051
Other financial assets	6	178,106	186,467
Trade and other receivables	7	4,171,772	4,678,301
Due from related parties	10	723,563	720,392
Inventories	11	369,009	647,642
Other current assets	13	154,294	149,321
Deferred tax	30	331	164
Total current assets		6,185,205	7,016,338
Non-current assets			
Other financial assets	6	43,958	59,641
Investment in associate	14	3,200	3,200
Intangible assets	15	143,741	195,416
Goodwill	16	246,836	252,265
Retentions and trade receivables - non-current portion	7	774,524	211,499
Other non-current assets		10,396	9,389
Property, plant and equipment	17	1,272,230	1,362,714
Total non-current assets		2,494,885	2,094,124
Total Assets		8,680,090	9,110,462
LIABILITIES AND EQUITY			
Current liabilities			
Bank borrowings	18	626,672	769,756
Trade and other payables	19	4,155,334	4,846,602
Due to related parties	10	348,075	375,642
Income tax payable		5,194	8,620
Total current liabilities		5,135,275	6,000,620
Non-current liabilities			
Bank borrowings	18	110,379	187,127
Provision for employees' end of service indemnity	20	128,286	137,726
Retentions payable - non-current portion	21	203,832	56,971
Total non-current liabilities		442,497	381,824
Total Liabilities		5,577,772	6,382,444
Capital and reserves			
Issued share capital	22	1,196,000	1,196,000
Statutory reserve	23	267,819	237,107
Fair value adjustment reserve		(7,494)	(2,342)
Retained earnings		1,241,549	960,962
Equity attributable to equity holders of the Company		2,697,874	2,391,727
Non-controlling interests		404,444	336,291
Total Equity		3,102,318	2,728,018
Total Liabilities and Equity		8,680,090	9,110,462

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

Riad Burhan Kamal

Consolidated income statement
for the year ended 31 December 2010

	Note	2010 AED'000	2009 AED'000
Revenues	24	**5,463,698**	7,664,702
Direct costs	25	**(4,636,675)**	(6,338,083)
Gross profit		**827,023**	1,326,619
Other operating income	26	**46,508**	69,574
Selling, general and administrative expenses	27	**(448,988)**	(784,736)
Other income	28	**52,749**	78,684
Net changes in fair value of non-current retentions and trade receivables	29	**2,140**	(2,830)
Finance costs		**(41,701)**	(56,142)
Profit before tax		**437,731**	631,169
Income tax expense	30	**(6,131)**	(39,360)
Profit for the year		**431,600**	591,809
Attributable to:			
Equity holders of the parent		**307,118**	494,908
Non-controlling interests		**124,482**	96,901
		431,600	591,809
Basic earnings per share (AED) (based on profit for the year attributable to equity holders of the parent and 1,196 million shares in issue throughout the year)		**AED 0.26**	AED 0.41

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

Consolidated statement of comprehensive income for the year ended 31 December 2010

	2010 AED'000	2009 AED'000
Profit for the year	**431,600**	591,809
Other comprehensive income		
Net unrealised (loss)/gain on revaluation of available for sale investments	**(5,152)**	3,599
Total other comprehensive income	**(5,152)**	3,599
Total comprehensive income for the year	**426,448**	595,408
Total comprehensive income attributable to:		
Equity holders of the parent	**301,966**	498,507
Non-controlling interests	**124,482**	96,901
	426,448	595,408

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

Consolidated statement of changes in equity for the year ended 31 December 2010

	Attributable to equity holders of the parent						
	Share capital AED'000	Statutory reserve AED'000	Fair value adjustment reserve AED'000	Retained earnings AED'000	Total AED'000	Non-controlling interests AED'000	Total equity AED'000
Balance at 31 December 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 comprehensive income for the year	-	-	-	-	498,507	96,901	595,408
Transfer to statutory reserve	-	49,491	-	(49,491)	-	-	-
Balance at 31 December 2009	1,196,000	237,107	(2,342)	960,962	2,391,727	336,291	2,728,018
Dividends paid to non-controlling interests	-	-	-	-	-	(31,335)	(31,335)
Non-controlling interests (reducing)/ arising on,							
- Change in ownership	-	-	-	4,181	4,181	(25,851)	(21,670)
- Capital contribution	-	-	-	-	-	857	857
Unrealised loss on available-for-sale investments recognised directly in equity	-	-	(5,152)	-	(5,152)	-	(5,152)
Profit for the year	-	-	-	307,118	307,118	124,482	431,600
Total comprehensive income for the year	-	-	-	-	301,966	124,482	426,448
Transfer to statutory reserve	-	30,712	-	(30,712)	-	-	-
Balance at 31 December 2010	**1,196,000**	**267,819**	**(7,494)**	**1,241,549**	**2,697,874**	**404,444**	**3,102,318**

