ARAB HEAVY INDUSTRIES P.J.S.C.
AND SUBSIDIARY
AJMAN - UNITED ARAB EMIRATES

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED DECEMBER 31, 2009

Arab Heavy Industries P.J.S.C. and Subsidiary
Ajman - United Arab Emirates

Consolidated Financial Statements and
Independent Auditor's Report
For the year ended December 31, 2009

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Independent Auditor's Report

The Shareholders
Arab Heavy Industries P.J.S.C. and Subsidiary
Ajman
United Arab Emirates

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **Arab Heavy Industries P.J.S.C. (the "Company") and its Subsidiary (together the "Group"), Ajman, United Arab Emirates** which comprise the consolidated statement of financial position as at December 31, 2009, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Deloitte.

Independent Auditor's Report (continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of **Arab Heavy Industries P.J.S.C. and its Subsidiary, Ajman,** as of December 31, 2009, and their consolidated financial performance and their consolidated 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 and the physical inventory was properly conducted. The information contained in the Directors' report relating to the consolidated financial statements is in agreement with the books. We obtained all the information which we considered necessary for our audit. According to the information available to us, there were no contraventions during the year of the U.A.E. Federal Commercial Companies Law No. 8 of 1984, as amended, or the Articles of Association of group companies which might have materially affected the financial position of the Group or their financial performance.

For Deloitte & Touche

Sharjah
January 14, 2010

Saba Y. Sindaha
Partner
(Registration No. 410)

Arab Heavy Industries P.J.S.C. and Subsidiary
Ajman - United Arab Emirates

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

	Notes	December 31, 2009	December 31, 2008
ASSETS			
Current assets			
Bank balances and cash	5	**131,649,663**	120,807,259
Trade and other receivables	6	**45,730,712**	45,560,012
Inventories	7	**12,238,889**	27,378,530
Due from a related party	8	**-**	1,055
Total current assets		**189,619,264**	193,746,856
Non-current assets			
Goodwill	9	**2,773,497**	2,773,497
Property, plant and equipment	10	**107,664,220**	105,917,298
Total non-current assets		**110,437,717**	108,690,795
Total Assets		**300,056,981**	302,437,651
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	11	**52,847,926**	70,366,442
Due to related parties	8	**294,878**	294,829
Total current liabilities		**53,142,804**	70,661,271
Non-current liabilities			
Provision for employees' end of service benefits	12	**6,746,976**	6,472,745
Total Liabilities		**59,889,780**	77,134,016
Capital and reserves			
Share capital	13	**67,225,900**	67,225,900
Statutory reserve		**33,612,950**	32,861,244
General reserve		**6,722,590**	6,722,590
Retained earnings		**132,605,761**	118,493,901
Total Equity		**240,167,201**	225,303,635
Total Liabilities and Equity		**300,056,981**	302,437,651

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

Chairman

Managing Director

Arab Heavy Industries P.J.S.C. and Subsidiary
Ajman - United Arab Emirates

Consolidated Statement of Income
For the year ended December 31, 2009
(In Arab Emirates Dirhams)

	Notes	**Year ended December 31, 2009**	Year ended December 31, 2008
Revenue		**220,263,573**	227,044,533
Operating expenses	14	**(135,719,369)**	(145,264,681)
Operating profit		**84,544,204**	81,779,852
Interest income		**4,097,074**	2,321,513
Other income		**2,253,978**	6,864,815
Profit for the year		**90,895,256**	90,966,180
Basic earnings per share	15	**135.21**	135.31

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

Arab Heavy Industries P.J.S.C. and Subsidiary
Ajman - United Arab Emirates

Consolidated Statement of Comprehensive Income
For the year ended December 31, 2009
(In Arab Emirates Dirhams)

	Year ended December 31, 2009	Year ended December 31, 2008
Profit for the year	**90,895,256**	90,966,180
Other comprehensive income		
Board of Directors' remuneration paid	**(2,083,200)**	(1,736,000)
Total comprehensive income for the year	**88,812,056**	89,230,180

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

Consolidated Statement of Changes in Equity
For the year ended December 31, 2009
(In Arab Emirates Dirhams)

