Drake and Scull International PJSC

Condensed consolidated interim financial information for the nine-month period ended 30 September 2012

Drake and Scull International PJSC

Condensed consolidated interim financial information for the nine-month period ended 30 September 20112

pwc

Report on review of condensed consolidated interim financial information to the shareholders of Drake and Scull International PJSC

Introduction

We have reviewed the accompanying interim consolidated balance sheet of Drake and Scull International PJSC ("the PJSC") and its subsidiaries (collectively referred to as the "Group") as of 30 September 2012 and the related interim consolidated income statement, statements of comprehensive income, changes in equity and cash flows for the nine-month period then ended. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting."

PricewaterhouseCoopers
14 November 2012

Amin H. Nasser
Registered Auditor Number 307
Dubai, United Arab Emirates

PricewaterhouseCoopers, Emaar Square, Building 4, Level 8, PO Box 11987, Dubai, United Arab Emirates
T: +971 (0)4 304 3100, F: +971 (0)4 330 4100, www.pwc.com/middle-east

Drake and Scull International PJSC

Interim consolidated balance sheet

	Note	30 September 2012 (Unaudited) AED'000	31 December 2011 (Audited) AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	4	500,349	423,412
Intangible assets		1,151,733	1,173,969
Deferred income tax assets		13,222	12,374
Available-for-sale financial assets		753	24,707
Held to maturity investments		24,044	27,978
Trade and other receivables	5	181,812	332,674
		1,871,913	1,995,114
Current assets			
Inventories		18,248	26,163
Development properties		58,568	50,932
Trade and other receivables	5	3,321,406	2,901,110
Due from related parties	6	32,653	25,466
Held-to-maturity investments		-	211,221
Financial assets at fair value through profit or loss		6,738	5,189
Cash and bank balances	7	239,480	525,487
		3,677,093	3,745,568
Total assets		5,549,006	5,740,682
EQUITY AND LIABILITIES			
Equity attributable to owners of the Parent			
Share capital		2,285,047	2,177,778
Treasury shares		(28,622)	(28,622)
Statutory reserve		73,753	73,753
Other reserve		24,543	24,543
Retained earnings		342,559	446,639
Foreign currency translation reserve		(7,150)	(8,778)
		2,690,130	2,685,313
Non-controlling interests		47,327	32,244
		2,737,457	2,717,557
LIABILITIES			
Non-current liabilities			
Bank borrowings	8	134,684	106,398
Deferred income tax liabilities		4,883	3,842
Employees' end of service benefits		75,199	65,108
Other payables		2,665	1,329
		217,431	176,677
Current liabilities			
Trade and other payables		1,866,971	2,080,884
Bank borrowings	8	697,621	722,470
Due to related parties	6	29,526	43,094
		2,594,118	2,846,448
Total liabilities		2,811,549	3,023,125
Total equity and liabilities		5,549,006	5,740,682

The condensed consolidated interim financial information were approved by the Board of Directors on 14 November 2012 and signed on its behalf by:

....
Chairman

....
Chief Executive Officer

The notes on pages 8 to 19 are an integral part of these condensed consolidated interim financial information.

Drake and Scull International PJSC

Interim consolidated income statement

	Note	Nine months ended 30 September 12 AED'000	Nine months ended 30 September 11 AED'000	Three months ended 30 September 12 AED'000	Three months ended 30 September 11 AED'000
Contract revenue		2,116,762	2,230,504	622,760	846,743
Contract costs		(1,837,434)	(1,901,100)	(550,262)	(723,354)
Gross profit		279,328	329,404	72,498	123,389
Other income		17,604	13,274	11,063	875
General and administrative expenses		(221,568)	(190,659)	(81,534)	(68,702)
Fair value loss on financial assets at fair value through profit and loss		(3,665)	(1,479)	-	-
Operating profit		71,699	150,540	2,027	55,562
Finance income		28,472	39,353	6,733	12,774
Finance costs		(8,680)	(20,334)	(3,270)	(7,075)
Finance income – net		19,792	19,019	3,463	5,699
Profit for the period before tax		91,491	169,559	5,490	61,261
Income tax (expense) / credit	9	(8,969)	(3,591)	2,395	(892)
Profit for the period		82,522	165,968	7,885	60,369
Attributable to:					
Owners of the Parent		67,551	154,659	3,921	57,507
Non-controlling interests		14,971	11,309	3,964	2,862
		82,522	165,968	7,885	60,369
Earnings per share					
- Basic and diluted (AED)	10	0.030	0.072	0.002	0.027

The notes on pages 8 to 19 are an integral part of these condensed consolidated interim financial information.

