

**Al Ahmadiyah Aktor LLC**  
**Financial statements**  
*31 December 2006*

# Al Ahmadiyah Aktor LLC

Financial statements  
31 December 2006

<i>Contents</i>	<i>Page</i>
Directors' report	1
Independent auditors' report	2
Income statement	3
Balance sheet	4
Statement of cash flows	5
Statement of changes in equity	6
Notes	7-16

March 8, 2007

Our reference:AAA/4/FC/NK/07/1133

**Report of the Board of Directors**  
**Financial statements of the year ended 31 December 2006**

The company was incorporated on the 16<sup>th</sup> of March, 2005. The two shareholders are H.H. Sheikh Hasher Al Maktoum Bin Juma Al Maktoum and Aktor S.A. who have established a construction partnership, Al Ahmadiyah Aktor LLC, with headquarters in Dubai, U.A.E.

The first year of operations had two signed contracts valued at AED 81 Million. The second year of operations resulted in a marginal profit of AED 60,214 with an additional two signed contracts in effect valued at AED 208 Million. First quarter of 2007 showed promising activity with a further two new contracts valued at AED 312 Million.

Summary of project activities to date:

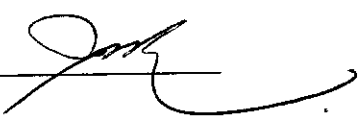
2005: Al Sofouh (AED 49 Million), Dubai Arch Tower (AED 32 Million)  
2006: City Hospital (AED 174.5 Million), Ibn Battuta, first contract (AED 33.5 Million)  
2007: Ibn Battuta, 2<sup>nd</sup> contract (AED 111.7 Million); Anantara - signing stage (AED 200 Million)

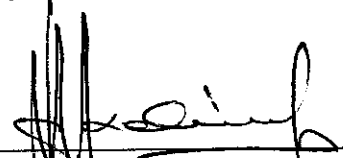
Under the current circumstances of having signed and ongoing contracts of AED 600 Million with backlog of AED 500 Million, the shareholders remain optimistic towards future growth and success of the organization. The company's historical performance, operational improvements to date and an ever expanding market contribute to this outlook. The shareholders also remain committed to strategic operational and marketing improvements, which will be instrumental in achieving the company's vision.


The company has increased the number of its employees from 331 in 2005 to 820 in 2006, developed internal systems and procedures, was awarded the ISO 9001:2000 certification by TUV Germany and has achieved a resulting confidence for operational development within a highly competitive environment.

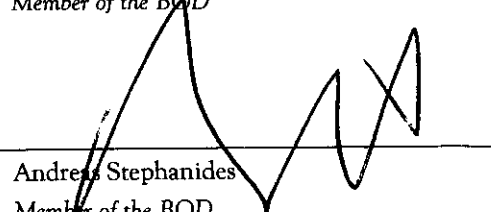
As indicated in the financial statements, revenue in 2006 brought the company into profit-making status. The management is forecasting a considerable profit at the end of 2007.

The report of the board of directors has been approved on *March 8 2007*  
On behalf of Al Ahmadiyah Aktor LLC

  
S.K. Joshi  
Member of the BOD

  
Konstantinos Mathiopoulos  
Member of the BOD

  
Shanker Ramakrishnan  
Member of the BOD

  
Andreas Stephanides  
Member of the BOD



P O Box 3800  
Level 32, Emirates Towers  
Sheikh Zayed Road  
Dubai  
United Arab Emirates

Telephone +971 (4) 403 0300  
Fax +971 (4) 330 1515  
Website www.ae-kpmg.com

## **Independent auditors' report**

The Shareholders  
Al Ahmadiyah Aktor LLC

### **Report on the financial statements**

We have audited the accompanying financial statements of Al Ahmadiyah Aktor LLC ("the Company"), which comprise the balance sheet as of 31 December 2006 and income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

### **Management's responsibility for the financial statements**

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

### **Auditors' responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material mis-statement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider 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 principles used and 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 opinion.

### **Opinion**

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2006 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Articles of Association and UAE Federal Law No. 8 of 1984 (as amended).

### **Report on other legal and regulatory requirements**

As required by the Federal Law No. 8 of 1984 (as amended), we further confirm that we have obtained all information and explanations necessary for our audit, that proper financial records have been kept by the Company, that a physical count of inventories was carried out by management in accordance with established principles, and the contents of the Directors' report which relate to these financial statements are 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 year ended 31 December 2006, which may have had a material adverse effect on the business of the Company or its financial position.

