Drake and Scull International PJSC

Condensed consolidated interim financial information (Unaudited) for the nine-month period ended 30 September 2013

Drake and Scull International PJSC

Condensed consolidated interim financial information
for the nine-month period ended 30 September 2013

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 consolidated interim balance sheet of Drake and Scull International PJSC ("the PJSC") and its subsidiaries (collectively referred to as the "Group") as of 30 September 2013 and the related interim consolidated income statement, statements of comprehensive income, changes in equity and cash flows for the nine months 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."

Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note 10 to this condensed consolidated interim financial information, which describes the uncertainty related to the outcome of the arbitrations with certain customers.

PricewaterhouseCoopers
06 November 2013

Amin H Nasser
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Drake and Scull International PJSC

Interim consolidated balance sheet

	Note	30 September 2013 (Unaudited) AED'000	31 December 2012 (Audited) AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	535,338	504,200
Investment properties	9	29,009	-
Intangible assets		1,107,906	1,136,219
Deferred income tax assets		17,963	17,630
Available-for-sale financial assets	15	57,852	2,384
Trade and other receivables	10	102,550	174,415
		1,850,618	1,834,848
Current assets			
Inventories		28,878	26,510
Development properties	8	25,909	64,830
Trade and other receivables	10	4,282,532	3,741,861
Due from related parties	11	130,750	25,990
Financial assets at fair value through profit or loss		4,678	4,821
Cash and bank balances	12	637,704	730,700
		5,110,451	4,594,712
Total assets		6,961,069	6,429,560
EQUITY AND LIABILITIES			
Equity attributable to owners of the Parent			
Share capital		2,285,047	2,285,047
Share premium	16	3,026	-
Treasury shares	16	-	(28,622)
Statutory reserve		79,219	79,219
Other reserve		24,543	24,543
Retained earnings		487,547	363,835
Foreign currency translation reserve		(10,720)	(8,346)
		2,868,662	2,715,676
Non-controlling interests		72,716	53,106
Total equity		2,941,378	2,768,782
LIABILITIES			
Non-current liabilities			
Bank borrowings	13	48,878	119,384
Deferred income tax liabilities		11,956	8,835
Employees' end of service benefits		98,152	84,669
Derivative financial instruments	14	-	21,659
		158,986	234,547
Current liabilities			
Trade and other payables		2,836,366	2,205,158
Bank borrowings	13	1,014,669	1,209,374
Due to related parties	11	9,670	11,699
		3,860,705	3,426,231
Total liabilities		4,019,691	3,660,778
Total equity and liabilities		6,961,069	6,429,560

The condensed consolidated interim financial information was approved by the Board of Directors on 06 November 2013 and signed on its behalf by:

Chairman

Chief Executive Office

The notes on pages 8 to 25 are an integral part of this condensed consolidated interim financial information.

Drake and Scull International PJSC

Interim consolidated income statement

	Note	Nine months ended 30 September 13 (Unaudited) AED'000	Nine months ended 30 September 12 (Unaudited) AED'000	Three months ended 30 September 13 (Unaudited) AED'000	Three months ended 30 September 12 (Unaudited) AED'000
Contract revenue		3,561,553	2,116,762	994,973	622,760
Contract costs		(3,153,335)	(1,837,434)	(872,384)	(550,262)
Gross profit		408,218	279,328	122,589	72,498
Other income		16,245	17,604	9,909	11,063
General and administrative expenses		(235,754)	(221,568)	(103,019)	(81,534)
Other gains/(losses) – net		1,506	(3,665)	13,243	-
Operating profit		190,215	71,699	42,722	2,027
Finance income		16,052	28,472	4,477	6,733
Finance costs		(27,009)	(8,680)	(6,289)	(3,270)
Finance (costs) / income – net		(10,957)	19,792	(1,812)	3,463
Profit for the period before tax		179,258	91,491	40,910	5,490
Income tax (expense) /credit	17	(34,306)	(8,969)	(10,858)	2,395
Profit for the period		144,952	82,522	30,052	7,885
Attributable to:					
Owners of the Parent		123,712	67,551	23,750	3,921
Non-controlling interests		21,240	14,971	6,302	3,964
		144,952	82,522	30,052	7,885
Earnings per share					
- Basic and diluted (AED)	18	0.054	0.030	0.010	0.002

The notes on pages 8 to 25 are an integral part of this condensed consolidated interim financial information.

