ARABTEC HOLDING PJSC (FORMERLY
(ARAB TECHNICAL CONSTRUCTION COMPANY PJSC)
AND ITS SUBSIDIARIES
DUBAI - UNITED ARAB EMIRATES

DIRECTORS' REPORT,
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2006

Arabtec Holding PJSC (formerly Arab Technical Construction Company PJSC) and its Subsidiaries
Dubai - United Arab Emirates

Directors' Report,
Consolidated Financial Statements and
Independent Auditor's Report
For the Year Ended December 31, 2006

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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 31 December 2006, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year ended 31 December 2006.

Principal activities

During the year ended December 31, 2006 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 217 million (2005: AED 166 million) representing a 31% 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 21.7 million is made to general reserve from the distributable profit of AED 217 million.

The issue of 15% bonus shares and the payment of a 15% cash dividends 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 39.3 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, 2006 amounted to AED784 million (2005: AED 574 million) an increase of 36.6%.

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, 2006. Deloitte & Touche are eligible for reappointment for 2007 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 8, 2007

The Shareholders
Arabtec Holding PJSC (formerly Arab Technical Construction Company PJSC)
Dubai
United Arab Emirates

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **Arabtec Holding PJSC (formerly Arab Technical Construction Company PJSC) (the "Company") and its Subsidiaries** (collectively the "Group"), which comprise the consolidated balance sheet as at December 31, 2006, 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 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, 2006, 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

Saba Sindaha (Reg. No. 410)

Dubai
March 8, 2007

Consolidated Balance Sheet
As of December 31, 2006
(In Arab Emirates Dirhams)

	Note	2006	2005
Assets			
Current assets			
Cash and cash equivalents	5	**100,981,696**	93,907,569
Other financial assets	6	**27,987,391**	27,825,420
Trade and other receivables	7	**1,197,541,471**	936,194,657
Due from related parties	9	**24,982,583**	29,576,492
Inventories	10	**215,105,833**	95,405,616
Other current assets	12	**44,610,204**	32,012,789
Total current assets		**1,611,209,178**	1,214,922,543
Non-current assets			
Other financial assets	6	**13,705,473**	11,659,723
Intangible assets	13	**89,828,097**	101,040,097
Goodwill	14	**88,896,366**	88,896,366
Retentions receivable – non-current portion	15	**105,957,186**	128,629,676
Other non-current assets		**9,523,556**	13,140,145
Property, plant and equipment	16	**415,948,933**	331,484,165
Total non-current assets		**723,859,611**	674,850,172
Total Assets		**2,335,068,789**	1,889,772,715
Liabilities and Equity			
Current liabilities			
Bank borrowings	17	**156,795,947**	-
Trade and other payables	18	**1,226,412,910**	1,217,627,383
Due to related parties	9	**8,044,354**	9,066,453
Total current liabilities		**1,391,253,211**	1,226,693,836
Non-current liabilities			
Bank borrowings	17	**763,261**	-
Provision for employees' end of service indemnity	19	**47,758,972**	32,041,556
Retentions payable – non-current portion	20	**85,223,674**	57,080,473
Total non-current liabilities		**133,745,907**	89,122,029
Total Liabilities		**1,524,999,118**	1,315,815,865
Capital and reserves			
Share capital	21	**520,000,000**	400,000,000
Statutory reserve		**38,276,226**	16,585,671
Fair value adjustment reserve		**909,887**	8,100,140
Retained earnings		**224,486,032**	149,271,039
Equity attributable to equity holders of the parent		**783,672,145**	573,956,850
Minority interest		**26,397,526**	-
Total Equity		**810,069,671**	573,956,850
Total Liabilities and Equity		**2,335,068,789**	1,889,772,715

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

The consolidated financial statements on pages 4 to 44 were approved and authorized for issue by the Board of Directors on March 8, 2007 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, 2006
(In Arab Emirates Dirhams)

	Note	Year ended December 31, 2006	Period from September 20, 2004 (date of Commencement) to December 31, 2005
Revenues	22	**2,809,640,076**	2,565,510,644
Direct costs	23	**(2,452,622,007)**	(2,333,341,612)
Gross profit		**357,018,069**	232,169,032
Other operating income	24	**26,197,666**	12,438,901
Selling, general and administrative expenses	25	**(175,902,895)**	(100,866,245)
Profit from operations		**207,312,840**	143,741,688
Other income	26	**13,688,954**	29,501,622
Changes in fair value of non-current retentions	27	**(962,053)**	(1,558,007)
Finance costs		**(1,211,403)**	(5,828,593)
Profit for the year/period		**218,828,338**	165,856,710
Attributable to:			
Equity holders of the parent		**216,905,548**	165,856,710
Minority interest		**1,922,790**	-
		218,828,338	165,856,710
Basic earnings per share [based on profit for the year and 520 million shares in issue (including 120 million bonus shares approved on May 29, 2006)]		**AED 0.42**	AED 0.32