*[Signature]*  
12 MAR 2007

# Al Ahmadiyah Aktor LLC

## Income statement

for the year ended 31 December 2006

			289 days period ended 31 December
	<i>Note</i>	2006 AED	2005 AED
Contract revenue		100,035,970	-
Contract costs	3	(92,041,341)	-
<b>Gross profit</b>		<u>7,994,629</u>	-
Administrative and general expenses	4	(7,456,080)	(4,438,561)
Finance cost		(478,335)	(57,150)
<b>Net profit/(loss) for the year/period</b>		<u><u>60,214</u></u>	<u><u>(4,495,711)</u></u>

The notes on pages 7 to 16 form part of these financial statements.

The independent auditors' report is set out on page 2.

# Al Ahmadiyah Aktor LLC

## Balance sheet

at 31 December 2006

	Note	2006 AED	2005 AED
<b>Property, plant and equipment</b>	5	5,671,932	1,103,055
<b>Long term retention receivables</b>	8	7,979,704	-
<b>Current assets</b>			
Inventories	6	3,887,361	-
Contract work in progress	7	20,238,930	5,887,611
Contract and other receivables	8	53,667,124	12,228,871
Cash at bank and in hand	9	102,336	2,235,306
		<u>77,895,751</u>	<u>20,351,788</u>
<b>Current liabilities</b>			
Trade and other payables	10	55,447,648	17,577,943
Due to related parties	11	1,195,403	493,138
Loan from shareholders	12	6,115,585	2,500,000
Bank borrowings	13	23,314,138	-
Current portion of long term loan	14	733,175	-
		<u>86,805,949</u>	<u>20,571,081</u>
<b>Net current liabilities</b>		<b>(8,910,198)</b>	<b>(219,293)</b>
<b>Non current liabilities</b>			
Provision for staff terminal benefits	15	(1,059,881)	(177,034)
Long term loan	14	(610,979)	-
Retention payable	10	(2,506,075)	(202,439)
<b>Net assets</b>		<u><b>564,503</b></u>	<u><b>504,289</b></u>
<b>Represented by</b>			
Share capital	16	5,000,000	5,000,000
Statutory reserve	17	6,021	-
Accumulated losses		(4,441,518)	(4,495,711)
		<u><b>564,503</b></u>	<u><b>504,289</b></u>

The notes on pages 7 to 16 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

08 MAR 2007

Director

Director

The independent auditors' report is set out on page 2.

# Al Ahmadiyah Aktor LLC

## Statement of cash flows for the year ended 31 December 2006

		2006	289 days period ended 31 December
	Note	AED	2005 AED
<b>Operating activities</b>			
Net profit/(loss) for the year/period		60,214	(4,495,711)
<i>Adjustments for:</i>			
Depreciation		1,194,708	112,738
Loss on sale of property, plant and equipment		471	-
Net movements in staff terminal benefits		882,847	177,034
		<u>2,138,240</u>	<u>(4,205,939)</u>
<i>Operating profit / (loss) before working capital changes:</i>			
Change in inventories		(3,887,361)	-
Change in contract work in progress		(14,351,319)	(5,887,611)
Change in contract and other receivables		(41,438,253)	(12,228,871)
Change in long term retention receivables		(7,979,704)	-
Change in trade and other payables		37,869,705	17,577,943
Change in long term retention payables		2,303,636	202,439
Change in due to related parties		702,265	493,138
		<u>(24,642,791)</u>	<u>(4,048,901)</u>
<i>Cash flows from operating activities</i>			
<b>Investing activities</b>			
Acquisition of property, plant and equipment		(5,764,056)	(1,215,793)
		<u>(5,764,056)</u>	<u>(1,215,793)</u>
<i>Cash flows from investing activities</i>			
<b>Financing activities</b>			
Introduction of share capital		-	5,000,000
Loan from shareholders		3,615,585	2,500,000
Loan introduced		1,466,350	-
Loan repaid		(122,196)	-
		<u>4,959,739</u>	<u>7,500,000</u>
<i>Cash flows from financing activities</i>			
<b>(Decrease) / increase in cash and cash equivalents</b>		<b>(25,447,108)</b>	<b>2,235,306</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>2,235,306</b>	<b>-</b>
<b>Cash and cash equivalents at end of the year/period</b>		<b>(23,211,802)</b>	<b>2,235,306</b>
Cash and cash equivalents comprise of:			
Cash at bank and in hand	9	102,336	2,235,306
Bank overdraft	13	(23,314,138)	-
		<u>(23,211,802)</u>	<u>2,235,306</u>

The notes on pages 7 to 16 form part of these financial statements.