Drake and Scull International PJSC

Interim consolidated statement of comprehensive income

	Nine months ended		Three months ended	
	30 September 13 (Unaudited) AED'000	30 September 12 (Unaudited) AED'000	30 September 13 (Unaudited) AED'000	30 September 12 (Unaudited) AED'000
Profit for the period	144,952	82,522	30,052	7,885
Other comprehensive (loss) / income:				
Foreign currency translation	(2,374)	1,628	(1,536)	(807)
Other comprehensive (loss) / income for the period	(2,374)	1,628	(1,536)	(807)
Total comprehensive income for the period	142,578	84,150	28,516	7,078
Attributable to:				
Owners of the parent	121,338	69,179	22,214	3,114
Non-controlling interests	21,240	14,971	6,302	3,964
	142,578	84,150	28,516	7,078

Drake and Scull International PJSC

Interim consolidated statement of changes in equity

	Share capital AED'000	Treasury shares AED'000	Share premium 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 interests AED'000	Total AED'000
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 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
Balance at 1 January 2013	2,285,047	(28,622)	-	79,219	24,543	363,835	(8,346)	2,715,676	53,106	2,768,782
Profit for the period	-	-	-	-	-	123,712	-	123,712	21,240	144,952
Other comprehensive loss for the period	-	-	-	-	-	-	(2,374)	(2,374)	-	(2,374)
Total comprehensive income for the period	-	-	-	-	-	123,712	(2,374)	121,338	21,240	142,578
Dividends	-	-	-	-	-	-	-	-	(1,630)	(1,630)
Re-issue of treasury shares	-	28,622	3,026	-	-	-	-	31,648	-	31,648
Balance at 30 September 2013	2,285,047	-	3,026	79,219	24,543	487,547	(10,720)	2,868,662	72,716	2,941,378

The notes on pages 8 to 25 are an integral part of this condensed consolidated interim financial information.

Drake and Scull International PJSC

Interim consolidated statement of cash flows

	Nine months ended 30 September 2013 (Unaudited) AED'000	30 September 2012 (Unaudited) AED'000
Operating activities		
Profit for the period before tax	179,258	91,491
Adjustments for:		
Depreciation	32,472	28,733
Amortisation of intangible assets	28,313	28,670
Provision for employees' end of service benefits	23,182	20,556
Group management fee expense	-	11,100
Gain on investment	(1,625)	-
Fair value loss on financial assets at fair value through profit or loss	143	3,665
Fair value gain on settlement of derivatives financial liabilities	(1,506)	-
Finance income	(16,052)	(28,472)
Gain on disposal of property, plant and equipment	(665)	(163)
Finance costs	27,009	8,680
Provision for impairment of inventories	-	5,497
Provision for impairment on trade receivables and retentions - net	3,961	22,785
Operating cash flows before payments of employees' end of service benefits, income tax payment and changes in working capital	274,490	192,542
Employees' end of service benefits paid	(9,699)	(10,466)
Income tax paid	(31,518)	(9,817)
Changes in working capital:		
Inventories	(2,368)	2,420
Development properties	(2,944)	(7,636)
Trade and other receivables before provisions and excluding interest receivable and loans and advances	(510,931)	(342,953)
Due from related parties	(104,760)	(7,187)
Trade and other payables excluding income tax, interest and group management fee payable	620,137	(206,393)
Due to related parties	(2,029)	(13,568)
Net cash generated from/(used in) operating activities	230,378	(403,058)
Investing activities		
Purchase of property, plant and equipment	(98,317)	(106,324)
Proceeds from disposal of property, plant and equipment	35,739	817
(Net investments made)/Net proceeds from disposal of investments	(53,843)	233,894
Acquisition of intangibles	-	(6,434)
Loans and advances	34,966	39,060
Interest received	19,250	29,045
Net cash (used in)/generated from investing activities	(62,205)	190,058

The notes on pages 8 to 25 are an integral part of this condensed consolidated interim financial information.

