Al Ahmadiah Aktor LLC

Financial statements
31 December 2010

Al Ahmadiah Aktor LLC

Financial statements

31 December 2010

Contents

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Report of the Board of Directors

Financial statements for the year ended 31 December 2010

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

The Sixth year of operation has shown a decline in revenue from AED 905 Million (2009) to AED 455 Million (2010) while Profit has increased from AED 1.5 Million to AED 5.5 Million.

During the year 2010 the company had activities in the following projects:

- IBN Battuta (Estimated Contract Amount AED 266.6 Million)
- American School of Dubai (Estimated Contract Amount AED 387 Million)
- Jebel Ali Sewage Treatment Plant (in Joint Venture with Aktor SA – Estimated Contract Amount AED 1.74 Billion)
- Dubai Fujairah Freeway Contract 3 (in Joint Venture with AKTOR S.A – Estimated Contract Amount AED 408 Million)

The current ongoing contracts of the company have a total value of AED 2.8 Billion of which minority interest is AED 1.18 Billion. The remaining unexecuted work as at 31 December 2010 is AED 219.7 Million of which minority interest is AED 90.3 Million.

The company will follow a disciplined and selective new projects strategy to enable it to remain a major player in the construction market and to benefit from opportunities in new tenders that exist today. The company is closely monitoring the market environment and is constantly taking measures to ensure it has sufficient liquidity and to manage market risk effectively hoping to benefit from the opportunities that will arise when the economic environment stabilizes.

In 2011 it is projected that the company will continue its efforts to remain a major player in the local construction industry and achieve growth.

The report of the Board of Directors of Al Ahmadiah Aktor LLC has been approved on

S. K. Joshi
Member of the BOD

Andreas Stephanides
Member of the BOD

Naeem Sheikh
Member of the BOD

Demetrios Tzirkas
Member of the BOD

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Independent auditors' report

The Shareholders
Al Ahmadiah Aktor LLC

Report on the financial statements

We have audited the accompanying financial statements of Al Ahmadiah Aktor LLC ("the Company"), which comprise the statement of financial position as at 31 December 2010, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement 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 the 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, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the relevant Articles of the Company and the UAE Federal Law No. 8 of 1984 (as amended).

KPMG

Independent auditors' report *(continued)*

Emphasis of matter

Without qualifying our opinion above, we draw attention to note 11 to the financial statements which explains that an amount of AED 143 million has been recognized in work in progress which has not yet been certified by the contract employers but considered as fully recoverable by the management and shareholders of the Company.

Report on other legal and regulatory requirements

As required by the UAE 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 stock 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 2010, which may have had a material adverse effect on the business of the Company or its financial position.

21 APR 2011

Al Ahmadiah Aktor LLC

Statement of comprehensive income
for the year ended 31 December 2010

	Note	2010 AED	2009 AED
Contract revenue		**454,946,033**	904,555,333
Contract cost	*5*	**(417,328,569)**	(871,745,235)
Gross profit		**37,617,464**	32,810,098
Administrative and general expenses	*6*	**(14,100,549)**	(15,928,301)
Finance costs	*7(i)*	**(22,061,441)**	(19,585,912)
Finance income	*7(ii)*	**578,731**	1,596,980
Other income	*8*	**3,467,640**	2,665,949
Profit for the year		**5,501,845**	1,558,814
Other comprehensive income		**-**	-
Total comprehensive income for the year		**5,501,845**	1,558,814

The notes on pages 8 to 26 form part of these financial statements.

The independent auditors' report is set out on pages 2 and 3.

Al Ahmadiah Aktor LLC

Statement of financial position
at 31 December 2010

	Note	2010 AED	2009 AED
Non-current assets			
Property, plant and equipment	9	**47,951,950**	80,312,936
Long-term retention receivable	12	**6,495,743**	13,574,140
		54,447,693	93,887,076
Current assets			
Inventories	10	**26,485,612**	33,222,187
Contract work-in-progress	11	**180,351,738**	193,649,849
Contract and other receivables	12	**275,293,303**	303,649,649
Due from related parties	15	**36,844,563**	23,941,964
Cash in hand and at bank	13	**13,741,878**	28,614,477
		532,717,094	583,078,126
Current liabilities			
Contract and other payables	14	**160,098,610**	280,579,304
Due to related parties	15	**196,666,424**	63,603,927
Current portion of bank borrowings	16	**146,253,717**	276,555,119
		503,018,751	620,738,350
Net current assets/(liabilities)		**29,698,343**	(37,660,224)
Non-current liabilities			
Provision for staff terminal benefits	17	**(4,941,021)**	(7,012,627)
Long-term loan	16	**(37,200,000)**	(11,574,636)
Long-term retention payable	14	**(284,670)**	(1,421,089)
Net assets		**41,720,345**	36,218,500
Represented by:			
Share capital	18	**5,000,000**	5,000,000
Statutory reserve	19	**1,683,802**	1,683,802
Retained earnings		**35,036,543**	29,534,698
Total equity		**41,720,345**	36,218,500

The notes on pages 8 to 26 form part of these financial statements.