The independent auditors' report is set out on page 2.

# Al Ahmadiyah Aktor LLC

## Statement of changes in equity for the year ended 31 December 2006

	Share capital AED	Accumulated losses AED	Statutory reserve AED	Total AED
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>5,000,000</b>	<b>(4,495,711)</b>	<b>-</b>	<b>504,289</b>
As at 1 January 2006	5,000,000	(4,495,711)	-	504,289
Net profit for the year	-	60,214	-	60,214
Transfer to statutory reserve	-	(6,021)	6,021	-
<b>At 31 December 2006</b>	<b>5,000,000</b>	<b>(4,441,518)</b>	<b>6,021</b>	<b>564,503</b>

The notes on pages 7 to 16 form part of these financial statements.



# 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 Company was incorporated and started its operations on 16<sup>th</sup> March 2005.

The Company is primarily involved in construction projects, civil works and contracting for the supply, installation, execution and maintenance of electrical and mechanical works as well as air-conditioning systems..

The registered address of the Company is P.O. Box 182456, Dubai, United Arab Emirates.

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 International Financial Reporting Standards (IFRSs) and its interpretations adopted by the International Accounting Standards Board and the requirement of the U.A.E. Federation Law No. 8 of 1984 (as amended)

#### Basis of preparation

These financial statements have been prepared on the historical cost basis and are presented in United Arab Emirates Dirham ("AED"), which is the Company's functional currency.

These financial statements have been prepared on a going concern basis, notwithstanding the fact that the Company has incurred accumulated losses of AED 4,441,518 for the year ended 31 December 2006 (2005: 4,495,711) and has net current liabilities of AED 8,910,198 (2005: AED 219,293) as at that date. The shareholders of the Company have provided an undertaking to provide the necessary financial support to enable the Company to continue its operations in the foreseeable future.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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 and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are discussed in note 21

# Al Ahmadiyah Aktor LLC

Notes (continued)

## 2 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Certain comparative amounts have been reclassified to conform with the current year's presentation.

### Contract revenue

Contract revenue on construction contracts is stated at contract cost plus estimated attributable profits less any foreseeable losses recognised during the year. 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

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.

### 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:

	Life (years)
Furniture and fixtures	3-5
Computer equipment	3
Plant and machinery	5-10
Motor vehicles	5

Depreciation methods and useful lives as well as residual values are reassessed at the reporting date.

# Al Ahmadiyah Aktor LLC

Notes (continued)

## 2 Significant accounting policies (continued)

### **Inventories**

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost to completion and selling expenses. The cost of inventories is based on the weighted average cost principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

### **Contract and other receivables**

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

### **Contract and other payables**

Contract and other payables are stated at their amortized cost.

### **Impairment**

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether 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 the asset exceeds its recoverable amount. Impairment losses, if any, are recognised in the income statement.

### **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 year in which they are incurred.

### **Foreign currency**

Transactions in foreign currencies are translated at the foreign exchange rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to AED at the exchange rate at that date. Foreign currency differences arising on retranslation are recognised in the income statement. Non monetary assets and liabilities denominated in foreign currencies which are measured in terms of historical cost are translated into AED at the exchange rate ruling at the date of the transaction.

### **Operating lease**

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

# Al Ahmadiyah Aktor LLC

Notes (continued)

## 2 Significant accounting policies (continued)

### New standards and interpretations not yet adopted

The new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2006, and have therefore not been applied in preparing these financial statements:

*IAS 1 Presentation of Financial Statements - Capital Disclosures* requires the Company to disclose information that enables users of its financial statements to evaluate the Company's objectives, policies and processes for managing capital; and

*IFRS 7 Financial Instruments: Disclosures* requires the Company to disclose the qualitative and quantitative information about its exposure to risks arising from financial instruments, including specified minimum disclosure about credit risk, liquidity risk and market risk.

IAS 1 and IFRS 7 (superseding IAS 30 and 32), which become mandatory for the Company's 2007 financial statements are not expected to have any impact on the financial statements of the Company except for the disclosure as required under the respective International Financial Reporting Standards.