Drake and Scull International PJSC

Interim consolidated statement of cash flows (continued)

	Note	Nine months ended 30 September 2013 (Unaudited) AED'000	30 September 2012 (Unaudited) AED'000
Financing activities			
Term deposits under lien		(193,236)	222,809
Net proceeds from trust receipts and other borrowings		170,331	134,409
Proceeds from term loans		87,284	394,329
Payment of term loans		(621,357)	(540,220)
Non-controlling interest's contribution to subsidiary's capital		-	112
Dividends paid		(1,630)	(64,361)
Proceeds from sale of treasury shares		31,648	-
Interest paid		(23,602)	(13,824)
Net cash (used in)/generated from financing activities		(550,562)	133,254
Net increase/(decrease) in cash and cash equivalents		(382,389)	(79,746)
Net foreign currency translation difference		(2,374)	1,628
Movement in restricted cash		444,867	-
Cash and cash equivalents, beginning of the period		182,034	223,370
Cash and cash equivalents, end of the period	12	242,138	145,252

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, has a 50% interest in Ranya Test Joint Venture, a joint venture with Ranya General Contracting Company LLC under a joint arrangement agreement dated 12 August 2005.

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

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

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

The Group, through Drake & Scull Construction Company LLC – Saudi Arabia, has a 50% interest in a Joint Venture with Arabia Construction Co (ACC –DSC JV) under a joint arrangement agreement dated 15 October 2012.

The Group, through Drake & Scull International PJSC, has a 50% interest in a Joint Venture with SICIM S.p.A under a joint arrangement agreement dated 11 January 2013.

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 2013 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 2012, 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.

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 2012 except as described below.

2 Basis of preparation and accounting policies (continued)

2.2 Significant accounting policies (continued)

- IFRS 13, 'Fair value measurement'. This standard establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other IFRSs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 *Financial Instruments: Disclosures.* Some of these disclosures are specifically required in interim financial statements for financial instruments; accordingly, the Group has included the additional disclosures required by the standard (Note 4.3).

  In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures. Notwithstanding the above, the change does not have a material impact on the measurements of the Group's assets and liabilities.

- Amendment to IAS 19, 'Employee benefits'. These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. These amendments do not have a material impact on the condensed consolidated interim financial information of the Group.

New standards, amendments and interpretations issued but not effective for the current financial period and not early adopted by the Group:

- IFRS 9, 'Financial instruments' (effective 1 January 2015).
- IAS 32, 'Financial instruments: Presentation', on asset and liability offsetting (effective 1 January 2014); and

2.3 Basis of consolidation

The condensed consolidated interim financial information at and for the nine months period ended 30 September 2013 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.

3 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 2012.

4 Financial risk management and financial instruments

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual consolidated financial statements; it should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2012. The Group's financial risk management objectives and policies are consistent with that disclosed in the annual consolidated financial statements at and for the year ended 31 December 2012.

4.2 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.

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.

Compared to year ended 31 December 2012, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

4 Financial risk management and financial instruments (continued)

4.3 Fair value measurements and disclosures

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 30 September 2013.

	Level 1 AED'000 (Unaudited)	Level 2 AED'000 (Unaudited)	Level 3 AED'000 (Unaudited)	Total AED'000 (Unaudited)
30 September 2013				
Assets				
Financial assets at fair value through profit or loss				
- Investment in Real Estate fund	-	4,678	-	4,678
Available for sale financial assets				
- Equity securities	3,256	-	753	4,009
Total assets	3,256	4,678	753	8,687
Liabilities				
Financial liabilities at fair value through profit or loss				
- Derivatives financial instruments	-	-	-	-
Total liabilities	-	-	-	-

4 Financial risk management and financial instruments (continued)

4.3 Fair value measurements and disclosures (continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2012.

	Level 1 AED'000 (Audited)	Level 2 AED'000 (Audited)	Level 3 AED'000 (Audited)	Total AED'000 (Audited)
Assets				
Financial assets at fair value through profit or loss				
- Investment in Real Estate fund	-	4,821	-	4,821
Available for sale financial assets				
- Equity securities	1,631	-	753	2,384
Total assets	1,631	4,821	753	7,205
Liabilities				
Financial liabilities at fair value through profit or loss				
- Derivatives financial instruments	-	21,659	-	21,659
Total liabilities	-	21,659	-	21,659

There were no transfers between Levels 1, 2 and 3 during the period.

