ARABTEC HOLDING PJSC AND ITS SUBSIDIARIES
DUBAI - UNITED ARAB EMIRATES

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION AND INDEPENDENT AUDITOR'S REVIEW REPORT FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2011

Arabtec Holding PJSC and its Subsidiaries

Interim Condensed Consolidated Financial Information and Independent Auditor's Review Report For the Three Month Period Ended 31 March 2011

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Independent Auditor's Review Report

The Directors
Arabtec Holding PJSC
Dubai
United Arab Emirates

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Arabtec Holding PJSC (the "Company") and its Subsidiaries (collectively the "Group") as at 31 March 2011 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three month period then ended. Management is responsible for the preparation and presentation of this interim condensed financial information in accordance with International Accounting Standard 34 – Interim Financial Reporting (IAS 34). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34: Interim Financial Reporting.

Emphasis of matter

Without qualifying our conclusion we draw attention to Note 7 to the interim condensed consolidated financial information which describes a contractual dispute that continues to be subject to arbitration proceedings, the probable outcome of which cannot be determined with reasonable certainty at the date of this report.

Deloitte & Touche



Samir Madbak
Registration No. 386

9 May 2011

Interim Condensed Consolidated Statement of Financial Position
At 31 March 2011

	Note	31 March 2011 AED'000 (Unaudited)	31 December 2010 AED'000 (Audited)
ASSETS			
Current assets			
Cash and cash equivalents		**632,946**	588,130
Other financial assets		**189,856**	178,106
Trade and other receivables		**3,956,668**	4,171,772
Due from related parties	8(b)	**848,997**	723,563
Inventories		**354,945**	369,009
Other current assets		**158,266**	154,294
Deferred tax		**331**	331
Total current assets		**6,142,009**	6,185,205
Non-current assets			
Other financial assets		**43,673**	43,958
Investment in associate		**3,200**	3,200
Intangible assets	10	**131,359**	143,741
Goodwill		**246,836**	246,836
Retentions and trade receivables - non-current portion		**790,085**	774,524
Other non-current assets		**10,479**	10,396
Property, plant and equipment	11	**1,225,641**	1,272,230
Total non-current assets		**2,451,273**	2,494,885
Total Assets		**8,593,282**	8,680,090
LIABILITIES AND EQUITY			
Current liabilities			
Bank borrowings	12	**498,604**	626,672
Trade and other payables		**4,173,848**	4,155,334
Due to related parties	8(c)	**418,874**	348,075
Income tax payable		**4,452**	5,194
Total current liabilities		**5,095,778**	5,135,275
Non-current liabilities			
Bank borrowings	12	**91,581**	110,379
Provision for employees' end of service indemnity		**131,031**	128,286
Retentions payable - non-current portion		**129,111**	203,832
Total non-current liabilities		**351,723**	442,497
Total Liabilities		**5,447,501**	5,577,772
Capital and reserves			
Share capital	16	**1,196,000**	1,196,000
Statutory reserve		**270,480**	267,819
Fair value adjustment reserve		**(7,537)**	(7,494)
Retained earnings		**1,265,504**	1,241,549
Equity attributable to equity holders of the Parent		**2,724,447**	2,697,874
Non-controlling interests		**421,334**	404,444
Total Equity		**3,145,781**	3,102,318
Total Liabilities and Equity		**8,593,282**	8,680,090

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Riad Kamal
Chief Executive Officer and Board Member

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

Interim Condensed Consolidated Statement of Income
For the Three Month Period Ended 31 March 2011

	Note	Three Month Period Ended 31 March 2011 AED'000 (Unaudited)	2010 AED'000 (Unaudited)
Revenues		**1,241,577**	1,550,697
Direct costs		**(1,076,726)**	(1,294,051)
Gross profit		**164,851**	256,646
Other operating income		**10,057**	17,275
Other income		**11,433**	17,623
Selling, general and administrative expenses		**(121,932)**	(111,936)
Net changes in fair value of non-current retentions and trade receivables		**(2,573)**	(2,468)
Finance costs		**(7,305)**	(7,472)
Profit before tax	**6**	**54,531**	169,668
Income tax expense	**13**	**(529)**	(189)
Profit for the period		**54,002**	169,479
Attributable to:			
Equity holders of the Parent		**26,616**	134,531
Non-controlling interests		**27,386**	34,948
		54,002	169,479
Basic earnings per share (AED) (based on profit for the period attributable to equity holders of the parent and 1,196 million shares in issue throughout the period)		**0.02**	0.11