These financial statements were approved by the Board of Directors on

21 APR 2011

Director

Director

The independent auditors' report is set out on pages 2 and 3.

Al Ahmadiah Aktor LLC

Statement of cash flows
for the year ended 31 December 2010

	2010 AED	2009 AED
Cash flows from operating activities		
Profit for the year	**5,501,845**	1,558,814
Adjustments for:		
Depreciation	**36,394,152**	21,191,804
Finance expense	**22,061,441**	19,585,912
Finance income	**(578,731)**	(1,596,980)
Loss on disposal of property, plant and equipment	**7,580**	-
Property, plant and equipment written off	**87,528**	25,136
Provision for staff terminal benefits	**2,970,637**	6,022,580
Operating profit before working capital changes	**66,444,452**	46,787,266
Change in inventories	**6,736,575**	106,537,277
Change in contract work in progress	**13,298,111**	(80,366,745)
Change in contract and other receivables	**28,356,346**	(64,905,454)
Change in due from related parties	**(12,663,219)**	(191,214)
Change in long-term retention receivable	**7,078,397**	21,702,721
Change in contract and other payables	**(118,971,297)**	(71,390,988)
Change in long-term retention payable	**(1,136,419)**	(2,385,103)
Change in due to related parties	**133,062,497**	54,930,631
Staff terminal benefits paid	**(6,551,640)**	(2,552,172)
Net cash generated from operating activities	**115,653,803**	8,166,219
Cash flows from investing activities		
Additions to property, plant and equipment	**(4,461,258)**	(51,931,239)
Proceeds from disposal of property, plant and equipment	**93,604**	231,338
Change in margin deposits	**2,500,681**	(1,618,681)
Finance income	**578,731**	1,596,980
Net cash used in investing activities	**(1,288,242)**	(51,721,602)
Cash flows from financing activities		
Repayment of loan from shareholder	**-**	(2,500,000)
Changes in bank borrowings (net)	**(21,745,842)**	51,397,891
Finance expense	**(22,061,441)**	(19,585,912)
Net cash (used in)/generated from financing activities	**(43,807,283)**	29,311,979
Net increase/(decrease) in cash and cash equivalents	**70,558,278**	(14,243,404)
Cash and cash equivalents at the beginning of the year	**(77,223,168)**	(62,979,764)
Cash and cash equivalents at end of the year	**(6,664,890)**	(77,223,168)
These comprise of:		
Cash in hand and at bank (excluding margin deposits)	**9,410,472**	21,782,390
Bank overdrafts	**(16,075,362)**	(99,005,558)
	(6,664,890)	(77,223,168)

The notes on pages 8 to 26 form part of these financial statements.

The independent auditors' report is set out on pages 2 and 3.

Al Ahmadiah Aktor LLC

Statement of changes in equity
for the year ended 31 December 2010

	Share capital AED	Retained earnings AED	Statutory reserve AED	Total AED
At 1 January 2009	5,000,000	27,975,884	1,683,802	34,659,686
Profit for the year	-	1,558,814	-	1,558,814
Total comprehensive income for the year	-	1,558,814	-	1,558,814
At 31 December 2009	5,000,000	29,534,698	1,683,802	36,218,500
At 1 January 2010	5,000,000	29,534,698	1,683,802	36,218,500
Profit for the year	-	5,501,845	-	5,501,845
Total comprehensive income for the year	-	5,501,845	-	5,501,845
At 31 December 2010	**5,000,000**	**35,036,543**	**1,683,802**	**41,720,345**

The notes on pages 8 to 26 form part of these financial statements.

1 Legal status and principal activities

Al Ahmadiah 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 on 16 March 2005 and started operations from the same date. 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 S.A.	49
	==

The Company is primarialy 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.

Certain comparative figures have been reclassified, wherever necessary, to conform to the presentation adopted in these financial statements.

Joint ventures

The Company has entered into the following joint ventrues:

On 1 May 2007, the Company entered into a joint venture agreement for Jebel Ali Sewage Treatment Plant Project ("STP Project") with Aktor S.A for the purpose of performing jointly all the works required for the completion of STP Project for Dubai Municipality. The name of the unincorporated joint venture is Jebel Ali STP Al Ahmadiah Aktor LLC - Aktor S.A JV ("the STP Joint Venture"). The scope of work mainly comprises construction, completion and commissioning of building, civil and electromechanical works for the sewerage treatment plant.

