ARABTEC HOLDING PJSC
AND ITS SUBSIDIARIES
DUBAI - UNITED ARAB EMIRATES

DIRECTORS' REPORT, CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED DECEMBER 31, 2007

Arabtec Holding PJSC and its Subsidiaries
Dubai - United Arab Emirates

Directors' Report, Consolidated Financial Statements and Independent Auditor's Report For the Year Ended December 31, 2007

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DIRECTORS' REPORT

The Board of Directors of Arabtec Holding PJSC (the 'Company') has pleasure in submitting the consolidated balance sheet of the Company and its subsidiaries (the 'Group') as of December 31, 2007, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year ended December 31, 2007.

Principal activities

During the year ended December 31, 2007 the Group was primarily engaged in the construction of high-rise towers, other buildings and residential villas and related activities through Arabtec LLC and other contracting related subsidiaries and joint ventures..

Financial Results

The Group has reported a net profit for the year, attributable to the shareholders of the Company, of AED 535 million (2006: AED 217 million) representing a 147% increase over the previous year.

In accordance with the Articles of Association of the Company and UAE Federal Commercial Companies Law, an appropriation of AED 53.5 million (2006: AED 21.7 million) is made to statutory reserve from the distributable profit of AED 535 million.

The payment of a 50% cash dividend will be proposed at the forthcoming Annual General Meeting for the approval of the shareholders.

The balance of the profit for the year of AED 183 million (subject to approval of the proposed dividend) will be transferred to retained earnings.

Total equity attributable to the shareholders of the company as at December 31, 2007 amounted to AED 1,250 million (2006: AED 784 million) an increase of 59%.

Directors

Sheikh Butti Bin Maktoom Bin Juma Al Maktoum	Chairman
Mr. Hussain Jasem AlNowais	Vice chairman
Sheikh Sultan Bin Saqer Al Qassimi	
Sheikh Nawaf Bin Naser Al Thani	
Mr. Anis Abdullah Al Jallaf	
Mr. Shames Ali Khalfan Al Dhahry	
Mr. Arif Naqvi	
Mr. Riad Burhan Kamal	
Mr. Thomas Patrick Barry	

Auditors

Deloitte & Touche were appointed as external auditors of the Group for the year ended December 31, 2007. Deloitte & Touche are eligible for reappointment for 2008 and have expressed their willingness to continue in office.

On behalf of the Board

Sheikh Butti Bin Maktoom Bin Juma Al Maktoum
Chairman
Dubai
March 6, 2008

Ref.: 31875FS07-PJSC

Independent Auditor's Report

The Shareholders
Arabtec Holding PJSC
Dubai
United Arab Emirates

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **Arabtec Holding PJSC (the "Company") and its Subsidiaries** (collectively the "Group"), which comprise the consolidated balance sheet as at December 31, 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

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

Deloitte & Touche

Anis Sadek
(Registration No. 521)

Dubai
March 6, 2008

Consolidated Balance Sheet
As of December 31, 2007
(In Arab Emirates Dirhams)

	Note	2007	2006
Assets			
Current assets			
Cash and cash equivalents	5	**904,063,094**	100,981,696
Other financial assets	6	**93,573,721**	27,987,391
Trade and other receivables	7	**1,932,755,495**	1,197,541,471
Due from related parties	9	**126,375,727**	24,982,583
Inventories	10	**183,772,155**	215,105,833
Other current assets	12	**121,997,903**	44,610,204
Total current assets		**3,362,538,095**	1,611,209,178
Non-current assets			
Other financial assets	6	**19,021,998**	13,705,473
Intangible assets	13	**280,608,557**	89,828,097
Goodwill	14	**232,927,034**	88,896,366
Retentions receivable – non-current portion	15	**177,534,858**	105,957,186
Other non-current assets		**17,445,124**	9,523,556
Property, plant and equipment	16	**749,539,423**	415,948,933
Total non-current assets		**1,477,076,994**	723,859,611
Total Assets		**4,839,615,089**	2,335,068,789
Liabilities and Equity			
Current liabilities			
Bank borrowings	17	**209,286,609**	156,795,947
Trade and other payables	18	**2,923,456,441**	1,226,412,910
Due to related parties	9	**128,061,424**	8,044,354
Total current liabilities		**3,260,804,474**	1,391,253,211
Non-current liabilities			
Bank borrowings	17	**19,934,354**	763,261
Provision for employees' end of service indemnity	19	**95,994,849**	47,758,972
Advances received from construction contract customers		**16,608,746**	-
Retentions payable – non-current portion	20	**58,175,479**	85,223,674
Total non-current liabilities		**190,713,428**	133,745,907
Total Liabilities		**3,451,517,902**	1,524,999,118
Capital and reserves			
Share capital	21	**598,000,000**	520,000,000
Statutory reserve		**91,811,549**	38,276,226
Fair value adjustment reserve		**9,714,178**	909,887
Retained earnings		**550,303,942**	224,486,032
Equity attributable to equity holders of the Company		**1,249,829,669**	783,672,145
Minority interests		**138,267,518**	26,397,526
Total Equity		**1,388,097,187**	810,069,671
Total Liabilities and Equity		**4,839,615,089**	2,335,068,789

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

The consolidated financial statements on pages 4 to 51 were approved and authorized for issue by the Board of Directors on March 6, 2008 and signed on their behalf by:

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Sheikh Butti Bin Maktoum Bin Juma Al Maktoum
Chairman

Consolidated Income Statement
For the Year Ended December 31, 2007
(In Arab Emirates Dirhams)

	Note	Year ended December 31, 2007	2006
Revenues	22	**4,272,850,348**	2,809,640,076
Direct costs	23	**(3,533,801,761)**	(2,452,622,007)
Gross profit		**739,048,587**	357,018,069
Other operating income	24	**97,539,115**	26,197,666
Selling, general and administrative expenses	25	**(292,881,939)**	(175,902,895)
Other income	26	**46,167,360**	13,688,954
Changes in fair value of non-current retentions	27	**(7,444,990)**	(962,053)
Finance costs		**(3,644,395)**	(1,211,403)
Profit before tax		**578,783,738**	218,828,338
Income tax expense	28	**(1,247,182)**	-
Profit for the year		**577,536,556**	218,828,338
Attributable to:			
Equity holders of the Company		**535,353,233**	216,905,548
Minority interest		**42,183,323**	1,922,790
		577,536,556	218,828,338
Basic earnings per share [based on profit for the year and 598 million shares in issue (including 78 million bonus shares approved on April 9, 2007)]		**AED 0.90**	AED 0.36