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

Interim Condensed Consolidated Statement of Comprehensive Income For the Three Month Period Ended 31 March 2011

	Three Month Period Ended 31 March	
	2011 AED'000 (Unaudited)	2010 AED'000 (Unaudited)
Profit for the period	**54,002**	169,479
Other comprehensive loss		
Net unrealised loss on revaluation of available-for-sale investments during the period	**(43)**	(1,661)
Total comprehensive income for the period	**53,959**	167,818
Total comprehensive income attributable to:		
Equity holders of the Parent	**26,573**	132,870
Non-controlling interests	**27,386**	34,948
	53,959	167,818

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

Interim Condensed Consolidated Statement of Changes in Equity
For the Three Month Period Ended 31 March 2011

	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 2009 (Audited)	1,196,000	237,107	(2,342)	960,962	2,391,727	336,291	2,728,018
Dividends paid to non-controlling interests	-	-	-	-	-	(2,500)	(2,500)
Unrealised loss on available-for-sale investments recognised directly in equity	-	-	(1,661)	-	(1,661)	-	(1,661)
Profit for the period	-	-	-	134,531	134,531	34,948	169,479
Total comprehensive income for the period	-	-	-	-	132,870	34,948	167,818
Transfer to statutory reserve	-	13,453	-	(13,453)	-	-	-
Balance at 31 March 2010 (Unaudited)	**1,196,000**	**250,560**	**(4,003)**	**1,082,040**	**2,524,597**	**368,739**	**2,893,336**
Balance at 31 December 2010 (Audited)	1,196,000	267,819	(7,494)	1,241,549	2,697,874	404,444	3,102,318
Dividends paid to non-controlling interests	-	-	-	-	-	(10,496)	(10,496)
Unrealised loss on available-for-sale investments recognised directly in equity	-	-	(43)	-	(43)	-	(43)
Profit for the period	-	-	-	26,616	26,616	27,386	54,002
Total comprehensive income for the period	-	-	-	-	26,573	27,386	53,959
Transfer to statutory reserve	-	2,661	-	(2,661)	-	-	-
Balance at 31 March 2011 (Unaudited)	**1,196,000**	**270,480**	**(7,537)**	**1,265,504**	**2,724,447**	**421,334**	**3,145,781**

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

Interim Condensed Consolidated Statement of Cash Flows
For the Three Month Period Ended 31 March 2011

	Three Month Period Ended 31 March	
	2011 AED'000 (Unaudited)	2010 AED'000 (Unaudited)
Net cash from/(used in) operating activities	**210,794**	(116,303)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(32,102)**	(57,593)
Proceeds from sale of property, plant and equipment	**23,645**	18,406
Repayment of loan to a related party	**(159)**	(69)
Net cash used in investing activities	**(8,616)**	(39,256)
Cash flows from financing activities		
Dividends paid to non-controlling interests	**(10,496)**	(2,500)
(Repayment of)/proceeds from bank borrowings	**(146,866)**	112,903
Net cash (used in)/from financing activities	**(157,362)**	110,403
Net increase/(decrease) in cash and cash equivalents	**44,816**	(45,156)
Cash and cash equivalents at the beginning of the period	**588,130**	634,051
Cash and cash equivalents at the end of the period	**632,946**	588,895

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

Notes to the Interim Condensed Consolidated Financial Information For the Three Month Period Ended 31 March 2011

1. Establishment and operations

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, U.A.E.	100%	Civil construction and related works
Austrian Arabian Ready Mix Concrete Co. LLC, Dubai, U.A.E.	100%	Manufacture and transportation of ready mix concrete products
House of Equipment Co. LLC, Dubai, UAE	66.67%	Trading and leasing of construction equipment
Arabtec Construction LLC, Doha, Qatar	49%	Civil construction and related works
Arabtec Precast LLC, Dubai, UAE	100%	Manufacture of precast panels
Nasser Bin Khaled Factory Ready Mix Concrete Co. LLC, Doha, Qatar	49%	Manufacture and transportation of ready mix concrete products
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, 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 Interim Condensed Consolidated Financial Information - continued
For the Three Month Period Ended 31 March 2011