(a) *Valuation techniques used to derive Level 2 fair values*

(i) Investments carried at fair value through profit or loss

Level 2 investments carried at fair value through profit or loss comprise of investments in funds for which fair value is estimated using net assets value approach and an investment fair valued using binding offer received from a third party. Fair values for investments in funds are determined using the net assets value provided by the Fund Managers based on the observable market prices of the assets managed by the fund.

At 30 September 2013 and 31 December 2012, the fair values of financial assets and liabilities measured at amortised cost approximate their carrying values.

(b) *Group's valuation processes*

The Group's finance department includes a team of financial analysts that performs the valuations of financial assets required for financial reporting purposes. This team reports to the chief financial officer (CFO). Discussions of valuation processes and results are held between the CFO and the valuation team at least once every quarter, in line with the Group's quarterly reporting dates.

4 Financial risk management and financial instruments (continued)

4.3 Fair value measurements and disclosures (continued)

(b) *Group's valuation processes* (continued)

Changes in Level 2 and 3 fair values are analysed at each reporting date during these quarterly valuation discussions. As part of this discussion, the team presents a report that explains the reasons for the fair value movements.

The Group has subscriptions to information brokers that allow the Group to gather relevant information.

There were no changes in the valuation techniques during the period.

(c) *Fair value of financial assets and liabilities measured at amortised cost*

The fair value of borrowings are as follows:

	30 September 2013 AED'000	31 December 2012 AED'000
Non-current	45,191	110,377
Current	1,000,943	1,152,550
	1,046,134	1,262,927

5 Seasonality of operations

The Group's financial results for any three months are not necessarily indicative of results to be expected for the full year. Interim period revenues and earnings are typically sensitive to regional and local economies and market conditions.

6 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.

6 Segment reporting (continued)

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, Djibouti, India, Afghanistan, Iraq and Jordan.

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2013
(continued)

6 Segment reporting (continued)

Information about business segments

All figures in AED'000

	Engineering	Civil	Oil and Gas	Others	Inter segment elimination	Total	Engineering	Civil	Oil and Gas	Others	Inter segment elimination	Total
	Nine months ended 30 September 2013 (Unaudited)						Nine months ended 30 September 2012 (Unaudited)					
Revenue												
External customers	1,618,472	1,556,672	288,002	98,407	-	3,561,553	1,471,148	572,903	-	72,711	-	2,116,762
Inter- segment	220,698	25,220	-	160	(246,078)	-	168,909	77,460	-	1,822	(248,191)	-
	1,839,170	1,581,892	288,002	98,567	(246,078)	3,561,553	1,640,057	650,363	-	74,533	(248,191)	2,116,762
Segment profit / (loss)	83,009	64,949	36,703	(39,709)	-	144,952	118,683	(13,795)	-	(22,366)	-	82,522
Depreciation and amortisation	17,413	11,143	1002	31,227	-	60,785	10,628	16,375	-	30,400	-	57,403
Capital expenditure	17,379	73,463	3,172	4,303	-	98,317	81,371	23,926	-	1,027	-	106,324
	At 30 September 2013 (Unaudited)						At 31 December 2012 (Audited)					
Segment total assets	2,966,040	2,524,454	248,538	2,681,038	(1,459,001)	6,961,069	2,744,103	1,807,879	74,150	3,101,404	(1,297,976)	6,429,560

Revenue from one customer amounting to AED 948,301 thousand which exceeded 10% of the Group revenue was earned through the Civil works segment. In 2012, one customer accounted for over 10% of the Group revenue which represents AED 273,274 thousand relating to Civil works.

6 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 2013 (Unaudited)					Nine months ended 30 September 2012 (Unaudited)				
Revenue from external customers	688,822	1,886,571	986,160	-	3,561,553	601,474	891,225	624,063	-	2,116,762

Drake and Scull International PJSC

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2013 (continued)

7 Property, plant and equipment

The Group purchased property, plant and equipment during the nine months period ended 30 September 2013 amounting to AED 98,317 thousand (2012: AED 106,324 thousand). The Group disposed property, plant and equipment during the nine month period ended 30 September 2013 amounting to AED 35,074 thousand (2012: AED 654 thousand). The depreciation charged to the interim consolidated income statement amounted to AED 32,105 thousand (2012: AED 28,733 thousand).