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

Arabtec Holding PJSC and its Subsidiaries
Dubai - United Arab Emirates

Consolidated Statement of Changes in Equity
For the Year Ended December 31, 2007
(In Arab Emirates Dirhams)

	Attributable to equity holders of the parent						
	Share capital	Statutory reserve	Fair value adjustment reserve	Retained earnings	Total	Minority interest	Total equity
Balance at December 31, 2005	400,000,000	16,585,671	8,100,140	149,271,039	573,956,850	-	573,956,850
Issue of bonus shares (Note 21)	120,000,000	-	-	(120,000,000)	-	-	-
Minority interest arising on the issue of shares in a subsidiary	-	-	-	-	-	24,474,736	24,474,736
Realised profit on sale of investments transferred to income statement	-	-	(1,387,831)	-	(1,387,831)	-	(1,387,831)
Loss on available-for-sale investments recognized directly in equity	-	-	(5,802,422)	-	(5,802,422)	-	(5,802,422)
Profit for the year	-	-	-	216,905,548	216,905,548	1,922,790	218,828,338
Total income recognized for the year	-	-	-	-	209,715,295	1,922,790	211,638,085
Transfer to statutory reserve	-	21,690,555	-	(21,690,555)	-	-	-
Balance at December 31, 2006	520,000,000	38,276,226	909,887	224,486,032	783,672,145	26,397,526	810,069,671
Dividends paid (Note 30)	-	-	-	(78,000,000)	(78,000,000)	-	(78,000,000)
Issue of bonus shares (Note 21)	78,000,000	-	-	(78,000,000)	-	-	-
Minority interest arising on the acquisition of subsidiaries	-	-	-	-	-	69,686,669	69,686,669
Realised loss on sale of investments transferred to income statement	-	-	(1,005,107)	-	(1,005,107)	-	(1,005,107)
Unrealised gain on available-for-sale investments recognized directly in equity	-	-	9,809,398	-	9,809,398	-	9,809,398
Profit for the year	-	-	-	535,353,233	535,353,233	42,183,323	577,536,556
Total income recognized for the year	-	-	-	-	544,157,524	42,183,323	586,340,847
Transfer to statutory reserve	-	53,535,323	-	(53,535,323)	-	-	-
Balance at December 31, 2007	**598,000,000**	**91,811,549**	**9,714,178**	**550,303,942**	**1,249,829,669**	**138,267,518**	**1,388,097,187**

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

Consolidated Cash Flow Statement
For the Year Ended December 31, 2007
(In Arab Emirates Dirhams)

		Year ended December 31,	
		2007	2006
Operating activities			
Profit for the year	**577,536,556**	218,828,338	
Adjustments for:			
Income tax		**1,247,182**	-
Depreciation of property, plant and equipment		**106,180,925**	80,524,766
Amortization of intangible assets		**14,481,940**	11,212,000
Provision for employees' end of service indemnity		**25,152,077**	18,487,858
Accrued discretionary bonus		**27,000,000**	-
Increase/(decrease) in allowance for trade receivables		**737,549**	(496,861)
Decrease in allowance for slow-moving inventories		**(217,067)**	(403,520)
Gain on sale of property, plant and equipment		**(6,521,896)**	(3,121,721)
Gain on sale of investment in securities		**(7,368,070)**	(1,387,831)
Finance costs		**3,644,395**	1,211,403
Changes in fair value of non-current retentions receivable and payable		**7,444,990**	962,053
Operating profit before changes in operating assets and liabilities		**749,318,581**	325,816,485
Increase in other financial assets		**(65,586,330)**	(161,971)
Increase in trade and other receivables		**(216,388,258)**	(260,849,684)
(Increase)/decrease in due from related parties		**(101,393,144)**	4,593,639
Decrease/(increase) in inventories		**31,707,545**	(119,296,697)
Increase in other current assets		**(65,772,698)**	(12,597,415)
Increase in trade and other payables		**1,190,327,189**	8,785,527
Increase/(decrease) in due to related parties		**96,040,547**	(1,022,099)
(Increase)/decrease in retention receivable - non-current portion		**(79,022,662)**	21,710,437
Increase in advances received from construction contract customers		**16,608,746**	-
Decrease/(increase) in retention payables - non-current portion		**(27,048,195)**	28,143,201
(Increase)/decrease in other non-current assets		**(7,921,568)**	3,616,589
Cash generated from/(used in) operations		**1,520,869,753**	(1,261,988)
Employees' end of service indemnity paid		**(4,772,093)**	(2,770,442)
Interest paid		**(3,644,395)**	(1,211,403)
Tax paid		**(1,022,065)**	-
Net cash from/(used in) operating activities		**1,511,431,200**	(5,243,833)
Investing activities			
Repayment/(disbursement) of loan to a related party		**1,876,420**	(6,185,459)
Purchase of property, plant and equipment		**(313,507,428)**	(165,707,265)
Purchase of available for sale investments		**(1,956,699)**	(4,339,144)
Acquisition of subsidiaries, net of cash acquired (Note 31)		**(320,279,289)**	-
Proceeds from disposal of property, plant and equipment	**28,223,325**	3,839,452	
Proceeds from disposal of available for sale investments		**10,936,113**	2,676,433
Net cash used in investing activities		**(594,707,558)**	(169,715,983)
Financing activities			
(Repayments of)/proceeds from borrowings		**(50,594,317)**	157,559,207
Minority interests invested		**14,952,073**	24,474,736
Cash dividends paid		**(78,000,000)**	-
Net cash (used in)/generated from financing activities		**(113,642,244)**	182,033,943
Net increase in cash and cash equivalents		**803,081,398**	7,074,127
Cash and cash equivalents at the beginning of the year		**100,981,696**	93,907,569
Cash and cash equivalents at the end of the year (Note 5)		**904,063,094**	100,981,696

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

1. General information

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

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

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

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

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

The Company has the following subsidiaries over which it exercises 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	33.33%	Trading and leasing of construction equipment
Arabtec Construction LLC, Doha, Qatar	49%	Civil construction and related works.
Arabtec Precast LLC, Dubai, UAE	100%	Manufacture of pre cast panels

The Company has invested in the following companies during the current year:

Nasser Bin Khaled Factory Ready Mix Concrete Co. LLC, Doha, Qatar	49%	Manufacture and transportation of ready mix concrete product
Emirates Falcon Electromechanical Co. EFECO LLC, Dubai, UAE	55%	Electrical mechanical and plumbing contracts
Arabtec Engineering LLC, Dubai	100%	Infrastructure construction works
Arabtec International Company Limited (under formation), Mauritius	100%	Civil construction and related works
Arabtec Pakistan (Pvt) Limited (under formation), Pakistan	60%	Civil construction and related works
Target Engineering Construction Company, Abu Dhabi, UAE	60%	Civil construction and related works

1. General information (continued)

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

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

2. Adoption of new and revised International Financial Reporting Standards

Standards and interpretations effective in the current year

In the current year, the Group has adopted IFRS 7 Financial Instruments: Disclosures which is effective for annual reporting periods beginning on or after January 1, 2007, and the consequential amendments to IAS 1 Presentation of Financial Statements.

