

**ARABTEC HOLDING PJSC AND ITS SUBSIDIARIES
DUBAI - UNITED ARAB EMIRATES**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION AND REVIEW REPORT
FOR THE THREE MONTH PERIOD ENDED
MARCH 31, 2007**

**Arabtec Holding PJSC and its Subsidiaries
Dubai - United Arab Emirates**

**Interim Condensed Consolidated Financial Information and Review Report
For the Three Month Period Ended March 31, 2007**

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Report on Review of Interim Condensed Consolidated Financial Information

**The Board of Directors
Arabtec Holding PJSC
Dubai
United Arab Emirates**

Introduction

We have reviewed the accompanying interim condensed consolidated balance sheet of **Arabtec Holding PJSC** (the “Company”) **and its Subsidiaries** (collectively the “Group”) as at March 31, 2007 and the related interim condensed consolidated statements of income, changes in equity and cash flows for the three month period then ended and accompanying notes. Management of the Company is responsible for the preparation and fair presentation of this interim financial information in accordance with International Accounting Standard 34 – Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard No. 34.

Deloitte & Touche

**Dubai
April 30, 2007**

**Anis F. Sadek
(Registration No. 521)**

Interim Condensed Consolidated Balance Sheet
At March 31, 2007
(In Arab Emirates Dirhams)

	<u>Note</u>	March 31, 2007	December 31, 2006
		(reviewed)	(audited)
Assets			
Current assets			
Cash and cash equivalents		274,099,938	100,981,696
Other financial assets		48,143,407	27,987,391
Trade and other receivables		1,185,202,061	1,197,541,471
Due from related parties	6 (b)	11,709,290	24,982,583
Inventories		192,949,720	215,105,833
Other current assets		<u>66,247,723</u>	<u>44,610,204</u>
Total current assets		<u>1,778,352,139</u>	<u>1,611,209,178</u>
Non-current assets			
Other financial assets		16,093,295	13,705,473
Intangible assets	8	95,784,562	89,828,097
Goodwill		97,982,199	88,896,366
Retentions receivable – non-current portion		64,342,094	105,957,186
Other non-current assets		12,020,492	9,523,556
Property, plant and equipment	9	<u>472,275,240</u>	<u>415,948,933</u>
Total non-current assets		<u>758,497,882</u>	<u>723,859,611</u>
Total Assets		<u>2,536,850,021</u>	<u>2,335,068,789</u>
Liabilities and Equity			
Current liabilities			
Bank borrowings		39,866,794	156,795,947
Trade and other payables		1,429,693,500	1,226,412,910
Due to related parties	6 (c)	<u>61,386,942</u>	<u>8,044,354</u>
Total current liabilities		<u>1,530,947,236</u>	<u>1,391,253,211</u>
Non-current liabilities			
Bank borrowings		6,604,050	763,261
Provision for employees' end of service indemnity		54,506,629	47,758,972
Retentions payable – non-current portion		<u>53,316,134</u>	<u>85,223,674</u>
Total non-current liabilities		<u>114,426,813</u>	<u>133,745,907</u>
Total Liabilities		<u>1,645,374,049</u>	<u>1,524,999,118</u>
Capital and reserves			
Share capital	12	520,000,000	520,000,000
Statutory reserve		44,286,606	38,276,226
Fair value adjustment reserve		3,193,687	909,887
Retained earnings		<u>278,579,458</u>	<u>224,486,032</u>
Equity attributable to equity holders of the parent		<u>846,059,751</u>	<u>783,672,145</u>
Minority interest		<u>45,416,221</u>	<u>26,397,526</u>
Total Equity		<u>891,475,972</u>	<u>810,069,671</u>
Total Liabilities and Equity		<u>2,536,850,021</u>	<u>2,335,068,789</u>

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

The financial information on pages 2 to 15 was approved and authorized for issue by the Board of Directors on April 30, 2007 and signed on their behalf by:

.....
Riad Kamal
Managing Director

**Interim Condensed Consolidated Income Statement
For the Three Month Period Ended March 31, 2007
(In Arab Emirates Dirhams)**