1. Establishment and operations (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 (under formation)	75%	Civil construction and related works
Arabtec Angola, Republic of Angola (under formation)	49%	Civil construction and related works
EFECO Kingdom of Saudi Arabia (under formation)	50%	Electrical, mechanical and plumbing contracts
Arabtec Construction Machinery Kingdom of Saudi Arabia (under formation)	58%	Trading and leasing of construction equipment
Austrian Arabian Ready Mix Kingdom of Saudi Arabia (under formation)	62%	Manufacture and transportation of ready mix concrete products

The investment in Arabtec Pakistan (Pvt) Limited is held by third parties in 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 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 other types of pods on the same concept.

2. Basis of preparation

The interim condensed consolidated financial information has been prepared in accordance with International Accounting Standard (IAS) No. 34: Interim Financial Reporting. This financial information is presented in United Arab Emirates Dirhams (AED) since that is the currency of the country in which the Group is domiciled.

The interim condensed consolidated financial information does not include all the information required in the annual consolidated financial statements and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2010. In addition, results for the period from 1 January 2011 to 31 March 2011 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2011.

The interim condensed consolidated financial information incorporates the financial information 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.

Notes to the Interim Condensed Consolidated Financial Information - continued
For the Three Month Period Ended 31 March 2011

2. Basis of preparation (continued)

Although the Company owns less than 50% of the equity shares in Arabtec Construction LLC, Qatar, Nasser Bin Khaled Factory Readymix Concrete Co. LLC, Qatar, Arabtec Saudi Arabia LLC, Kingdom of 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 recognises them as subsidiaries.

The results of subsidiaries acquired or disposed of during the period are included in the interim condensed consolidated Statement of Income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial information of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

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

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

3.1 New and revised IFRSs adopted with no material effect on the interim condensed consolidated financial information

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

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

Notes to the Interim Condensed Consolidated Financial Information - continued
For the Three Month Period Ended 31 March 2011

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

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 1 relating to *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*	1 July 2010
Amendments to IFRS 1 relating to *Replacement of 'fixed dates' for certain exceptions with 'the date of transition to IFRSs'*	1 July 2011
Amendments to IFRS 7 *Financial Instruments: Disclosures*, relating to Disclosures on Transfers of Financial Assets.	1 July 2011
IFRS 9 (as amended in 2010) - *Financial Instruments*	1 January 2013
Amendments to IAS 12 *Income Taxes* - Limited scope amendment (recovery of underlying assets)	1 January 2012
Amendments to IAS 32 Financial Instruments: Presentation, relating to Classification of Rights Issues	1 February 2010
IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*	1 July 2010
Improvements to IFRSs issued in 2010 covering amendments to IFRS 3 and IAS 27	1 July 2010

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

4. Significant accounting policies

The interim condensed consolidated financial information has been prepared under the historical cost basis, except for revaluation of certain assets. The accounting policies adopted are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2010.

The preparation of interim condensed consolidated financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the Group's annual consolidated financial statements as at and for the year ended 31 December 2010.

Profits are recognized on projects in the early stages of completion if it is anticipated that these projects will, by the year end, be at a stage of completion sufficient to warrant profit recognition.

Notes to the Interim Condensed Consolidated Financial Information - continued
For the Three Month Period Ended 31 March 2011

5. Segment information

The Group has five reportable segments: building construction, precast and concrete production, drainage and electromechanical works, marine construction and trading. 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 the drainage, electrical and mechanical works. The marine segment is involved in marine construction. The trading segment is involved in the trading of heavy equipment and steel.

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.