	Share capital	Statutory reserve	General reserve	Retained earnings	Total
Balance at December 31, 2007	67,225,900	24,014,421	6,722,590	75,084,789	173,047,700
Profit for the year	-	-	-	90,966,180	90,966,180
Board of Directors' remuneration	-	-	-	(1,736,000)	(1,736,000)
Total comprehensive income for the year	-	-	-	89,230,180	89,230,180
Dividends paid (see Note16)	-	-	-	(36,974,245)	(36,974,245)
Transfer to statutory reserve	-	8,846,823	-	(8,846,823)	-
Balance at December 31, 2008	67,225,900	32,861,244	6,722,590	118,493,901	225,303,635
Profit for the year	-	-	-	90,895,256	90,895,256
Board of Directors' remuneration	-	-	-	(2,083,200)	(2,083,200)
Total comprehensive income for the year	-	-	-	88,812,056	88,812,056
Dividends paid (see Note16)	-	-	-	(73,948,490)	(73,948,490)
Transfer to statutory reserve	-	751,706	-	(751,706)	-
Balance at December 31, 2009	**67,225,900**	**33,612,950**	**6,722,590**	**132,605,761**	**240,167,201**

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

Consolidated Statement of Cash Flows
For the year ended December 31, 2009
(In Arab Emirates Dirhams)

	Year ended December 31, 2009	Year ended December 31, 2008
Cash flows from operating activities		
Profit for the year	**90,895,256**	90,966,180
Adjustments for:		
Depreciation of property, plant and equipment	**6,844,360**	6,233,066
Provision for employees' end of service benefits	**852,483**	797,853
Allowance for doubtful debts provided/(written back)	**830,740**	(3,137,371)
Interest income	**(4,097,074)**	(2,321,513)
Gain on disposal of property plant and equipment	**(15,000)**	(124,396)
Operating cash flows before changes in operating assets and liabilities	**95,310,765**	92,413,819
Increase in trade and other receivables	**(1,001,440)**	(12,685,829)
Decrease/(increase) in inventories	**15,139,641**	(15,882,991)
Decrease/(increase) in due from a related party	**1,055**	(1,055)
(Decrease)/increase in trade and other payables	**(19,701,046)**	12,140,965
Increase in due to related parties	**49**	136,440
Cash generated from operations	**89,749,024**	76,121,349
Employees' end of service benefits paid	**(578,252)**	(754,281)
Net cash generated from operating activities	**89,170,772**	75,367,068
Cash flows from investing activities		
Purchase of property, plant and equipment	**(8,591,282)**	(4,076,460)
Proceeds from disposal of property, plant and equipment		**15,000**
124,436		
Decrease/(increase) in fixed deposits	**19,770,333**	(10,966,642)
Interest received	**4,097,074**	2,321,513
Net cash generated from/(used in) investing activities	**15,291,125**	(12,597,153)
Cash flows from financing activities		
Dividends paid	**(73,849,160)**	(36,946,668)
Cash used in financing activities	**(73,849,160)**	(36,946,668)
Net increase in cash and cash equivalents	**30,612,737**	25,823,247
Cash and cash equivalents at the beginning of the year	**95,840,617**	70,017,370
Cash and cash equivalents at the end of the year (Note 17)	**126,453,354**	95,840,617
	=========	==========

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

1. General information

Arab Heavy Industries P.J.S.C. (the "Company") is a public joint stock company incorporated in the Emirate of Ajman, United Arab Emirates, pursuant to a decree issued by H.H. the Ruler of Ajman in 1975. The "Group" comprises Arab Heavy Industries P.J.S.C. and Arab Eagle Marine Engineering L.L.C. (see Note 3). The address of the Company's registered office is P. O. Box 529, Ajman, United Arab Emirates.

The principal activities of the Company are ship repair and steel fabrication.

2. Adoption of new and revised International Financial reporting Standards (IFRSs)

2.1 Standards affecting presentation and disclosure

The following new and revised Standards have been adopted in the current year in these consolidated financial statements and have affected the presentation and disclosures in these consolidated financial statements. Details of other Standards and Interpretations adopted but that have had no effect on these consolidated financial statements are set out in section 2.2.