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

Consolidated Statement of Changes in Equity
For the Year Ended December 31, 2006
(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
Capital introduced during the prior period	400,000,000	-	-	-	400,000,000	-	400,000,000
Gains on available for sale investments recognized directly in equity	-	-	8,100,140	-	8,100,140	-	8,100,140
Profit for the period	-	-	-	165,856,710	165,856,710	-	165,856,710
Total income/expenses recognized for the period	-	-	-	-	173,956,850	-	173,956,850
Transfer to statutory reserve	-	16,585,671	-	(16,585,671)	-	-	-
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	120,000,000	-	-	(120,000,000)	-	-	-
Minority interest	-	-	-	-	-	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	218,823,338
Total income/expenses 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**

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

Arabtec Holding PJSC (formerly Arab Technical Construction Company PJSC) and its Subsidiaries
Dubai - United Arab Emirates

Consolidated Cash Flow Statement
For the Year Ended December 31, 2006
(In Arab Emirates Dirhams)

	Year ended December 31, 2006	Period from September 20, 2004 (date of Commencement) to December 31, 2005
Operating activities		
Profit for the year/period	**218,828,338**	165,856,710
Adjustments for:		
Depreciation of property, plant and equipment	**80,524,766**	50,972,755
Amortization of intangible assets	**11,212,000**	11,000,000
Provision for employees' end of service indemnity	**18,487,858**	10,149,510
(Decrease)/increase in allowance for trade receivables	**(496,861)**	755,468
(Decrease)/increase in allowance for slow-moving inventories	**(403,520)**	20,587
Gain on sale of property, plant and equipment	**(3,121,721)**	(656,003)
Gain on sale of investment in securities	**(1,387,831)**	-
Finance costs	**1,211,403**	5,828,593
Changes in fair value of non-current retentions receivable and payable	**962,053**	1,558,007
Operating profit before changes in operating assets and liabilities	**325,816,485**	245,485,627
(Increase) /decrease in other financial assets	**(161,971)**	33,081,466
Increase in trade and other receivables	**(260,849,684)**	(438,403,914)
Decrease/(increase) in due from related parties	**4,593,639**	(25,550,665)
(Increase) /decrease in inventories	**(119,296,697)**	26,378,058
Increase in other current assets	**(12,597,415)**	(5,783,507)
Increase in trade and other payables	**8,785,527**	357,112,677
(Decrease)/increase in due to related parties	**(1,022,099)**	3,370,258
Decrease/(increase) in retention receivable – non-current portion	**21,710,437**	(26,220,502)
Increase in retention payables – non-current portion	**28,143,201**	40,770,881
(Decrease)/increase in other non-current assets	**3,616,589**	(7,471,654)
Cash (used in)/generated from operations	**(1,261,988)**	202,768,725
Employees' end of service indemnity paid	**(2,770,442)**	(1,901,180)
Interest paid	**(1,211,403)**	(5,828,593)
Net cash (used in)/from operating activities	**(5,243,833)**	195,038,952
Investing activities		
Loan to a related party	**(6,185,459)**	-
Purchase of property, plant and equipment	**(165,707,265)**	(106,589,564)
Purchase of available for sale investments	**(4,339,144)**	(3,559,583)
Acquisition of subsidiaries, net of cash acquired (Note 29)	**-**	(288,104,391)
Proceeds from disposal of property, plant and equipment	**3,839,452**	8,654,885
Proceeds from disposal of available for sale investments	**2,676,433**	-
Net cash used in investing activities	**(169,715,983)**	(389,598,653)
Cash flow from financing activities		
Proceeds from issue of share capital	**-**	400,000,000
Settlement of current accounts of previous shareholders of subsidiary	**-**	(72,114,071)
Proceeds from/(repayments of) borrowings	**157,559,207**	(39,418,659)
Minority interests invested	**24,474,736**	-
Net cash from financing activities	**182,033,943**	288,467,270
Net increase in cash and cash equivalents	**7,074,127**	93,907,569
Cash and cash equivalents at the beginning of the year/period	**93,907,569**	-
Cash and cash equivalents at the end of the year/period (Note 5)	**100,981,696**	93,907,569

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's founders arranged for the issue of a prospectus for the initial public offering of the Company's shares in August 2004 and, following the successful subscription for the entire share capital, the inaugural shareholders' meeting was held on September 20, 2004, which date is considered to be the official date of commencement of operations.