Intersegment 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 Interim Condensed Consolidated Financial Information - continued
For the Three Month Period Ended 31 March 2011

5. Segment information (continued)

Information about reportable segment profit or loss, assets and liabilities

31 March 2011 (Unaudited)	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
Revenues from external customers	913,694	21,839	229,647	42,321	34,076	1,241,577
Inter-segment revenues	-	19,535	63,616	-	11,208	94,359
Other income	9,683	811	364	3	522	11,383
Interest expense	3,552	-	1,174	415	2,164	7,305
Depreciation	17,783	9,467	5,908	17,943	3,235	54,336
Reportable segment profit/ (loss) before tax	47,277	(12,202)	31,430	3,895	20	70,420
Income tax expense	456	-	73	-	-	529
Reportable segment assets	6,975,135	390,972	1,089,568	100,723	189,691	8,746,089
Expenditures for reportable segment non-current assets	10,554	1,095	1,337	11,223	935	25,144
Reportable segment liabilities	4,990,599	209,234	702,545	78,421	123,140	6,103,939

Notes to the Interim Condensed Consolidated Financial Information - continued
For the Three Month Period Ended 31 March 2011

5. Segment information (continued)

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

	31 March 2011 AED'000 (Unaudited)
Revenues	
Total revenues for reportable segments	1,335,936
Elimination of intersegment revenues	(94,359)
Group's revenues	1,241,577
Profit	
Total profit before tax for reportable segments	70,420
Other corporate expenses	(15,889)
Gross profit before income tax expense	54,531
Assets	
Total assets for reportable segments	8,746,089
Corporate assets	511,799
Elimination of inter-segments receivables	(664,606)
Group's assets	8,593,282
Liabilities	
Total liabilities for reportable segments	6,103,939
Corporate liabilities	8,168
Elimination of inter-segment payables	(594,449)
Elimination of payable to corporate headquarters	(70,157)
Group's liabilities	5,447,501

Notes to the Interim Condensed Consolidated Financial Information - continued
For the Three Month Period Ended 31 March 2011

5. Segment information (continued)

Information about reportable segment profit or loss, assets and liabilities

31 March 2010 (Unaudited)	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
Revenues from external customers	1,304,893	5,769	200,860	13,906	25,269	1,550,697
Inter-segment revenues	-	51,835	80,470	-	1,688	133,993
Other income	16,805	737	-	-	-	17,542
Interest expense	4,553	40	1,422	174	1,281	7,470
Depreciation	37,410	9,758	5,613	605	5,584	58,970
Reportable segment profit/ (loss) before tax	144,003	(1,066)	46,298	584	(110)	189,709
Income tax expense/ (credit)	541	(488)	136	-	-	189
Reportable segment assets	7,566,881	404,812	966,904	104,221	230,991	9,273,809
Expenditures for reportable segment non-current assets	43,922	6,762	6,621	51	238	57,594
Reportable segment liabilities	5,879,028	183,429	722,519	101,437	123,126	7,009,539

Notes to the Interim Condensed Consolidated Financial Information - continued
For the Three Month Period Ended 31 March 2011

5. Segment information (continued)

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

	31 March 2010 AED'000 (Unaudited)
Revenues	
Total revenues for reportable segments	1,684,690
Elimination of intersegment revenues	(133,993)
Group's revenues	1,550,697
Profit	
Total profit for reportable segments	189,709
Other corporate expenses	(20,041)
Gross profit before income tax expense	169,668
Assets	
Total assets for reportable segments	9,273,809
Corporate assets	650,622
Elimination of inter-segment receivables	(605,911)
Group's assets	9,318,520
Liabilities	
Total liabilities for reportable segments	7,009,539
Corporate liabilities	21,556
Elimination of inter-segment payables	(550,966)
Elimination of payable to corporate headquarters	(54,945)
Group's liabilities	6,425,184

Notes to the Interim Condensed Consolidated Financial Information - continued
For the Three Month Period Ended 31 March 2011

5. Segment information (continued)

Geographical information

	31 March 2011	**31 March 2011**	31 March 2010	31 December 2010
		Non-current		Non-current
	Revenues	**assets**	Revenues	assets
	AED'000	**AED'000**	AED'000	AED'000
	(Unaudited)	**(Unaudited)**	(Unaudited)	(Audited)
GCC Countries	**1,185,976**	**2,009,937**	1,512,364	2,042,622
Pakistan	**-**	**73**	2,717	305
Levant	**55,601**	**5,465**	8,360	3,479
Russia	**-**	**251**	27,257	347

a) Revenues are attributed to countries on the basis of the construction projects' location.
b) Non-current assets exclude financial instruments and corporate assets.

Information about major customers

Revenues from 4 customers of the building construction segment represent approximately AED 306 million (31 March 2010: AED 585 million) of the Group's total revenues.