The equity interest in the Joint Venture is as follows:

Name of the joint venture partner	**Equity interest (%)**
Al Ahmadiah Aktor LLC	60
Aktor S.A.	40
	==

On 5 July 2009, the Company entered into another joint venture agreement for Dubai Fujairah Freeway project ("DFFW Project") with Aktor S.A for the purpose of performing jointly all the works required for the completion of DFFW Project for Ministry of Public Works, UAE. The name of the unincorporated joint venture is Dubai Fujairah Freeway Al Ahmadiah Aktor LLC - Aktor S.A JV ("the DFFW Joint Venture"). The scope of work mainly comprises construction of the stretches on Dubai Fujairah Freeway with approximate length of 16 kilometres, in addition to the construction of 5 utilities bridges for crossing over water and gas pipelines

The equity interest in the Joint Venture is as follows:

Name of the joint venture partner	**Equity interest (%)**
Al Ahmadiah Aktor LLC	60
Aktor S.A.	40
	==

The financial results of the Joint Ventures for the year ended 31 December 2010 and the financial position as at that date have been proportionately consolidated in these financial statements. The Joint Ventures have a financial year end of 31 December.

2 Basis of preparation

Financing arrangements

The Company (including the Company's interest in joint ventures) has significant financial commitments to banks of AED 183.5 million *(2009: AED 288.1 million)*including short-term financial commitments of AED 146.2 million *(2009: AED 276.6 million)*. The Company's management and shareholders expect to procure new contracts for infrastructure related projects in near future which would enable the Company to continue to earn profits and meet its short-term financial commitments as these fall due. Furthermore, the shareholders of the Company have undertaken to provide or arrange such financial support as necessary for the Company to meet its obligations as they fall due in the foreseeable future. Also refer note 21.

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the requirements of UAE Federal Law No. 8 of 1984 (as amended).

Basis of measurement

These financial statements have been prepared under the historical cost convention.

Functional and presentation currency

The financial statements are presented in United Arab Emirates Dirham ("AED"), which is also the functional currency of the Company.

Use of judgements and estimates

The preparation of financial statements in conformity with IFRS 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 recognized 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 amounts recognized in these financial statements are described in note 24.

3 Significant accounting policies

The following accounting policies, which comply with IFRS, have been applied consistently in dealing with items which are considered material in relation to these financial statements:

Jointly controlled entity

Jointly controlled entity is an entity over whose activities the Company has joint control, established by contractual agreement. Where joint control exists with the other entity to manage and operate the jointly controlled entity, the Company accounts for such jointly controlled entity are prepared as under the proportionate consolidation method. The financial statements include the Company's proportionate share in the assets, liabilities, revenue and expenses of the jointly controlled entity on a line-by-line basis, from the date that joint control commences until the date that joint control ceases. The details of the Company's share in the revenue, expenses, assets and liabilities included in the financial statements on a line-by-line basis are set out in note 20.

Contract revenue

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognized in statement of comprehensive income in proportion to the stage of completion of the contract.

The stage of completion is assessed by reference to the proportion that accumulated costs up to year end bear to the estimated costs of the contract. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognized immediately in statement of comprehensive income.

Contract work in progress/billings in excess of valuations

Contract work in progress is stated as contract costs plus estimated attributable profits less foreseeable losses and progress billings. Cost includes all expenditure directly related to the project based on normal operating capacity. For contracts where progress billings exceed the contract revenue, the excess is disclosed as billings in excess of valuation.

Borrowing costs

All borrowing costs, except to the extent that they are capitalized in accordance with the paragraph below, are recognized in statement of comprehensive income using the effective interest method.

Borrowing costs directly attributable to the acquisition or construction of a qualifying asset are capitalized as part of the cost of that asset. The capitalization of borrowing costs commences effectively from the date of incurring of expenditure related to the qualifying asset and ceases effectively when substantially all the activities necessary to prepare the qualifying asset for its intended use is complete or suspended for indefinite period. Borrowing costs relating to the period after acquisition or construction are expensed.

3 Significant accounting policies (continued)

Property, plant and equipment and depreciation

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The cost of day-to-day servicing of property, plant and equipment are recognized in statement of comprehensive income as incurred. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Depreciation is calculated on straight-line basis over the estimated useful lives of all items of property, plant and equipment. The estimated useful lives for the current and comparative periods are as follows:

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

The depreciation method, useful lives and residual values of property, plant and equipment are reassessed annually and altered if circumstances change significantly. Any change is accounted for as a change in accounting estimate by changing the depreciation charge for the current and future periods.

Gains or losses on disposal of an item of property plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property plant and equipment, and are recognized in statement of comprehensive income.

