

Al Ahmadiyah Aktor LLC  
Financial statements  
*31 December 2005*

# Al Ahmadiyah Aktor LLC

Financial statements  
31 December 2005

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Dubai, 10 May 2006

**Report of the Board of Directors for the purpose of inclusion in the financial statements of the year ended 31-December-2005**

The company was incorporated 16<sup>th</sup> March 2005. The two shareholders are H.H. Sheikh Hasher Maktoum Juma Al Maktoum and Aktor S.A. The high reputation of both shareholders is the foundation for the business plans pursued and which are not only ambitious but most certainly successful and guaranteed by the professional strength and expertise of both partners and the existing management team which proved results in fraction of time other competitors do.

During the first year of operations which is considered set up period the company signed two contracts valued AED 81 million, organized its head offices, sheltered a sufficient labour force, entered into negotiations with major suppliers, subcontractors and bankers and we are confident that within the next few years Al Ahmadiyah Aktor LLC will become a leading construction company in UAE.

The management of the company submitted for the year 2006 the budgets for the execution of contracts signed during 2005 and the ones signed during the first quarter of 2006 over AED 200 million.

The first year of operations resulted a loss of AED 4.5 million which is mostly setup costs. The loss of the first year is expected to be absorbed as per the current year budget and by the end of 2006 the company to be at breakeven status.

The report of the board of directors has been approved on 10 May, 2006.

On behalf of Al Ahmadiyah Aktor LLC



George Koutsopodiotis  
Member of the BOD



Shanker Ramakrishnan  
Member of the BOD



S.K. Joshi  
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The Shareholders  
Al Ahmadiyah Aktor LLC

## Report of the Auditors

We have audited the balance sheet of Al Ahmadiyah Aktor LLC ("the Company") as of 31 December 2005 and the related statements of income, cash flows and changes in equity for the 290 days period ending 31 December 2005.

### Respective responsibilities of the Company's Management and the Auditors

These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

### Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

### Opinion

In our opinion these financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2005 and the results of its operations and its cash flows for the 290 days period ending 31 December 2005 in accordance with International Financial Reporting Standards and comply, where appropriate, with the Articles of Association of the Company and the UAE Federal Law No. 8 of 1984 (as amended).

### Other matters

As required by the UAE Federal Law No. 8 of 1984 (as amended), we further confirm that we have obtained all information and explanation necessary for our audit, that proper books of accounts have been kept by the Company, and the content of the Directors' report which relates to the financial statements is in agreement with the Company's financial records. We are not aware of any violation of the above-mentioned Law and the Articles of Association having occurred during the period ending 31 December 2005, which may have had a material adverse effect on the business of the Company or its financial position.

10 MAY 2006

# Al Ahmadiyah Aktor LLC

Income statement  
for the 290 days period ending 31 December 2005

	<i>Note</i>	<b>2005 AED</b>
Administrative and general expenses	3	<b>(5,045,761)</b>
Other income		<b>607,200</b>
Finance cost		<b>(57,150)</b>
<b>Net loss for the period</b>		<b><u>(4,495,711)</u></b>

The notes on pages 7 to 13 form part of these financial statements.

The report of the Auditors is set out on page 2.

# Al Ahmadiyah Aktor LLC

## Balance sheet

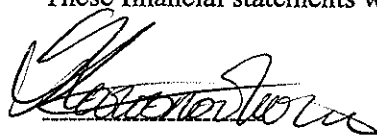
at 31 December 2005

	<i>Note</i>	2005 AED
<b>Property, plant and equipment</b>	4	1,103,055
<b>Current assets</b>		
Contract work in progress	5	5,887,611
Other receivables	6	12,228,871
Cash at bank and in hand	7	2,235,306
		<hr/> 20,351,788 <hr/>
<b>Current liabilities</b>		
Trade and other payables	8	17,780,382
Loans from shareholder	9	2,500,000
Due to related parties	10	493,138
		<hr/> 20,773,520 <hr/>
<b>Net current liabilities</b>		(421,732)
<b>Non current liabilities</b>		
Provision for staff terminal benefits	11	(177,034)
		<hr/> 504,289 <hr/>
<b>Net assets</b>		<hr/> 504,289 <hr/>
<b>Represented by</b>		
Share capital	12	5,000,000
Accumulated losses		(4,495,711)
		<hr/> 504,289 <hr/>


The notes on pages 7 to 13 form part of these financial statements.

We approve these financial statements and confirm that we are responsible for them, including selecting the accounting policies and making the judgements underlying them. We also confirm that we have made available all relevant accounting records and information for their compilation.

These financial statements were approved by the Board of Directors on

  
Director

10 MAY 2006

  
Director

The report of the Auditors is set out on page 2.

