

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION AND INDEPENDENT
AUDITOR'S REVIEW REPORT FOR THE PERIOD
FROM JANUARY 1, 2010 TO JUNE 30, 2010**

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

**Interim Condensed Consolidated Financial Information
and Independent Auditor's Review Report
For the Period from January 1, 2010 to June 30, 2010**

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Independent Auditor's Review Report

The Directors
Arabtec Holding PJSC
Dubai
United Arab Emirates

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of **Arabtec Holding PJSC** (the "Company") and its **Subsidiaries** (collectively the "Group") as at June 30, 2010 and the related interim condensed consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the six month period then ended. Management is responsible for the preparation and fair presentation of this interim condensed financial information in accordance with International Accounting Standard 34 – Interim Financial Reporting (IAS 34). Our responsibility is to issue a conclusion on this interim condensed consolidated 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 34: Interim Financial Reporting.

Emphasis of matter

Without qualifying our opinion we draw attention to Note 6 to the interim condensed consolidated financial information which describes a contractual dispute subject to arbitration proceedings, the probable outcome of which cannot currently be determined with reasonable certainty as the proceedings are at a preliminary stage.

for Deloitte & Touche (M.E)



Anis F. Sadek
(Registration No. 521)

Dubai
August 1, 2010

Interim Condensed Consolidated Statement of Financial Position
At June 30, 2010
(In Thousand Arab Emirates Dirhams)

	Note	June 30, 2010 (Un-audited)	December 31, 2009 (Audited)
Assets			
Current assets			
Cash and cash equivalents		641,704	634,051
Other financial assets		228,184	186,467
Trade and other receivables		4,637,901	4,678,301
Due from related parties	7(b)	889,743	720,392
Inventories		459,504	647,642
Other current assets		281,846	149,321
Deferred tax		163	164
Total current assets		<u>7,139,045</u>	<u>7,016,338</u>
Non-current assets			
Other financial assets		52,965	59,641
Investment in associate		3,200	3,200
Intangible assets	9	169,537	195,416
Goodwill		252,265	252,265
Retentions and trade receivables - non-current portion		422,000	211,499
Other non-current assets		12,082	9,389
Property, plant and equipment	10	<u>1,284,733</u>	<u>1,362,714</u>
Total non-current assets		<u>2,196,782</u>	<u>2,094,124</u>
Total Assets		<u><u>9,335,827</u></u>	<u><u>9,110,462</u></u>
LIABILITIES AND EQUITY			
Current liabilities			
Bank borrowings	11	873,933	769,756
Trade and other payables		4,731,223	4,846,602
Due to related parties	7(c)	351,625	375,642
Income tax payable		7,892	8,620
Total current liabilities		<u>5,964,673</u>	<u>6,000,620</u>
Non-current liabilities			
Bank borrowings	11	139,576	187,127
Provision for employees' end of service indemnity		139,686	137,726
Retentions payable - non-current portion		<u>91,567</u>	<u>56,971</u>
Total non-current liabilities		<u>370,829</u>	<u>381,824</u>
Total Liabilities		<u>6,335,502</u>	<u>6,382,444</u>
Capital and reserves			
Issued share capital	15	1,196,000	1,196,000
Statutory reserve		261,670	237,107
Fair value adjustment reserve		(7,633)	(2,342)
Retained earnings		<u>1,186,206</u>	<u>960,962</u>
Equity attributable to equity holders of the Company		<u>2,636,243</u>	<u>2,391,727</u>
Non-controlling interests		<u>364,082</u>	<u>336,291</u>
Total Equity		<u>3,000,325</u>	<u>2,728,018</u>
Total Liabilities and Equity		<u><u>9,335,827</u></u>	<u><u>9,110,462</u></u>

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

The interim condensed consolidated financial information on pages 2 to 22 was approved by the Board of Directors and authorized for issue on August 1, 2010 and signed on their behalf by:

.....
Riad Kamal
Chief Executive Officer and Board Member



Interim Condensed Consolidated Statement of Income
For the Period from January 1, 2010 to June 30, 2010
(In Thousand Arab Emirates Dirhams)

	<u>Half year ended June 30,</u>		<u>Quarter ended June 30,</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
Revenue	2,833,322	3,915,167	1,282,625	2,049,680
Direct costs	(2,396,689)	(3,271,232)	(1,102,638)	(1,692,535)
Gross profit	436,633	643,935	179,987	357,145
Other operating income	35,341	52,278	18,066	27,404
Other income	9,928	13,902	(7,695)	6,284
General and administrative expenses	(161,178)	(268,565)	(49,242)	(163,871)
Changes in fair value of non-current retentions and trade receivables	2,960	(8,481)	5,428	(6,401)
Finance costs	(21,376)	(36,263)	(13,904)	(17,887)
Profit before tax	302,308	396,806	132,640	202,674
Income tax expense (Note 12)	(539)	(3,417)	(350)	(1,429)
Profit for the period	301,769	393,389	132,290	201,245
Attributable to:				
Equity holders of the parent	245,626	345,130	111,095	183,905
Non-controlling interests	56,143	48,259	21,195	17,340
	<u>301,769</u>	<u>393,389</u>	<u>132,290</u>	<u>201,245</u>
Basic earnings per share (AED)	0.21	0.29	0.11	0.15
(based on profit for the period attributable to equity holders of the parent and 1,196 million shares in issue throughout the period)	<u>0.21</u>	<u>0.29</u>	<u>0.11</u>	<u>0.15</u>

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

Interim Condensed Consolidated Statement of Comprehensive Income
For the Period from January 1, 2010 to June 30, 2010
(In Thousand Arab Emirates Dirhams)

	<u>Half year ended June 30,</u>		<u>Quarter ended June 30,</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
Profit for the period	301,769	393,389	132,290	201,245
<i>Other comprehensive (loss)/income</i>				
Net unrealized (loss)/income on revaluation of available for sale investments	(5,291)	(1,794)	(3,630)	2,767
Total comprehensive income for the period	296,478	391,595	128,660	204,012
<i>Total comprehensive income attributable to:</i>				
Equity holders of the parent	240,335	343,337	107,465	186,672
Non-controlling interests	<u>56,143</u>	<u>48,258</u>	<u>21,195</u>	<u>17,340</u>
	<u>296,478</u>	<u>391,595</u>	<u>128,660</u>	<u>204,012</u>

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

Interim Condensed Consolidated Statement of Changes in Shareholders' Equity
For the Period from January 1, 2010 to June 30, 2010
(In Thousand Arab Emirates Dirhams)

	Attributable to equity holders of the parent				Total	Non-controlling interests	Total equity
	Share capital	Statutory reserve	Fair value adjustment reserve	Retained earnings			
Balance at December 31, 2008 (Audited)	1,196,000	187,616	(5,941)	515,545	1,893,220	224,722	2,117,942
Dividends paid to non-controlling interests	-	-	-	-	-	(21,672)	(21,672)
Profit for the period	-	-	-	345,130	345,130	48,259	393,389
Unrealised loss on available-for-sale investments recognized directly in equity	-	-	(1,794)	-	(1,794)	-	(1,794)
Total income recognized for the period	-	-	-	-	343,336	48,259	391,595
Transfer to statutory reserve	-	34,513	-	(34,513)	-	-	-
Balance at June 30, 2009 (Un-audited)	1,196,000	222,129	(7,735)	826,162	2,236,556	251,309	2,487,865
Balance at December 31, 2009 (Audited)	1,196,000	237,107	(2,342)	960,962	2,391,727	336,291	2,728,018
Dividends paid to non-controlling interests	-	-	-	-	-	(2,501)	(2,501)
Profit for the period	-	-	-	245,626	245,626	56,143	301,769
Unrealised loss on available-for-sale investments recognized directly in equity	-	-	(5,291)	-	(5,291)	-	(5,291)
Total income recognized for the period	-	-	-	-	240,335	56,143	296,478
Transfer from non-controlling interest on share purchase	-	-	-	4,181	4,181	(4,181)	-
Reduction in non-controlling interest due to purchase of additional shares (Note 17)	-	-	-	-	-	(21,670)	(21,670)
Transfer to statutory reserve	-	24,563	-	(24,563)	-	-	-
Balance at June 30, 2010 (Un-audited)	1,196,000	261,670	(7,633)	1,186,206	2,636,243	364,082	3,000,325