The Company's 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.

The Company has invested in the below mentioned companies in the current year:

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 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

The Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations, and effective for annual reporting periods beginning on January 1, 2006. The adoption of these new and revised standards and interpretations has resulted in no changes to Group accounting policies.

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

IFRS 7 *Financial Instruments: Disclosures*
IFRS 8 *Operating Segments*
IFRIC 4 *Determining whether an Arrangement contains a Lease*
IFRIC 10 *Interim financial reporting and impairment*
IFRIC 11 *Group and treasury share transactions*
IFRIC 12 *Service concession arrangements*

The directors anticipate that the adoption of these Standards in future periods will not have a material impact on the financial statements of the Group.

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:

3. Significant accounting policies (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Group 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.

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.

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 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.

3. Significant accounting policies (continued)

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.

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.

3. Significant accounting policies (continued)

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.

Property, plant and equipment

Land is stated in the balance sheet at its revalued amount, being the fair value at the date of revaluation. 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.

3. Significant accounting policies (continued)

Property, plant and equipment (continued)

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	46

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.

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.

3. Significant accounting policies (continued)

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.

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. This reserve is not available for distribution except in the circumstances stipulated by the Law.

3. Significant accounting policies (continued)

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.

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 that it is probable will be recoverable. 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.

3. Significant accounting policies (continued)

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.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the 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.

3. Summary of significant accounting policies (continued)

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.

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.

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

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 know amount of cash and are subject to an insignificant risk of changes in value.

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.

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.

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

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

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.

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).

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

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

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.

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.

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

Key sources of estimation uncertainty (continued)

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 88.9 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, 2005 at AED 101 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,	
	2006	2005
	AED	AED
Cash and bank balances	**44,676,166**	44,736,763
Short term bank deposits	**56,305,530**	49,170,806
	100,981,696	93,907,569
	=========	==========

6. Other financial assets

	Current		Non-current	
	December 31,		December 31,	
	2006	2005	**2006**	2005
	AED	AED	**AED**	AED
Financial assets carried at fair value				
Fixed deposits under lien	**27,186,721**	19,775,367	-	-
Margin deposits	**800,670**	8,050,053	-	-
	27,897,391	27,825,420	-	-
Shares (see Note below)	**-**	-	**7,520,014**	11,659,723
Loans carried at amortised cost				
Loan to a related party [Note 9 (h)]	-	-	**6,185,459**	-
Total	**27,897,391**	27,825,420	**13,705,473**	11,659,723

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 (2005: AED 6,792,951) are 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, 2006 AED	December 31, 2005 AED
Trade and other receivables	**10,935,567**	8,413,075
Contract receivables	**570,174,093**	349,017,868
Amounts due from construction contract customers (Note 8)	**389,891,745**	425,822,124
Retentions receivable - current portion (Note 15)	**99,538,634**	91,440,852
Advances paid to suppliers and sub contractors	**127,001,432**	61,500,738
	1,197,541,471	936,194,657

An allowance has been made for estimated irrecoverable amounts from trade and other receivables of AED 258,607 (2005: AED 755,468). This allowance has been determined based on past experience of the management.

Movement in the allowance for doubtful debts:

	December 31, 2006 AED	December 31, 2005 AED
Balance at the beginning of the year	**755,468**	-
(Decrease)/increase in allowance recognized in profit/loss	**(496,861)**	755,468
	258,607	755,468

8. Amounts due from/to construction contract customers

	December 31, 2006 AED	December 31, 2005 AED
Amounts due from construction contract customers included in trade and other receivables (Note 7)	**389,891,745**	425,822,124
Amounts due to construction contract customers included in trade and other payables (Note 18)	**(26,623,806)**	(84,049,237)
	363,267,939	341,772,887
Contract costs incurred plus recognized profit less recognized losses to date	**6,019,178,481**	4,124,286,531
Less: Progress billings	**(5,655,910,542)**	(3,782,513,644)
	363,267,939	341,772,887