# Al Ahmadiyah Aktor LLC

## Statement of cash flows

for the 290 days period ending 31 December 2005

	<i>Note</i>	<b>2005 AED</b>
<b>Operating activities</b>		
Net loss for the year		(4,495,711)
<i>Adjustments for:</i>		
Depreciation		112,738
Staff terminal benefits		177,034
		-----
<i>Operating loss before working capital changes:</i>		(4,205,939)
Increase in contract work in progress		(5,887,611)
Increase in other receivables		(12,228,871)
Increase in trade and other payables		17,780,382
Increase in due to related parties		493,138
Increase in loan from shareholder		2,500,000
		-----
<i>Cash flows from operating activities</i>		(1,548,901)
		-----
<b>Investing activities</b>		
Acquisition of property, plant and equipment		(1,215,793)
		-----
<i>Cash flows from investing activities</i>		(1,215,793)
		-----
<b>Financing activities</b>		
Introduction of share capital		5,000,000
		-----
<i>Cash flows from financing activities</i>		5,000,000
		-----
<b>Increase in cash and cash equivalents</b>		<b>2,235,306</b>
		-----
<b>Cash and cash equivalents at end of the period</b>	<b>7</b>	<b>2,235,306</b>
		=====

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# Al Ahmadiyah Aktor LLC

## Statement of changes in equity *for the 290 days period ending 31 December 2005*

	<b>Share capital AED</b>	<b>Accumulated losses AED</b>	<b>Total AED</b>
Introduced during the period	5,000,000	-	5,000,000
Net loss for the period	-	(4,495,711)	(4,495,711)
<b>At 31 December 2005</b>	<b><u>5,000,000</u></b>	<b><u>(4,495,711)</u></b>	<b><u>504,289</u></b>

The notes on pages 7 to 13 form part of these financial statements.

The report of the Auditors is set out on page 2.



# Al Ahmadiyah Aktor LLC

## Notes

*(forming part of the financial statements)*

### 1 Legal status and principal activities

Al Ahmadiyah Aktor LLC (“the Company”) is a limited liability Company registered in the Emirate of Dubai under the UAE Federal Law No. 8 of 1984 (as amended). The registered address of the Company is P.O. Box 182456, Dubai, United Arab Emirates. The Company was incorporated and started operating on 16<sup>th</sup> March 2005.

The Company is primarily involved in construction projects and civil works. A significant portion of the Company’s contracts is subcontracted to third party contractors.

The shareholding pattern of the Company is as follows:

Name of the shareholder	Shareholding (%)
HH Sheikh Hasher Maktoum Bin Juma Al Maktoum	51
Aktor SA Technical	49

### 2 Significant accounting policies

#### Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) and its interpretations adopted by the International Accounting Standards Board and the requirements of UAE Federal Law No. 8 of 1984 (as amended).

#### Basis of preparation

These financial statements are presented in United Arab Emirates Dirhams (AED) and are prepared using the historical cost convention.

These financial statements have been prepared on a going concern basis notwithstanding the fact that the Company had incurred a net loss of AED 4,495,711 for the 290 day period ending 31 December 2005 and had net current liabilities of AED 421,732 as at that date. The continuation of the Company’s operations is dependent upon future profitable operations, continued financial support of the shareholders and the ability of the Company to generate sufficient cash flows to meet its future obligations. The shareholders have represented that they would provide such financial support to the Company, as is necessary for it to be able to continue its operations in the foreseeable future.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

# Al Ahmadiyah Aktor LLC

Notes *(continued)*

## **2 Principal accounting policies (continued)**

### ***Basis of preparation (continued)***

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

Judgements made by management in the application of IFRS that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 16.

The following accounting policies, which comply with IFRS, have been applied consistently in dealing with items that are considered material in relation to the Company's financial statements.

### **Contract revenue**

Contract revenue on construction contracts is stated at contract cost plus estimated attributable profits less any foreseeable losses recognised during the period. Profit is recognised only when the outcome of the contract can be reliably estimated. No profit is recognised in the early stages of the contract. Contract revenue is recognised on the percentage of completion method. Provision is made for all losses incurred to the accounting date together with any further losses foreseen in bringing the contract to completion

### **Contract work in progress**

Contract work-in-progress is stated at contract revenue, less progress billings. For contracts where progress billings exceed the contract revenue, the excess is included in current liabilities as billings in excess of valuation

### **Property, plant and equipment and depreciation**

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses (refer accounting policy on impairment).

The cost of property, plant and equipment is their purchase cost, together with any incidental expenses of acquisition. The cost of self constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

The Company recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing part of such item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense when incurred.

# Al Ahmadiyah Aktor LLC

Notes *(continued)*

## 2 Principal accounting policies (continued)

### *Depreciation*

Depreciation is charged to the income statement on a straight line basis over the estimated useful lives of each item of property, plant and equipment. The estimated economic useful lives are as follows:

	<b>Life (years)</b>
Furniture and fixtures	3 – 5
Computer equipment	3

### **Trade and other receivables**

Trade and other receivables are stated at amortized cost less impairment losses, if any.

### **Trade and other payables**

Trade and other payables are stated at amortized cost

### **Provisions**

A provision is recognised in the balance sheet when the Company has a present obligation (legal or constructive) as result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

### **Staff terminal benefits**

The provision for employees' terminal benefits, disclosed as a non-current liability, is based on the liability that would arise, in accordance with the UAE Federal Labour Law, if the employment of all employees were terminated at the balance sheet date.

### **Finance costs**

Finance costs are recognised as expenses in the period in which they are incurred.