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

Consolidated statement of cash flows for the year ended 31 December 2010

	2010 AED'000	2009 AED'000
Operating activities		
Profit before tax	**437,731**	631,169
Adjustments for:		
Depreciation of property, plant and equipment	**246,614**	266,751
Amortization of intangible assets	**50,241**	46,924
Impairment loss on intangibles	**1,434**	-
Provision for employees' end of service indemnity	**24,325**	43,284
Accrued discretionary bonus	**7,873**	20,000
Accrued bonus for staff	**(19,176)**	60,851
Reversal of provision for doubtful debts	**(114,596)**	-
Increase in allowance for doubtful receivables	**82,532**	293,874
Impairment of Goodwill	**5,429**	-
Allowance and impairment for slow –moving inventories	**3,557**	13,962
Gain on sale of property, plant and equipment	**(11,285)**	(17,133)
Interest income	**(18,573)**	(22,603)
Finance costs	**41,701**	56,142
Changes in fair value of non-current retentions and trade receivables	**(2,140)**	2830
Operating movement in working capital before changes in operating assets and liabilities	**735,667**	1,396,051
Decrease/(increase) in other financial assets	**9,102**	(94,782)
(Increase)/decrease in trade and other receivables	**538,593**	10,723
Decrease/(increase) in due from related parties	**(3,171)**	(442,368)
(Increase)/decrease in inventories	**275,076**	354,946
Decrease/(increase) in other current assets	**(4,973)**	8,715
Decrease in trade and other payables	**(661,871)**	(944,414)
(Decrease)/increase in due to related parties	**(27,567)**	206,429
(Increase)/decrease in retentions and trade receivables - non-current portion	**(559,480)**	25,202
Increase/(decrease) in retentions payable - non-current portion	**145,456**	(9,687)
Increase in other non-current assets	**(1,007)**	(1,818)
Cash generated from operations	**445,825**	508,997
Employees' end of service indemnity paid	**(33,765)**	(19,617)
Interest income received	**18,573**	22,603
Interest paid	**(41,701)**	(56,142)
Tax paid	**(9,724)**	(33,508)
Bonus paid	**(18,094)**	(25,746)
Net cash generated from operating activities	**361,114**	396,587
Cash flows from investing activities		
Repayment of loan to a related party	**1,059**	(1,848)
Purchase of property, plant and equipment	**(221,892)**	(300,064)
Investment in associate	**-**	(3,200)
Proceeds from disposal of property, plant and equipment	**77,047**	69,055
Proceeds from disposal of available-for-sale investments	**8,731**	-
Net cash used in investing activities	**(135,055)**	(236,057)
Cash flows financing activities		
Repayments of borrowings (net)	**(219,832)**	(298,584)
Capital contribution from non-controlling interests	**857**	36,280
Proceeds from sale of investment company	**-**	60
Additional investment in subsidiary	**(21,670)**	-
Cash dividends paid - Non-controlling interest	**(31,335)**	(21,672)
Net cash used in financing activities	**(271,980)**	(283,916)
Net decrease in cash and cash equivalents	**(45,921)**	(123,386)
Cash and cash equivalents at the beginning of the year	**634,051**	757,437
Cash and cash equivalents at the end of the year (Note 5)	**588,130**	634,051

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

Notes to the consolidated financial statements for the year ended 31 December 2010

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 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.

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 (Note 35)	66.67%	Trading and leasing of construction equipment
Arabtec Construction Company W.L.L., Doha, State of 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, State of 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, Republic of Mauritius	100%	Civil construction and related works
Arabtec Construction Syria LLC, Syrian Arab Republic	100%	Civil construction and related works
Arabtec Pakistan (Pvt) Limited, Islamic Republic of 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

Notes to the consolidated financial statements - continued
for the year ended 31 December 2010

1. General information (continued)

Name of subsidiary and domicile	Percentage of beneficial holding	Principal activities
Arabtec Saudi Arabia LLC, Kingdom of Saudi Arabia	45%	Civil construction and related works
Arabtec Egypt for Construction SAE, Arab Republic of Egypt	55%	Civil construction and related works
Arabtec Construction LLC (Foreign Company), State of Palestine	100%	Civil construction and related works
Arabtec – Musawa W.L.L., Kingdom of Bahrain	75%	Civil construction and related works
Arabtec Angola (under formation), Republic of Angola	49%	Civil construction and related works
EFECO (under formation), Kingdom of Saudi Arabia	50%	Electrical, mechanical and plumbing contracts

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.

The Company also 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.

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

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

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

New and revised IFRSs	Summary of requirement
Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters	The amendments provide two exemptions when adopting IFRSs for the first time relating to oil and gas assets, and the determination as to whether an arrangement contains a lease.
Amendments to IFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*	The amendments clarify the scope of IFRS 2, as well as the accounting for group cash-settled share-based payment transactions in the separate (or individual) financial statements of an entity receiving the goods or services when another group entity or shareholder has the obligation to settle the award.

Notes to the consolidated financial statements - continued
for the year ended 31 December 2010

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

2.1 New and revised IFRSs applied with no material effect on the consolidated financial statements (continued)

New and revised IFRSs	Summary of requirement
Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* (as part of Improvements to IFRSs issued in 2008)	The amendments clarify that all the assets and liabilities of a subsidiary should be classified as held for sale when the Group is committed to a sale plan involving loss of control of that subsidiary, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.
Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (as part of Improvements to IFRSs issued in 2009)	The amendments to IFRS 5 clarify that the disclosure requirements in IFRSs other than IFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those IFRSs require (i) specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations, or (ii) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of IFRS 5 and the disclosures are not already provided in the consolidated financial statements.
Amendments to IAS 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2009)	The amendments to IAS 1 clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. This amendment had no effect on the amounts reported in prior years because the group has not previously issued instruments of this nature.
Amendments to IAS 7 Statement of Cash Flows (as part of Improvements to IFRSs issued in 2009)	The amendments to IAS 7 specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows.
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.
Improvements to IFRSs issued in 2009	Except for the amendments to IFRS 5, IAS 1 and IAS 7 described earlier in Section 2.1, the application of Improvements to IFRSs issued in 2009 has not had any material effect on amounts reported in the consolidated financial statements
IFRIC 17 Distributions of Non-cash Assets to Owners	The Interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders.