Capital work in progress

Capital work in progress is stated at cost until the construction is complete. Upon the completion of construction, the cost of such assets together with the cost directly attributable to construction (including capitalized borrowing costs) are transferred to the respective class of property, plant and equipment. No depreciation is charged on capital work in progress.

Inventories

Inventories are valued at the lower of cost and net realizable value. 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. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost to complete and selling expenses.

3 Significant accounting policies (continued)

Impairment

Financial assets

A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in statement of comprehensive income and reflected in an allowance account against receivables.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories are reviewed at each reporting date to determine whether there is an indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in statement of comprehensive income.

Provisions

A provision is recognized in the statement of financial position 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.

Foreign currency transactions

Transactions in foreign currencies are initially recorded in functional currency by translating them 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 using closing rate. 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. Realised and unrealised exchange gain and losses are recognised in statement of comprehensive income.

Operating lease

Leases of assets under which the lessor effectively retains all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are recognised in statement of comprehensive income on a straight-line basis over the term of the lease.

3 Significant accounting policies (continued)

Financial instruments

Non-derivative financial assets

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability. Financial assets and liabilities are set-off and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to set-off the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. The non-derivative financial assets of the Company comprise contract and other receivables, retention receivable, due from related parties and cash and cash equivalents.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Non-derivative financial liabilities

The Company initially recognizes financial liabilities on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired. Financial assets and liabilities are set-off and the net amount is presented in the statement of financial position when, and only when, the Company has a legal right to set-off the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. The non-derivative financial liabilities of the Company comprise bank borrowings, contract and other payables, retention payable and due to related parties. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

New standards and interpretations not yet effective

Certain new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2010, and have not been applied in preparing these financial statements. With particular reference to the Company are:

- *IFRS 9 Financial instruments: Classification and measurement (issued in November 2009)*: The Board issued the first part of IFRS 9 relating to the classification and measurement of financial assets. IFRS 9 will ultimately replace IAS 39. The standard requires an entity to classify its financial assets on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset and subsequently measures the financial assets as either at amortized cost or fair value. The new standard is mandatory for annual periods beginning on or after 1 January 2013. The application of IFRS 9 is not expected to have a material impact on these financial statements.

4 Financial risk management and capital management

Overview

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Credit risk

Credit risk is the risk of financial loss to the Company, if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk is mainly attributable to contract and other receivables, retention receivable, amount due from related parties and cash at bank. Significant portion of the revenues of the Company are generated from a contract being carried out by the STP Joint Venture of the Company and hence the substantial portion of trade and retention receivables are related to a single customer. The exposure to credit risk on contract and other receivables, retention receivable and amounts due from related parties is monitored on an ongoing basis by the management and these are considered recoverable by the Company's management. The Company's cash is placed with banks of repute.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of contract and other receivables. The main component of this allowance is a specific loss component that relates to individually significant exposures and a collective loss component established for similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk mainly relates to contract and other payables, amounts due to related parties, and bank borrowings. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign currency rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

4 Financial risk management and capital management (continued)

Market risk (continued)

Currency risk

The Company is exposed to currency risk on purchases and amounts with related parties that are denominated in a currency other than the functional currency. The currencies in which these transactions primarily are denominated are US Dollars ("USD"), Great Britain Pound (GBP) and Euro. In respect of the Company's transactions denominated in USD, the Company is not exposed to currency risk as the UAE Dirham (AED) is pegged to the USD. The Company does not hedge the currency risk in respect of its foreign currency exposure.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Company has exposure to interest rate risk relating to its bank borrowings. The interest rate on the Company's financial instruments is based on normal commercial rates.

Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company is not subject to any externally imposed capital requirements other than the minimum amount of share capital stipulated by the UAE Company Law.

5 Contract cost

	2010 AED	2009 AED
Material cost	**62,302,865**	464,572,159
Staff and associated cost	**99,521,456**	199,720,820
Sub-contract cost	**177,969,324**	120,697,070
Site running expenses	**15,998,230**	27,594,086
Plant and equipment cost	**25,637,116**	38,711,702
Depreciation (refer note 9 (ii))	**35,884,089**	20,073,070
Other contract costs	**15,489**	376,328
	417,328,569	871,745,235

6 Administrative and general expenses

	2010 AED	2009 AED
Staff and associated cost	**7,445,954**	10,137,764
Legal and professional expenses	**2,592,934**	1,300,910
Rent	**545,273**	625,950
Depreciation (refer note 9 (ii))	**510,062**	1,118,734
Others	**3,006,326**	2,744,943
	14,100,549	15,928,301