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,	
	2006	2005
	AED	AED
Joint ventures		
Amounts due from joint venture partners	**18,286,943**	184,962
Other related parties		
Energy Management Services, Dubai, U.A.E.	**-**	250,590
Specialized and Interactive Systems, Dubai, U.A.E.	**-**	1,135
Pino Meroni M.E. LLC, Dubai, U.A.E.	**157,837**	29,173
Depa Interiors LLC, Dubai, U.A.E.	**-**	348,106
Mr. Riad Kamal – a director and major shareholder	**-**	13,940
First Group/Kamal/Malhas joint venture, Dubai, U.A.E.	**4,737,803**	11,889,324
Sulaiman Al Bassam/Malhas joint venture, Dubai, U.A.E.	**-**	16,859,262
Noumon Fouad Trading, Dubai, U.A.E.	**1,800,000**	-
	6,695,640	29,391,530
	24,982,583	29,576,492
	=========	=========

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

	December 31,	
	2006	2005
	AED	AED
Joint ventures		
Amounts due to joint venture partners	**3,667,685**	7,187,625
Other related parties		
Depa LLC, Abu Dhabi, U.A.E.	**3,543,541**	1,878,828
Depa Interiors LLC, Dubai, U.A.E.	**346,437**	-
Specialised and Interactive System LLC, Dubai, U.A.E.	**27,511**	-
Mr. Riad Kamal – a director and major shareholder	**459,180**	-
	4,376,669	1,878,828
	8,044,354	9,066,453
	=========	=========

9. Related party transactions (continued)

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

	December 31, 2006 AED	December 31, 2005 AED
Other related parties		
Contract revenue	**112,325,887**	148,656,582
Manpower and other charges to joint ventures	**26,197,666**	12,438,901
Share of projects' net contribution payable to senior management (2005)/ a related party (2006) [see Note 9(e) below]	**9,184,454**	13,500,000
Subcontracting costs	**200,279**	377,720
Wages and salaries	**414,453**	218,271
Bank charges	**5,245**	30,396
Rent received	**49,764**	198,895
Rent paid	**27,952**	25,684
Division income	**54,654**	158,730
Realised profit arising from investments held in trust by a director/shareholder	**-**	762,603
Purchase consideration for shares in Arabtec Construction LLC paid to directors/shareholders of the Group [see Note 9(f) below]	**-**	330,000,000
Interest paid to directors/shareholders of the Group relating to settlement of the proceeds of sale of shares in Arabtec Construction LLC [see Note 9(g) below]	**-**	4,880,791
Fair value (decrease)/increase arising on investments held in trust by a director/shareholder	**(4,200,831)**	5,008,494
Assets purchased/hired (Nouman Fouad Trading)	**20,095,440**	-
	==========	==========

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

f) The purchase consideration for the acquisition of 100% of the shares of Arabtec Construction LLC was determined based on an independent valuation agreed by a committee appointed by the UAE Ministry of Economy and Planning and approved by the shareholders in an Extra-ordinary General Assembly held on January 12, 2005.

9. Related party transactions (continued)

g) The interest paid to certain directors/shareholders of the Group relating to their proceeds from the purchase of shares of Arabtec Construction LLC is in accordance with the terms of the Share Purchase Agreement approved by the shareholders at the Extra-ordinary General Assembly held on January 12, 2005.

h) The Group has provided a loan of AED 6,185,459 to a minority shareholder in House of Equipment Co. LLC (Note 6). Interest on the loan is charged at 7% per annum.

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

	Year ended December 31, 2006	Period from September 20, 2004 (date of commencement) to December 31, 2005
	AED	AED
Management fees to directors	**900,000**	900,000
Short term benefits	**4,378,547**	1,801,366
Post-employment benefits	**52,500**	31,500
Discretionary bonus	**5,000,000**	-

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

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

	2006	2005
	AED	AED
At January 1,	**5,459,976**	-
Acquired on acquisition of a subsidiary	**-**	200,000
Advances during the period	**-**	5,398,854
Repayment during the period	**(2,415,144)**	(266,684)
Interest charged	**235,293**	127,806
At December 31,	**3,280,125**	5,459,976
	=========	=========

9. Related party transactions (continued)

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

	December 31,	
	2006	2005
	AED	AED
Accrued during the period	**900,000**	900,000
	=========	==========

l) Included in trade and other payables is an amount of 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 1,655,966 and other receivables AED 6,503,609.

m) 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 11).