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

Interim Condensed Consolidated Statement of Cash Flows
For the Period from January 1, 2010 to June 30, 2010
(In Thousand Arab Emirates Dirhams)

	Half year ended	
	June 30,	
	<u>2010</u>	<u>2009</u>
	(Un-audited)	(Un-audited)
Net cash from operating activities	<u>14,926</u>	<u>82,468</u>
Investing activities		
Loan from a related party	1,165	
Purchase of property, plant and equipment	(79,375)	(158,366)
Proceeds from sale of property, plant and equipment	38,482	17,186
Additional investment in subsidiary (Note 17)	(21,670)	-
Investment in associate	-	(3,200)
Increase in loans to a related party	-	(1,680)
Net cash used in investing activities	<u>(61,398)</u>	<u>(146,060)</u>
Financing activities		
Dividends paid to non-controlling shareholders	(2,501)	(21,672)
Proceeds from/(repayments of) bank borrowings (net)	<u>56,626</u>	<u>(130,109)</u>
Net cash from /(used in) financing activities	<u>54,125</u>	<u>(151,781)</u>
Net increase/(decrease) in cash and cash equivalents	7,653	(215,373)
Cash and cash equivalents at the beginning of the period	<u>634,051</u>	<u>757,437</u>
Cash and cash equivalents at the end of the period	<u><u>641,704</u></u>	<u><u>542,064</u></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 Period from January 1, 2010 to June 30, 2010

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 significant 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 (Note 17)	66.67%	Trading and leasing of construction equipment
Arabtec Construction LLC, Doha, Qatar	49%	Civil construction and related works
Arabtec Precast LLC, Dubai, UAE	100%	Manufacture of pre cast panels
Nasser Bin Khaled Factory Ready Mix Concrete Co. LLC, Doha, Qatar	49%	Manufacture and transportation of ready mix concrete product
Emirates Falcon Electromechanical Co. EFECO LLC, Dubai, UAE	55%	Electrical mechanical and plumbing contracts
Arabtec Engineering LLC, Dubai, UAE	80%	Infrastructure construction works
Arabtec Pakistan (Pvt) Limited (under formation), Pakistan	60%	Civil construction and related works
Target Engineering Construction Company, Abu Dhabi, UAE	60%	Civil construction and related works
Gulf Steel Industries FZC, Sharjah, UAE	55%	Fabrication of steel structures and profiles
Arabtec Saudi Arabia LLC, Saudi Arabia	45%	Civil construction and related works

Notes to the Interim Condensed Consolidated Financial Information - continued
For the Period from January 1, 2010 to June 30, 2010

1. Establishment and operations (continued)

The investment in Arabtec Pakistan (Pvt) Limited is held by third parties in trust and for the benefit of the Company. The investment in Arabtec Engineering LLC, Dubai is held by two of the shareholders on trust and for the benefit of the Company.

The Company and its subsidiaries, referred to collectively in this financial information as the "Group" are primarily engaged in the construction of high-rise towers, buildings and residential villas, in addition to the execution of related services such as drainage, electrical and mechanical works, provision of readymix concrete and construction equipment supply and rental.

The Company has the following associate over which it exercises significant influence:

<u>Name of associate and domicile</u>	<u>Percentage of beneficial holding</u>	<u>Principal activities</u>
Polypod Middle East LLC, Abu Dhabi, UAE	40%	Assembly of bathroom pods and other types of pods on the same concept.