7 Finance costs – net

7(i) Finance costs

	2010 AED	2009 AED
Interest expense on bank borrowings	**16,771,285**	16,321,546
Bank charges	**5,290,156**	3,264,366
	22,061,441	19,585,912

7(ii) Finance income

	2010 AED	2009 AED
Interest income from a related party (refer note 15)	**578,731**	1,596,980

8 Other income

	2010 AED	2009 AED
Staff services provided to a related party (refer note 15)	**893,025**	2,627,135
Gain on foreign exchange transactions	**2,574,615**	-
Others	**-**	38,814
	3,467,640	2,665,949

9 Property, plant and equipment

	Furniture and fittings AED	Computer equipment AED	Plant and machinery AED	Motor vehicles AED	Capital work in progress AED	Total AED
Cost						
At 1 January 2009	11,312,182	6,339,740	39,959,397	4,800,785	569,653	62,981,757
Additions during the year	6,032,929	756,723	43,322,587	1,819,000	-	51,931,239
Reclassifications	3,977,094	(1,957,296)	(1,868,298)	(151,500)	-	-
Transfer from capital work in progress	569,653	-	-	-	(569,653)	-
Transferred from/(to) related parties (refer note 15)	1,223,991	-	1,358,247	(286,200)	-	2,296,038
Disposals	(7,280)	(29,366)	(234,000)	-	-	(270,646)
Write offs	-	(34,134)	-	-	-	(34,134)
At 31 December 2009	23,108,569	5,075,667	82,537,933	6,182,085	-	116,904,254
At 1 January 2010	23,108,569	5,075,667	82,537,933	6,182,085	-	116,904,254
Additions during the year	2,220,245	213,789	1,841,224	186,000	-	4,461,258
Transferred from/(to) related parties (refer note 15)	761,306	14,980	(424,204)	(1,142,640)	-	(790,558)
Disposals	(63,511)	-	(177,307)	-	-	(240,818)
Write offs	(19,600)	(67,864)	-	(96,400)	-	(183,864)
At 31 December 2010	26,007,009	5,236,572	83,777,646	5,129,045	-	120,150,272
Depreciation						
At 1 January 2009	4,285,465	2,273,672	7,519,005	685,340	-	14,763,482
Charge for the year	4,074,041	1,255,359	14,678,304	1,184,100	-	21,191,804
Reclassification	1,710,196	(325,901)	(1,343,389)	(40,906)	-	-
Transferred from /(to) related parties (refer note 15)	603,793	(32,597)	218,895	(105,754)	-	684,337
On disposals	(240)	(2,148)	(36,920)	-	-	(39,308)
Write offs	-	(8,998)	-	-	-	(8,998)
At 31 December 2009	10,673,255	3,159,387	21,035,895	1,722,780	-	36,591,317
At 1 January 2010	10,673,255	3,159,387	21,035,895	1,722,780	-	36,591,317
Charge for the year	7,151,256	1,371,996	26,184,231	1,686,668	-	36,394,151
Transferred from /(to) related parties (refer note 15)	393,150	13,863	(514,299)	(443,890)	-	(551,176)
On disposals	(54,775)	-	(84,859)	-	-	(139,634)
Write offs	(11,449)	(40,336)	-	(44,551)	-	(96,336)
At 31 December 2010	18,151,437	4,504,910	46,620,968	2,921,007	-	72,198,322
Net book value						
At 31 December 2010	**7,855,572**	**731,662**	**37,156,678**	**2,208,038**	**-**	**47,951,950**
At 31 December 2009	12,435,313	1,916,280	61,502,038	4,459,305	-	80,312,936

(i) Plant and machinery includes machinery with a net book value of AED 15,563,890 *(2009: AED 36,785,184)* mortgaged against finance obtained for such machinery (also refer note 16).

(ii) Depreciation for the year is analysed as follows:

	2010 AED	2009 AED
Direct costs (refer note 5)	**35,884,089**	20,073,070
Administrative and general expenses (refer note 6)	**510,062**	1,118,734
	36,394,151	21,191,804

10 Inventories

	2010 AED	2009 AED
Material at site	**26,485,612**	33,222,187

11 Contract work–in-progress

	2010 AED	2009 AED
Contract costs	**1,985,246,176**	1,309,677,871
Add: profit recognised	**99,623,329**	82,327,994
Value of work done	**2,084,869,505**	1,392,005,865
Less: progress billings	**(1,904,517,767)**	(1,198,356,016)
Contract work in progress (refer note below)	**180,351,738**	193,649,849

At 31 December 2010, contract work in progress includes an amount of AED 143 million representing costs incurred by the Company and its joint venture for contract works not yet certified by the contract employers on STP and Ibn Batutta projects. The amounts recognised in these financial statements represent costs incurred and recharged without any mark up to the contract employers. The actual amount claimed is AED 251.8 million of which AED 143 million has been recognised at cost under work-in-progress.