Notes to the consolidated financial statements - continued
for the year ended 31 December 2010

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

2.2 New and revised IFRSs in issue but not yet effective

The Group has not chosed early adoption of the following new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRSs	Summary of requirement
Amendments to IFRS 1	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters[1]
Amendments to IFRS 7	Disclosures – Transfers of Financial Assets[2]
Amendments to IFRS 9	Financial Instruments[3]
IAS 24 (as revised in 2009)	Related Party Disclosures[4]
Amendments to IAS 32	Classification of Rights Issues[5]
Amendments to IFRIC 14	Prepayments of a Minimum Funding Requirement[4]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[1]

Improvements to IFRSs issued in 2010 (except for the amendments to IFRS 3(2008), IFRS 7, IAS 1 and IAS 28 described earlier in section 2.1)[6]

[1] Effective for annual periods beginning on or after 1 July 2010.
[2] Effective for annual periods beginning on or after 1 July 2011.
[3] Effective for annual periods beginning on or after 1 January 2013.
[4] Effective for annual periods beginning on or after 1 January 2011.
[5] Effective for annual periods beginning on or after 1 February 2010.
[6] Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.

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

3. Significant accounting policies

3.1 Statement of compliance

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

3.2 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.

Notes to the consolidated financial statements - continued
for the year ended 31 December 2010

3. Significant accounting policies (continued)

3.3 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 Arabtec Construction LLC, Doha, Nasser Bin Khaled Factory Readymix Concrete Co. LLC, Doha, Arabtec Saudi Arabia LLC, Saudi Arabia and Arabtec Angola, Republic of Angola, the Group has the power to govern the strategic operating and financial decisions of these companies and therefore treats them as subsidiaries.

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

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

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

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 interests share of changes in equity since the date of the combination. Losses applicable to the non-controlling interests in excess of the non-controlling interests share 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.

3.4 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, 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, is recognised as an asset and initially measured at cost. 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, representing a gain on bargain purchase, 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.

Notes to the consolidated financial statements - continued
for the year ended 31 December 2010

3. Significant accounting policies (continued)

3.5 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 Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers is 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 is 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.

3.6 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.

Where material, 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.

Notes to the consolidated financial statements - continued
for the year ended 31 December 2010

3. Significant accounting policies (continued)

3.6 Investments in associates (continued)

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.

3.7 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.

3.8 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.

Notes to the consolidated financial statements - continued
for the year ended 31 December 2010

3. Significant accounting policies (continued)

3.9 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.

3.10 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

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.

Notes to the consolidated financial statements - continued
for the year ended 31 December 2010

3. Significant accounting policies (continued)

3.11 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.

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.

3.12 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 3.13 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.

Notes to the consolidated financial statements - continued
for the year ended 31 December 2010

3. Significant accounting policies (continued)

3.12 Revenue recognition (continued)

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.

3.13 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, as soon as foreseen.

3.14 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.

3.15 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.

Notes to the consolidated financial statements - continued
for the year ended 31 December 2010

3. Significant accounting policies (continued)

3.15 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.

Notes to the consolidated financial statements - continued
for the year ended 31 December 2010

3. Significant accounting policies (continued)

3.16 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.

3.17 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.

3.18 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.

Notes to the consolidated financial statements - continued
for the year ended 31 December 2010

3. Significant accounting policies (continued)

3.18 Foreign currencies (continued)

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.

3.19 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.

3.20 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 by the contract employer represented by payment certificates. 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.

3.21 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.

Notes to the consolidated financial statements - continued
for the year ended 31 December 2010

3. Significant accounting policies (continued)

3.21 Financial instruments (continued)

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.

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.

Notes to the consolidated financial statements - continued
for the year ended 31 December 2010

4. Critical accounting judgments and key sources of estimation uncertainty

4.1 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 only 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 the 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 consistent 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, and 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 or, 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 determining 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, in the light of 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.

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.

Notes to the consolidated financial statements - continued
for the year ended 31 December 2010

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

4.1 Critical judgments in applying the Group's accounting policies (continued)

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.

4.2 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 changes in material prices, labor costs and other costs are included in the construction cost estimates based on best estimates updated on a regular basis.

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 apply a suitable discount rate in order to calculate present value. During the year under review, based on the value in use calculations, management impaired the goodwill of two cash generating units and are confident that the remaining good is represented by appropriate value in use valuations.

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 have been undergoing debt re-structuring. Management has carefully considered these receivables in light of current economic circumstances and the status of negotiations with customers, signed and draft memorandum of understanding, agree payment plans, 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.

Notes to the consolidated financial statements - continued
for the year ended 31 December 2010

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

4.2 Key sources of estimation uncertainty (continued)

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.

During the year management performed assessments of both the fair value and value in use of property, plant and equipment and determined that no impairment losses arose.

Recoverability of intangible assets

During the year, management reconsidered the recoverability of the intangible assets arising from the Group's business combinations and recorded impairments where required. Management is confident that the remaining 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 and contract receivables

Non-current retentions receivable and contract receivables 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:

	2010	2009
	AED'000	AED'000
Cash and bank balances	**243,733**	210,509
Short term bank deposits	**344,397**	423,542
	588,130	634,051

Notes to the consolidated financial statements - continued
for the year ended 31 December 2010

6. Other financial assets

	Current		Non-current	
	2010	2009	**2010**	2009
	AED'000	AED'000	**AED'000**	AED'000
Financial assets carried at fair value				
Fixed deposits under lien	**164,624**	172,737	**-**	-
Margin deposits	**13,482**	13,730	**-**	-
	178,106	186,467	**-**	-
Available for sale financial assets *	**-**	-	**40,670**	55,294
Loans carried at amortised cost				
Loan to related parties [Note 10 (e)]	**-**	-	**3,288**	4,347
Total	**178,106**	186,467	**43,958**	59,641

* 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 31 December 2010, available-for-sale investments amounting to AED 9.5 million were registered in the name of a director/shareholder of the Group, on trust and for the benefit of the Group.