10. Inventories

	December 31,	
	2006	2005
	AED	AED
Steel	**193,002,834**	84,812,646
Trading goods	**9,309,075**	-
Other construction materials	**11,378,949**	9,575,733
Ready mix concrete and other related materials	**1,632,042**	1,637,824
	215,322,900	96,026,203
Less: Allowance for slow-moving inventories	**(217,067)**	(620,587)
	215,105,833	95,405,616
	=========	=========

11. 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 (2 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.

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.

11. Joint ventures (continued)

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

	December 31, 2006 AED	December 31, 2005 AED
Current assets	**57,070,287**	96,879,323
Non-current assets	**58,844,575**	34,212,479
Current liabilities	**135,746,312**	80,647,565
Non-current liabilities	**19,538,754**	-
Commitments	**1,395,972**	2,093,058
Contingent liabilities	**229,782,392**	225,764,211

	Year ended December 31, 2006 AED	Period from September 20, 2004 (date of commencement) to December 31, 2005 AED
Revenue	**260,794,975**	145,839,520
Expenses	**236,178,843**	130,452,666

12. Other current assets

	December 31, 2006 AED	December 31, 2005 AED
Prepaid expenses	**33,347,521**	22,340,978
Due from employees	**6,334,408**	6,605,687
Other receivables	**4,928,275**	3,066,124
	44,610,204	32,012,789

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, 2006 AED 14,622,026 is recorded as current prepaid expenses (2005: AED 9,210,442).

13. Intangible assets

	Leasehold property benefit	Arabtec brand	Total
	AED	AED	AED
Cost			
Acquired on acquisition of subsidiaries	2,040,097	110,000,000	112,040,097
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**
Accumulated amortization			
Charge for the period	-	11,000,000	11,000,000
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**
Carrying amount			
At December 31, 2006	**1,828,097**	**88,000,000**	**89,828,097**
	=========	=========	=========
At December 31, 2005	2,040,097	99,000,000	101,040,097
	=========	=========	=========

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 will commence from 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 IFRS.

14. Goodwill

Goodwill arising on acquisition of:

	December 31, 2006	December 31, 2005
	AED	AED
a) Arabtec Construction LLC (Note 29)	**87,962,867**	87,962,867
b) Arabian Austrian Ready Mix Concrete Co. LLC (Note 29)	**933,499**	933,499
	88,896,366	88,896,366
	=========	=========

14. Goodwill (continued)

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,	
	2006	2005
	AED	AED
Construction business (CGU)	**87,962,867**	87,962,867
Ready mix business (CGU)	**933,499**	933,499
	88,896,366	88,896,366

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, 2006 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,	
	2006	2005
	AED	AED
Total retentions receivable	**205,495,820**	220,070,528
Less: Retentions receivable – current portion (Note 7)	**(99,538,634)**	(91,440,852)
Retentions receivable - non-current portion, at fair value	**105,957,186**	128,629,676

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										
Acquired on acquisition of subsidiaries	6,750,000	-	9,757,051	134,642,272	46,269,066	18,153,431	6,509,783	23,602,797	68,248,434	313,932,834
Additions	-	-	492,553	65,164,868	9,631,398	1,214,908	2,431,483	24,848,297	2,806,057	106,589,564
Transfers	-	-	32,873,611	13,213,000	-	22,161,823	-	-	(68,248,434)	-
Disposals	-	-	-	(8,510,747)	(1,979,218)	-	-	(556,691)	-	(11,046,656)
Fair value adjustments on acquisition	8,250,000	-	1,465,465	12,500,114	2,875,843	5,022,425	621	1,299,074	-	31,413,542
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**
Accumulated depreciation										
Acquired on acquisition of subsidiaries	-	-	976,085	31,044,616	5,235,280	7,575,856	4,848,929	11,799,373	-	61,480,139
Charge for the period	-	-	1,599,707	27,888,775	3,928,101	3,286,597	1,194,887	13,074,688	-	50,972,755
Disposals	-	-	-	(2,150,537)	(475,834)	-	-	(421,404)	-	(3,047,775)
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**
Carrying amount										
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**
At December 31, 2005	15,000,000	-	42,012,888	160,226,653	48,109,542	35,690,134	2,898,071	24,740,820	2,806,057	331,484,165

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. 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. The fair value of the land was recognized on acquisition of Arabtec by the Group.

17. Bank borrowings

	Current		Non-current	
	December 31,		December 31,	
	2006	2005	**2006**	2005
	AED	AED	**AED**	AED
Secured – at amortised cost				
Bank overdrafts	**842,331**	-	-	-
Acceptances	**15,487,808**	-	-	-
Trust receipts (i)	**140,000,000**	-	-	-
Vehicle loan	**465,808**	**-**	**-**	**-**
Term loan	**-**	-	**763,261**	-
Total	**156,795,947**	-	**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. Loan has to be repaid before June 10, 2007.