Drake and Scull International PJSC

Interim consolidated statement of comprehensive income

	Nine months ended		Three months ended	
	30 September 12 AED'000	30 September 11 AED'000	30 September 12 AED'000	30 September 11 AED'000
Profit for the period	82,522	165,968	7,885	60,369
Other comprehensive income / (loss):				
Foreign currency translation	1,628	2,749	(807)	(415)
Other comprehensive income/ (loss) for the period	1,628	2,749	(807)	(415)
Total comprehensive income for the period	84,150	168,717	7,078	59,954
Attributable to:				
Owners of the parent	69,179	157,408	3,114	57,092
Non-controlling interests	14,971	11,309	3,964	2,862
	84,150	168,717	7,078	59,954

Drake and Scull International PJSC

Interim consolidated statement of changes in equity

	Share capital AED'000	Treasury shares AED'000	Statutory reserve AED'000	Other reserve AED'000	Retained earnings AED'000	Foreign currency translation reserve AED'000	Total AED'000	Non-controlling interest AED'000	Total AED'000
Balance at 1 January 2011	2,177,778	(28,622)	49,116	-	279,838	(8,443)	2,469,667	72,097	2,541,764
Profit for the period	-	-	-	-	154,659	-	154,659	11,309	165,968
Other comprehensive income for the period	-	-	-	-	-	2,749	2,749	-	2,749
Total comprehensive income for the period	-	-	-	-	154,659	2,749	157,408	11,309	168,717
Dividends	-	-	-	-	-	-	-	(8,568)	(8,568)
Non-controlling interest arising on business combination	-	-	-	-	-	-	-	1,897	1,897
Non-controlling interest acquired in a subsidiary	-	-	-	24,543	-	-	24,543	(50,805)	(26,262)
Non-controlling interest contribution to subsidiary's capital	-	-	-	-	-	-	-	721	721
Balance at 30 September 2011	2,177,778	(28,622)	49,116	24,543	434,497	(5,694)	2,651,618	26,651	2,678,269
Balance at 1 January 2012	2,177,778	(28,622)	73,753	24,543	446,639	(8,778)	2,685,313	32,244	2,717,557
Profit for the period	-	-	-	-	67,551	-	67,551	14,971	82,522
Other comprehensive income for the period	-	-	-	-	-	1,628	1,628	-	1,628
Total comprehensive income for the period	-	-	-	-	67,551	1,628	69,179	14,971	84,150
Dividends	-	-	-	-	(171,631)	-	(171,631)	-	(171,631)
Bonus shares issued to shareholders	107,269	-	-	-	-	-	107,269	-	107,269
Non-controlling interest contribution to subsidiary's share capital	-	-	-	-	-	-	-	112	112
Balance at 30 September 2012	2,285,047	(28,622)	73,753	24,543	342,559	(7,150)	2,690,130	47,327	2,737,457

The notes on pages 8 to 19 are an integral part of these condensed consolidated interim financial information.

Drake and Scull International PJSC

Interim consolidated statement of cash flows

	Note	Nine months ended 30 September 2012 AED'000	Nine months ended 30 September 2011 AED'000
Operating activities			
Profit for the period before tax		91,491	169,559
Adjustments for:			
Depreciation	4	28,733	27,212
Amortisation of intangible assets		28,670	25,166
Provision for employees' end of service benefits		20,556	12,684
Group management fee expense	6	11,100	11,100
Finance income		(28,472)	(39,353)
Fair value loss on financial assets at fair value through profit or loss		3,665	1,479
Gain on disposal of property, plant and equipment		(163)	-
Finance costs		8,680	20,334
Provision for impairment of inventories		5,497	-
Provision for impairment on trade receivables and retentions - net		22,785	21,840
Operating cash flows before payments of employees' end of service benefits, income tax payment and changes in working capital		192,542	250,021
Employees' end of service benefits paid		(10,466)	(7,651)
Income tax paid		(9,817)	(4,429)
Changes in working capital (excluding the effects of business combinations):			
Inventories		2,420	2,593
Development properties		(7,636)	(3,345)
Trade and other receivables before provisions and excluding interest receivable and loans and advances		(342,953)	(594,763)
Due from related parties		(7,187)	10,697
Trade and other payables excluding income tax, interest and group management fee payable		(206,393)	584,971
Due to related parties		(13,568)	(149,846)
Net cash (used in) / from operating activities		(403,058)	88,248
Investing activities			
Purchase of property, plant and equipment		(106,324)	(109,601)
Proceeds from disposal of property, plant and equipment		817	4,936
Net proceeds from disposal of investments / (net investments made)		233,894	177,376
Acquisition of intangibles		(6,434)	-
Loans and advances		39,060	22,059
Interest received		29,045	26,526
Net cash outflow on business combination		-	(98,803)
Net cash from investing activities		190,058	22,493