7. Trade and other receivables

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

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

	Current		Non-current	
	2010	2009	**2010**	2009
	AED'000	AED'000	**AED'000**	AED'000
Trade and other receivables	**280,487**	325,782	**-**	-
Contract receivables	**2,403,356**	2,562,689	**615,257**	-
Amounts due from customers for contract work (Note 8)	**650,221**	917,014	**-**	-
	3,334,064	3,805,485	**615,257**	-
Allowance for doubtful debts	**(117,905)**	(299,288)	**(146,649)**	-
	3,216,159	3,506,197	**468,608**	-
Retentions receivable	**600,209**	657,715	**305,916**	211,499
Advances paid to suppliers and sub contractors	**335,256**	500,441	**-**	-
Contract work in progress	**20,148**	13,948	**-**	-
Total	**4,171,772**	4,678,301	**774,524**	211,499

Notes to the consolidated financial statements - continued
for the year ended 31 December 2010

7. Trade and other receivables (continued)

Included in the above are amounts totalling AED 648.6 million (2009: AED 671.8 million) receivable from Meydan L.L.C. in connection with the contract dispute described in Note 9. In addition, of the contract and trade receivables balance at the end of the year, AED 592 million (2009: AED 333 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.

An allowance has been made for estimated irrecoverable amounts for trade and other receivables of AED 264.6 million (2009: AED 299.3 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 allowances for doubtful debts netted off from trade and other receivables:

	2010 AED'000	2009 AED'000
Balance at the beginning of the year	**299,288**	6,421
Write off to trade receivables	**(2,670)**	(1,007)
Reversal of allowances during the year	**(114,596)**	-
Increase in allowances recognised during the year	**82,532**	293,874
Balance at the end of the year	**264,554**	299,288

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.

Included in the Group's contract and trade receivables balance are debtors with a carrying amount of AED 701 million (2009: AED 1,318 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:

	2010 AED'000	2009 AED'000
Past due for less than 3 months	**553,856**	427,291
Past due for more than 3 months	**147,376**	890,869
Total	**701,232**	1,318,160

Notes to the consolidated financial statements - continued
for the year ended 31 December 2010

7. Trade and other receivables (continued)

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.

Ageing of impaired contract and trade receivables:

	2010 AED'000	2009 AED'000
Current	**116,003**	460,599
Past due for more than 3 months	**126,732**	195,134
Past due for more than 6 months	**1,311,169**	586,505
Total	**1,553,904**	1,242,238

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

	2010 AED'000	2009 AED'000
Amounts due from customers for contract work included in trade and other receivables (Note 7)	**650,221**	917,014
Amounts due to customers for contract work included in trade and other payables (Note 19)	**(332,136)**	(305,315)
	318,085	611,699
Contract costs incurred plus recognised profit less recognised losses to date on projects in progress	**19,168,567**	21,240,643
Less: Progress billings	**(18,850,482)**	(20,628,944)
	318,085	611,699

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.

Notes to the consolidated financial statements - continued
for the year ended 31 December 2010

9. Contract dispute (continued)

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 the amounts paid as a receivable 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 in 2009 on which Arabtec Construction L.L.C. is paying interest, which will form part of the claim.

On January 11, 2009, the Joint Venture served its request for arbitration. Since then, the arbitration proceedings have commenced and the amount claimed by the Joint Venture is approximately AED 2.8 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.

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

	2010	2009
	AED'000	AED'000
Joint ventures		
Amounts due from joint venture partners	**395,151**	388,394
Other related parties		
Entities with common ownership and management		
Al Waab City W.L.L., Doha, Qatar	**256,094**	258,122
National Industrial Contracting Company WLL, Qatar	**876**	2,082
Nasser Bin Khaled Al-Thani and Sons Group and its related parties, Qatar	**11,002**	43,930
Advance Vision Co.	**53,541**	-
Others	**6,899**	27,864
	328,412	331,998
	723,563	720,392

Notes to the consolidated financial statements - continued
for the year ended 31 December 2010

10. Related party transactions (continued)

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

	2010 AED'000	2009 AED'000
Joint ventures		
Amounts due to joint venture partners	**221,379**	247,609
Other related parties		
Entities with common ownership and management		
Nasser Bin Khaled Al-Thani and Sons Group its related parties, Qatar	**54,008**	43,137
WCT Engineering Berhad, Malaysia	**8,890**	8,298
Depa Interiors LLC, Dubai, UAE	**17,067**	17,520
Others	**567**	9,431
Current account of a director and major shareholder of the parent company		
Mr. Riad Kamal - a Director and major shareholder	**20,815**	33,012
Current accounts of shareholders in subsidiaries	**25,349**	16,635
	126,696	128,033
	348,075	375,642

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

	2010 AED'000	2009 AED'000
Joint ventures		
Manpower and other charges to joint ventures	**46,508**	69,574
Other related parties		
Contract and other revenue	**849,103**	1,204,283
Subcontracting costs	**27,793**	68,614
Equipment hire	**1,031**	505
Purchase of property, plant and equipment	**34,390**	25,642
Rent income	**10,294**	3,396
Wages and salaries	**25,126**	10,951
Fair Value (decrease)/ increase on investments held in trust by a director/shareholder	**(4,413)**	3,710
Sale of property, plant and equipment	**1,899**	3,467

e) The Group has provided a loan of AED 1.5 million (2009: AED 2.7 million) to a minority shareholder in House of Equipment Co. LLC and AED 1.8 million (2009: AED 1.6 million) to the shareholders of Polypod Middle East LLC (Note 6). Interest on the loan is charged at 7% per annum.