The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the Group's financial instruments and management of capital (see Note 34).

Four Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current year. These are: IFRIC 7 Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies; IFRIC 8 and IFRIC 11 Scope of IFRS 2; IFRIC 9 Reassessment of Embedded Derivatives and IFRIC 10 Interim Financial Reporting. The adoption of these Interpretations has not led to any significant changes in the Group's accounting policies.

Standards and Interpretations in issue not yet adopted

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

- IAS 1 (Revised) *Presentation of financial statements* (effective for accounting periods beginning on or after July 1, 2009);
- IAS 23 (Revised) *Borrowing Costs* (effective for accounting periods beginning on or after January 1, 2009);
- IFRS 8 *Operating Segments* (effective for accounting periods beginning on or after January 1, 2009);
- IFRIC 12 *Service Concession Arrangements* (effective January 1, 2008)*; and*
- IFRIC 13 *Customer Loyalty Programmes* (effective for accounting periods beginning on or after July 1, 2008);
- IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (effective January 1, 2008).

The directors anticipate that the adoption of these Standards and Interpretations will have no material impact on the financial statements of the Group in the period of initial application.

3. Significant accounting policies

Basis of preparation

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

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Although the Group owns less than 50% of the equity shares in House of Equipment Co. LLC, Arabtec Construction LLC, Doha and Nasir Bin Khalid Factory Readymix Concrete Co. LLC, Doha, the Group has the power to govern the strategic operating and financial decisions of these companies.

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 other members of the Group.

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

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

3. Significant accounting policies (continued)

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at 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.

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

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

Interests in joint ventures

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

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

Joint venture arrangements, which 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 under IFRS 5, non-current assets held for sale and discontinued operations. The Group's share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the financial statements on a line-by-line basis.

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

3. Significant accounting policies (continued)

Intangible assets

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

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

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

Goodwill

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

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

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

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable these cost 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 to be incurred in marketing, selling and distribution.

3. Significant accounting policies (continued)

Property, plant and equipment

Land is stated in the balance sheet at the fair value at the date of acquisition. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date. Revaluations are performed by certified, independent valuers.

Any revaluation increase arising on the revaluation of such land is credited to the properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and buildings is charged to profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Property, plant and equipment, except land and properties under construction, are stated at cost less accumulated depreciation and any accumulated impairment losses.

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

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

The 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.

3. Significant accounting policies (continued)

Property, plant and equipment - continued

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

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment of tangible and intangible assets, excluding goodwill

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

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

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

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

3. Significant accounting policies (continued)

Provision for employees' end of service indemnity

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

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 Company is required to establish a statutory reserve by appropriation of 10% of net profit for each year until the reserve equals 50% of the share capital, for which purposes the Company uses the net profit attributable to the shareholders of the Company. This reserve is not available for distribution except in the circumstances stipulated by the Law.

Revenue recognition

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

Sale of goods

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

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

Interest revenue 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.

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

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

3. Significant accounting policies (continued)

Construction contracts

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

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

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

Contract costs

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

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

Income Tax

Provision for income tax has been made in accordance with the tax rules applicable to income arising in tax jurisdictions.

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.

3. Summary of significant accounting policies (continued)

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 balance sheet as a finance lease obligation.

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

Foreign currencies

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 on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

3. Summary of significant accounting policies (continued)

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 capitalization.

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

Financial instruments

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

Financial assets

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

Trade and other receivables

Trade and other receivables are measured at fair value as reduced by appropriate allowance for estimated doubtful debts.

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.

3. Summary of significant accounting policies (continued)

Financial instruments - continued

Available-for-sale (AFS) financial assets

Listed shares and listed redeemable notes held by the Group that are traded in an active market 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 investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are 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.

Bank borrowings

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

Trade and other payables

Trade and other payables are measured at fair value.

Due from/to related parties

Amounts due from/to related parties are stated at their fair value.

Due from/to customers for contract work

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

3. Summary of significant accounting policies (continued)

Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle the obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

4. Critical accounting judgments and key sources of estimation uncertainty

Critical judgments in applying the Group's accounting policies

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

Contract variations

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

Percentage-of-completion

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

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

Key sources of estimation uncertainty

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

Construction cost estimates

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

Allowance for slow-moving inventories

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

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date was AED 232.9 million.

Allowance for doubtful debts on trade receivables

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

Property, plant and equipment

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

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

Key sources of estimation uncertainty *- continued*

Recoverability of intangible asset

During the year, management reconsidered the recoverability of the intangible assets arising from the Group's business combinations, which is included in its balance sheet at December 31, 2007 at AED 281 million. Management is confident that the carrying amount of the assets will be recovered in full, over the defined amortisation periods. This situation will be closely monitored, and adjustments made in future periods, if future assessments indicate that such adjustments are appropriate.

Non current retentions

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

5. Cash and cash equivalents

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

	December 31,	
	2007	2006
	AED	AED
Cash and bank balances	**239,826,370**	44,676,166
Short term bank deposits	**664,236,724**	56,305,530
	904,063,094	100,981,696

6. Other financial assets

	Current		Non-current	
	December 31,		December 31,	
	2007	2006	**2007**	2006
	AED	AED	**AED**	AED
Financial assets carried at fair value				
Fixed deposits under lien	**89,283,758**	27,186,721	-	-
Margin deposits	**4,289,963**	800,670	-	-
	93,573,721	27,987,391	-	-
Shares (see Note below)	-	-	**14,712,959**	7,520,014
Loans carried at amortised cost				
Loan to a related party [Note 9 (f)]	-	-	**4,309,039**	6,185,459
Total	**93,573,721**	27,987,391	**19,021,998**	13,705,473

Note: These investments, which are carried at fair value, represent investments in listed equity securities 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.