• IAS 1 (as revised in 2007) *Presentation of Financial Statements*	IAS 1 (2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.
• *Amendments to IFRS 7 Financial Instruments: Disclosures, Improving disclosures about Financial Instruments*	The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk.

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

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

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

2.2 Standards and Interpretations adopted with no effect on the consolidated financial statements (continued)

• Amendments to IFRS 2 *Share-Based Payment - Vesting Conditions and Cancellations*	The amendments clarify the definition of vesting conditions for the purposes of IFRS 2, introduce the concept of "non-vesting" conditions, and clarify the accounting treatment for cancellations.
• IFRS 8 *Operating Segments*	IRFS 8 is a disclosure Standard that requires re-designation of the Group's reportable segments based on the segments used by the Chief Operating Decision Maker to allocate resources and assess performance.
• IAS 23 (as revised in 2007) *Borrowing Costs*	The principal change to the Standard was to eliminate the option to expense all borrowing costs when incurred.
• Amendments to IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*	The revisions to IAS 32 amend the criteria for debt/equity classification by permitting certain puttable financial instruments and instruments (or components of instruments) that impose on an entity an obligation to deliver to another party a pro-rata share of the net assets of the entity only on liquidation, to be classified as equity, subject to specified criteria being met.
• IFRIC 13 *Customer Loyalty Programmes*	The Interpretation provides guidance on how entities should account for customer loyalty programmes by allocating revenue on sale to possible future award attached to the sale.
• IFRIC 15 *Agreement for the construction of Real Estate*	The Interpretation addresses how entities should determine whether an agreement for the construction of real estate is within the scope of IAS 11 *Construction Contracts* or IAS 18 *Revenue* and when revenue from the construction of real estate should be recognised.
• IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*	The Interpretation provides guidance on the detailed requirements for net investment hedging for certain hedge accounting designations.
• Improvements to IFRSs (2008)	Amendments to IFRS 5, IAS 1, IAS 16, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 36, IAS 38, IAS 39, IAS 40 and IAS 41 resulting from May and October 2008 *Annual Improvements to IFRSs* effective for annual periods beginning on or after January 1, 2009.

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

2.3 Standards and Interpretations in issue not yet effective and not early adopted

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

New Standards and amendments to Standards:

	Effective for annual periods beginning on or after
• IFRS 1 (revised) *First Time Adoption of IFRS* and IAS 27 (revised) *Consolidated and Separate Financial Statements* – Amendment relating to Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	July 1, 2009
• IFRS 1 (revised) *First Time Adoption of IFRS* – Amendment on additional exemptions for First-time Adopters	January 1, 2010
• IFRS 2 (revised) *Share-Based Payment* – Amendment relating to Group cash-settled Share-based payments	January 1, 2010
• IFRS 3 (revised) *Business Combinations* – Comprehensive revision on applying the acquisition method and consequential amendments to IAS 27 (revised) *Consolidated and Separate Financial Statements*, IAS 28 (revised) *Investments in Associates* and IAS 31 (revised) *Interests in Joint Ventures*	July 1, 2009
• IFRS 9 Financial Instruments: Classification and Measurement (intended as complete replacement for IAS 39 and IFRS 7)	January 1, 2013
• IAS 24 Related Party Disclosures – Amendment on disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a Government	January 1, 2011
• IAS 32 (revised) Financial Instruments: Presentation – Amendments relating to classification of Rights Issue	February 1, 2010
• IAS 39 (revised) Financial Instruments: Recognition and Measurement – Amendments relating to Eligible Hedged Items(such as hedging Inflation risk and Hedging with options)	July 1, 2009

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

2.3 Standards and Interpretations in issue not yet effective and not early adopted (continued)

New Standards and amendments to Standards: (continued)

• Improvements to IFRSs (2009): Amendments to IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38 and IAS 39 resulting from April 2009 *Annual Improvements to IFRSs*.	Majority effective for annual periods beginning on or after January 1, 2010

New Interpretations and amendments to Interpretations:

	Effective for annual periods beginning on or after
• IFRIC 17: *Distributions of Non-cash Assets to Owners*	July 1, 2009
• IFRIC 18: *Transfers of Assets from Customers*	July 1, 2009
• IFRIC 19: *Extinguishing Financial Liabilities with Equity Instruments*	July 1, 2010
• Amendment to IFRIC 14: *IAS 19: The limit on a defined Benefit Asset, Minimum Funding Requirement and their interaction*	January 1, 2011
• Amendment to IFRIC 9 (revised): *Reassessment of Embedded Derivatives* relating to assessment of embedded derivatives in case of reclassification of a financial asset out of the 'FVTPL' category	July 1, 2009
• Amendment to IFRIC 16: *Hedges of a Net Investment in a Foreign Operation*	July 1, 2009

Management anticipates that these amendments will be adopted in the Group's consolidated financial statements for the period beginning January 1, 2010 or as and when they are applicable and adoption of these standards and interpretations may have no material impact on the consolidated financial statements of the Group in the period of initial application.

3. Significant accounting policies

Statement of compliance

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

Basis of preparation

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

Basis of consolidation

The consolidated financial statements of Arab Heavy Industries P.J.S.C. and Subsidiary (the "Group") incorporate the financial statements of the Company and entity controlled by the Company (its Subsidiary). 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. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Subsidiary:

Details of the Company's subsidiary at December 31, 2009 is as follows:

Name of subsidiary	Proportion of ownership interest	Proportion of voting power held	Country of incorporation and operation	Principal activity
Arab Eagle Marine Engineering L.L.C.	99.9%	100 %	United Arab Emirates	Engaged in the activity of afloat repair.

The remaining equity in the above subsidiary is held by the Company beneficially through nominee arrangements.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each 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. Acquisition-related costs are recognised in profit or loss as incurred.

3. Significant accounting policies (continued)

Business combinations (continued)

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

3. Significant accounting policies (continued)

Goodwill (continued)

Goodwill is not amortised but is reviewed for impairment at least annually. 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 its carrying amount, 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, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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.

Rendering of services

Revenue from rendering of services is recognised when the outcome of the transaction can be estimated reliably, by reference to the stage of completion of the transaction at the end of each reporting period.

Interest

Interest 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 the asset's net carrying amount.

Foreign currencies

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

3. Significant accounting policies (continued)

Foreign currencies (continued)

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

Exchange differences are recognised in profit or loss in the year in which they arise except for:

- Exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

Defined contribution plan

UAE national employees of the Group are members of the Government-managed retirement pension and social security benefit scheme pursuant to U.A.E. labour law no. 7 of 1999. The Group is required to contribute 12.5% of the "contribution calculation salary" of payroll costs to the retirement benefit scheme to fund the benefits. The employees and the Government contribute 5% and 2.5% of the "contribution calculation salary" respectively, to the scheme. The only obligation of the Group with respect to the retirement pension and social security scheme is to make the specified contributions. The contributions are charged to profit or loss.

Provision for employees' end of service benefits

Provision for employees' end of service benefits is made in accordance with the U.A.E. labour laws, and is based on current remuneration and cumulative years of service at the end of the reporting period.

3. Significant accounting policies (continued)

Statutory reserve

In accordance with United Arab Emirates Federal Companies Law Number 8 of 1984, as amended, the Company has established a statutory reserve by appropriation of 10% of its net profit for each year until the reserve equals 50% of the share capital. This reserve is not available for distribution except as stipulated by the Law.

General reserve

The Company's Articles of Association require that 10% of the annual net profit be appropriated to a general reserve until such reserve equals 10% of paid-up share capital. As the general reserve is equal to 10% of paid-up share capital, no further appropriation has been made during the year. This reserve is distributable in accordance with the Articles of Association of the Company.

Property, plant and equipment

Freehold land is stated at cost.

Capital work in progress is stated at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Other property and equipment are stated at cost less accumulated depreciation and any identified impairment losses.

Depreciation is charged so as to write off the cost of assets, other than freehold land and capital work in progress, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

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 the end of each reporting period, the Group reviews the carrying amounts of its tangible 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. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

3. Significant accounting policies (continued)

Impairment of tangible and intangible assets excluding goodwill (continued)

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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is 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, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, 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.