For the additional costs recharged to the respective contract employers on the abovementioned projects the contract employer for STP Project has acknowledged the complex nature of these additional costs involved and requested for additional time to reach at a decision which is fair to both the parties. However, the contract employer on Ibn Batutta project has rejected the cost escalations and in turn has imposed a penalty of AED 26 million. The management of the Company is of the opinion that this penalty is unjustified and invalid and was imposed only after the Company recharged the additional costs incurred amounting to AED 52 million. Accordingly, no provision has been recognised against the penalty charge.

The Company had also appointed a third party claim consultant to assess the merits of these recharges of additional costs on these contracts. The consultant has confirmed that for both of these projects, the Company has reasonable prospects of establishing these reimbursements of additional costs based on engineer's/employer's conduct and under the provisions of the local law.

In the opinion of the management and shareholders of the Company, these recharges of additional costs represent actual costs incurred towards mitigation, prolongation and finance costs on these projects. Furthermore, they are of the view that based on the review of these recharges by a third party claim consultant, these costs are fully recoverable as these represent costs incurred on actual work performed and expect these to be certified and paid by the contract employers.

12 Contract and other receivables

	2010	2009
	AED	AED
Contract receivables (refer note below)	**153,694,895**	208,396,320
Retention receivables	**109,754,200**	73,539,302
Less: Provision for doubtful receivables	**-**	(1,150,187)
	263,449,095	280,785,435
Advances and prepayments	**3,267,162**	33,369,596
Deposits	**426,846**	1,681,235
Other receivables	**14,645,943**	1,387,523
	281,789,046	317,223,789
Less: classified under long-term retention receivable	**(6,495,743)**	(13,574,140)
	275,293,303	303,649,649

At 31 December 2010, contract and retention receivables include an amount of AED 114 million *(2009: AED 192.2 million)*, due from Dubai Municipality, which is considered by STP Project's management as to be fully recoverable.

13 Cash in hand and at bank

	2010	2009
	AED	AED
Cash in hand	**245,508**	418,130
Cash at bank – in current accounts	**9,164,964**	21,364,260
Cash at bank – in margin deposit accounts (refer note below)	**4,331,406**	6,832,087
	13,741,878	28,614,477

These margin deposits are held under lien in favour of the banks against guarantees provided by them.

14 Contract and other payables

	2010	2009
	AED	AED
Contract payables	**66,838,615**	126,088,512
Retention payable	**24,085,159**	10,120,811
Advance from customers	**27,574,241**	91,447,493
Other payables and accruals	**40,223,295**	51,172,210
Short-term provision for staff terminal benefits (refer note 17)	**1,661,970**	3,171,367
	160,383,280	282,000,393
Less: classified under long-term retention payable	**(284,670)**	(1,421,089)
	160,098,610	280,579,304

15 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 which are undertaken at mutually agreed terms are as follows:

	2010 AED	2009 AED
Purchases and services received	**-**	838,575
Interest income from a related party (refer note 7)	**578,731**	1,596,980
Transfer of property, plant and equipment (net) (refer note 9)	**239,382**	1,611,701
Staff services provided to a related party	**893,025**	2,627,135
Professional fee	**360,000**	8,163,001
Recharge of expenses	**4,065,620**	4,574,342
Funds transferred	**135,821,958**	59,505,309
Sale of material	**3,928,128**	-

Compensation to key management personnel

Salaries and other short-term employee benefits	**7,571,996**	8,719,963
Provision for staff terminal benefits	**350,448**	401,474

Due from related parties

Jebel Ali STP Al Ahmadiah Aktor LLC-Aktor S.A Joint Venture	**36,607,263**	23,704,664
Aktor S.A. – Athena S.A	**237,300**	237,300
	36,844,563	23,941,964

Due to related parties

Gulf Millennium Holding Limited	**10,538,957**	11,363,562
Aktor S.A. (refer note below)	**170,015,261**	45,201,276
Dubai Fujairah Freeway Al Ahmadiah Aktor LLC-Aktor S.A Joint Venture	**7,376,625**	2,895,414
Millennium Construction Equipment and Trading LLC	**6,046,951**	2,495,977
Al Fajer Establishment	**1,300**	15,083
Al Fajer Travel, Tourism and Cargo	**236,475**	798,745
Al Fajer Enterprises	**2,337,110**	833,870
Aktor S.A., Qatar Branch	**113,745**	-
	196,666,424	63,603,927

The above balances are interest-free and unsecured.