At December 31, 2006, available for sale investments amounting to AED 2,592,120 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' engineers.

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

7. Trade and other receivables (continued)

	December 31,	
	2007	2006
	AED	AED
Trade and other receivables	**32,632,744**	10,935,567
Contract receivables	**898,577,134**	570,174,093
Amounts due from construction contract customers (Note 8)	**525,514,251**	389,891,745
Retentions receivable - current portion (Note 15)	**147,668,910**	99,538,634
Advances paid to suppliers and sub contractors	**328,362,456**	127,001,432
	1,932,755,495	1,197,541,471

An allowance has been made for estimated irrecoverable amounts from trade and other receivables of AED 996,156 (2006: AED 258,607). This allowance has been determined based on past experience of the management.

Movement in the allowance for doubtful debts:

	December 31,	
	2007	2006
	AED	AED
Balance at the beginning of the year	**258,607**	755,468
Increase/(decrease) in allowance recognized in profit/loss	**737,549**	(496,861)
	996,156	258,607

Contract receivables

The average credit period on contract receivables is 90 days. No interest is charged on the trade receivables. The contract receivables above 90 days are provided for based on estimated irrecoverable amounts, determined by reference to past default experience.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Of the contract receivables balance at the end of the year, AED 143 million (2006: AED 265 million) is due from the Group's largest customer. There are no other customers who represent more than 10% of the total balance of contract receivables.

Included in the Group's trade receivable balance are debtors with a carrying amount of AED 138 million (2006: AED 41 million) which are past due (exceeding 90 days) at the reporting date for which the Group has not provided for as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

7. Trade and other receivables (continued)

Ageing of past due but not impaired:

	December 31,	
	2007	2006
	AED	AED
60 days	**628,065,686**	460,198,575
60-90 days	**157,331,377**	68,839,492
90-120 days	**110,668,833**	2,089,758
More than 120 days	**2,511,238**	39,046,268
Total	**898,577,134**	570,174,093

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

8. Amounts due from/to construction contract customers

	December 31,	
	2007	2006
	AED	AED
Amounts due from construction contract customers included in trade and other receivables (Note 7)	**525,514,251**	389,891,745
Amounts due to construction contract customers included in trade and other payables (Note 18)	**(192,663,303)**	(26,623,806)
	332,850,948	363,267,939
Contract costs incurred plus recognized profit less recognized losses to date on projects in progress	**10,080,187,715**	6,019,178,481
Less: Progress billings	**(9,747,336,767)**	(5,655,910,542)
	332,850,948	363,267,939

9. Related party transactions

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

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

	December 31,	
	2007	2006
	AED	AED
Joint ventures		
Amounts due from joint venture partners	**70,823,932**	18,286,943
Other related parties		
Al Waab City W.L.L., Doha, Qatar	**20,386,462**	-
National Industrial Contracting Company WLL, Qatar	**691,887**	-
Pino Meroni M.E. LLC, Dubai, U.A.E.	**4,908**	157,837
Nasser Bin Khaled Al-Thani and Sons Holding Company WLL, Qatar	**8,205,763**	-
Depa interior LLC, Dubai	**10,054,800**	**-**
Specialised and Interactive Systems S.I.S., Dubai	**5,720**	-
Arabtec Pakistan (Pvt.) Limited, Pakistan	**181,813**	-
Marintek Gulf, U.A.E.	**12,526,248**	-
First Group/Kamal/Malhas, Dubai, U.A.E.	**3,494,194**	4,737,803
Nouman Fouad Trading, Abu Dhabi, U.A.E.	**-**	1,800,000
	55,551,795	6,695,640
	126,375,727	24,982,583

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

	December 31,	
	2007	2006
	AED	AED
Joint ventures		
Amounts due to joint venture partners	**11,314,207**	3,667,685
Other related parties		
Depa LLC, Abu Dhabi, U.A.E.	**74,056**	3,543,541
Mr. Awadh Tarif Al Kutbi	**16,712,785**	-
Nasser Bin Khaled Al-Thani and Sons Holding Company WLL, Qatar	**1,032,266**	-
Depa Interiors LLC, Dubai, U.A.E.	-	346,437
Qatar Automobiles Company W.L.L., Qatar	**2,632,920**	-
Nasser Bin Khaled and Sons Real Estate Company WLL, Qatar	**36,641**	-

9. Related party transactions (continued)

	December 31,	
	2007	2006
	AED	AED
Other related parties *- continued*		
Nasser Bin Khaled and Sons Company WLL, Qatar	**20,986,860**	-
Nasser Bin Khaled and Sons Automobiles Company WLL, Qatar	**14,635,064**	-
National Industrial Contracting Company W.L.L., Qatar	**101,272**	-
Doha Petrol Station Company W.L.L, Qatar	**766,380**	-
Select Transportation Solution Company W.L.L., Qatar	**55,420**	-
Nouman Fouad Trading, Abu Dhabi, U.A.E.	**5,411,645**	-
Mr. Saad Faeq Munib Al Taher	**4,470,041**	-
Mechanical Engineering Centre	**50,892**	-
Specialised and Interactive Systems S.I.S., Dubai.	**-**	27,511
Mr.Ayman Taji Farouqi	**36,053,248**	-
Mr. Riad Kamal – a Director and major shareholder	**13,727,727**	459,180
	116,747,217	4,376,669
	128,061,424	8,044,354

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

	December 31,	
	2007	2006
	AED	AED
Other related parties		
Contract revenue	**29,385,019**	112,325,887
Manpower and other charges to joint ventures	**97,539,115**	26,197,666
Share of projects' net contribution payable to a related party [see Note 9(e) below]	-	9,184,454
Subcontracting costs	**29,956,159**	200,279
Subcontractor advance	**31,000,000**	-
Wages and salaries	**151,453**	414,453
Bank charges	**2,392**	5,245
Rent received	**77,100**	49,764
Rent paid	-	27,952
Miscellaneous charges	**415,410**	-
Purchase of property, plant and equipment	**1,697,089**	-
Sale of property, plant and equipment	**3,260,941**	-
Division income	**330**	54,654
Interest received on loans	**430,527**	-
Realized profit arising from investments held in trust by a director/shareholder	**4,029,493**	-
Fair value (decrease)/increase arising on investments held in trust by a director/shareholder	**-**	(4,200,831)
Assets purchased/hired	**20,360,074**	20,095,440

9. Related party transactions (continued)

e) The share of projects' net contribution payable to a related party is based on the terms of agreements entered into between the Group and a related party and are included as direct costs for those particular contracts.