Drake and Scull International PJSC

Interim consolidated statement of cash flows (continued)

	Note	Nine months ended 30 September 2012 AED'000	30 September 2011 AED'000
Financing activities			
Term deposits under lien		222,809	229,023
Net proceeds from trust receipts and other borrowings		134,409	4,628
Proceeds from term loans		394,329	331,116
Payment of term loans		(540,220)	(333,618)
Non-controlling interest's contribution to subsidiary's capital		112	(18,465)
Dividends paid		(64,361)	-
Interest paid		(13,824)	(18,685)
Net cash from financing activities		133,254	193,999
Net (decrease) / increase in cash and cash equivalents		(79,746)	304,740
Net foreign currency translation difference		1,628	(6,427)
Cash and cash equivalents, beginning of the period		223,370	40,120
Cash and cash equivalents, end of the period	7	145,252	338,433

Drake and Scull International PJSC

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2012

1 General information

Drake and Scull International PJSC ("the Company" or "the Parent Company") was incorporated on 16 November 2008 and was registered on 21 January 2009 as a Public Joint Stock Company in accordance with the UAE Federal Law No. 8 of 1984, (as amended). The Company is listed on Dubai Financial Market.

The Company's registered office is PO Box 65794, Dubai, United Arab Emirates.

The principal activities of the Company and its subsidiaries (together "the Group") are carrying out contracting work relating to the construction industry, such as electrical, plumbing, air conditioning and sanitation work in the Middle East, Europe, Asia and North Africa region.

The Company has either directly or indirectly the following major subsidiaries:

Major Subsidiaries	*Principal activities*	*Shareholding %*		*Country of incorporation*
		2012	*2011*	
Drake & Scull International LLC (Abu Dhabi)	Contracting work relating to the construction industry	100	100	UAE
Gulf Technical Construction Company LLC	Mechanical, electrical and civil construction work	100	80	UAE
Drake & Scull Water and Power LLC	Developing waste water, water and sludge treatment plants	100	100	UAE
Drake & Scull International for Electrical Contracting WLL	Electrical contracting and repairing work relating to the construction industry	75	75	Kuwait
Drake & Scull International (Qatar) WLL	Contracting work relating to the construction industry	100	100	Qatar
Passavant Engineering Limited	Holding company	100	100	British Virgin Island
Passavant Roediger GmbH and its subsidiaries (a subsidiary of Passavant Engineering Limited)	Developing waste water, water and sludge treatment plants	100	100	Germany
Drake & Scull International (Thailand) Limited	Contracting work relating to the construction industry	100	100	Thailand
Drake & Scull International WLL	Contracting work relating to the construction industry	65	65	Saudi Arabia
International Center for Contracting Co. Ltd	Contracting work relating to the construction industry	100	100	Saudi Arabia
Drake & Scull Construction Company LLC	Contracting work relating to the construction industry	94	94	Saudi Arabia
Drake & Scull International for Contracting SAE	Contracting work relating to the construction industry	100	100	Egypt
Drake & Scull Water & Energy India Private Limited	Developing waste water, water and sludge treatment plants	100	-	India
Drake & Scull International LLC (Oman)	Contracting work relating to the construction industry	51	51	Oman

1 General information (continued)

The Group, through Gulf Technical Construction Company LLC, also has a 50% interest in Ranya Test Joint Venture, a joint venture with Ranya General Contracting Company LLC under a joint venture agreement dated 12 August 2005.

The Group, through Drake & Scull Water & Power LLC, also has a 50% interest in a Joint Venture with Afghan Electrical Power Corporation under a joint venture agreement dated 27 September 2011.

The Group, through Drake & Scull International for Contracting SAE, also has a 50% interest in a Joint Venture with Hassan Allam Sons (Misr Sons Development S.A.E) under a joint venture agreement dated 21 July 2011.