## 3 Contract costs

	2006	289 days period ended 2005
<i>These include:</i>	AED	AED
Material costs	24,305,690	-
Sub-contract costs	27,520,965	-
Staff related costs	24,403,832	-
Depreciation	787,435	-
	<u>                    </u>	<u>                    </u>

## 4 Administrative and general expenses

	2006	289 days period ended 2005
<i>These include:</i>	AED	AED
Staff costs	4,061,195	2,397,372
Rent	607,984	368,516
Legal and consultancy charges	770,943	283,522
Licence fees	294,119	100,788
Depreciation	407,273	85,699
	<u>                    </u>	<u>                    </u>

# Al Ahmadiyah Aktor LLC

Notes (continued)

## 5 Property, plant and equipment

	Furniture and fixtures AED	Computer equipment AED	Plant and machinery AED	Motor vehicles AED	Total AED
<b>Cost</b>					
Additions for the period	627,881	587,912	-	-	1,215,793
At 31 December 2005	627,881	587,912	-	-	1,215,793
At 1 January 2006	627,881	587,912	-	-	1,215,793
Additions for the year	1,204,602	1,016,764	3,407,690	135,000	5,764,056
Disposals for the year	(475)	-	-	-	(475)
<b>At 31 December 2006</b>	<b>1,832,008</b>	<b>1,604,676</b>	<b>3,407,690</b>	<b>135,000</b>	<b>6,979,374</b>
<b>Depreciation</b>					
Charge for the period	54,696	58,042	-	-	112,738
At 31 December 2005	54,696	58,042	-	-	112,738
At 1 January 2006	54,696	58,042	-	-	112,738
Charge for the year	293,221	398,463	500,474	2,550	1,194,708
On disposal	(4)	-	-	-	(4)
<b>At 31 December 2006</b>	<b>347,913</b>	<b>456,505</b>	<b>500,474</b>	<b>2,550</b>	<b>1,307,442</b>
<b>Net book value</b>					
<b>At 31 December 2006</b>	<b>1,484,095</b>	<b>1,148,171</b>	<b>2,907,216</b>	<b>132,450</b>	<b>5,671,932</b>
At 31 December 2005	573,185	529,870	-	-	1,103,055

Plant and machinery includes machinery with a net book value of AED 1,341,412 (2005:Nil) mortgaged against finance obtained for such machinery (also refer note 14).

## 6 Inventories

	2006 AED	2005 AED
Materials at site	3,887,361	-

# Al Ahmadiyah Aktor LLC

## Notes (continued)

<b>7</b>	<b>Contract work in progress</b>	<b>2006</b> <b>AED</b>	<b>2005</b> <b>AED</b>
	Value of work done	100,035,970	5,887,611
	Less: progress billings	(79,797,040)	-
		<u>20,238,930</u>	<u>5,887,611</u>
<b>8</b>	<b>Contract and other receivables</b>	<b>2006</b> <b>AED</b>	<b>2005</b> <b>AED</b>
	Contract receivables	32,147,023	-
	Advance to subcontractors and suppliers	12,039,340	8,112,357
	Margin deposits	3,129,729	-
	Other receivables	6,351,032	4,116,514
		<u>53,667,124</u>	<u>12,228,871</u>
	Retention receivables – non current	<u>7,979,704</u>	-
<b>9</b>	<b>Cash at bank and in hand</b>	<b>2006</b> <b>AED</b>	<b>2005</b> <b>AED</b>
	Cash at bank	22,454	2,189,516
	Cash in hand	79,882	45,790
		<u>102,336</u>	<u>2,235,306</u>
<b>10</b>	<b>Trade and other payables</b>	<b>2006</b> <b>AED</b>	<b>2005</b> <b>AED</b>
	Trade payables	26,211,041	442,525
	Advances from customers	26,869,431	15,450,000
	Other payables and accruals	2,367,176	1,685,418
		<u>55,447,648</u>	<u>17,577,943</u>
	Retention payables – long term	<u>2,506,075</u>	<u>202,439</u>

# Al Ahmadiyah Aktor LLC

Notes (continued)

## 11 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. Transactions with related parties are as follows:

	2006 AED	2005 AED
Purchases and services received	<u>337,590</u>	<u>67,813</u>

### Compensation to key management personnel

	2006 AED	2005 AED
Salaries and other short term employee benefits	837,514	378,581
Post retirement benefits	<u>46,201</u>	<u>13,647</u>

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

Due to related parties	2006 AED	2005 AED
Millennium Construction LLC	1,126,208	9,819
Al Fajer Establishment	5,900	-
Al Fajer Travel, Tourism and Cargo	63,295	-
Aktor Construction International Limited	-	483,319
	<u>1,195,403</u>	<u>493,138</u>

## 12 Loan from shareholders

	2006 AED	2005 AED
Aktor SA Technical (Euro 747,500)	3,615,585	-
HH Sheikh Hasher Maktoum Bin Juma Al Maktoum	2,500,000	2,500,000
	<u>6,115,585</u>	<u>2,500,000</u>

The shareholders have confirmed that the loans are interest free and payable on demand.