	Three Month Period Ended March 31,	
	<u>2007</u> (reviewed)	<u>2006</u> (reviewed)
Revenue	837,271,120	646,652,442
Direct costs	(729,419,272)	(580,380,949)
Gross profit	107,851,848	66,271,493
Other operating income	7,816,249	7,335,664
General and administrative expenses	(53,904,546)	(37,455,091)
Changes in fair value of non-current retentions	<u>2,543,707</u>	<u>854,099</u>
Profit from operations	64,307,258	37,006,165
Finance costs	(<u>1,577,722</u>)	(<u>9,367</u>)
Profit for the period	62,729,536	36,996,798
	=====	=====
Attributable to:		
Equity holders of the parent	60,103,806	36,996,798
Minority interests	<u>2,625,730</u>	<u>-</u>
	62,729,536	36,996,798
	=====	=====
Basic earnings per share (AED)	0.12	0.07
(based on profit for the period attributable to equity holders of the parent and 520 million shares in issue throughout the period)	=====	=====

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

**Interim Condensed Consolidated Statement of Changes in Equity
For the Three Month Period Ended March 31, 2007
(In Arab Emirates Dirhams)**

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Fair value adjustment reserve</u>	<u>Retained earnings</u>	<u>Attributable to equity holders of the parent</u>	<u>Minority interest</u>	<u>Total</u>
Balance at December 31, 2005 (audited)	400,000,000	16,585,671	8,100,140	149,271,039	573,956,850	-	<u>573,956,850</u>
Profit for the period	-	-	-	36,996,798	36,996,798	-	36,996,798
Realised profit on sale of investments transferred to income statement	-	-	(1,387,831)	-	(1,387,831)	-	(1,357,831)
Loss on available for sale investments recognized directly in equity	-	-	(1,908,936)	-	(1,908,936)	-	<u>(1,908,936)</u>
Total income recognized for the period							<u>33,700,031</u>
Transfer to statutory reserve	-	<u>3,699,680</u>	-	(3,699,680)	-	-	-
Balance at March 31, 2006 (reviewed)	<u>400,000,000</u>	<u>20,285,351</u>	<u>4,803,373</u>	<u>182,568,157</u>	<u>607,656,881</u>	-	<u>607,656,881</u>
Balance at December 31, 2006 (audited)	520,000,000	38,276,226	909,887	224,486,032	783,672,145	26,397,526	<u>810,069,671</u>
Profit for the period	-	-	-	60,103,806	60,103,806	2,625,730	62,729,536
Gain on available-for-sale investments recognized directly in equity	-	-	2,283,800	-	2,283,800	-	<u>2,283,800</u>
Total income recognized for the period	-	-	-	-	-	-	<u>65,013,336</u>
Minority interest arising	-	-	-	-	-	16,392,965	16,392,965
Transfer to statutory reserve	-	<u>6,010,380</u>	-	(6,010,380)	-	-	-
Balance at March 31, 2007 (reviewed)	<u>520,000,000</u>	<u>44,286,606</u>	<u>3,193,687</u>	<u>278,579,458</u>	<u>846,059,751</u>	<u>45,416,221</u>	<u>891,475,972</u>

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

**Interim Condensed Consolidated Cash Flow Statement
For the Three Month Period Ended March 31, 2007
(In Arab Emirates Dirhams)**

	Three month period ended March 31,	
	<u>2007</u> (reviewed)	<u>2006</u> (reviewed)
Operating activities		
Profit for the period	62,729,536	36,996,798
Adjustments for:		
Depreciation of property, plant and equipment	23,938,041	21,020,770
Amortization of intangible assets	3,043,535	2,803,000
Provision for employees' end of service indemnity	5,692,823	4,405,614
Gain on sale of investments in securities	-	(1,387,831)
Gain on sale of property, plant and equipment	(536,543)	(758,776)
Finance costs	1,577,722	9,367
Changes in fair value of non-current retentions receivable and payable	(2,543,707)	(854,099)
Operating cash flows before changes in operating assets and liabilities	93,901,407	62,234,843
(Increase)/decrease in financial assets	(20,156,016)	235,771
Decrease in trade and other receivables	48,420,725	23,792,549
Decrease/(increase) in due from related parties	13,273,293	(1,348,613)
Decrease in inventories	22,312,913	2,752,734
Increase in other current assets	(21,637,519)	(6,666,972)
Increase in trade and other payables	190,447,808	27,206,397
Increase/(decrease) in due to related parties	29,366,066	(711,798)
Decrease in retention receivable – non-current portion	44,158,799	34,081,689
Decrease in retention payables – non-current portion	(31,907,540)	(10,754,128)
Increase in other non-current assets	(2,496,936)	(1,036,745)
Cash generated from operations	365,683,000	129,785,727
Employees' end of service indemnity paid	(827,395)	(624,952)
Interest paid	(1,577,722)	(9,367)
Net cash from operating activities	<u>363,277,883</u>	<u>129,151,408</u>
Investing activities		
Purchase of property, plant and equipment	(82,563,045)	(35,411,723)
Proceeds from sale of property, plant and equipment	2,977,736	3,483,802
Proceeds from sale of investments in securities	-	2,676,433
Acquisition of investment in subsidiaries, net of cash acquired	(14,770,289)	-
Increase in loans to a related party	(104,021)	-
Net cash used in investing activities	<u>(94,459,619)</u>	<u>(29,251,488)</u>
Cash flow from financing activities		
Proceeds from issue of shares to minority interest – capital	16,190,465	-
Proceeds from bank borrowings	-	1,619,781
Repayment of bank borrowings	(111,890,487)	-
Net cash (used in)/from financing activities	<u>(95,700,022)</u>	<u>1,619,781</u>
Net increase in cash and cash equivalents	173,118,242	101,519,701
Cash and cash equivalents at the beginning of the period	<u>100,981,696</u>	<u>93,907,569</u>
Cash and cash equivalents at the end of the period	<u>274,099,938</u>	<u>195,427,270</u>