Notes to the consolidated financial statements - continued
for the year ended 31 December 2010

10. Related party transactions (continued)

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

	2010 AED'000	2009 AED'000
Attendance fees to directors	**2,200**	1,800
Short term benefits	**22,881**	32,815
End of service indemnity	**1,285**	275
Discretionary bonus accrued	**15,904**	20,000

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 22.3 million (2009: AED 21.7 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 13 million (2009: AED 12.2 million) and other current assets AED 9.2 million (2009: AED 9.5 million).

11. Inventories

	2010 AED'000	2009 AED'000
Steel inventories required for specific projects	**241,393**	269,776
General steel inventories	**3,258**	219,734
Trading goods	**24,316**	26,847
Other construction materials	**95,734**	121,106
Ready mix concrete and other related materials	**2,449**	4,547
Work in progress	**5,416**	5,870
	372,566	647,880
Less: Impairment losses	**(3,557)**	(238)
	369,009	647,642

Movement in impairment losses on inventories:

	2010 AED'000	2009 AED'000
Balance at the beginning of the year	**(238)**	(71,523)
Impairment losses during the year	**(3,557)**	(13,962)
Write off to general steel inventories	**238**	78,247
Write off to trading goods	**-**	7,000
Balance at the end of the year	**(3,557)**	(238)

Notes to the consolidated financial statements - continued
for the year ended 31 December 2010

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%
p)	Arabtec/Al Saad joint venture project	66.66%

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:

	2010 **AED'000**	2009 AED'000
Current assets	**1,497,777**	1,765,663
Non-current assets	**158,585**	111,002
Current liabilities	**1,431,487**	1,592,249
Non-current liabilities	**54,280**	37,136
Contingent liabilities	**655,064**	839,333
Revenue	**1,591,157**	1,119,444
Expenses	**1,508,509**	1,171,494

Notes to the consolidated financial statements - continued
for the year ended 31 December 2010

13. Other current assets

	2010 AED'000	2009 AED'000
Prepaid expenses	**57,282**	67,587
Due from employees	**17,938**	20,165
Other receivables	**79,074**	61,569
	154,294	149,321

14. Investment in associate

On May 6, 2009, Polypod Middle East LLC ('Polypod'), Abu Dhabi was incorporated with Arabtec Holding PJSC holding a 40% interest in Polypod which is carried at cost of AED 3.2 million, being equivalent to the Company's share of the issued share capital.

Summarized financial information in respect of the Company's associates is set out below:

	2010 AED'000	2009 AED'000
Total assets	**20,022**	8,616
Total liabilities	**(12,026)**	(7,284)
Net assets	**7,996**	1,332
Company's share of associates' net assets	**3,198**	533

	2010 AED'000	2009 AED'000
Total revenue	**47,597**	8,616
Total profit for the year	**5,494**	(4,102)
Share of associates' profit/ (loss - not recognised) for the year	**2,198**	(1,641)

The group's share of the associate's profit to date has not been recognised and will be taken up when its share of net assets exceeds the original cost of acquisition.

Notes to the consolidated financial statements - continued
for the year ended 31 December 2010

15. Intangible assets

	Leasehold property benefit AED'000	Arabtec brand AED'000	Customer contracts AED'000	Other intangibles AED'000	Total AED'000
Cost					
At 31 December 2008	5,700	110,000	195,056	9,000	319,756
At 31 December 2009	5,700	110,000	195,056	9,000	319,756
At 31 December 2010	**5,700**	**110,000**	**195,056**	**9,000**	**319,756**
Accumulated amortization					
At 31 December 2008	1,200	44,000	30,416	1,800	77,416
Charge for the year	644	11,000	34,380	900	46,924
At 31 December 2009	1,844	55,000	64,796	2,700	124,340
Charge for the year	1,585	11,000	36,756	900	50,241
Impairment loss for the year	1,434	-	-	-	1,434
At 31 December 2010	**4,863**	**66,000**	**101,552**	**3,600**	**176,015**
Carrying amount					
At 31 December 2010	**837**	**44,000**	**93,504**	**5,400**	**143,741**
At 31 December 2009	3,856	55,000	130,260	6,300	195,416

Notes to the consolidated financial statements - continued
for the year ended 31 December 2010

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 be deemed to 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:

	2010 **AED'000**	2009 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
Less: Impairment loss provision	**(5,429)**	-
	246,836	252,265

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:

	2010 **AED'000**	2009 AED'000
CGU:		
Building construction	**87,963**	87,963
Precast and concrete production	**-**	933
Drainage and electro-mechanical works	**9,086**	9,086
Marine construction	**134,945**	134,945
Trading	**14,842**	19,338
	246,836	252,265

Notes to the consolidated financial statements - continued
for the year ended 31 December 2010

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 31 December 2010 resulted in impairment losses amounting to AED 5.4 million.