The Group, through Drake & Scull Construction Company LLC, also has a 50% interest in a Joint Venture with Consolidated Contractors Group S.A.L (Offshore) (CCC) under a joint venture agreement dated 27 September 2011.

2 Basis of preparation and accounting policies

2.1 Basis of preparation

This interim condensed consolidated financial information for the nine months ended 30 September 2012 has been prepared in accordance with IAS 34, 'Interim financial reporting'. The interim condensed consolidated financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2011, which have been prepared in accordance with International Financial Reporting Standards.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to profit already recognised using the annual tax rate.

2.2 Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2011, except as discussed below:

IFRS 7, Financial instruments: Disclosures (Amendment)

The amended standard is effective for annual periods beginning on or after 1 July 2011. It promotes transparency in the reporting of transfer transactions and improves users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. The adoption of this amendment does not have any significant impact on the financial position or performance of the Group.

2 Basis of preparation and accounting policies (continued)

2.2 Significant accounting policies (continued)

IAS 12, Income taxes (Amendment)

The amended standard is effective for annual periods beginning on or after 1 January 2012. It introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes - recovery of revalued non-depreciable assets', will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn. The adoption of this amendment does not have any significant impact on the financial position or performance of the Group.

2.3 Basis of consolidation

The condensed consolidated interim financial information at and for the nine-month period ended 30 September 2012 comprises results of the Group. The condensed interim financial information of the subsidiaries is prepared for the same reporting period as that of the Company, using consistent accounting policies. All inter-company transactions, profits and balances are eliminated on consolidation.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Estimates and assumptions

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

In preparing this interim condensed consolidated financial information, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2011.

Financial risk management

The Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial statements as at and for the year ended 31 December 2011.

Liquidity risk factors

The Group monitors its risk of a possible shortage of funds using cash flow forecasts. These forecasts consider the maturity of both its financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected cash flows from operations.

2 Basis of preparation and accounting policies (continued)

2.2 Significant accounting policies (continued)

Liquidity risk factors (continued)

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank facilities. The Group manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities.

3 Segment reporting

Information regarding the Group's operating segments is set out below in accordance with IFRS 8 "Operating Segments". IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the "Executive management" who are the Chief Operating decision-makers in order to allocate resources to the segment and to assess its performance. Executive management assesses the performance of the operating segments based on revenue.

Business segments

For management purpose, the Group is organised into business units based on their services and has three reportable business segments; Mechanical, Electrical and Plumbing ("MEP"), Infrastructure, Water and Power ("IWP"), Civil and other (corporate office).

The MEP segment carries out contracting work relating to the construction industry, such as mechanical, electrical, plumbing and sanitation work.

The IWP segment carries out contracting work relating to the construction industry, such as infrastructure, water treatment plants, district cooling plants and power plants.

The Civil works segment carries out contracting work relating to the construction industry, such as property construction, sanitation work and real estate activities.

Other segment represents corporate office which carries out strategic planning, management of all subsidiaries, treasury management, mergers and acquisition, corporate branding and investor relations. For segment information disclosure, goodwill and other intangible assets and their amortisation are disclosed under the relevant segment. Sales between segments are carried out at agreed terms. The revenue from external parties reported to the Executive management is measured in a manner consistent with that in the consolidated income statement.

The amounts provided to the Executive management with respect to the total assets are measured in a manner consistent with that of the consolidated financial statements. These assets are allocated based on the operations of the segment.

Geographical segments

Executive management considers the geographical distribution of the Group's operations into three main segments; UAE, Saudi Arabia and Others. The Group is presently engaged in carrying out contracting work relating to the construction industry mainly in the United Arab Emirates, Saudi Arabia, Kuwait, Qatar, Egypt, Oman, Germany, Thailand, Algeria, Iraq and India.

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2012
(continued)