2. Basis of preparation

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

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

Although the Company owns less than 50% of the equity shares in Arabtec Construction LLC, Doha, Nasser Bin Khaled Factory Readymix Concrete Co. LLC, Doha and Arabtec Saudi Arabia LLC, Saudi Arabia, the Group has the power to govern the strategic operating and financial decisions of these companies and therefore treats them as subsidiaries.

The results of subsidiaries acquired or disposed of during the period are included in the Interim Condensed Consolidated Statement of Comprehensive Income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

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

Notes to the Interim Condensed Consolidated Financial Information - continued
For the Period from January 1, 2010 to June 30, 2010

3. Significant accounting policies

The condensed financial information has been prepared under the historical cost basis, except for revaluation of certain assets. The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2009.

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

In preparing this interim condensed financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with as those that were applied to the consolidated financial statements as at and for the year ended December 31, 2009.

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.

4. Segment information

The Group has four reportable segments: business construction, precast and concrete production, drainage and electromechanical works and marine construction. The business construction segment primarily engages in the construction of high-rise towers, buildings and residential villas. The precast and concrete production segment produces ready mix concrete and precast mainly to serve the business construction segment. The drainage and electromechanical segment is involved in the execution of the drainage, electrical and mechanical works. The fourth segment is involved in marine construction.

The accounting policies of the operating segments are the same as those applied to the consolidated financial statements as at and for the year ended December 31, 2009. Arabtec Holding PJSC evaluates performance on the basis of profit or loss from operations before tax expense.

Arabtec Holding PJSC accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

Arabtec Holding PJSC's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies. Most of the businesses were acquired/formed as individual units, and the management at the time of the acquisition was retained.

Notes to the Interim Condensed Consolidated Financial Information - continued
For the Period from January 1, 2010 to June 30, 2010

4. Segment information (continued)

Information about reportable segment profit or loss, assets and liabilities

	<u>Building construction</u>	<u>Precast and concrete production</u>	<u>Drainage and electro- mechanical works</u>	<u>Marine construction</u>	<u>All other</u>	<u>Total</u>
June 30, 2010 (Un-audited)	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Revenues from external customers	2,309,877	19,617	406,709	48,101	49,018	2,833,322
Inter-segment revenues	-	82,569	145,200	-	7,769	235,538
Other income	3,085	4,699	836	359	1,096	10,075
Interest expense	13,664	-	4,014	836	2,862	21,376
Depreciation	70,487	19,472	11,570	9,129	10,402	121,060
Reportable segment profit/ (loss) before tax	252,855	(6,000)	94,600	5,798	(6,512)	340,741
Income tax expense/ (credit)	702	(538)	375	-	-	539
Reportable segment assets	7,629,829	415,611	971,972	98,966	217,591	9,333,969
Expenditures for reportable segment non-current assets	65,150	8,596	3,614	1,190	825	79,375
Reportable segment liabilities	5,855,707	199,112	679,524	90,968	117,387	6,942,698

Notes to the Interim Condensed Consolidated Financial Information - continued
For the Period from January 1, 2010 to June 30, 2010

4. Segment information (continued)

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

	<u>June 30,</u> <u>2010</u> <u>AED'000</u> <u>(Un-audited)</u>
Revenues	
Total revenues for reportable segments	3,019,842
Other revenues	49,018
Elimination of intersegment revenues	(235,538)
Group's revenues	<u>2,833,322</u>
Profit	
Total profit for reportable segments	347,252
Other loss	(6,512)
Other corporate expenses	(38,432)
Income before income tax expense	<u>302,308</u>
Assets	
Total assets for reportable segments	9,116,378
Other assets	217,591
Corporate assets	634,097
Elimination of inter-segment receivables	(632,239)
Group's assets	<u>9,335,827</u>
Liabilities	
Total liabilities for reportable segments	6,825,311
Other liabilities	117,387
Corporate liabilities	25,042
Elimination of inter-segment payables	(576,240)
Elimination of payable to corporate headquarters	(55,998)
Group's liabilities	<u>6,335,502</u>