Notes to the consolidated financial statements - continued
for the year ended 31 December 2010

17. Property, plant and equipment

	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
Cost or valuation									
At 31 December 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)	(3,170)	(110,650)
At 31 December 2009	70,727	5,288	1,100,164	247,105	383,244	55,401	118,950	124,148	2,105,027
Additions	-	-	92,391	12,883	27,028	13,944	4,917	70,729	221,892
Transfers	-	-	551	-	-	285	-	(836)	-
Disposals	-	-	(127,056)	(7,377)	(5,149)	(964)	(13,735)	(557)	(154,838)
At 31 December 2010	**70,727**	**5,288**	**1,066,050**	**252,611**	**405,123**	**68,666**	**110,132**	**193,484**	**2,172,081**
Accumulated depreciation									
At 31 December 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
Transfers	-	-	(43)	-	-	43	-	-	-
Eliminated on disposals	-	-	(45,039)	(1,832)	(2,749)	(1,827)	(7,281)	-	(58,728)
At 31 December 2009	-	345	436,628	95,212	98,551	41,053	70,524	-	742,313
Charge for the year	-	115	142,497	35,741	41,051	10,723	16,487	-	246,614
Eliminated on disposals	-	-	(69,328)	(3,673)	(4,289)	(403)	(11,383)	-	(89,076)
At 31 December 2010	**-**	**460**	**509,797**	**127,280**	**135,313**	**51,373**	**75,628**	**-**	**899,851**
Carrying amount									
At 31 December 2010	**70,727**	**4,828**	**556,253**	**125,331**	**269,810**	**17,293**	**34,504**	**193,484**	**1,272,230**
At 31 December 2009	70,727	4,943	663,536	151,893	284,693	14,348	48,426	124,148	1,362,714

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

Notes to the consolidated financial statements - continued
for the year ended 31 December 2010

18. Bank borrowings

	Current		Non-current	
	2010	2009	**2010**	2009
	AED'000	AED'000	**AED'000**	AED'000
Secured - at amortised cost				
Bank overdrafts	**357,035**	430,719	**-**	-
Acceptances	**72,236**	82,667	**-**	-
Trust receipts	**45,819**	36,203	**41,227**	-
Term loans	**151,582**	220,167	**69,152**	187,127
Total	**626,672**	769,756	**110,379**	187,127

The term loans are repayable as follows:

	2010	2009
	AED'000	AED'000
Secured – at amortised cost		
On demand or within one year	**151,582**	220,167
In the second year	**27,133**	94,334
In the third year to fifth year (inclusive)	**39,139**	89,913
Over 5 years	**2,880**	2,880
	220,734	407,294
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(151,582)**	(220,167)
Amount due for settlement after 12 months	**69,152**	187,127

The term loans are repayable over the period of 1-5 years and carry fixed interest rates of EIBOR + 2% and EIBOR + 3%.

Variable interest rate loan is subject to EIBOR + 2% (2009: EIBOR + 2%) and was taken for the purchase of inventories and property, plant and equipment. This is secured by a charge over the Group's inventory and tangible assets.

The bank facilities are subject to certain restrictive covenants on overall borrowings outstanding at any time, including:

- Irrevocable assignment of project proceeds to the financing banks to be confirmed by the customers.
- Irrevocable undertaking by a 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.

Notes to the consolidated financial statements - continued
for the year ended 31 December 2010

19. Trade and other payables

	2010 AED'000	2009 AED'000
Trade payables	**660,503**	773,273
Advances received from customers for contract work	**500,346**	1,203,381
Advances from customers for trading	**1,272**	2,031
Amounts due to subcontractors	**471,944**	616,502
Subcontractors retentions payable - current portion (Note 21)	**351,709**	335,569
Refundable deposits	**26,834**	4,815
Amounts due to customers for contract work (Note 8)	**332,136**	305,315
Subcontractor and other accruals and other payables	**1,810,590**	1,605,716
	4,155,334	4,846,602

Included in trade and other payables are amounts totaling to AED 338.3 million (2009: AED 344.4 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.

20. Provision for employees' end of service indemnity

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

	2010 AED'000	2009 AED'000
Balance at the beginning of the year	**137,726**	114,059
Expense for the year	**24,325**	43,284
Payments made during the year	**(33,765)**	(19,617)
Balance at the end of the year	**128,286**	137,726

Provision for employees' end of service indemnity is made in accordance with the relevant labour laws assuming the maximum payable based on current remuneration and cumulative years of service at the end of the reporting period.

No actuarial valuation has been performed as the net impact of the application of discount rates and increase in staff salaries would not result in a material change affecting the consolidated financial statements.

21. Retentions payable - non-current portion

Retentions 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.

	2010 AED'000	2009 AED'000
Total retentions payable	**555,541**	392,540
Less: Retentions payable - current portion (Note 19)	**(351,709)**	(335,569)
Retentions payable - non-current portion at fair value	**203,832**	56,971

Notes to the consolidated financial statements - continued
for the year ended 31 December 2010

22. Share capital

The share capital comprises of 1,196,000,000 authorized, issued and fully paid shares of AED 1 each.

23. 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.

24. Revenues

Revenues comprise of the following:

	2010	2009
	AED'000	AED'000
Contract revenue	**5,143,129**	7,295,278
Sales of ready mix concrete/precast	**40,281**	32,047
Sale and hire of equipment	**33,809**	76,344
Plant division revenue	**20,727**	17,943
Electrical division revenue	**3,904**	27,647
Scaffolding division revenue	**7,177**	17,764
Drainage division revenue	**207,320**	192,410
Model division revenue	**7,351**	5,269
	5,463,698	7,664,702

25. Direct costs

Direct costs comprise the following:

	2010	2009
	AED'000	AED'000
Contract costs	**4,324,838**	6,035,913
Cost of sales of ready mix concrete/precast	**138,891**	60,390
Cost of sales of equipment	**49,756**	59,773
Plant division costs	**24,695**	13,464
Electrical division costs	**2,297**	26,745
Scaffolding division costs	**2,643**	4,752
Drainage division costs	**88,397**	134,260
Model division costs	**5,158**	2,786
	4,636,675	6,338,083

Notes to the consolidated financial statements - continued
for the year ended 31 December 2010