8 Development properties

During the quarter ended 30 September 2013, one of the development properties projects amounting to AED 47,025 thousand was completed. An amount of AED 17,649 thousand represents the total cost of the project units that were sold to third parties and where the Group recognised a loss on the sale of AED 5,160 thousand. The remaining units amounting to AED 29,376 thousand have been rented out and classified as investment properties. Refer to Note 9.

9 Investment properties

Development properties amounting to AED 29,376 thousand, representing the cost of the units rented out, were transferred to investment properties at cost. The fair value of these properties was AED 30,555 thousand on the date of transfer. The fair value of these properties is based on current market value of similar properties. The management estimates that there are no significant changes in the fair values of these properties at the interim consolidated balance sheet date.

The depreciation charge to the consolidated income statement amounted to AED 367 thousand (2012: Nil).

10 Trade and other receivables

	30 September 2013 (Unaudited) AED'000	31 December 2012 (Audited) AED'000
Non-current		
Trade receivables and retentions	69,802	183,570
Loans and advances	39,694	-
	109,496	183,570
Less: fair value adjustment	(6,946)	(9,155)
	102,550	174,415

10 Trade and other receivables (continued)

	30 September 2013 (Unaudited) AED'000	31 December 2012 (Audited) AED'000
Current		
Trade receivables and retentions	1,678,249	1,410,576
Prepayments and other receivables	512,613	412,366
Amount due from customers on contracts	2,080,923	1,829,550
Loans and advances	67,121	141,782
	4,338,906	3,794,274
Less: provision for impairment	(56,374)	(52,413)
	4,282,532	3,741,861

Arbitrations

The Group has already filed arbitrations or in the process of filing with certain customers for settlement of trade receivables, retentions and due from customers on contracts' balances of AED 58 million, AED 36 million and AED 41.3 million respectively, which relate to projects that were completed and handed over to those customers. Currently, the outcome of the arbitrations is uncertain. Management is of the opinion that the balances are fully recoverable. As at 30 September 2013 and 31 December 2012, no provision for impairment has been made against these balances of AED 135.3 million.

11 Related party transactions and balances

Related parties comprise the major shareholders of the Company, 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.

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 2013 to 30 September 2013:

The significant related party transactions primarily include management fees charged by DSG amounting to AED Nil (2012: AED 11,100 thousand).

The outstanding balances with related parties are given overleaf:

11 Related party transactions and balances (continued)

	30 September 2013 (Unaudited) AED'000	31 December 2012 (Audited) AED'000
Due from related parties:		
Joint venture	114,901	22,408
Affiliated entities	15,849	3,582
	130,750	25,990
Due to related parties:		
Drake and Scull Group	900	842
Other affiliated entities	8,770	10,857
	9,670	11,699

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 13 (Unaudited) AED'000	30 September 12 (Unaudited) AED'000	30 September 13 (Unaudited) AED'000	30 September 12 (Unaudited) AED'000
Short term benefits	26,514	30,298	3,771	9,714
Employees' end of service benefits	3,154	1,951	789	573
	29,668	32,249	4,560	10,287

12 Cash and bank balances

	30 September 2013 (Unaudited) AED'000	31 December 2012 (Audited) AED'000
Cash on hand	6,836	2,782
Cash at bank	381,175	636,941
Term deposits	249,693	90,977
Cash and bank balances	637,704	730,700

Drake and Scull International PJSC

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2013 (continued)

12 Cash and bank balances (continued)

Term deposits carry an interest average rate of 1% to 5% (2012: 1% to 4.5%) per annum.

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

	30 September 2013 (Unaudited) AED'000	30 September 2012 (Unaudited) AED'000
Cash and bank balances	637,704	239,480
Less: Term deposits under lien	(237,393)	(41,093)
Bank overdrafts	(158,173)	(53,135)
Cash and cash equivalents	242,138	145,252

13 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 2013 (Unaudited) AED'000	31 December 2012 (Audited) AED'000
Non-current		
Term loan	48,878	119,384
Current		
Term loan	147,636	611,203
Trust receipts and other borrowings	708,860	538,529
Bank overdrafts	158,173	59,642
	1,014,669	1,209,374

The Group entered into a syndicated facility agreement dated 13 November, 2012, amounting to USD 75,000 thousand (equivalent to AED 278 million) and AED 166,800 thousand with local and international banks. The facility was guaranteed by three subsidiaries in the United Arab Emirates and two subsidiaries in the Kingdom of Saudi Arabia. In addition, the two subsidiaries in the Kingdom of Saudi Arabia had issued promissory notes of AED 178,503 thousand and USD 80,250 thousand. During the quarter ended 30 September 2013, the Group repaid all borrowing amounting to AED 444,867 thousand taken under this syndicated loan facility.