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

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

	Year ended December 31,	
	2007	2006
	AED	AED
Management fees to directors	**1,800,000**	900,000
Short term benefits	**23,077,104**	4,378,547
Post-employment benefits	**320,199**	52,500
Discretionary bonus approved for prior year	**3,000,000**	5,000,000
Discretionary bonus accrued for current year	**27,000,000**	-

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

h) Amounts due from key management personnel included in trade and other receivables:

	2007	2006
	AED	AED
At January 1,	**3,280,125**	5,459,976
Advances during the year	**2,370,016**	-
Repayment during the year	**(579,497)**	(2,415,144)
Interest charged	**166,054**	235,293
At December 31,	**5,236,698**	3,280,125

i) Amounts due to key management personnel included in trade and other payables:

	December 31,	
	2007	2006
	AED	AED
Accrued during the year	**1,800,000**	900,000

j) Included in trade and other payables is an amount of AED 18,164,479 (2006: AED 8,159,575) representing contributions from employees and directors towards an employee benefit scheme. Assets of the scheme are included in the balance sheet under cash and cash equivalents AED 9,164,371 (2006: AED 1,655,966) and other receivables AED 9,000,108 (2006: AED 6,503,609).

10. Inventories

	December 31,	
	2007	2006
	AED	AED
Steel	**65,495,020**	193,002,834
Trading goods	**48,949,175**	9,309,075
Other construction materials	**37,689,088**	11,378,949
Work in Progress	**18,951,981**	**-**
Ready mix concrete and other related materials	**12,686,891**	1,632,042
	183,772,155	215,322,900
Less: Allowance for slow-moving inventories	**-**	(217,067)
	183,772,155	215,105,833

11. Joint ventures

The Group had the following significant interests in joint ventures:

a) A 40% share in the Abu Dhabi Investment Authority Head Quarters joint venture project.
b) A 50% share in the Six Construct/Arabtec joint venture projects.
c) A 30% share in the Samsung/Six Construct/Arabtec joint venture project for Burj Dubai
d) A 50% share in Arabtec/Max Bogl joint venture projects for Jebel Ali Airport
e) A 50% share in Arabtec Engineering/WCT Engineering Berhad joint venture project for Meydan
f) A 50% share in Arabtec/Emirates Sunland Group joint venture project.
g) A 60% share in Arabtec/Aktor joint venture project.
h) A 65% share in Marintek Finland/Target Engineering Construction joint venture project.

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 financial statements as a result of the proportionate consolidation of the joint ventures:

	December 31,	
	2007	2006
	AED	AED
Current assets	**584,673,829**	142,665,291
Non-current assets	**102,414,112**	58,844,575
Current liabilities	**582,603,613**	135,746,312
Non-current liabilities	**27,045,307**	19,538,754
Commitments	**365,081**	1,395,972
Contingent liabilities	**765,722,346**	229,782,392

11. Joint ventures (continued)

	Year ended December 31,	
	2007	2006
	AED	AED
Revenue	**785,399,004**	260,794,975
Expenses	**744,520,019**	236,178,843

12. Other current assets

	December 31,	
	2007	2006
	AED	AED
Prepaid expenses	**68,555,314**	33,347,521
Due from employees	**22,723,318**	6,334,408
Other receivables	**30,719,271**	4,928,275
	121,997,903	44,610,204

Prepaid expenses include visa and immigration expenses of new employees hired during each year for a period of 3 years. Based on its employee retention experience, the Group is amortising these expenses over a period of 3 years and as of December 31, 2007 AED 22,604,555 is recorded as current prepaid expenses (2006: AED 14,622,026).

Comment [e1]: please check the number, this is full amount.

Corrected

13. Intangible assets

	Property benefit	Arabtec brand	Customer contracts	Other intangibles	Total
	AED	AED	AED	AED	AED
Cost					
At December 31, 2005	2,040,097	110,000,000	-	-	112,040,097
Additions	-	-	-	-	-
At December 31, 2006	2,040,097	110,000,000	-	-	112,040,097
Additions	1,206,600	-	195,055,800	9,000,000	205,262,400
At December 31, 2007	**3,246,697**	**110,000,000**	**195,055,800**	**9,000,000**	**317,302,497**
Accumulated amortization					
At December 31, 2005	-	11,000,000	-	-	11,000,000
Charge for the year	212,000	11,000,000	-	-	11,212,000
At December 31, 2006	212,000	22,000,000	-	-	22,212,000
Charge for the year	284,240	11,000,000	2,297,700	900,000	14,481,940
At December 31, 2007	**496,240**	**33,000,000**	**2,297,700**	**900,000**	**36,693,940**
Carrying amount					
At December 31, 2007	**2,750,457**	**77,000,000**	**192,758,100**	**8,100,000**	**280,608,557**
At December 31, 2006	1,828,097	88,000,000	-	-	89,828,097

13. Intangible assets (continued)

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

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

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

The value of customer contracts acquired as a result of the acquisition of Target Engineering Construction Company L.L.C. (Note 31) are amortized over the estimated period of benefit of 10 years.

Other intangibles are amortized over the estimated period of benefit of 10 years and represent technological expertise, the trade name and the special historic and beneficial working relationship between the companies, that together form a set of complementary assets described as 'technological expertise' and which has been valued based on the price and quality differential for electro-mechanical services available to the Group as a result of the acquisition of Emirates Falcon Electromechanical Co. (L.L.C.) (Note 31).

14. Goodwill

Goodwill arising on acquisition of:

	December 31,	
	2007	2006
	AED	AED
a) Arabtec Construction LLC	**87,962,867**	87,962,867
b) Arabian Austrian Ready Mix Concrete Co. LLC	**933,499**	933,499
c) Emirates Falcon Electro Mechanical Co. (L.L.C.)	**9,085,833**	-
d) Target Engineering Construction Company L.L.C.	**134,944,835**	-
	232,927,034	88,896,366

Emirates Falcon Electro Mechanical Co. (L.L.C.) and Target Engineering Construction Company L.L.C. were acquired during the year as detailed in Note 31.