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

**Notes to the Interim Condensed Consolidated Financial Information
For the Three Month Period Ended March 31, 2007**

1. Establishment and operations

Arabtec Holding PJSC (the “Company”) is a Public Joint Stock Company established under the laws of the United Arab Emirates pursuant to a trade license issued by the Department of Economic Development, Dubai and the Ministry of Economy.

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

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

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

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

<u>Name of subsidiary and domicile</u>	<u>Percentage of beneficial holding</u>	<u>Principal activities</u>
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
Nasir Bin Khalid Factory Readymix Concrete Co. LLC, Doha, Qatar	49%	Manufacture and transportation of readymix concrete product
Emirates Falcon Electromechanical Co. EFECO. LLC, Dubai, UAE	55%	Electrical mechanical and plumbing contracts
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
Arabtec Engineering LLC, Dubai (under formation)	100%	Infrastructure construction works.

Notes to the Interim Condensed Consolidated Financial Information - continued
For the Three Month Period Ended March 31, 2007

1. Establishment and operations (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 this financial information as the "Group" are primarily engaged in the construction of high-rise towers, buildings and residential villas, in addition to the execution of related services such as drainage, electrical and mechanical works, provision of readymix concrete and construction equipment supply and rental.

2. Basis of preparation

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

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

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 the Company.

The results of subsidiaries acquired or disposed of during the year are included in the interim 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 information of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

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

3. Significant accounting policies

The interim condensed consolidated financial information has been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments. The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2006 and the interim financial information should be read in conjunction with the consolidated financial statements for the year ended December 31, 2006.

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

Notes to the Interim Condensed Consolidated Financial Information - continued
For the Three Month Period Ended March 31, 2007

4. Segment information

Substantially all of the Group's operations currently relate to the construction sector and are performed in the United Arab Emirates.

5. Results for the period

The results for the three month ended March 31, 2007 reflect the results of the Group's continuing projects and new projects commenced during the period and are not significantly affected by any seasonal or cyclical operations.

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

Discretionary bonuses for the year ended December 31, 2006 totaling AED 3 million were approved by Management during the period and were charged in arriving at the result for the three month period ended March 31, 2007 (three months ended March 31, 2006: AED 5 million).

6. 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 major shareholders, directors and entities related to them, companies and entities under common ownership and/or common management and control, their partners and key management personnel. Management decides on the terms and conditions of the transactions and services received/rendered from/to related parties as well as on other charges.
- b) At the balance sheet date, due from related parties comprised the following:

	March 31, 2007	December 31, 2006
	(Reviewed)	(Audited)
	AED	AED
Joint ventures		
Amounts due from joint venture partners	<u>9,005,841</u>	<u>18,286,943</u>
Other related parties		
Pino Meroni M.E. LLC, Dubai, U.A.E.	69,776	157,837
First Group/Kamal/Malhas joint venture, Dubai, U.A.E.	2,604,983	4,737,803
Nouman Fouad Trading, Dubai, U.A.E.	-	1,800,000
Al Mukawilon Contracting Co. Ltd, Palestine	<u>28,690</u>	-
	<u>2,703,449</u>	<u>6,695,640</u>
	<u>11,709,290</u>	<u>24,982,583</u>
	=====	=====

Notes to the Interim Condensed Consolidated Financial Information - continued
For the Three Month Period Ended March 31, 2007