Inventories

Spares, consumables and supplies

Spares, consumables and supplies are stated at the lower of cost and net realisable value. Costs comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing them to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Work-in-progress

Work-in-progress is stated at lower of cost (comprising direct labour, material cost, direct expenses and an appropriate allocation of production overheads) and the net realisable value, which is arrived at after providing for anticipated losses, if any, when the possibility of loss is ascertained.

Progress claims made against work-in-progress are offset against the cost of work-in-progress and the profits recognised on partly completed long-term contracts less any provision required reducing cost to estimated realisable value.

3. Significant accounting policies (continued)

Provisions

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

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

Provision for warranty is made on the completion of a job to cover any liability which may arise during the warranty period, at Management's best estimate of the expenditure required to settle the Group's obligation.

Financial assets

The Group's financial assets include cash and cash equivalents, trade and other receivables (excluding prepaid expenses) and due from a related party. Trade and other receivables (excluding prepaid expenses) and due from a related party are classified as 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Cash and cash equivalents

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

Loans and receivables

Loans and receivables that have fixed or determinable payments are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment.

3. Significant accounting policies (continued)

Financial assets (continued)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

3. Significant accounting policies (continued)

Financial liabilities and equity instruments issued by the Group

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Trade and other payables (excluding advances from customers) and due to related parties are classified as 'other financial liabilities'.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 3, Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

In the process of applying Group's accounting policies, the Management is of the opinion that there is no instance of application of judgements which is expected to have a significant effect on the amounts recognised in the financial statements, apart from those involving estimations described below.

Key sources of estimation uncertainty

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Adjustments to reduce the cost of inventory to its realisable value are made at the product group level for estimated excess, obsolescence or impaired balances. Factors influencing these adjustments include changes in demand, product pricing, physical deterioration and quality issues. Based on the above factors, the Group has arrived at certain percentages for allowance for slow moving and obsolete inventories. Revisions to these adjustments would be required if these factors differ from the estimates.

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 Management to estimate the future cash flows expected to generate from the cash-generating unit and a suitable discount rate in order to calculate present value.

Provision for warranty

A provision is recognised for expected warranty claims on ship repairs and fabrication jobs performed during the year, based on past experience of repairs. It is expected that most of these costs will probably be incurred in the next financial year and all will probably have been incurred within one year of the end of the reporting period. Assumptions used to calculate the provision for warranties were based on current revenue and current information available about repairs based on the one-year warranty period for all the services provided.

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

Allowance for doubtful debts

Allowance for doubtful debts is determined using a combination of factors to ensure that the trade receivables are not overstated due to uncollectibility. The allowance for doubtful debts for all customers is based on a variety of factors, including the overall quality and aging of the receivables, continuing credit evaluation of the customers' financial conditions and collateral requirements from customers in certain circumstances.

5. Bank balances and cash

	December 31,	
	2009	2008
	AED	AED
Cash on hand	**30,000**	30,000
Bank balances:		
Current accounts	**12,789,388**	2,256,878
Fixed deposits	**118,830,275**	118,520,381
	131,649,663	120,807,259

Bank balances are maintained with banks in the United Arab Emirates.

6. Trade and other receivables

	December 31,	
	2009	2008
	AED	AED
Trade receivables	**45,660,202**	43,153,878
Allowance for doubtful debts	**(948,031)**	(117,291)
	44,712,171	43,036,587
Prepaid expenses	**221,040**	188,259
Other receivables	**797,501**	2,335,166
	45,730,712	45,560,012

The average credit period is 90 days. Trade receivables between 90 days and 180 days are provided for based on estimated irrecoverable amounts, determined by reference to past default experience.

6. Trade and other receivables (continued)

Analysis of receivables over 180 days are as follows:

	December 31,	
	2009	2008
	AED	AED
Allowance made for	**948,031**	117,291
Receivables expected to be recovered	**11,009,408**	804,764
Post dated cheques received	**1,958,000**	121,500
	13,915,439	1,043,555

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limit. Of the trade receivable balance at the end of year, AED 7.2 million (2008: AED 9.8 million) is due from the Group's largest customer. There are 6 (2008: 5) other customers who represent more than 5% (2008: 5%) of the total balance of trade receivables.