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

	December 31,	
	2007	2006
	AED	AED
Construction business (CGU)	**231,993,535**	87,962,867
Ready mix business (CGU)	**933,499**	933,499
	232,927,034	88,896,366

14. 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 the next 10 years and discounts these to present value using discount rates based on market risk free rates and premiums for risk and uncertainty. The resultant value in use calculation provides the basis for determining whether a diminution in value of goodwill has occurred.

Calculation of value in use at December 31, 2007 indicates that no impairment has occurred to date.

15. Retentions receivable – non-current portion

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

	December 31,	
	2007	2006
	AED	AED
Total retentions receivable	**325,203,768**	205,495,820
Less: Retentions receivable – current portion (Note 7)	**(147,668,910)**	(99,538,634)
Retentions receivable - non-current portion, at fair value	**177,534,858**	105,957,186

16. Property, plant and equipment

	Land	Leasehold land	Office buildings	Plant, machinery and office equipment	Vehicles	Labour camps and buildings	Furniture	Scaffolding cabins and tunnel forms	Properties under construction	Total
	AED	AED	AED	AED	AED	AED	AED	AED	AED	AED
Cost or valuation										
At December 31, 2005	15,000,000	-	44,588,680	217,009,507	56,797,089	46,552,587	8,941,887	49,193,477	2,806,057	440,889,284
Additions	-	5,287,500	1,186,508	108,550,068	14,280,871	2,413,164	3,247,654	16,133,861	14,607,639	165,707,265
Disposals	-	-	-	(5,576,738)	(1,180,289)	(45,350)	(135)	(416,306)	-	(7,218,818)
At December 31, 2006	15,000,000	5,287,500	45,775,188	319,982,837	69,897,671	48,920,401	12,189,406	64,911,032	17,413,696	599,377,731
Acquired from acquisition of subsidiaries	-	-	26,819,177	128,252,243	14,002,851	-	14,801,796	-	-	183,876,067
Fair value increase due to acquisition of subsidiaries	-	-	-	18,186,087	806,677	-	-	-	-	18,992,764
Additions	22,696,669	-	15,030,519	141,811,439	53,337,146	2,464,859	4,480,930	6,598,282	67,087,584	313,507,428
Transfers	-	-	-	15,430,352	-	17,413,696	-	-	(32,844,048)	-
Disposals	-	-	(1,127,947)	(19,902,209)	(1,361,228)	(3,129,813)	(63,045)	(6,612,163)	-	(32,196,405)
At December 31, 2007	**37,696,669**	**5,287,500**	**86,496,937**	**603,760,749**	**136,683,117**	**65,669,143**	**31,409,087**	**64,897,151**	**51,657,232**	**1,083,557,585**
Accumulated depreciation										
At December 31, 2005	-	-	2,575,792	56,782,854	8,687,547	10,862,453	6,043,816	24,452,657	-	109,405,119
Charge for the year	-	-	2,877,891	46,061,412	8,981,299	2,898,851	1,702,144	18,003,169	-	80,524,766
Disposals	-	-	-	(5,474,986)	(669,079)	(27,670)	(42)	(329,310)	-	(6,501,087)
At December 31, 2006	-	-	5,453,683	97,369,280	16,999,767	13,733,634	7,745,918	42,126,516	-	183,428,798
Acquired through acquisition of subsidiaries	-	-	3,927,459	36,207,424	6,021,622	-	8,746,910	-	-	54,903,415
Charge for the year	-	114,946	6,186,891	63,638,989	13,743,683	5,752,976	4,082,516	12,660,924	-	106,180,925
Disposals	-	-	(506,620)	(2,229,044)	(874,085)	(1,486,843)	(22,842)	(5,375,542)	-	(10,494,976)
At December 31, 2007	**-**	**114,946**	**15,061,413**	**194,986,649**	**35,890,987**	**17,999,767**	**20,552,502**	**49,411,898**	**-**	**334,018,162**
Carrying amount										
At December 31, 2007	**37,696,669**	**5,172,554**	**71,435,524**	**408,774,100**	**100,792,130**	**47,669,376**	**10,856,585**	**15,485,253**	**51,657,232**	**749,539,423**
At December 31, 2006	15,000,000	5,287,500	40,321,505	222,613,557	52,897,904	35,186,767	4,443,488	22,784,516	17,413,696	415,948,933

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

17. Bank borrowings

	Current		Non-current	
	December 31,		December 31,	
	2007	2006	**2007**	2006
	AED	AED	**AED**	AED
Secured - at amortised cost				
Bank overdrafts	**149,551,377**	842,331	-	-
Acceptances	**-**	15,487,808	-	-
Trust receipts (i)	-	140,000,000	-	-
Vehicle loan	-	465,808	-	-
Term loan	**59,735,232**	-	**19,934,354**	763,261
Total	**209,286,609**	156,795,947	**19,934,354**	763,261

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

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

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

18. Trade and other payables

	December 31,	
	2007	2006
	AED	AED
Trade creditors and accruals	**1,217,320,692**	779,379,446
Advances received from construction contract customers	**1,134,107,603**	304,875,151
Amounts due to subcontractors	**268,304,769**	92,744,682
Subcontractors retentions payable – current portion (Note 20)	**108,622,163**	22,789,825
Refundable deposit	**2,212,794**	-
Amounts due to construction contract customers (Note 8)	**192,663,303**	26,623,806
Income tax payable	**225,117**	-
	2,923,456,441	1,226,412,910

19. Provision for employees' end of service indemnity

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

	Year ended December 31,	
	2007	2006
	AED	AED
Balance at beginning of year	**47,758,972**	32,041,556
Acquired on acquisition of subsidiaries	**27,855,893**	-
Expense for the year	**25,152,077**	18,487,858
Payments during the year	**(4,772,093)**	(2,770,442)
Balance at end of year	**95,994,849**	47,758,972

20. Retentions payable – non current portion

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

	December 31,	
	2007	2006
	AED	AED
Total retentions payable	**166,797,642**	108,013,499
Less: Retentions payable – current portion (Note 18)	**(108,622,163)**	(22,789,825)
Retentions payable – non-current portion at fair value	**58,175,479**	85,223,674

21. Share capital

Following a bonus share issue of 15% (78 million shares of AED 1 each), for which approval was given at the Annual General Meeting of the shareholders held on April 9, 2007, the share capital comprises of 598,000,000 (2006: 520,000,000) authorized, issued and fully paid shares of AED 1 each.