(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, 2006 AED	December 31, 2005 AED
Trade creditors and accruals	**779,379,446**	671,573,843
Amounts due to subcontractors	**92,744,682**	144,891,089
Subcontractors retentions payable – current portion (Note 20)	**22,789,825**	18,877,241
Advances received from construction contract customers	**304,875,151**	298,235,973
Amounts due to construction contract customers (Note 8)	**26,623,806**	84,049,237
	1,226,412,910	1,217,627,383

19. Provision for employees' end of service indemnity

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

	Year ended December 31, 2006 AED	Period from September 20, 2004 (date of commencement) to December 31, 2005 AED
Balance at beginning of year/acquisition date	**32,041,556**	23,793,226
Expense for the period	**18,487,858**	10,149,510
Payments during the period	**(2,770,442)**	(1,901,180)
Balance at end of year/period	**47,758,972**	32,041,556

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, 2006 AED	December 31, 2005 AED
Total retentions payable	**108,013,499**	75,957,714
Less: Retentions payable – current portion (Note 18)	**(22,789,825)**	(18,877,241)
Retentions payable – non-current portion at fair value	**85,223,674**	57,080,473

21. Share capital

Following a bonus share issue of 30% (120 million shares of AED 1 each), for which approval was given at the Extraordinary General Meeting of the shareholders held on May 29, 2006, the share capital comprises of 520,000,000 (2005: 400,000,000) authorized, issued and fully paid shares of AED 1 each.

22. Revenues

Revenues comprise the following:

	Year ended December 31, 2006	Period from September 20, 2004 (date of commencement) to December 31, 2005
	AED	AED
Sales of readymix concrete	**14,501,994**	7,397,052
Sale and hire of equipment	**19,793,042**	-
Contract revenue	**2,659,816,597**	2,498,799,554
Plant division revenue	**11,080,109**	2,716,981
Electrical division revenue	**3,211,121**	1,145,364
Scaffolding division revenue	**530,186**	247,011
Drainage division revenue	**78,664,071**	50,231,538
Model division revenue	**22,042,956**	4,973,144
	2,809,640,076	2,565,510,644
	==========	==========

23. Direct costs

Direct costs comprise the following:

	Year ended December 31, 2006	Period from September 20, 2004 (date of commencement) to December 31, 2005
	AED	AED
Cost of sales of ready mix concrete	**10,958,078**	4,458,102
Cost of sales of equipment	**14,729,446**	-
Contract costs	**2,331,499,609**	2,278,776,200
Plant division costs	**7,927,210**	2,151,282
Electrical division costs	**2,779,431**	1,085,023
Scaffolding division costs	**350,708**	99,882
Drainage division costs	**69,435,861**	43,245,157
Model division costs	**14,941,664**	3,525,966
	2,452,622,007	2,333,341,612
	==========	==========

24. Other operating income

	Year ended December 31, 2006	Period from September 20, 2004 (date of commencement) to December 31, 2005
	AED	AED
Manpower and other charges to joint ventures	**26,197,666**	12,438,901
	=========	==========

25. Selling, general and administrative expenses

	Year ended December 31, 2006	Period from September 20, 2004 (date of commencement) to December 31, 2005
	AED	AED
Employees' salaries and benefits	**16,457,576**	10,068,604
Employees' end of service indemnity and leave pay	**44,851,584**	28,707,433
Visa and immigration	**27,505,993**	15,806,225
Employees' bonus	**32,132,190**	12,199,135
Management fees to directors	**900,000**	900,000
Tender expenses	**3,123,533**	3,344,822
Selling expenses	**4,609,240**	714,537
Communication and utilities	**2,156,221**	2,782,007
Office rent	**5,215**	85,084
Depreciation (apportioned)	**12,829,847**	7,981,680
Amortisation of intangible assets (Note 13)	**11,212,000**	11,000,000
Advertisement and entertainment	**453,134**	311,715
Discretionary bonus	**5,000,000**	-
Other general and administrative expenses	**14,671,577**	7,050,087
	175,902,895	100,866,245
	==========	==========