The finance cost includes AED 176,002 towards the loss on revaluation of loan from Aktor SA Technical in foreign currency.

# Al Ahmadiyah Aktor LLC

## Notes (continued)

<b>13</b>	<b>Bank borrowings</b>	<b>2006</b> <b>AED</b>	<b>2005</b> <b>AED</b>
	Bank overdraft	<u>23,314,138</u>	<u>-</u>

The Company's bank overdraft carries interest at the normal commercial rates.

The Company's bank facilities are mainly secured by:

- a) Hold cover of AED 23 million from General Bank of Greece S.A;
- b) Irrevocable and unconditional assignment of contracts receivable in favour of the bank;
- c) Lien over time deposit of AED 1.5 million; and
- d) Personal guarantee of H.H. Sheikh Hasher Al Maktoum and corporate guarantee of M/s Aktor Constructions International Limited, Greece.

<b>14</b>	<b>Long term loan</b>	<b>2006</b> <b>AED</b>	<b>2005</b> <b>AED</b>
	Loan obtained during the year	1,466,350	-
	Less: repaid during the year	(122,196)	-
	Balance as at 31 December	<u>1,344,154</u>	-
	Less: due within one year	(733,175)	-
	Non-current portion of long term loan	<u>610,979</u>	<u>-</u>

The loan is secured by notarized mortgage over the machinery (refer note 6).

Further, the Company has given the following undertakings:

- not to sell, transfer or otherwise dispose of or create or permit to subsist any mortgage, pledge, lien charge without prior approval of the bank; and
- not to change the legal ownership, status or constitution of the Company.

<b>15</b>	<b>Provision for staff terminal benefits</b>	<b>2006</b> <b>AED</b>	<b>2005</b> <b>AED</b>
	As at 1 January	177,034	-
	Add: provision made during the year/period	903,521	177,034
	Less: paid during the year	(20,674)	-
		<u>1,059,881</u>	<u>177,034</u>



# Al Ahmadiyah Aktor LLC

## Notes (continued)

### 16 Share capital

	2006 AED	2005 AED
<i>Authorised, issued and fully paid-up:</i>		
5,000 shares of AED 1,000 each	<u>5,000,000</u>	<u>5,000,000</u>

### 17 Statutory reserve

In accordance with Article 255 of the Federal Law No.8 of 1984 (as amended) and the Articles of Association of the Company, 10% of net profit for the year, if any, is required to be transferred to a statutory reserve, which is non-distributable. Such allocations may be ceased when the statutory reserve becomes equal to half of the share capital. During the year the Company has transferred AED 6,021 (2005: Nil) to the statutory reserve.

### 18 Contingent liabilities and capital commitments

	2006 AED	2005 AED
Letters of credit	34,185,066	-
Letters of guarantee	<u>95,764,743</u>	<u>33,092,000</u>

There were no significant capital commitments at 31 December 2006 (2005: Nil).

### 19 Operating leases

The Company leases office premises and staff accommodation under an operating lease. Lease rentals are reviewed periodically to reflect market rentals. Minimum lease payments under non-cancellable operating lease rental commitments are:

	2006 AED	2005 AED
Less than one year	<u>868,639</u>	<u>591,284</u>

### 20 Financial instruments

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

# Al Ahmadiyah Aktor LLC

Notes *(continued)*

## 20 Financial instruments (continued)

### 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 in its normal business operation. However the Company is subject to foreign currency risk in respect of loans obtained from related parties in foreign currency.

### Interest rate risk

The Company has no significant interest rate risk. Bank borrowings are at normal commercial rates. 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.

## 21 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.

### (a) *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.

### (b) *Impairment losses on receivables*

The Company reviews its receivables to assess impairment at least on an annual basis. The Company's credit risk is primarily attributable to its trade receivables. In determining whether impairment losses should be reported in the income statement, the Company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. Accordingly, an allowance for impairment is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.