6. Results for the period

The results for the three month period ended 31 March 2011 reflect the results of the Group's continuing projects and new projects commenced during the period and are not significantly affected by any seasonal or cyclical operations.

Costs that occur unevenly during the financial year are anticipated or deferred in the interim condensed consolidated financial information only if it would also be appropriate to anticipate or defer such costs at the end of the financial year.

Income tax expense arises from the Group's activities in Qatar and the Kingdom of Saudi Arabia.

7. Contract dispute

On December 25, 2008, 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 Interim Condensed Consolidated Financial Information - continued
For the Three Month Period Ended 31 March 2011

7. 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 29 December 2008. Both securities were payable on demand and, on payment by the banks concerned, management has recorded a receivable for the net amount due from Meydan, pending resolution of the dispute. The corresponding liability recorded at the 31 December 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 11 January 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.

8. 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 24: *Related Party Disclosures*. Related parties comprise the Group's major shareholders, directors and entities related to them, companies and entities 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.

Notes to the Interim Condensed Consolidated Financial Information - continued
For the Three Month Period Ended 31 March 2011

8. Related party transactions (continued)

b) At the interim condensed consolidated statement of financial position date, due from related parties comprised the following:

	31 March 2011 AED'000 (Unaudited)	31 December 2010 AED'000 (Audited)
Joint ventures		
Amounts due from joint venture partners	**365,698**	395,151
Other related parties		
Entities with common ownership and management		
Al Waab City W.L.L., Doha, Qatar	**246,520**	256,094
National Industrial Contracting Company WLL, Qatar	**1,641**	876
Nasser Bin Khaled Al-Thani and Sons Group and its related parties, Qatar	**11,291**	11,002
Advance Vision Co., Kingdom of Saudi Arabia	**67,490**	53,541
Saudi Bin Laden Group, Kingdom of Saudi Arabia	**121,720**	-
Others	**34,637**	6,899
	483,299	328,412
	848,997	723,563

c) At the interim condensed consolidated statement of financial position date, due to related parties comprised the following:

	31 March 2011 AED'000 (Unaudited)	31 December 2010 AED'000 (Audited)
Joint ventures		
Amounts due to joint venture partners	**231,925**	221,379
Other related parties		
Entities with common ownership and management		
Nasser Bin Khaled Al-Thani and Sons Group its related parties, Qatar	**46,114**	54,008
WCT Engineering Berhad, Malaysia	**9,094**	8,890
Depa Interiors LLC, Dubai, UAE	**63,184**	17,067
Saudi Bin Laden Group, Kingdom of Saudi Arabia	**23,232**	-
Others	**5,771**	567
Current account of a director and major shareholder of the parent company		
Mr. Riad Kamal - a Director and major shareholder	**21,198**	20,815
Current accounts of shareholders in subsidiaries	**18,356**	25,349
	186,949	126,696
	418,874	348,075

Notes to the Interim Condensed Consolidated Financial Information - continued
For the Three Month Period Ended 31 March 2011

8. Related party transactions (continued)

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

	Three Month Period Ended 31 March	
	2011	2010
	AED'000	AED'000
	(Unaudited)	(Unaudited)
Other related parties		
Contract and other revenue	**108,586**	168,851
Wages and salaries	**2,461**	2,746
Interest received on loans	**287**	81
Rent income	**731**	766
Purchase of property, plant and equipment	**443**	241
Manpower and other charges to joint ventures	**10,067**	17,275
Equipment hire	**-**	676

e) The Group has provided loans (included in other financial assets) of AED 1.5 million (31 December 2010: AED 1.5 million) to a non-controlling shareholder in House of Equipment Co. LLC and AED 1.8 million (31 December 2010: AED 1.8 million) to the shareholders of Polypod Middle East LLC. Interest on the loans is charged at 7% per annum.

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

	Three Month Period Ended 31 March	
	2011	2010
	AED'000	AED'000
	(Unaudited)	(Unaudited)
Attendance fees to directors	**550**	500
Short term benefits	**8,357**	6,510
Post-employment benefits	**307**	30

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

g) Included in trade and other payables is an amount of AED 21.8 million (31 December 2010: AED 22.3 million) representing voluntary contributions from employees and directors which are ring fenced in order to fund certain benefits for employees on an ad-hoc basis, as determined by the appointed committee. Assets of the scheme are included in the interim condensed consolidated statement of financial position under cash and cash equivalents AED 13.0 million (31 December 2010: AED 12.2 million) and other current assets AED 8.7 million (31 December 2010: AED 9.2 million).