Movement in the allowance for doubtful debts is as follows:

	2009	2008
	AED	AED
Balance at the beginning of the year	**117,291**	3,254,662
Allowance made during the year	**856,781**	-
Provision reversed during the year	**(26,041)**	(3,137,371)
Balance at the end of the year	**948,031**	117,291

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 risks is limited due to the customer base being large and unrelated. Accordingly, Management believes that there is no further provision required in excess of the allowance for doubtful debts.

7. Inventories

	December 31,	
	2009	2008
	AED	AED
Spares, consumables and supplies	**11,744,152**	16,161,671
Allowance for slow moving items	**(1,286,899)**	(1,268,870)
	10,457,253	14,892,801
Work in progress	**1,781,636**	12,485,729
	12,238,889	27,378,530

8. Related party transactions

At the reporting date, amounts due from/to related parties were as follows:

	December 31,	
	2009	2008
	AED	AED
Due from a related party		
Al Futtaim Willis Co. L.L.C.	**-**	1,055
Due to related parties		
Al Futtaim Auto and Machinery Company L.L.C.	**17,055**	166,057
Keppel Shipyard Limited	**270,508**	122,181
Keppel Corporation Limited	**7,315**	6,591
	294,878	294,829

The amounts outstanding are unsecured and will be settled in cash.

8. Related party transactions (continued)

Transactions:

During the year, the Group entered into the following transactions with related parties who are not members of the Group:

	Year ended December 31	
	2009	2008
	AED	AED
Purchases	**687,742**	785,770
Management fees to Keppel Group	**11,179,473**	11,231,328
Other expenses	**1,719,581**	2,020,535

Transactions with related parties were entered into on terms agreed with Management.

The Group is managed by a member of Keppel Group. As per the management agreement, the Group is charged a fixed management fee of Singapore Dollars 450,000 (2008: Singapore Dollars 450,000) per annum plus variable management fee of 10% (2008: 10%) of the profit for the year.

Compensation of Directors / key management personnel:

	Year ended December 31	
	2009	2008
	AED	AED
Directors' remuneration	**2,083,200**	1,736,000

9. Goodwill

	December 31,	
	2009	2008
	AED	AED
Goodwill recognised on acquisition	**2,773,497**	2,773,497
	========	========

During the financial year, the Group assessed the recoverable amount of goodwill, and determined that no impairment is required. The recoverable amount of relevant cash-generating unit was assessed by reference to value in use. A discount factor of 15% per annum (2008: 15% per annum) was applied in the value in use model.

10. Property, plant and equipment

	Freehold land	Buildings and structure	Plant and machinery	Vehicles, vessels and moving equipment	Tools, Computers, furniture and fixture	Capital work in progress	Total
	AED	AED	AED	AED	AED	AED	AED
Cost							
At December 31, 2007	17,500,000	117,604,773	57,292,872	21,239,014	7,836,576	471,013	221,944,248
Additions	-	993,883	376,132	634,148	141,506	1,930,791	4,076,460
Disposals	-	-	(136,706)	(332,700)	(26,380)	-	(495,786)
At December 31, 2008	17,500,000	118,598,656	57,532,298	21,540,462	7,951,702	2,401,804	225,524,922
Additions	-	81,703	3,818,289	-	261,424	4,429,866	8,591,282
Disposals	-	-	(188,715)	(244,229)	-	-	(432,944)
Transfers	-	-	43,404	-	(43,404)	-	-
At December 31, 2009	**17,500,000**	**118,680,359**	**61,205,276**	**21,296,233**	**8,169,722**	**6,831,670**	**233,683,260**
Accumulated depreciation							
At December 31, 2007	-	53,499,900	40,361,102	12,819,959	7,189,343	-	113,870,304
Charge for the year	-	3,567,324	1,618,120	758,111	289,511	-	6,233,066
Eliminated on disposals	-	-	(136,692)	(332,696)	(26,358)	-	(495,746)
At December 31, 2008	-	57,067,224	41,842,530	13,245,374	7,452,496	-	119,607,624
Charge for the year	-	3,683,105	2,118,683	809,004	233,568	-	6,844,360
Eliminated on disposals	-	-	(188,715)	(244,229)	-	-	(432,944)
At December 31, 2009	-	**60,750,329**	**43,772,498**	**13,810,149**	**7,686,064**	-	**126,019,040**
Carrying amount							
At December 31, 2009	**17,500,000**	**57,930,030**	**17,432,778**	**7,486,084**	**483,658**	**6,831,670**	**107,664,220**
At December 31, 2008	17,500,000	61,531,432	15,689,768	8,295,088	499,206	2,401,804	105,917,298