Notes to the Interim Condensed Consolidated Financial Information - continued
For the Period from January 1, 2010 to June 30, 2010

4. Segment information (continued)

Information about reportable segment profit or loss, assets and liabilities

	<u>Building construction</u> AED'000	<u>Precast and concrete production</u> AED'000	<u>Drainage and electro- mechanical works</u> AED'000	<u>Marine construction</u> AED'000	<u>All other</u> AED'000	<u>Total</u> AED'000
June 30, 2009 (Un-audited)						
Revenues from external customers	3,450,254	17,524	279,119	80,384	87,886	3,915,167
Inter-segment revenues	-	213,446	204,463	-	13,599	431,508
Other income	13,901	-	-	-	-	13,901
Interest expense	25,127	73	3,955	1,816	5,292	36,263
Depreciation	99,525	20,072	11,238	1,910	17,373	150,118
Reportable segment profit before tax	319,108	32,835	70,304	5,191	7,289	434,727
Income tax expense	3,130	136	151	-	-	3,417
Reportable segment assets	6,976,734	396,998	791,039	156,743	292,404	8,613,918
Expenditures for reportable segment non-current assets	112,309	16,272	5,611	1,472	22,701	158,365
Reportable segment liabilities	5,565,908	167,270	614,866	149,351	184,850	6,682,245
December 31, 2009 (Audited)						
Reportable segment assets	7,483,965	392,938	884,703	57,234	241,093	9,059,933
Expenditures for reportable segment non-current assets	231,863	29,780	12,432	2,179	23,810	300,064
Reportable segment liabilities	5,933,389	163,738	609,038	52,608	132,408	6,891,181

Notes to the Interim Condensed Consolidated Financial Information - continued
For the Period from January 1, 2010 to June 30, 2010

4. Segment information (continued)

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

	June 30, 2009 <u>AED'000</u> (Un-audited)
Revenues	
Total revenues for reportable segments	4,258,789
Other revenues	87,886
Elimination of intersegment revenues	(431,508)
Group's revenues	<u>3,915,167</u>
Profit	
Total profit for reportable segments	427,438
Other profit	7,289
Other corporate expenses	(37,921)
Income before income tax expense	<u>396,806</u>
Assets	
Total assets for reportable segments	8,321,514
Other assets	292,404
Corporate assets	589,523
Elimination of inter-segment receivables	(442,279)
Group's assets	<u>8,761,162</u>
Liabilities	
Total liabilities for reportable segments	6,497,394
Other liabilities	184,850
Corporate liabilities	33,330
Elimination of inter-segment payables	(398,042)
Elimination of payable to corporate headquarters	(44,237)
Group's liabilities	<u>6,273,295</u>

Notes to the Interim Condensed Consolidated Financial Information - continued
For the Period from January 1, 2010 to June 30, 2010

4. Segment information (continued)

Geographical information

	<u>June 30, 2010</u>		<u>June 30, 2009</u>	
	<u>Revenues</u>	<u>Non-current</u>	<u>Revenues</u>	<u>Non-current</u>
	<u>AED'000</u>	<u>assets</u>	<u>AED'000</u>	<u>assets</u>
GCC Countries	2,773,673	1,706,395	3,884,646	1,729,161
Pakistan	3,475	488	489	876
Levant	28,918	9,293	30,032	14,906
Russia	27,256	2,640	-	-

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

Information about major customers

Revenues from 4 customers of the building construction segment represent approximately AED 1.1 billion (June 30, 2009: AED 1.2 billion) of the Group's total revenues.

5. Results for the period

The results for the six months ended June 30, 2010 reflect the results of the Group's continuing projects and new projects commenced during the period and are not significantly affected by any seasonal or cyclical operations.

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

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

During the period, as a result of collections made, the Group reversed allowances for doubtful debts amounting to AED 116.8 million which is recorded as a credit to general and administrative expenses.