16 Bank borrowings

	2010 AED	2009 AED
Bank overdrafts	**16,075,362**	99,005,558
Bills discounted	**17,607,333**	44,586,670
Trust receipts	**14,585,130**	119,014,887
Bank borrowings (refer notes below)	**135,185,892**	25,522,640
	183,453,717	288,129,755
Less: long term portion of bank borrowings (refer note (i) below)	**(37,200,000)**	(11,574,636)
Current portion of bank borrowings	**146,253,717**	276,555,119

(i) During 2009, the Company had availed borrowings to purchase plant and machinery, which are secured by a negative pledge on certain property, plant and equipment (refer note 9). The initial loan amount was AED 21,162,875 and is repayable in 23 equal monthly instalments of AED 920,125 each.

(ii) On 1 October 2010, STP Joint Venture restructured the outstanding balance of AED 241 million against facilities availed from the bank into a term loan of AED 241 million carrying interest at normal commercial rates. The term loan is repayable in 14 instalments commencing from November 2010. At 31 December 2010, the Company's share on outstanding balance of the term loan amounts to AED 122,928,600.

(ii) Bank borrowings are secured by the following arrangements:

- Irrevocable and unconditional assignment of contract receivable in favour of the bank;
- Personal guarantees of H.H. Sheikh Hasher Al Maktoum Bin Juma Al Maktoum and corporate guarantees of Aktor S.A., Greece;
- Shareholders not to withdraw funds without prior settlement of all liabilities with the bank; and
- Not to change the legal ownership, status or constitution of the Company.

17 Provision for staff terminal benefits

	2010 AED	2009 AED
At 1 January	**10,183,994**	6,713,586
Provision for the year	**2,970,637**	6,022,580
Payments during the year	**(6,551,640)**	(2,552,172)
	6,602,991	10,183,994
Less: classified as short-term payable (refer note 14)	**(1,661,970)**	(3,171,367)
	4,941,021	7,012,627

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

18 Share capital

	2010	2009
	AED	AED
Issued and fully paid-up:		
5,000 shares of AED 1,000 each	**5,000,000**	5,000,000

19 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.

20 Joint ventures

The Company has 60% equity interest in Jebel Ali STP Al Ahmadiah Aktor LLC-Aktor S.A JV ("the STP Joint Venture") and Dubai Fujarah Freeway Al Ahmadiah Aktor LLC-Aktor S.A JV ("the DFFW Joint Venture"). The details of the assets and liabilities of the jointly controlled entities, not adjusted for the Company's share, are as follows:

	STP Joint Venture		**DFFW Joint Venture**	
	2010	2009	**2010**	2009
	AED '000	AED '000	**AED '000**	AED '000
Non-current assets	**17,395**	52,749	**27,131**	13,062
Current assets	**474,059**	616,910	**109,548**	43,752
Total assets	**491,454**	669,659	**136,679**	56,814
Non-current liabilities	**62,000**	-	**2,555**	1,107
Current liabilities	**343,427**	608,761	**114,539**	55,707
Total liabilities	**405,427**	608,761	**117,094**	56,814
Contract revenue	**189,865**	1,052,749	**196,427**	34,673
Contract cost	**(164,736)**	(1,030,984)	**(176,843)**	34,673
Profit for the year/period	**25,129**	21,765	**19,585**	-

21 Contingent liabilities and capital commitments

	2010	2009
	AED	AED
Letters of credit	**5,402,386**	33,488,540
Letters of guarantee	**200,675,246**	328,198,157
Cost to completion estimates of on-going projects	**131,418,128**	458,795,708

22 Operating leases

The Company has office premises under operating lease arrangements. Lease rentals are reviewed periodically to reflect changes in market rentals. Minimum lease payments under non-cancellable operating lease rental commitments are:

	2010 AED	2009 AED
Less than one year	**239,910**	1,966,374

23 Financial instruments

Financial assets of the Company include contract and other receivables, retention receivable, amounts due from related parties and cash in hand and at bank. Financial liabilities of the Company include contract and other payables, retention payable, amounts due to related parties and shareholders and bank borrowings. Accounting policies for financial assets and liabilities are set out in note 3.

(a) Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2010 AED	2009 AED
Contract and retention receivable	**263,449,095**	280,785,435
Other receivables (excluding advances and prepayments)	**15,072,789**	3,068,758
Due from related parties	**36,844,563**	23,941,964
Cash at bank	**13,496,370**	28,196,347
	328,862,817	335,992,504

Impairment losses

The ageing of contract and retention receivables at the reporting date is as under:

	2010		2009	
	Gross AED	Impairment AED	Gross AED	Impairment AED
Not past due	**126,821,428**	-	146,513,545	-
Past due 0 – 90 days	**40,177,388**	-	121,441,309	-
Past due above 90 days	**96,450,279**	-	13,980,768	1,150,187
	263,449,095	-	281,935,622	1,150,187

23 Financial instruments

(a) Credit risk *(continued)*

The balance outstanding for more than one year mainly comprises of retentions. The Company's management is of the opinion that the outstanding balances are fully recoverable and therefore no provision is required. Also refer note 12.