10. Property, plant and equipment (continued)

At December 31, 2009, the cost of fully depreciated property, plant and equipment that was still in use amounted to AED 72,656,788 (December 31, 2008: AED 72,586,941).

The useful lives considered in the calculation of depreciation for all the assets are as follows:

	Years
Buildings and structure	3 to 35
Plant and machinery	3 to 35
Vehicles, vessels and moving equipment	3 to 20
Tools, computers and furniture and fixture	3 to 5

Capital work in progress mainly represents cost incurred for construction of labour accomodation.

11. Trade and other payables

	December 31,	
	2009	2008
	AED	AED
Trade payables	**7,232,447**	14,458,618
Provision for warranties	**7,682,879**	9,907,963
Accruals for jobs	**14,754,854**	23,347,549
Other accruals and payables	**23,177,746**	22,652,312
	52,847,926	70,366,442

The average credit period on purchase of goods is 60 days. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

The movements in provision for warranties were as follows:

	2009	2008
	AED	AED
Balance at the beginning of the year	**9,907,963**	9,566,624
Provision made during the year	**8,961,194**	10,967,715
Provision reversed during the year	**(11,186,278)**	(10,626,376)
Balance at the end of the year	**7,682,879**	9,907,963

12. Provision for employees' end of service benefits

Movements in the net liability were as follows:

	2009	2008
	AED	AED
Balance at the beginning of the year	**6,472,745**	6,429,173
Amounts charged to statement of income	**852,483**	797,853
Amounts paid	**(578,252)**	(754,281)
Balance at the end of the year	**6,746,976**	6,472,745

13. Share capital

	December 31,	
	2009	2008
	AED	AED
Issued and fully paid:		
672,259 (2008: 672,259) ordinary shares of AED 100 each	**67,225,900**	67,225,900

14. Operating expenses

	Year ended December 31,	
	2009	2008
	AED	AED
Material and subcontractor cost	**77,634,892**	84,457,881
Payroll and related expenses	**20,968,288**	21,342,879
Depreciation on property, plant and equipment	**6,844,360**	6,233,066
Other operating expenses	**30,271,829**	33,230,855
	135,719,369	145,264,681

15. Basic earnings per share

	Year ended December 31,	
	2009	2008
Profit for the year (in AED)	**90,895,256**	90,966,180
Number of shares	**672,259**	672,259
Basic earnings per share (in AED)	**135.21**	135.31

16. Dividends

During the year 2009, a dividend of AED 110 per share was paid to the Shareholders for 2008 (for 2007: AED 55).

In respect of the current year, the Directors propose that a dividend of AED 67,225,900 (2008: AED 73,948,490) be paid to the Shareholders in 2010. This dividend is subject to approval by the Shareholders at the Annual General Meeting and has not been included as a liability in these consolidated financial statements.

It has been proposed that the Board of Directors remuneration for the year be AED 1,979,040 (2008: AED 2,083,200).

17. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and in banks net of fixed deposits in banks with maturity over three months. Cash and cash equivalents at the end of the year as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	December 31,	
	2009	2008
	AED	AED
Bank balances and cash (Note 5)	**131,649,663**	120,807,259
Bank fixed deposits with maturity greater than three months	**(5,196,309)**	(24,966,642)
	126,453,354	95,840,617

18. Commitments and contingent liabilities

Commitments and contingent liabilities as of the reporting date are as follows:

	December 31,	
	2009	2008
	AED	AED
Commitments		
Commitments for the acquisition of property, plant and equipment	**13,200,000**	17,512,256
Contingent liabilities		
Letters of guarantee	**37,160**	37,160

19. 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 Shareholders. The Group's overall strategy remains unchanged from 2008.