6. Related party transactions (continued)

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

	March 31, 2007 (Reviewed) AED	December 31, 2006 (Audited) AED
Joint ventures		
Amounts due to joint venture partners	<u>1,442,964</u>	<u>3,667,685</u>
Other related parties		
Depa LLC, Abu Dhabi, U.A.E.	74,056	3,543,541
Depa Interiors LLC, Dubai, U.A.E.	439,756	346,437
Specialised and Interactive System LLC, Dubai, U.A.E.	-	27,511
Mr. Riad Kamal – a director and major shareholder	3,138	459,180
NBK & Sons, Qatar	40,834,261	-
Bina for Investment and Housing, Jordan	60,108	-
Mr. Saad Faeq Munib Al Taher	17,911,224	-
Nouman Fouad Trading, Dubai, U.A.E.	<u>621,435</u>	-
	<u>59,943,978</u>	<u>4,376,669</u>
	<u>61,386,942</u>	<u>8,044,354</u>
	=====	=====

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

	Three month period ended March 31,	
	2007 (Reviewed) AED	2006 (Reviewed) AED
Other related parties		
Contract and other revenue	3,542,339	38,753,222
Share of projects net contribution payable to a related party – Note 6 (e)	-	4,000,000
Sub-contracting costs	527,351	109,312
Wages and salaries	151,453	101,232
Interest received on loans	104,021	-
Bank charges	1,283	1,283
Rent income	60,000	251,250
Miscellaneous charges	415,410	-
Purchase of property, plant and equipment	117,900	-
Sale of property, plant and equipment	3,260,941	-
Manpower and other charges to joint ventures	5,352,623	3,531,790
Assets purchased/hired	1,984,433	-
Fair value increase/(decrease) arising on investments held in trust by a director/shareholder	591,185	(881,096)
	=====	=====

Notes to the Interim Condensed Consolidated Financial Information - continued
For the Three Month Period Ended March 31, 2007

6. 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 is included as direct costs for those particular contracts.
- f) The Group has provided a loan (included in other financial assets) of AED 6,289,480 to a minority shareholder in House of Equipment Co. LLC. Interest on the loan is charged at 7% per annum.
- g) The remuneration of directors and other members of key management during the period were as follows:

	Three month period ended	
	March 31,	
	<u>2007</u>	<u>2006</u>
	(Reviewed)	(Reviewed)
	AED	AED
Management fees to directors	225,000	225,000
Short term benefits	704,984	604,571
Post-employment benefits	11,625	10,500
Discretionary bonus	3,000,000	5,000,000

The remuneration of directors 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 other current assets:

	March 31,	December 31,
	<u>2007</u>	<u>2006</u>
	(Reviewed)	(Audited)
	AED	AED
At beginning of period/year	3,280,125	5,459,976
Repayment during the period	(18,000)	(2,415,144)
Interest charged during the period	48,485	235,293
At end of the period/year	3,310,610	3,280,125
	=====	=====

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

	March 31,	December 31,
	<u>2007</u>	<u>2006</u>
	(Reviewed)	(Audited)
	AED	AED
Accrued during the period/year	225,000	900,000
	=====	=====

Notes to the Interim Condensed Consolidated Financial Information - continued
For the Three Month Period Ended March 31, 2007

6. Related party transactions (continued)

- j) Included in trade and other payables is an amount of AED 10,771,626 representing contributions from employees and directors towards a staff welfare scheme. The related assets of the scheme are included in the balance sheet under other receivables.
- k) The Group is entitled to a proportionate share of the joint venture's assets and revenues and bears a proportionate share of the liabilities and outgoings (Note 7).

7. Joint ventures

The Group had the following significant interests in joint ventures:

- a) A 40% share in the Abu Dhabi Investment Authority Head Quarter 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.
- d) A 50% share in Arabtec/Max Bogl joint venture project.
- e) A 50% share in Arabtec/Mace joint venture project.

The following amounts are included in the Group's financial statements as a result of the proportionate consolidation of the joint ventures:

	March 31, 2007	December 31,
	(Reviewed)	(Audited)
	AED	AED
Current assets	176,776,531	57,070,287
Non-current assets	36,727,021	58,844,575
Current liabilities	206,970,816	135,746,312
Non-current liabilities	6,532,736	19,538,754
Commitments	1,395,372	1,395,972
Contingent liabilities	476,133,957	229,782,392
	=====	=====

Notes to the Interim Condensed Consolidated Financial Information - continued
For the Three Month Period Ended March 31, 2007

7. Joint ventures (continued)

	Three month period ended	
	March 31,	
	<u>2007</u>	<u>2006</u>
	(Reviewed)	(Reviewed)
	AED	AED
Revenue	172,598,888	60,348,403
Expenses	163,733,258	54,636,340
	=====	=====