During 2006, the Directors proposed a bonus share issue of 30% (120 million shares of AED 1 each), for which approval was given at the Annual General Meeting of the shareholders held on May 29, 2006.

22. Revenues

Revenues comprise the following:

	Year ended December 31,	
	2007	2006
	AED	AED
Contract revenue	**4,051,040,994**	2,659,816,597
Sales of readymix concrete/precast	**52,700,161**	14,501,994
Sale and hire of equipment	**111,430,212**	19,793,042
Plant division revenue	**14,577,260**	11,080,109
Electrical division revenue	**7,204,706**	3,211,121
Scaffolding division revenue	**2,772,269**	530,186
Drainage division revenue	**30,283,658**	78,664,071
Model division revenue	**2,841,088**	22,042,956
	4,272,850,348	2,809,640,076

23. Direct costs

Direct costs comprise the following:

	Year ended December 31,	
	2007	2006
	AED	AED
Contract costs	**3,368,465,756**	2,331,499,609
Cost of sales of ready mix concrete/precast	**43,375,293**	10,958,078
Cost of sales of equipment	**76,199,105**	14,729,446
Plant division costs	**7,609,062**	7,927,210
Electrical division costs	**8,507,473**	2,779,431
Scaffolding division costs	**1,442,528**	350,708
Drainage division costs	**26,299,721**	69,435,861
Model division costs	**1,902,823**	14,941,664
	3,533,801,761	2,452,622,007

24. Other operating income

	Year ended December 31,	
	2007	2006
	AED	AED
Manpower and other charges to joint ventures	**97,539,115**	26,197,666

Comment [e2]: ncannot be that high, please check?

AH corrected

25. Selling, general and administrative expenses

	Year ended December 31,	
	2007	2006
	AED	AED
Employees' salaries and benefits	**40,820,859**	16,457,576
Employees' end of service indemnity and leave pay	**51,486,007**	44,851,584
Visa and immigration	**29,761,484**	27,505,993
Employees' bonus	**64,083,629**	32,132,190
Management fees to directors	**1,800,000**	900,000
Tender expenses	**4,014,710**	3,123,533
Selling expenses	**6,660,904**	4,609,240
Communication and utilities	**3,746,255**	2,156,221
Office rent	**3,297,403**	5,215
Depreciation (apportioned)	**17,861,254**	12,829,847
Amortisation of intangible assets (Note 13)	**14,481,940**	11,212,000
Discretionary bonus approved for prior year	**3,000,000**	5,000,000
Discretionary bonus accrued for current year	**27,000,000**	-
Other general and administrative expenses	**24,867,494**	15,119,496
	292,881,939	175,902,895

26. Other income

	Year ended December 31,	
	2007	2006
	AED	AED
Gain on sale of property, plant and equipment	**6,521,896**	3,121,721
Interest income	**25,897,222**	4,898,634
Profit from sale of available for sale investments	**7,368,070**	1,387,831
Insurance claims	**217,793**	587,759
Exchange difference	**2,046,315**	2,070
Other income	**4,116,064**	3,690,939
	46,167,360	13,688,954

Comment [e3]: does not tie to IS

AH IS corrected

27. Changes in fair value of non-current retentions

	Year ended December 31,	
	2007	2006
	AED	AED
Fair value reduction in non-current retentions receivable	**7,399,123**	2,400,123
Fair value increase/(reduction) in non-current retentions payable	**45,867**	(1,438,070)
	7,444,990	962,053

28. Income tax

	Year ended December 31,	
	2007	2006
	AED	AED
Profit for the period subject to income tax	**5,421,709**	-
Tax on income payable	**1,247,182**	-

Income tax rate varies between 10% to 30%.

29. Operating lease arrangements

The Group as lessee:

	December 31,	
	2007	2006
	AED	AED
Minimum lease payments under operating leases recognized as expense in income statement for the year	**46,288,523**	29,213,928

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

	December 31,	
	2007	2006
	AED	AED
Within one year	**19,494,701**	21,732,643
In the second to fifth years inclusive	**1,809,137**	1,815,671
Later than five years	**4,969,841**	5,405,741
	26,273,679	28,954,055

Comment [e4]: Should be more, see the above charge to pl 46 million?

This is correct, have viewed schedule on lease as to how this figure is calculated.

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

30. Dividends paid and proposed

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

Based on the results for the year ended December 31, 2007, the directors have proposed a cash dividend of AED 299 million, for which approval will be requested at the Annual General Meeting of the shareholders.

31. Acquisition of subsidiaries

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

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

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

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

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

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

31. Acquisition of subsidiaries (continued)

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

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

	Acquiree's Carrying amounts before combination	Fair value adjustment	Fair value
	AED	AED	AED
Net assets acquired:			
Property, plant and equipment	128,830,000	18,992,764	147,822,765
Trade and other receivables	483,482,000	-	483,482,000
Other assets	11,615,000	-	11,615,000
Bank and cash balances	126,491,000	-	126,491,000
Trade and other payables	(466,657,903)	-	(466,657,903)
Bank borrowings	(121,454,000)	-	(121,454,000)
Provision for employees' end of service indemnity	(25,974,000)	-	(25,974,000)
	136,332,097	**18,992,764**	**155,324,861**
Less: Minority interest			(54,532,096)
Customer contracts and related customer relationships		195,055,800	195,055,800
Lease agreement		1,206,600	1,206,600
Goodwill (Note 14)		-	134,944,835
Total consideration, satisfied by cash			**432,000,000**
Net cash outflow arising on acquisition:			
Cash consideration paid			**(432,000,000)**
Cash and cash equivalents acquired			**126,491,000**
			(305,509,000)

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

31. Acquisition of subsidiaries (continued)

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

- The fair values of property, plant and equipment acquired were determined by third party valuers – Pioneers Surveyors & Loss Adjusters.
- The fair values of the remaining tangible assets and monetary financial assets and liabilities at the acquisition date approximate to their carrying value in the financial statements of Target.
- The fair values of customer contracts and related customer relationships were determined based on contractual –legal criteria for identification as intangible assets.
- The fair value of the lease agreement for a plot of land was identified based on significant savings compared to the average market rental rates charged in the surrounding areas.