26. Other income

	Year ended December 31, 2006	Period from September 20, 2004 (date of commencement) to December 31, 2005
	AED	AED
Gain on sale of property, plant and equipment	**3,121,721**	656,003
Interest income	**4,898,634**	5,882,323
Profit from sale of available for sale investments	**1,387,831**	20,390,086
Insurance claims	**587,759**	198,903
Exchange difference	**2,070**	253,890
Other income	**3,690,939**	2,120,417
	13,688,954	29,501,622
	=========	==========

27. Changes in fair value of non-current retentions

	Year ended December 31, 2006 AED	Period from September 20, 2004 (date of commencement) to December 31, 2005 AED
Fair value reduction in non-current retentions receivable	**2,400,123**	4,077,105
Fair value reduction in non-current retentions payable	**(1,438,070)**	(2,519,098)
	962,053	1,558,007
	=========	=========

28. Operating lease arrangements

The Group as lessee:

	December 31, 2006 AED	December 31, 2005 AED
Minimum lease payments under operating leases recognized as expense in income statement for the year	**29,213,928**	17,679,472
	=========	=========

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

	December 31, 2006 AED	December 31, 2005 AED
Within one year	**21,732,643**	13,201,775
In the second to fifth years inclusive	**1,815,671**	1,743,804
Later than five years	**5,405,741**	5,667,363
	28,954,055	20,612,942
	=========	=========

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

29. Acquisition of subsidiaries

a) In the prior year, effective January 1, 2005, the Group acquired 100 per cent of the issued share capital of Arabtec Construction LLC for cash consideration of AED 330 million. This transaction has been accounted for by the purchase method of accounting.

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	171,473,343	27,971,780	199,445,123
Brand value	-	110,000,000	110,000,000
Other non current assets	5,668,490	-	5,668,490
Retention receivable – non-current portion	111,390,914	(4,904,635)	106,486,279
Inventories	121,198,972	-	121,198,972
Trade and other receivables	498,356,673	-	498,356,673
Due from related parties	4,025,827	-	4,025,827
Other current assets	26,229,282	-	26,229,282
Bank and cash balances	128,878,379	-	128,878,379
Financial assets	60,906,886	-	60,906,886
Bank borrowings	(39,418,659)	-	(39,418,659)
Provision for employees' end of service indemnity	(23,573,113)	-	(23,573,113)
Retention payable – non-current portion	(19,601,542)	772,852	(18,828,690)
Trade and other payables	(859,528,050)	-	(859,528,050)
Due to related parties	(5,696,195)	-	(5,696,195)
Shareholder current account	(72,114,071)	-	(72,114,071)
Contingent liability	-	-	-
	108,197,136	**133,839,997**	**242,037,133**
Goodwill (Note 14)			**87,962,867**
Total consideration, satisfied by cash			**330,000,000**
Net cash outflow arising on acquisition:			
Cash consideration paid			**(330,000,000)**
Cash and cash equivalents acquired			**128,878,379**
			(201,121,621)

29. Acquisition of subsidiaries (continued)

In applying the purchase method of accounting to the acquisition of Arabtec Consturction LLC (Arabtec), management took account of the requirements of IFR3 – Business Combinations and IAS 38 – Intangible assets to determine the fair value of identifiable assets, liabilities and contingent liabilities acquired and made the following determinations and assumptions:

- The fair values of property, plant and equipment acquired were determined by third party valuers – Messrs Pioneers (Surveyors and loss adjusters).
- Long term retentions receivable and payable were revised to fair value by discounting them at the Group's effective deposit and borrowing rates respectively.
- That 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 Arabtec.
- The provision for employees' end of service benefits fairly reflected Arabtec's liability at the acquisition date and it is not anticipated that future increases in salaries will materially exceed inflation (cost of money).
- Amounts due to and from related parties are subject to similar terms as those due to third parties.
- The interest rates applicable to bank borrowings are at normal commercial rates subject to revision with changes to market conditions.
- Contingent liabilities, comprising mainly contract related guarantees and commitments, were entered into in the normal course of business and, based on Arabtec's historical track record, the likelihood of actual liabilities arising, not covered by maintenance provisions or back-to-back guarantees from sub-contractors, is minimal.
- The skills and expertise of the work force, while of undoubted value, were not separable as Arabtec could not exercise sufficient control over the decisions of individuals to remain within the work force.
- Similarly, contracts with key management were not separable as they did not provide the ability to retain key management personnel beyond a specified short-term notice period.
- In determining the value of intangible assets the primary assets which management consider to have been acquired were:
  - The "Arabtech" name.
  - The reputation associated with that name.
  - The client relationships established through that reputation.

  for the purposes of purchase price allocation the above group of complimentary assets has been identified as the "Brand".