26. Other operating income

	2010 AED'000	2009 AED'000
Manpower and other charges to joint ventures	**46,508**	69,574

27. Selling, general and administrative expenses

	2010 AED'000	2009 AED'000
Employees' salaries and other benefits	**172,874**	252,629
Attendance fees to directors	**2,200**	1,800
Tender expenses	**7,450**	5,425
Selling expenses	**9,380**	10,581
Communication and utilities	**14,874**	19,278
Office rent	**6,647**	3,705
Depreciation (apportioned)	**32,659**	35,108
Impairment loss of intangible assets (Note 15)	**1,434**	-
Amortisation of intangible assets (Note 15)	**50,241**	46,924
Impairment losses on goodwill (Note 16)	**5,429**	-
Discretionary bonus accrued for current year	**7,873**	20,000
Allowance for slow-moving inventories and impairment losses	**3,557**	13,962
Net (reversal)/allowance of provision for doubtful debts	**(32,064)**	293,874
Legal expenses	**13,721**	-
Other selling, general and administrative expenses	**152,713**	81,450
	448,988	784,736

28. Other income

	2010 AED'000	2009 AED'000
Interest income	**18,573**	22,603
Gain on sale of property, plant and equipment	**11,285**	17,133
Other income	**22,891**	38,948
	52,749	78,684

Notes to the consolidated financial statements - continued
for the year ended 31 December 2010

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

	2010 AED'000	2009 AED'000
Fair value increase/(decrease) in non-current retentions receivable	**3,545**	(291)
Fair value reduction in non-current retentions payable	**(1,405)**	(2,539)
	2,140	(2,830)

30. Income tax

Income tax recognised in the consolidated financial statements

	2010 AED'000	2009 AED'000
Tax expense comprises:		
Current tax expense	**6,298**	39,179
Deferred tax (income)/expense relating to the origination and reversal of temporary differences	**(167)**	181
Total income tax expense	**6,131**	39,360

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

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

	2010 AED'000	2009 AED'000
Profit before tax	**437,731**	631,169
Income tax expense calculated at the United Arab Emirates tax rate of 0% (2009: 0%)	-	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	**6,131**	39,360
Income tax expense recognised in the consolidated income statement	**6,131**	39,360

The effective tax rate on profits for the year ended 31 December 2010 is 2.33% (2009: 5.1%).

Notes to the consolidated financial statements - continued
for the year ended 31 December 2010

30. Income tax (continued)

Deferred tax balances

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

	2010	2009
	AED'000	AED'000
Opening balance	**164**	345
Credited/(recognised) to the income statement	**167**	(181)
Closing balance	**331**	164

31. 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 31 December 2010. 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.

Notes to the consolidated financial statements - continued
for the year ended 31 December 2010

31. 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	Trading AED'000	Total AED'000
31 December 2010						
Revenues from external customers	**4,272,225**	**47,631**	**885,728**	**155,260**	**102,854**	**5,463,698**
Inter-segment revenues	**-**	**114,318**	**496,552**	**-**	**17,968**	**628,838**
Other income	**30,210**	**7,548**	**6,845**	**455**	**5,999**	**51,057**
Interest expense	**23,187**	**-**	**11,940**	**1,499**	**5,048**	**41,674**
Depreciation	**157,958**	**38,568**	**19,418**	**6,523**	**18,426**	**240,893**
Reportable segment profit/(loss) before tax	**288,380**	**(29,086)**	**242,734**	**7,666**	**(24,657)**	**485,037**
Income tax expense/(credit)	**5,026**	**(807)**	**1,912**	**-**	**-**	**6,131**
Reportable segment assets	**6,920,995**	**385,978**	**1,093,791**	**224,113**	**180,776**	**8,805,653**
Expenditures for reportable segment non-current assets	**197,861**	**10,600**	**11,415**	**58**	**1,958**	**221,892**
Reportable segment liabilities	**5,095,681**	**192,038**	**626,615**	**181,111**	**114,226**	**6,209,671**

Notes to the consolidated financial statements - continued
for the year ended 31 December 2010

31. Segment information (continued)

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

	2010 AED'000
Revenues	
Total revenues for reportable segments	6,092,536
Elimination of inter-segment revenues	(628,838)
Group's revenues	**5,463,698**
Profit	
Total profit for reportable segments	485,037
Other corporate expenses	(47,306)
Group's profit before income tax expense	**437,731**
Assets	
Total assets for reportable segments	8,805,653
Corporate assets	521,384
Elimination of inter-segment receivables	(646,947)
Group's assets	**8,680,090**
Liabilities	
Total liabilities for reportable segments	6,209,671
Corporate liabilities	15,049
Elimination of inter-segment payables	(576,790)
Elimination of payable to corporate headquarters	(70,158)
Group's liabilities	**5,577,772**

Notes to the consolidated financial statements - continued
for the year ended 31 December 2010

31. 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	Trading AED'000	Total AED'000
31 December 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

Notes to the consolidated financial statements - continued
for the year ended 31 December 2010

31. Segment information (continued)

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

	2009 AED'000
Revenues	
Total revenues for reportable segments	8,386,129
Elimination of inter-segment revenues	(721,427)
Group's revenues	**7,664,702**
Profit	
Total profit for reportable segments	683,360
Other corporate expenses	(52,191)
Group's profit before income tax expense	**631,169**
Assets	
Total assets for reportable segments	9,059,933
Corporate assets	577,011
Elimination of inter-segment receivables	(526,482)
Group's assets	**9,110,462**
Liabilities	
Total liabilities for reportable segments	6,891,181
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**

Geographical information

	2010		2009	
	Revenues AED'000	**Non-current assets AED'000**	Revenues AED'000	Non-current assets AED'000
GCC Countries	**5,381,092**	**2,042,622**	7,563,818	1,351,067
Pakistan	**4,181**	**305**	9,334	679
Levant	**38,953**	**3,479**	67,690	8,077
Russia	**39,473**	**347**	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.