Notes to the Interim Condensed Consolidated Financial Information - continued
For the Three Month Period Ended 31 March 2011

9. 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/Aktor joint venture projects	50%/60%
f)	Arabtec/Emirates Sunland joint venture projects	50%
g)	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%
q)	Arabtec-Al Mukawilon joint venture project	60%

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 interim condensed consolidated financial information as a result of the proportionate consolidation of the joint ventures:

	31 March 2011 AED'000 (Unaudited)	31 December 2010 AED'000 (Audited)
Current assets	**1,650,995**	1,497,777
Non-current assets	**178,573**	158,585
Current liabilities	**1,538,742**	1,431,487
Non-current liabilities	**66,134**	54,280
Contingent liabilities	**853,484**	655,064

	Three Month Period Ended 31 March	
	2011 AED'000 (Unaudited)	2010 AED'000 (Unaudited)
Revenue	**407,874**	298,058
Expenses	**360,509**	282,298

Notes to the Interim Condensed Consolidated Financial Information - continued
For the Three Month Period Ended 31 March 2011

10. Intangible assets

During the period, amortization of intangible assets was approximately AED 12.4 million (during the same period in 2010: AED 13.5 million). There were no additions to intangible assets during the period.

11. Property, plant and equipment

During the period, the Group purchased approximately AED 32.1 million (during the same period in 2010: AED 57.6 million) of various types of property, plant and equipment and disposed of property, plant and equipment with a net book value of AED 23.1 million (during the same period in 2010: AED 14.5 million) for proceeds of AED 23.7 million (during the same period in 2010: AED 18.4 million).

12. Bank borrowings

During the period, the Group obtained new short-term bank loans in the amount of AED 15.0 million (during the same period in 2010: AED 73.6 million). The loans bear interest at variable market rates and are repayable within 1 year. The proceeds were used to meet short-term expenditure needs. Repayments of other bank loans amounting to AED 75.8 million (during the same period in 2010: AED 60.6 million) were made in line with agreed repayment terms.

13. Income tax charge

Interim period income tax is accrued based on the estimated average annual effective income tax rate on taxable income of 1.2% (3 months ended 31 March 2010: 2.3%). The increase in the tax charge for the period is as a result of an increase in profit earned in taxable jurisdictions.

14. Operating leases

The Group as lessee:

	Three Month Period Ended 31 March	
	2011	2010
	AED'000	AED'000
	(Unaudited)	(Unaudited)
Minimum lease payments under operating leases recognized as expense during the period	**31,108**	30,503

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

	31 March	31 December
	2011	2010
	AED'000	AED'000
	(Unaudited)	(Audited)
Within one year	**30,863**	34,745
In the second to fifth years inclusive	**10,324**	11,642
	41,187	46,387

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

Notes to the Interim Condensed Consolidated Financial Information - continued
For the Three Month Period Ended 31 March 2011

15. Commitments and contingencies

	31 March 2011 AED'000 (Unaudited)	31 December 2010 AED'000 (Audited)
Commitments		
Commitments for the acquisition of property, plant and equipment	**43,648**	41,295
Contingent liabilities		
Performance and bid bonds	**2,835,960**	2,620,708
Advance payment bonds	**1,186,329**	1,110,433
Financial guarantees	**28,771**	41,649
Retention bonds	**470,688**	487,937
Labour guarantees	**25,685**	26,135
Letters of credit	**151,904**	192,092

16. Share capital

Share capital as at 31 March 2011 and 31 December 2010 amounted to AED 1.196 billion. There were no movements in the share capital of the Company in either the current or the prior interim reporting period.

17. Subsequent events

The shareholders have agreed to the issue of a bonus share dividend, amounting to 299,000,000 shares on the basis of 1 bonus share for each 4 shares in issue at 31 December 2010, at the Annual General Meeting held on 3 April 2011.

18. Approval of the interim condensed consolidated financial information

The interim condensed consolidated financial information for the period ended 31 March 2011 was approved by the Board of Directors and authorised for issue on 9 May 2011.