29. Acquisition of subsidiaries (continued)

- In determining the value of the Brand the principal consideration was the demonstrated ability of Arabtec to generate business based on its contracts in hand, contracts entered into but not commenced and an assessment of its position vis-à-vis competitors in winning additional business at a positive profit differential. These elements were used to develop a discounted cash flow valuation model based on estimated profit differentials which formed the primary basis for determining a brand value of AED 110 million.
- Taking into account the current boom in the construction industry in the UAE and typical business cycles, management consider that the current value of the Brand will yield the projected benefits over a 10 year horizon which should therefore be the amortization period. The brand value subsequent to this period will be internally generated based on Arabtec's performance in the preceding period.

The goodwill arising on the acquisition of Arabtec Construction LLC is attributable to the anticipated profitability of the business resulting from the future economic benefits of the non-separable elements including workforce capability, key personnel expertise and business relationships, market positioning and economic goodwill.

b) During the prior year, effective September 24, 2005, the Group acquired 100 per cent of the issued share capital of Austrian Arabian Ready Mix Concrete Co. LLC for cash consideration of AED 86.98 million. This transaction has been accounted for by the purchase method of accounting.

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

	Acquiree's carrying amounts before combination AED	Fair value adjustment AED	Fair value AED
Net assets acquired:			
Property, plant and equipment	80,979,353	3,441,763	84,421,116
Fair value of leasehold land benefit	-	2,040,097	2,040,097
Inventories	605,289	-	605,289
Trade and other receivables	189,538	-	189,538
Bank and cash balances	3,000	-	3,000
Provision for employees' end of service indemnity	(220,113)	-	(220,113)
Trade and other payables	(986,656)	-	(986,656)
	80,570,411	**5,481,860**	**86,052,271**
Goodwill (Note 14)			**933,499**
Total consideration, satisfied by cash			**86,985,770**

29. Acquisition of subsidiaries (continued)

	AED
Net cash outflow arising on acquisition:	
Cash consideration paid	**(86,985,770)**
Cash and cash equivalents acquired	**3,000**
	(86,982,770)

The goodwill arising on the acquisition of Austrian Arabian Ready Mix Concrete Co. LLC is attributable to the anticipated future profitability of the distribution of the Group's products and the anticipated future operating synergies from the combination.

30. Commitments and contingencies

	December 31,	
	2006	2005
	AED	AED
Commitments		
Commitments for the acquisition of property, plant and equipment	**21,059,108**	27,143,793
Contingent liabilities		
Performance and bid bonds	**1,342,039,424**	874,345,375
Advance payment bonds	**438,107,365**	434,138,105
Financial guarantees	**30,833,448**	42,455,877
Retention bonds	**213,123,364**	93,794,684
Labour guarantees	**10,764,150**	37,337,005
Letters of credit	**76,802,106**	61,434,635

31. Events after the balance sheet date

On November 27, 2006, the Group announced their intention to acquire 100% of the share capital of Dubai Contracting Company LLC., subject to due diligence. This transaction has not yet been completed.

On January 11, 2007, the Company acquired 55% of the share capital of Emirates Falcon Electromechanical LLC for a purchase consideration of AED 18.3 million.

On February 2, 2007, the Company established Nasir Bin Khalid Factory Ready Mix Concrete Company LLC in Qatar.

32. Financial instruments

Interest rate risk

The Group's exposure to interest rates is mainly limited to overdrafts and short term funding of acceptances and rust receipts at variable interest rates. At December 31, 2006, interest rate on bank borrowings was ranging between 6.5% - 8.5% per annum.

Fixed deposits with banks are at floating interest rates, and at December 31, 2006 the interest rate was 5% per annum (2005: 3.5% per annum).

Credit risk

Credit risk refers to the risk that a 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 when appropriate, as a means of mitigating the risk of financial loss from defaults. 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.

At December 31, 2006, 5 customers accounted for 77% of the total contract receivables (2005: 5 customers accounted for 81%).

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Exchange rate risk

There are no significant exchange rate risks as substantially all financial assets and financial liabilities are denominated in Arab Emirates Dirhams or US Dollars. The conversion of Arab Emirates Dirhams to the US Dollar is fixed.

32. Financial instruments (continued)

Fair values

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 are determined with reference to quoted market prices;

The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions;

Management considers that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the financial statements approximate their fair values.

33. 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.

34. Comparative amounts

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