The capital structure of the Group consists of bank balances and cash and equity, comprising issued capital, reserves and retained earnings.

20. Financial instruments

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.

20. Financial instruments (continued)

Categories of financial instruments

	December 31,	
	2009	2008
	AED	AED
Financial assets		
Loans and receivables (including cash and cash equivalents)	**177,159,335**	166,180,067
Financial liabilities		
At amortised cost	**53,142,804**	70,661,271

Financial risk management objectives

The Group's Finance Department, co-ordinates access to domestic financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk and liquidity risk.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Market risk exposures are measured using sensitivity analysis.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

Foreign currency risk management

There are no significant foreign currency risks as substantially all financial assets and financial liabilities are denominated in Arab Emirates Dirhams or United State Dollars to which Dirham is fixed.

Interest rate risk management

The Group's exposure to interest rate risk relates to its fixed deposits with banks. At December 31, 2009, fixed deposits carried an interest rate of 2.1% to 6% per annum (2008: 1.08% to 6.1% per annum).

The sensitivity analysis below, have been determined based on the exposure to interest rates on Group's deposits with banks at the end of reporting period. A 15 basis point increase or decrease represents Management's assessment of the reasonably possible change in interest rates.

20. Financial instruments (continued)

Interest rate risk management (continued)

If interest rates had been 15 basis points higher/lower and all other variables were held constant, the Group's profit for the year would increase/decrease by AED 0.2 million (2008: AED 0.1 million).

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 as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit quality 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 Management.

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

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk did not exceed 35% (2008: 54%) of gross monetary assets at any time during the year. The credit risk on liquid funds is limited because the counterparties are banks registered in the United Arab Emirates.

The carrying amount of financial assets recorded in the consolidated financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk.

Liquidity risk management

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities at maturity date.

The Group manages the liquidity risk through risk management framework for the Group's short, medium and long-term funding and liquidity management requirements by maintaining adequate reserves, sufficient cash and cash equivalent to ensure funds are available to meet its commitments for liabilities as they fall due.

20. Financial instruments (continued)

Liquidity risk management (continued)

The table below includes the maturity profile of the Group's financial instruments. The contractual maturities of the financial instruments have been determined on the basis of the remaining period at the end of the reporting period to the contractual maturity date. The maturity profile is monitored by Management to ensure adequate liquidity is maintained. The maturity profile of the financial assets and financial liabilities at the reporting date based on contractual repayment arrangements was as follows:

Year 2009:
Financial assets

	Within 1 year	2 years - 5 years	Total
	AED	AED	AED
Bank balances and cash	131,649,663	-	131,649,663
Trade and other receivables	45,509,672	-	45,509,672
Total	**177,159,335**	**-**	**177,159,335**

Financial liabilities

	Within 1 year	2 years - 5 years	Total
	AED	AED	AED
Trade and other payables	52,847,926	-	52,847,926
Due to related parties	294,878	-	294,878
Total	**53,142,804**	**-**	**53,142,804**

20. Financial instruments (continued)

Liquidity risk management (continued)

Year 2008:
Financial assets

	Within 1 year	2 years - 5 years	Total
	AED	AED	AED
Bank balances and cash	120,807,259	-	120,807,259
Trade and other receivables	45,371,753	-	45,371,753
Due from a related party	1,055	-	1,055
Total	**166,180,067**	**-**	**166,180,067**

Financial liabilities

	Within 1 year	2 years - 5 years	Total
	AED	AED	AED
Trade and other payables	70,366,442	-	70,366,442
Due to related parties	294,829	-	294,829
Total	**70,661,271**	**-**	**70,661,271**

21. Approval of consolidated financial statements

The consolidated financial statements were approved by the Board of Directors and authorised for issue on January 14, 2010.