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

32. Commitments and contingencies

	December 31,	
	2007	2006
	AED	AED
Commitments		
Commitments for the acquisition of property, plant and equipment	**195,727,144**	21,059,108
Contingent liabilities		
Performance and bid bonds	**1,868,035,695**	1,342,039,424
Advance payment bonds	**934,331,452**	438,107,365
Financial guarantees	**44,664,948**	30,833,448
Retention bonds	**302,698,615**	213,123,364
Labour guarantees	**12,052,850**	10,764,150
Letters of credit	**202,760,176**	76,802,106

33. Events after the balance sheet date

On January 3, 2008, the Company acquired 55% of the share capital of Gulf Steel Industries FZC for a purchase consideration of AED 27.5 million.

34. Financial instruments

(a) Significant accounting policies

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

(b) Categories of financial instruments

	December 31,	
	2007	2006
	AED	AED
Financial assets		
Loans and receivables (including cash and cash equivalents)	**3,140,729,174**	1,429,462,936
Other financial assets	**112,595,719**	41,692,864
Financial liabilities		
Borrowings and payables	**3,280,738,828**	1,392,016,472

(c) Financial risk management objectives

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

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

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

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.

34. Financial instruments (continued)

(d) Foreign currency risk management

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

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

	Liabilities		Assets	
	2007	2006	**2007**	2006
	AED	AED	**AED**	AED
US Dollars	**39,060,671**	847,649	**35,035,579**	1,752,640
Euro	**6,778,810**	1,970,247	**101,026**	316,675
GBP	**3,539,481**	-	**5,872**	841,472
Qatar Riyals	**142,487,250**	-	**169,122,852**	-

There were no outstanding derivative financial instruments as at December 31, 2007 or 2006. The majority of the liabilities in foreign currencies are denominated either in US Dollars or the above GCC countries denominated currencies which are pegged to the US Dollar.

(e) Foreign currency sensitivity analysis

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

	Profit or loss		Other equity	
	2007	2006	**2007**	2006
	AED	AED	**AED**	AED
US dollars	**(3,909,067)**	(84,765)	**(3,909,067)**	(84,765)
Euros	**(677,881)**	(197,025)	**(677,881)**	(197,025)
GBP	**(353,948)**	-	**(353,948)**	-
Qatar Riyals	**(14,248,725)**	-	**(14,248,725)**	-

34. Financial instruments (continued)

(f) Interest rate risk management

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

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

(g) Interest rate sensitivity analysis

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

If interest rates on bank borrowings had been 50 basis points higher and all other variables were held constant, the Group's profit for the year ended December 31, 2007 would decrease by AED 561,810 (2006: decrease by AED 787,796). If interest rates on fixed deposits had been 50 basis points lower and all other variables were held constant, the Group's profit for the year ended December 31, 2007 would decrease by AED 3,756,873 (2006: decrease by AED 421,015).This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

(h) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. This information is supplied by independent debt collection agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management regularly and the Group maintains an allowance for doubtful accounts receivable based on expected collectibility of all accounts receivable.

34. Financial instruments (continued)

(h) Credit risk management - continued

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

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk did not exceed 10% of gross monetary assets at any time during the year. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

34. Financial instruments (continued)

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors. The Group manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The liquidity profile of assets and liabilities as at December 31, 2007 were as follows:

	Within 3 months	Over 3 to 6 months	Over 6 to 12 months	Over 1 to 5 years	Over 5 years	Total
	AED	AED	AED	AED	AED	AED
ASSETS						
Cash and cash equivalent	904,063,094	-	-	-	-	904,063,094
Financial assets	-	46,786,861	46,786,860	-	-	93,573,721
Trade and other receivables	1,342,672,784	590,082,711	-	-	-	1,932,755,495
Due from related parties	126,375,727	-	-	-	-	126,375,727
Inventories	183,772,155	-	-	-	-	183,772,155
Other current assets	30,499,476	30,499,475	60,998,952	-	-	121,997,903
Goodwill	-	-	-	-	232,927,034	232,927,034
Intangible assets	-	-	-	212,889,200	67,719,357	280,608,557
Investment in securities	-	-	-	14,712,959	-	14,712,959
Long term loan to related party	-	-	-	-	4,309,039	4,309,039
Long term retentions receivable	-	-	-	177,534,858	-	177,534,858
Other long term assets	-	-	-	17,445,124	-	17,445,124
Property, plant and equipment, net	-	-	-	-	749,539,423	749,539,423
Total assets	**2,587,383,236**	**667,369,047**	**107,785,812**	**422,582,141**	**1,054,494,853**	**4,839,615,089**

34. Financial instruments (continued)

	Within 3 months	Over 3 to 6 months	Over 6 to 12 months	Over 1 to 5 years	Over 5 years	Total
	AED	AED	AED	AED	AED	AED
LIABILITIES AND SHAREHOLDERS' EQUITY						
Bank borrowings	199,319,480	3,322,387	6,644,774	19,934,322	-	229,220,963
Trade and other payables	2,029,208,834	894,247,607	-	-	-	2,923,456,441
Due to related parties	128,061,424	-	-	-	-	128,061,424
Provision for end of service indemnity	-	-	-	-	95,994,849	95,994,849
Advances received from construction contract customers	-	-	-	16,608,746	-	16,608,746
Long term retentions payable	-	-	-	-	58,175,479	58,175,479
Share capital	-	-	-	-	598,000,000	598,000,000
Statutory reserve	-	-	-	-	91,811,549	91,811,549
Fair value adjustment reserve	-	-	-	-	9,714,178	9,714,178
Retained earnings	268,000,000	-	-	-	282,303,942	550,303,942
Minority interest	-	-	-	-	138,267,518	138,267,518
Total Liabilities and Shareholders' Equity	**2,624,589,738**	**897,569,994**	**6,644,774**	**36,543,068**	**1,274,267,515**	**4,839,615,089**

34. Financial instruments (continued)

(i) 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;

(j) 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 2006.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 17, 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 21 respectively.

Gearing ratio

The gearing ratio at the year end was as follows:

	December 31,	
	2007	2006
	AED	AED
Debt (i)	**229,220,863**	157,559,208
Equity (ii)	**1,249,829,669**	783,672,145
Debt to equity ratio	**18%**	20%

(i) Debt is defined as long-and short-term borrowings, as detailed in Note 17.

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

35. Business and geographical segments

All of the Group's operations currently relate to the construction sector and are carried out in the same geographical area within the countries of the Gulf Corporation Council.

36. Comparative amounts

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