3 Segment reporting (continued)

Information about business segments

All figures in AED'000

	MEP	IWP	Civil	Other	Inter segment elimination	Total	MEP	IWP	Civil	Other	Inter segment elimination	Total
	Nine months ended 30 September 2012						Nine months ended September 2011					
Revenue												
External customers	1,173,447	370,412	572,903	-	-	2,116,762	1,027,758	403,736	799,010	-	-	2,230,504
Inter- segment	167,468	3,263	77,460	-	(248,191)	-	106,252	1,960	141,166	-	(249,378)	--
	1,340,915	373,675	650,363	-	(248,191)	2,116,762	1,134,010	405,696	940,176	-	(249,378)	2,230,504
Segment profit / (loss)	128,326	(28,509)	(13,795)	(2,793)	(706)	82,522	124,648	22,028	32,907	(13,615)	-	165,968
Depreciation and amortisation	9,600	1,702	16,375	29,726	-	57,403	12,143	2,054	12,297	25,884	-	52,378
Capital expenditure	80,067	2,195	23,926	136	-	106,324	84,217,	3,272	21,021	1,091	-	109,601
	At 30 September 2012						At 31 December 2011					
Segment total assets	2,052,826	659,777	1,543,890	2,465,238	(1,172,725)	5,549,006	1,643,331	653,357	1,309,610	2,842,225	(862,195)	5,586,328

Revenue from one customer amounting to AED 273,274 thousand which exceeded 10% of the Group revenue was earned through the Civil works segment. In 2011, one customer accounted for over 10% of the Group revenue which represents AED 374,882 thousand relating to Civil works.

3 Segment reporting (continued)

Information about geographical segments

All figures in AED'000

	UAE	Saudi Arabia	Others	Inter segment elimination	Total	UAE	Saudi Arabia	Others	Inter segment elimination	Total
	Nine months ended 30 September 2012					Nine months ended 30 September 2011				
Revenue from external customers	601,474	891,225	624,063	-	2,116,762	933,209	877,197	420,098	-	2,230,504

4 Property, plant and equipment

The Group purchased property, plant and equipment during the nine-month period ended 30 September 2012 amounting to AED 106,324 thousand (2011: AED 109,601 thousand). The Group disposed property, plant and equipment during the nine-month period ended 30 September 2012 amounting to AED 654 thousand (2011: AED 4,936 thousand). The depreciation charged to the interim consolidated income statement amounted to AED 28,733 thousand (2011: AED 27,212 thousand).

5 Trade and other receivables

	30 September 2012 AED'000	31 December 2011 AED'000
Non-current		
Trade receivables and retentions	142,606	211,829
Loans and advances	45,441	123,132
Prepayments	-	2,713
	188,047	337,674
Less: fair value adjustment	(6,235)	(5,000)
	181,812	332,674
Current		
Trade receivables and retentions	1,428,281	1,499,014
Prepayments and other receivables	340,995	346,638
Amount due from customers on contracts	1,525,247	1,044,422
Loans and advances	108,628	69,996
	3,403,151	2,960,070
Less: provision for impairment	(81,745)	(58,960)
	3,321,406	2,901,110

6 Related party transactions and balances

Related parties comprise the major shareholders, key management personnel, joint ventures, directors and businesses which are controlled directly or indirectly by the shareholders or directors or over which they exercise significant management influence (hereinafter referred as "affiliates"). In the normal course of business, the Group has various transactions with its related parties. Transactions are entered into with the related parties on terms and conditions approved by either the Group management, or its Board of Directors.

6 Related party transactions and balances (continued)

The Group had the following transactions with Drake & Scull Group ("DSG"), an entity owned by the Chief Executive Officer of the Company:

From 1 January 2011 to 30 September 2011:

- The Company has acquired 50% of International Centre for Contracting Co. from DSG and the remaining 50% has been acquired from third parties.

The other significant related party transactions primarily include management fees charged by DSG amounting to AED 11,100 thousand (2011: AED 11,100 thousand).

The outstanding balances with related parties are given below:

Due from related parties:

	30 September 2012 AED'000	31 December 2011 AED'000
Joint venture	17,034	23,786
Affiliated entities	15,619	1,680
	32,653	25,466
Due to related parties:		
Drake and Scull Group	24,322	24,484
Other affiliated entities	5,204	18,610
	29,526	43,094

Compensation of key management personnel

The remuneration of directors and other key members of management are as follows:

	Nine months ended		Three months ended	
	30 September 12 AED'000	30 September 11 AED'000	30 September 12 AED'000	30 September 11 AED'000
Short term benefits	30,298	24,121	9,714	9,044
Employees' end of service benefits	1,951	1,289	573	691
	32,249	25,410	10,287	9,735

7 Cash and bank balances

	30 September 2012 AED'000	31 December 2011 AED'000
Cash on hand	4,711	3,506
Cash at bank	137,224	173,872
Term deposits	97,545	348,109
Cash and bank balances	239,480	525,487

Term deposits carry an interest average rate of 1% to 4.5% (2011: 1% to 5%) per annum.