The movement in the allowance for impairment in respect of contract and retention receivables during the year was as follows:

	2010 AED	2009 AED
At 1 January	**1,150,187**	650,187
Provision made during the year	**-**	500,000
Provision written back	**(1,150,187)**	-
At 31 December	**-**	1,150,187

(b) Liquidity risk

The following are the contractual maturities of financial liabilities, including interest payments at the year-end:

Financial liabilities	**Carrying amount AED**	**Contractual cash flows AED**	**Less than one year AED**	**More than one year AED**
31 December 2010				
Contract and other payables	**130,862,399**	**130,862,399**	**130,862,399**	**-**
Due to related parties	**196,666,424**	**196,666,424**	**196,666,424**	**-**
Bank borrowings	**183,453,717**	**186,798,562**	**146,578,077**	**40,220,485**
Long-term retention payable	**284,670**	**284,670**	**-**	**284,670**
	511,267,210	**514,612,055**	**474,106,900**	**40,505,155**
Financial liabilities				
31 December 2009				
Contract and other payables	185,960,444	185,960,444	185,960,444	-
Due to related parties	63,603,927	63,603,927	63,603,927	-
Bank borrowings	288,129,755	294,159,217	282,012,714	12,146,503
Long-term retention payable	1,421,089	1,421,089	-	1,421,089
	539,115,215	545,144,677	531,577,085	13,567,592

The Company does not have any derivative financial liabilities at 31 December 2010.

23 Financial instruments

(c) Interest rate risk

At the reporting date, the interest rate profile of the Company's interest bearing financial instruments is as follows:

	2010 AED	2009 AED
Variable rate instruments		
Short-term bank borrowings	**48,267,825**	262,607,115
Long-term bank loans	**135,185,892**	25,522,640
	183,453,717	288,129,755

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and statement of comprehensive income by the amounts shown below. This analysis assumes that all other variables remain constant.

	Profit or loss	
	100 bp increase AED	**100 bp decrease AED**
31 December 2010		
Variable rate instruments	**(1,834,537)**	**1,834,537**
31 December 2009		
Variable rate instruments	(2,881,297)	2,881,297

Currency risk

Exposure to currency risk

The Company's exposure to foreign currency risk is as follows, based on notional amounts:

	2010 Euro	2010 GBP	2009 Euro	2009 GBP
Contract and other payables	**496,405**	-	357,471	69,003
Due to related parties	**36,789,162**	-	10,692,786	-
Statement of financial position exposure	**37,285,567**	-	11,050,257	69,003

The Company does not have forward exchange contracts to hedge its exposure to foreign currency risk.

The exchange rate applied at the reporting date for Euro 1 is AED 4.91 *(2009: AED 5.29)* and GBP 1 is 5.70 *(2009: AED 5.96)*.

23 Financial instruments

(c) Interest rate risk (continued)

Sensitivity analysis

A strengthening of the AED against the Euro and the GBP by 10 percent at 31 December 2010 would have increased the profit by AED 18,269,927 *(2009: increased profit by AED 5,886,712)*. A weakening of the AED against the Euro and the GBP by 10 percent at 31 December 2010 would have decreased the profit by a similar amount. This analysis assumes that all other variables, in particular interest rates, remain constant.

(d) Fair value

The fair values of the Company's financial instruments approximate their carrying values.

(e) Fair value hierarchy

As at 31 December 2010, there are no financial instruments carried at fair value by valuation method.

24 Significant accounting estimates and judgements

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.

Revenue recognition for contracting activities

Revenue from contracting activities is recognized in statement of comprehensive income when the outcome of the contract can be reliably estimated. The Company generally starts recognizing revenue when the project revenue can be reliably estimated. The measurement of contract revenue is based on the percentage of completion method and is affected by a variety of uncertainties that depend on the outcome of future events. The estimates often need to be revised as events occur and uncertainties are resolved. Therefore, the amount of contract revenue may increase or decrease from period to period.

Provisions on receivables

The Company reviews its receivables to assess adequacy of provisions at least on an annual basis. The Company's credit risk is primarily attributable to its contract and other receivables, retention receivable and amounts due from related parties. In determining whether provision should be recognized in statement of comprehensive income, the Company makes judgements as to whether there is any observable data indicating that there is a reasonably measurable decrease in the estimated future cash flows. Accordingly, a provision is made where there is a potential loss event or condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Determining percentage of completion of contracts in progress and estimating foreseeable losses

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