### **Foreign currencies**

Transactions denominated in foreign currencies are translated to AED at the foreign exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to AED at the foreign exchange rates ruling at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to AED at the foreign exchange rates ruling at the date of the transaction. Realised and unrealised exchange gains and losses have been dealt with in the income statement.

### **Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and in hand.

# Al Ahmadiyah Aktor LLC

Notes (continued)

## 2 Principal accounting policies (continued)

### Impairment

The carrying amounts of the Company's assets, other than inventories, are reviewed at each balance sheet date whenever there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses, if any, are recognised in the income statement.

## 3 Administrative and general expenses

These include:	<b>2005 AED</b>
Staff costs	2,397,372
Depreciation	85,699
Rent	<u>1,758,783</u>

## 4 Property, plant and equipment

	<b>Furniture and fixtures AED</b>	<b>Computer equipment AED</b>	<b>Total AED</b>
<b>Cost</b>			
Additions during period	627,881	587,912	1,215,793
<b>At 31 December 2005</b>	<u>627,881</u>	<u>587,912</u>	<u>1,215,793</u>
<b>Depreciation</b>			
Charge for the period	54,696	58,042	112,738
<b>At 31 December 2005</b>	<u>54,696</u>	<u>58,042</u>	<u>112,738</u>
<b>Net book value</b>			
<b>At 31 December 2005</b>	<u>573,185</u>	<u>529,870</u>	<u>1,103,055</u>

## 5 Contract work in progress

	<b>2005 AED</b>
Value of work done	<u>5,887,611</u>

## 6 Other receivables

	<b>2005 AED</b>
Advance to suppliers	8,112,357
Other receivables	4,116,514
	<u>12,228,871</u>

# Al Ahmadiyah Aktor LLC

## Notes (continued)

<b>7</b>	<b>Cash at bank and in hand</b>	<b>2005 AED</b>
	Cash at bank	2,189,516
	Cash in hand	45,790
		<u>2,235,306</u>
<b>8</b>	<b>Trade and other payables</b>	<b>2005 AED</b>
	Trade payables	442,525
	Advances from customers	15,450,000
	Retention payables	202,439
	Other payables and accruals	1,685,418
		<u>17,780,382</u>
<b>9</b>	<b>Loan from shareholder's</b>	<b>2005 AED</b>
	HH Sheikh Hasher Maktoum Bin Juma Al Maktoum	2,450,000
	Aktor SA Technical	50,000
		<u>2,500,000</u>

The loans are interest free and repayable on demand.

## **10 Related party transactions**

The Company, in the normal course of business, carries out transactions with other enterprises, which fall within the definition of a related party contained in International Accounting Standard 24. Pricing policies and terms of these transactions are approved by the Company's management and are at agreed rates.

The year end balances with the related parties is as follows:

### **Due to related parties**

Millennium Construction LLC	9,819
Aktor Construction Intl Ltd	483,319
	<u>493,138</u>

# Al Ahmadiyah Aktor LLC

Notes *(continued)*

## 10 Related party transactions (continued)

### Transactions with key management personnel

The key management personnel compensation is as follows:

	2005 AED
Salaries and other short-term employee benefits	259,000
Post retirement benefits	13,647
<b>11 Provision for staff terminal benefits</b>	<b>2005 AED</b>
Provision made during the period	177,034
<b>12 Share capital</b>	<b>2005 AED</b>
<i>Authorised, issued and fully paid-up:</i> 5,000 shares of AED 1,000 each	5,000,000
<b>13 Statutory reserve</b>	
In accordance with Article 255 of the UAE Federal Law No. 8 of 1984 (as amended), the Company is required to transfer a minimum of ten percent of its profit for the year to a statutory reserve until such reserve equals one-half of its paid-up share capital. As the Company has incurred losses during the period, no such transfer has been made.	
<b>14 Contingent liabilities and commitments</b>	<b>2005 AED</b>
Letters of guarantee	33,092,000

There were no significant capital commitments at 31 December 2005.

# Al Ahmadiyah Aktor LLC

## Notes *(continued)*

### **15 Financial instruments**

Financial assets of the Company comprise cash at bank and in hand and other receivables. Financial liabilities of the Company include trade and other payables, loan from shareholders and amounts due to related parties. Accounting policies for financial assets and liabilities are set out in note 2.

#### **Credit risk**

The Company's cash is placed with reputable banks, with good credit ratings.

#### **Currency risk**

The Company has no significant exposure to foreign currency risk.

#### **Interest rate risk**

The Company has no significant interest rate risk. Loans from the shareholders are interest free.

#### **Fair value**

The fair value of the Company's financial assets and financial liabilities approximates their carrying value.

### **16 Accounting estimates and judgement**

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### *Contract work in progress*

Contract work-in-progress is stated at cost plus estimated attributable profits less foreseeable losses and progress billings. In determining estimated attributable profits or foreseeable losses if any to be recognised, the Company needs to estimate the outcome of each contract and also the percentage of cost incurred in relation to the total estimated costs. The final result of the contract may differ from the estimate made at the time of preparation of these financial statements.