For the purpose of statement of cash flows, cash and cash equivalents comprise the following:

	30 September 2012 AED'000	30 September 2011 AED'000
Cash and bank balances	239,480	621,232
Less: Term deposits under lien	(41,093)	(243,656)
Bank overdrafts	(53,135)	(39,143)
Cash and cash equivalents	145,252	338,433

8 Bank borrowings

The Group has obtained bank borrowings (including bank overdrafts) from several commercial banks, mainly to fund the acquisition of new businesses and to meet other working capital requirements.

	30 September 2012 AED'000	31 December 2011 AED'000
Non-current		
Term loan	134,684	106,398
Current		
Term loan	307,828	482,005
Trust receipts and other borrowings	336,658	202,250
Bank overdrafts	53,135	38,215
	697,621	722,470

8 Bank borrowings (continued)

The carrying amount of the Group's borrowings are primarily denominated in AED, USD or other currencies pegged to USD.

Interest rates on the term loans were at variable rates and ranging between 2% to 8.5% (2011: 2% to 8.5%) per annum. Contractual re-pricing dates are set on the basis of 3 months LIBOR/EIBOR.

The nature of securities provided in respect of certain bank borrowings by the Group, are set out below:

- Lien on purchased motor vehicles and equipment purchased and on certain receivables;
- Pledge on held-to-maturity investments;
- Mortgage over certain property, plant and equipment; and
- Pledge of all assets acquired through utilisation of credit facilities.

The carrying amount of current borrowings approximates their fair value at the balance sheet date. Long-term borrowings are at market linked variable interest rates and therefore the carrying amounts of non-current borrowings approximate their fair value at the balance sheet date.

The Group has to comply with financial and non-financial debt covenants including debt equity ratio and tangible net worth value. There were no breaches of debt covenants as at 30 September 2012.

9 Income tax expense

The major components of income tax expense are:

	Nine months ended		Three months ended	
	30 September 12	30 September 11	30 September 12	30 September 11
	AED'000	AED'000	AED'000	AED'000
Current income tax expense / (credit):				
Current income tax charge / (credit)	8,209	62	(2,846)	(1,418)
Deferred income tax expense :				
Relating to origination and reversal of temporary differences	760	3,529	451	2,310
	8,969	3,591	(2,395)	892

10 Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the period / year excluding ordinary shares purchased and held as treasury shares.

	Nine months ended		Three months ended	
	30 September 12	30 September 11	30 September 12	30 September 11
Earnings (AED'000)				
Earnings for the purposes of basic earnings per share being net profit attributable to owners of the parent	67,551	154,659	3,921	57,507
Number of shares				
Weighted average number of ordinary shares for the purposes of basic earnings per share	2,252,646,667	2,145,377,778	2,252,646,667	2,145,377,778
Basic and diluted earnings per share (AED)	0.030	0.072	0.002	0.027

Diluted

The Company has not issued any instruments which would have a dilutive impact on earnings per share when exercised.

11 Guarantees

	30 September 2012 AED'000	31 December 2011 AED'000
Performance bonds	817,457	831,894
Letter of guarantees	1,054,129	1,099,198
	1,871,586	1,931,092

The various bank guarantees above were issued by the Group's bankers in the ordinary course of business. In the opinion of the Directors, the above bank guarantees are unlikely to result in any liability to the Group.

12 Expenditure commitments

(a) Operating lease commitments

The Group has various operating lease agreements. The future minimum lease payments payable under operating leases are as follows:

	30 September 2012 AED'000	31 December 2011 AED'000
Future minimum lease payments:		
No later than one year	7,451	24,593
Later than one year but no later than five years	9,747	1,917
More than five years	1,728	-
	18,926	26,510

(b) Other commitments

	30 September 2012 AED'000	31 December 2011 AED'000
Letters of credit for purchase of materials and operating equipment	806,807	646,425
Capital commitments for construction of facilities	7,278	41,214
	814,085	687,639

13 Dividend

On 28 March 2012, the Board of Directors proposed cash dividends of 5% of the face value of the authorised shares. During the Annual General Meeting held on 26 April 2012, the shareholders approved the cash dividends of 3% of the face value of the authorised shares and 5% bonus shares. The increase in share capital was formally approved by the Ministry of Economy on 25 June 2012. These dividends have been reflected in the interim consolidated statement of changes in equity

14 Other income

Included under "Other income" in the interim consolidated income statement, an amount of AED 9 Million related to recognition of a gain on the sale of an available for sale investment carried at cost of AED 18.5 Million.