Notes to the consolidated financial statements - continued
for the year ended 31 December 2010

31. Segment information (continued)

Information about major customers

Revenues from the largest 4 customers of the building construction segment represent approximately AED 1.6 billion (31 December 2009: AED 2.4 billion) of the Group's total revenues.

32. Operating lease arrangements

The Group as lessee:

	2010	2009
	AED'000	AED'000
Minimum lease payments under operating leases recognised as expense in the consolidated income statement for the year	**76,308**	83,704

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

	2010	2009
	AED'000	AED'000
Within one year	**34,745**	42,351
In the second to fifth years inclusive	**11,642**	6,042
Later than five years	**-**	400
	46,387	48,793

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

33. Dividends paid and proposed

No cash dividends are proposed by the directors for the year ended 31 December 2010.

At the meeting of the Board of Directors held on 8 March 2011 the Directors have proposed the issue of a bonus share dividend amounting to 299,000,000 shares on the basis of 1 bonus share for each 4 shares held. This is subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company.

Based on the results for the year ended 31 December 2008, the directors proposed a cash dividend of AED 299 million during the year ended 31 December 2009, for which approval was received at the Annual General Meeting of the shareholders held on 24 March 2009.

34. Acquisition of subsidiaries

On April 7, 2010, the Company has acquired an additional 33.34% shares in House of Equipment Co. LLC, Dubai, UAE, bringing its total holding to 66.67% in the subsidiary.

Notes to the consolidated financial statements - continued
for the year ended 31 December 2010

35. Commitments and contingencies

	2010 AED'000	2009 AED'000
Commitments		
Commitments for the acquisition of property, plant and equipment	**41,295**	43,917
Contingent liabilities		
Performance and bid bonds	**2,620,708**	2,707,463
Advance payment bonds	**1,110,433**	1,193,268
Financial guarantees	**41,649**	25,329
Retention bonds	**487,937**	457,105
Labour guarantees	**26,135**	33,924
Letters of credit	**192,092**	131,398

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 totalling AED 58 million (2009: AED 58 million). 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.

36. 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

	2010 AED'000	2009 AED'000
Financial assets		
Loans and receivables	**5,541,166**	5,094,777
Available-for-sale financial assets	**40,670**	55,294
Financial liabilities		
At amortised cost	**4,610,538**	4,725,371

Notes to the consolidated financial statements - continued
for the year ended 31 December 2010

36. Financial instruments (continued)

(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.

(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**	
	2010	2009	**2010**	2009
	AED'000	AED'000	**AED'000**	AED'000
Euro	**24,423**	280	**3,967**	4
GBP	**756**	138	**5**	7
Pakistani Rupee	**41,767**	40,093	**52,895**	55,249
Jordanian Dinar	**1,833**	22,359	**7,223**	25,708
Syrian Pound	**-**	28,041	**-**	32,234
Russian Roubles	**31,396**	25,212	**9,673**	47,868

There were no outstanding derivative financial instruments as at 31 December 2010 or 2009. The majority of the liabilities in foreign currencies are denominated either in US Dollars or in GCC countries denominated currencies which are pegged to the US Dollar to which the AED is pegged.

Notes to the consolidated financial statements - continued
for the year ended 31 December 2010

36. Financial instruments (continued)

(e) Foreign currency sensitivity analysis

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

	Profit or (loss)	
	2010	2009
	AED'000	AED'000
Euro	**(2,046)**	(28)
GBP	**(75)**	(13)
Pakistani Rupee	**1,113**	1,516
Jordanian Dinar	**539**	335
Syrian Pound	**-**	419
Russian Roubles	**(2,172)**	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 31 December 2010 would decrease by AED 3.7 million (2009: decrease by AED 4.8 million). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Notes to the consolidated financial statements - continued
for the year ended 31 December 2010

36. 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 number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The concentration of credit risk is disclosed in Note 7.

The Group does not have any additional 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.

Notes to the consolidated financial statements - continued
for the year ended 31 December 2010

36. Financial instruments (continued)

(i) Liquidity risk management (continued)

Liquidity and interest risk tables

	Weighted average effective interest rate %	Less than 1 year AED'000	2 - 5 years AED'000	Total AED'000
ASSETS				
2010				
Non-interest bearing instruments	**Nil**	**4,230,455**	**825,590**	**5,056,045**
Fixed interest rate instruments	**3-4%**	**522,503**	**3,288**	**525,791**
		4,752,958	**828,878**	**5,581,836**
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
LIABILITIES				
2010				
Non-interest bearing instruments	**Nil**	**3,669,655**	**203,832**	**3,873,487**
Variable interest rate instruments	**EIBOR+2%-3%**	**626,672**	**110,379**	**737,051**
		4,296,328	**314,210**	**4,610,538**
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

(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.

Notes to the consolidated financial statements - continued
for the year ended 31 December 2010

36. Financial instruments (continued)

(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 2009.

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

Gearing ratio

The gearing ratio at the year end was as follows:

	2010	2009
	AED'000	AED'000
Debt (i)	**737,050**	956,883
Other financial assets	**(222,064)**	(246,108)
Cash and cash equivalents	**(588,130)**	(634,051)
Net debt	**(73,144)**	76,724
Equity (ii)	**2,697,874**	2,391,727
Net debt to equity ratio	**Nil**	3.2%

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

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

37. Approval of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2010 were approved by the Board of Directors and authorised for issue on 8 March 2011.