Also during the period, the Group has recorded an allowance for impairment losses on steel inventories of AED 49.4 million charged to general and administrative expenses.

Notes to the Interim Condensed Consolidated Financial Information - continued
For the Period from January 1, 2010 to June 30, 2010

6. Contract dispute

On December 25, 2008, the Arabtec Construction L.L.C. WCT Engineering Berhad (Dubai Branch) Joint Venture (the "Joint Venture") for the construction of the Nad Al Sheba racecourse in Dubai, in which the Group has a 50% share, received notice from the contract owner, Meydan L.L.C. ("Meydan") purporting to terminate the contract on January 9, 2009 for reasons which management consider did not justify such termination. Subsequently, by way of its notice dated January 10, 2009, the Joint Venture purported to terminate the contract on January 24, 2009 on a number of grounds including failure to pay certified amounts, the Joint Venture's exclusion from the site and Meydan's wrongful calls on the Performance Security and Advance Payment Guarantee.

Notice of the call of the Performance Security amounting to AED 461.3 million (Group's share: AED 230.65 million) and the Advance Payment Guarantee amounting to AED 77.3 million (Group's share: AED 38.6 million) was received by the Joint Venture on December 29, 2008. Both securities were payable on demand and, on payment by the banks concerned, management has recorded a receivable for the net amount due from Meydan, pending resolution of the dispute. The corresponding liability recorded at the December 31, 2008 year end has since been converted into a loan taken from a bank in 2009 on which Arabtec Construction L.L.C. is paying interest.

On January 11, 2009, the Joint Venture served its request for arbitration. Since then, the arbitration proceedings have commenced and the amount claimed by the Joint Venture is approximately AED 2.8 billion (Group's share: AED 1.4 billion). Management believes, based on continuing legal opinion received, that the prospects of success in the arbitration are good and that no additional provisions for the dispute are required at the end of the reporting period.

In accordance with the Group's accounting policy relating to contracts where the outcome cannot be estimated reliably, revenue has been recognised only to the extent of contract costs incurred to date, which management considers is not doubtful of recovery and therefore no provision has been made against the amounts due from the customer for contract work. No profit has been recognised on the contract to date pending the outcome of the Group's claim and conclusion of the arbitration proceedings.

Notes to the Interim Condensed Consolidated Financial Information - continued
For the Period from January 1, 2010 to June 30, 2010

7. Related party transactions

- a) The Group entered into a variety of transactions with companies and entities that fall within the definition of a related party as contained in International Accounting Standard 24: *Related Party Disclosures*. Related parties comprise the Group's major shareholders, directors and entities related to them, companies and entities under common ownership and/or common management and control, their partners and key management personnel. Management decides on the terms and conditions of the transactions and services received/rendered from/to related parties as well as on other charges.
- b) At the consolidated statement of financial position date, due from related parties comprised the following:

	June 30, 2010	December 31, 2009
	AED'000	AED '000
	(Un-audited)	(Audited)
Joint ventures		
Amounts due from joint venture partners	<u>365,577</u>	<u>388,394</u>
Other related parties		
<i>Entities with common ownership and management</i>		
Al Waab City W.L.L., Doha, Qatar	438,786	258,122
National Industrial Contracting Company WLL, Qatar	1,823	2,082
Nasser Bin Khaled Al-Thani and Sons Group its related parties, Qatar	14,569	43,930
Haseeb Rasoul Est., UAE	15,828	15,023
Others	<u>53,160</u>	<u>12,841</u>
	<u>524,166</u>	<u>331,998</u>
	<u>889,743</u>	<u>720,392</u>

Notes to the Interim Condensed Consolidated Financial Information - continued
For the Period from January 1, 2010 to June 30, 2010