8. Intangible assets

	<u>Other</u>	<u>Leasehold</u>	<u>Arabtec</u>	<u>Total</u>
	<u>intangibles</u>	<u>property</u>	<u>brand</u>	<u></u>
	AED	benefit	AED	AED
	AED	AED	AED	AED
Cost				
At December 31, 2006	-	2,040,097	110,000,000	112,040,097
Additions	<u>9,000,000</u>	<u>-</u>	<u>-</u>	<u>9,000,000</u>
At March 31, 2007	<u>9,000,000</u>	<u>2,040,097</u>	<u>110,000,000</u>	<u>121,040,097</u>
Accumulated amortization				
At December 31, 2006	-	212,000	22,000,000	22,212,000
Charge for the period	<u>225,000</u>	<u>68,535</u>	<u>2,750,000</u>	<u>3,043,535</u>
At March 31, 2007	<u>225,000</u>	<u>280,535</u>	<u>24,750,000</u>	<u>25,255,535</u>
Carrying amount				
At March 31, 2007				
(Reviewed)	8,775,000	1,759,562	85,250,000	95,784,562
	=====	=====	=====	=====
At December 31, 2006				
(Audited)	-	1,828,097	88,000,000	89,828,097
	=====	=====	=====	=====

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

Amortization of the leasehold property benefit is based on the underlying lease, and commenced on January 1, 2006 for a period of 18 years.

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 International Financial Reporting Standards.

Notes to the Interim Condensed Consolidated Financial Information - continued
For the Three Month Period Ended March 31, 2007

8. Intangible assets (continued)

Other intangibles are amortized over the estimated period of benefit of 10 years and represents 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. LLC (Note 14).

9. Property, plant and equipment

During the period, the Group purchased approximately AED 82.56 million (2006: AED 35.411 million) of various types of property, plant and equipment and disposed of plant and office equipment with a net book value of AED 2.44 million (2006: AED 2.73 million) for proceeds of AED 2.98 million (2006: AED 3.48 million).

10. Operating lease

The Group as lessee:

	Three month period ended	
	March 31,	
	<u>2007</u>	<u>2006</u>
	(Reviewed)	(Reviewed)
	AED	AED
Minimum lease payments under operating leases recognized as expense for the period	9,179,305	4,582,563
	=====	=====

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

	March 31,	December 31,
	<u>2007</u>	<u>2006</u>
	(Reviewed)	(Audited)
	AED	AED
Within one year	26,828,311	21,732,643
In the second to fifth years inclusive	1,743,804	1,815,671
Later than five years	5,296,900	5,405,741
	33,869,015	28,954,055
	=====	=====

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

Notes to the Interim Condensed Consolidated Financial Information - continued
For the Three Month Period Ended March 31, 2007

11. Commitments and contingencies

	March 31, 2007	December 31,
	(Reviewed)	2006
	AED	(Audited)
		AED
Commitments		
Commitments for the acquisition of property, plant and equipment	14,807,554	21,059,108
	=====	=====
Contingent liabilities		
Performance and bid bonds	1,504,145,088	1,342,039,424
Advance payment bonds	732,040,439	438,107,365
Financial guarantees	33,077,948	30,833,448
Retention bonds	312,285,663	213,123,364
Labour guarantees	10,951,150	10,764,150
Letters of credit	130,476,008	76,802,106
	=====	=====

12. Share capital

The share capital comprises of 520,000,000 (December 31, 2006: 520,000,000) authorized, issued and fully paid shares of AED 1 each.

13. Post balance sheet events

Based on the results for the year ended December 31, 2006, the directors proposed a bonus share issue of 15% (78 million shares of AED 1 each) and cash dividends of AED 78 million, for which approval has been received at the Annual General Meeting of the shareholders held on April 9, 2007.

14. Acquisition of subsidiaries

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 by the purchase method of accounting in accordance with IFRS 3.

Notes to the Interim Condensed Consolidated Financial Information - continued
For the Three Month Period Ended March 31, 2007

14. Acquisition of subsidiaries (continued)

The net assets acquired in the transaction, and the 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	<u>9,000,000</u>
Total consideration, satisfied by cash	18,333,333 =====
	AED
Net cash outflow arising on acquisition:	
Cash consideration paid	(18,333,333)
Cash and cash equivalents acquired	<u>3,563,044</u>
	(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 4.6 million to Group's profit for the period between the date of acquisition and the balance sheet date.