7. Related party transactions (continued)

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

	June 30, 2010	December 31,
	AED'000	2009
	(Un-audited)	(Audited)
<i>Joint ventures</i>		
Amounts due to joint venture partners	<u>214,611</u>	<u>247,609</u>
<i>Other related parties</i>		
<i>Entities with common ownership and management</i>		
Nasser Bin Khaled Al-Thani and Sons Group and its related parties, Qatar	54,727	43,137
WCT Engineering Berhad, Malaysia	8,628	8,298
Depa Interiors LLC, Dubai, UAE	17,415	17,520
Others	3,783	9,431
<i>Current account of a director and major shareholder of the parent company</i>		
Mr. Riad Kamal - a director and major shareholder	37,001	33,012
Current accounts of shareholders in subsidiaries	<u>15,460</u>	<u>16,635</u>
	<u>137,014</u>	<u>128,033</u>
	<u>351,625</u>	<u>375,642</u>

Notes to the Interim Condensed Consolidated Financial Information - continued
For the Period from January 1, 2010 to June 30, 2010

7. Related party transactions (continued)

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

	<u>Half year ended June 30,</u>		<u>Quarter ended June 30,</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
	AED'000	AED'000	AED'000	AED'000
Joint ventures				
Manpower and other charges to joint ventures	<u>49,004</u>	<u>70,268</u>	<u>31,729</u>	<u>45,394</u>
Other related parties				
Contract and other revenue	251,354	460,909	82,503	259,925
Sub-contracting costs	-	27,829	-	3,158
Wages and salaries	6,105	3,034	3,359	2,713
Interest received on loans	92	80	173	40
Rent income	1,170	1,958	404	1,743
Purchase of property, plant and equipment	402	7,137	161	406
Sale of property, plant and equipment	-	249	-	69
Equipment hire	1,270	2,090	594	-
Fair value (decrease)/increase arising on investments held in trust by a director/ shareholder	-	(2,571)	-	1,728

- e) The Group has provided a loan (included in other financial assets - non-current) of AED 1.4 million (December 31, 2009: AED 2.7 million) to a non-controlling shareholder in House of Equipment Co. LLC and AED 1.8 million (December 31, 2009: AED 1.6 million) to the shareholders of Polypod Middle East LLC. Interest on the loan is charged at 7% per annum.

Notes to the Interim Condensed Consolidated Financial Information - continued
For the Period from January 1, 2010 to June 30, 2010

7. Related party transactions (continued)

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

	<u>Half year ended June 30,</u>		<u>Quarter ended June 30,</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
	AED'000	AED'000	AED'000	AED'000
Management fees to directors	1,000	900	500	450
Short term benefits	14,251	37,378	8,343	21,475
Post employment benefits	73	368	43	189

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

- g) Included in trade and other payables is an amount of AED 20.8 million (December 31, 2009: AED 21.7 million) representing contributions from employees and directors towards a staff welfare scheme. Assets of the scheme are included in the consolidated statement of financial position under cash and cash equivalents AED 12.4 million (December 31, 2009: AED 12.2 million) and other current assets AED 8.4 million (December 31, 2009: AED 9.5 million).

8. Joint ventures

The Group had the following significant interests in joint ventures (JV) arrangements:

	<u>Share in JV</u>
a) Samsung/Arabtec joint venture project	40%
b) Six Construct/Arabtec joint venture projects	50%
c) Samsung/Six Construct/Arabtec joint venture project	30%
d) Arabtec/Max Bogl joint venture projects	50%
e) Arabtec/Mace joint venture project	50%
f) Arabtec/Aktor joint venture projects	50%/60%
g) Arabtec/Emirates Sunland joint venture projects	50%
h) Arabtec/WCT Engineering joint venture projects	50%
i) Arabtec/Engineering Enterprises Company joint venture projects	50%
j) Arabtec/AMN Holdings joint venture project	60%
k) Arabtec/Dubai Contracting Company joint venture project	50%
l) Target Engineering and Construction Company LLC/Marintek Middle East and Asia FZE joint venture project	65%
m) Arabtec Engineering Services/WCT Engineering joint venture project	50%
n) Arabian Construction Company/Arabtec joint venture project	50%
o) Arabtec/National Projects and construction joint venture project	50%

Notes to the Interim Condensed Consolidated Financial Information - continued
For the Period from January 1, 2010 to June 30, 2010

8. Joint ventures (continued)

The Group is entitled to a proportionate share of the joint ventures' assets and revenues and bears a proportionate share of the liabilities and outgoings.

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

	June 30,		December 31,	
	2010		2009	
	AED'000		AED'000	
	(Un-audited)		(Audited)	
Current assets	1,268,381		1,765,663	
Non-current assets	105,144		111,002	
Current liabilities	1,327,446		1,592,249	
Non-current liabilities	46,079		37,136	
Contingent liabilities	798,978		839,333	
	=====		=====	
	Half year ended June 30,		Quarter ended June 30,	
	2010		2010	
	(Un-audited)		(Un-audited)	
	AED'000		AED'000	
Revenue	613,324	537,894	315,266	350,183
Expenses	587,709	536,726	305,411	337,146
	=====		=====	

9. Intangible assets

During the period, amortization of intangible assets was approximately AED 26.8 million (during the same period in 2009: AED 23.8 million). There were no additions to intangible assets during the period.

10. Property, plant and equipment

During the period, the Group purchased approximately AED 79.38 million (during the same period in 2009: AED 158.37 million) of various types of property, plant and equipment and disposed of property, plant and equipment with a net book value of AED 33.42 million (during the same period in 2009: AED 15.8 million) for proceeds of AED 38.48 million (during the same period in 2009: AED 17.2 million).

Notes to the Interim Condensed Consolidated Financial Information - continued
For the Period from January 1, 2010 to June 30, 2010

11. Bank borrowings

In addition to movements on overdraft balances, during the period, the Group obtained new short-term bank loans in the amount of AED 97.7 million (during the same period in 2009: AED 437.7 million). The loans bear interest at variable market rates and are repayable within 1 year. The proceeds were used to meet short-term expenditure needs. Repayments of other bank loans amounting to AED 162.1 million (during the same period in 2009: AED 567.8 million) were made in line with previously disclosed repayment terms.

12. Income tax charge

Interim period income tax is accrued based on the estimated average annual effective income tax rate on taxable income of 2.3% (6 months ended June 30, 2009: 17.07%).

13. Operating lease

The Group as lessee:

	<u>Half year ended June 30,</u>		<u>Quarter ended June 30,</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
	AED'000	AED'000	AED'000	AED'000
Minimum lease payments under operating leases recognized as expense for the period	29,886	25,327	14,041	7,861

At the consolidated statement of financial position date, the Group had outstanding commitments under cancelable operating leases, which fall due as follows:

	<u>June 30,</u>	December 31,
	<u>2010</u>	<u>2009</u>
	AED'000	AED'000
	(Un-audited)	(Audited)
Within one year	28,765	42,351
In the second to fifth years inclusive	5,941	6,042
Later than five years	<u>750</u>	<u>400</u>
	35,456	48,793

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 Period from January 1, 2010 to June 30, 2010

14. Commitments and contingencies

	June 30, 2010	December 31, 2009
	AED'000	AED'000
	(Un-audited)	(Audited)
<i>Commitments</i>		
Commitments for the acquisition of property, plant and equipment	61,840	43,917
<i>Contingent liabilities</i>		
Performance and bid bonds	2,907,111	2,707,463
Advance payment bonds	1,085,252	1,193,268
Financial guarantees	49,302	25,329
Retention bonds	450,625	457,105
Labour guarantees	33,295	33,924
Letters of credit	231,613	131,398

15. Share capital

Share capital as at June 30, 2010 and December 31, 2009 amounted to AED 1.196 billion. There were no movements in the share capital of the Company in either the current or the prior interim reporting period.

16. Dividend declaration

No dividends were proposed by the directors for the year ended December 31, 2009.

17. Additional investment in subsidiary

On April 7, 2010, the Company has acquired an additional 33.34% shares in House of Equipment Co. LLC, Dubai, UAE, bringing its total holding to 66.67% in the subsidiary.