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

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2013 (continued)

13 Bank borrowings (continued)

Interest rates on the term loans were at variable rates and ranging between 2% to 6.5% (2012: 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 motor vehicles and equipment purchased and on certain receivables;
- 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 interim conslidated balance sheet date.

14 Derivative financial instruments

	30 September 2013 (Unaudited) AED'000	31 December 2012 (Audited) AED'000
Non-current liability		
Equity warrants	-	485
Interest rate swaps	-	21,174
	-	21,659

The notional principal amounts outstanding are:

Equity warrants	-	146,960
Interest rate swaps	-	441,550
	-	588,510

14 Derivative financial instruments (continued)

The notional principal amounts outstanding are denominated in the following currencies:

	30 September 2013 (Unaudited) AED'000	31 December 2012 (Audited) AED'000
Principal amount outstanding (in thousands):		
USD denominated (115,000 thousand)	-	422,510
AED	-	166,000

The Group issued equity warrants to Goldman Sachs International ("GSI") during the year ended 31 December 2012. These warrants had a notional value of USD 40 million equivalents to AED 147 million which represented approximately 9% of the Company's market capitalisation.

During the quarter ended 30 September 2013, the Group settled all the derivative financial liabilities in cash for an amount of AED 20,153 thousand and as a result following fair value gains/losses were recognised in the interim consolidated income statement under "Other gains/(losses)".

	Nine months ended		Three months ended	
	30 September 13 (Unaudited) AED'000	30 September 12 (Unaudited) AED'000	30 September 13 (Unaudited) AED'000	30 September 12 (Unaudited) AED'000
Share swaps	5,583	-	7,764	-
Interest rate swaps	(4,050)	-	(886)	-
Equity warrants	(27)	-	6,365	-
	1,506	-	13,243	-

15 Available-for-sale financial assets

During the period, the Group invested an amount of AED 53,843 thousand, which represents 10% of the share capital of Lamar investments and real estate development L.L.C, a company incorporated in Saudi Arabia, through its subsidiary Drake & Scull Construction Company, KSA. The Group classified the investment as an available-for-sale financial asset at the date of investment. The fair value of this investment as at interim consolidated balance sheet date is equivalent to the consideration paid in the previous quarter.

16 Treasury shares

During the period, the Group re-issued 32,400 thousand treasury shares with a carrying value of AED 28,622 thousand for total sale proceeds of AED 31,648 thousand. The difference between the sale proceeds and the carrying value of treasury shares amounting to AED 3,026 thousand was classified as share premium.

17 Income tax expense/(credit)

The major components of income tax expense are:

	Nine months ended		Three months ended	
	30 September 13 (Unaudited) AED'000	30 September 12 (Unaudited) AED'000	30 September 13 (Unaudited) AED'000	30 September 12 (Unaudited) AED'000
Current income tax expense / (credit):				
Current income tax charge / (credit)	30,772	8,209	8,250	(2,846)
Deferred income tax expense :				
Relating to origination and reversal of temporary differences	3,534	760	2,608	451
	34,306	8,969	10,858	(2,395)

18 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 year excluding ordinary shares purchased and held as treasury shares.

	Nine months ended		Three months ended	
	30 September 13 (Unaudited)	30 September 12 (Unaudited)	30 September 13 (Unaudited)	30 September 12 (Unaudited)
Earnings (AED'000)				
Earnings for the purposes of basic earnings per share being net profit attributable to owners of the parent	123,712	67,551	23,750	3,921
Number of shares				
Weighted average number of ordinary shares for the purposes of basic earnings per share	2,285,046,667	2,252,646,667	2,285,046,667	2,252,646,667
Basic and diluted earnings per share (AED)	0.054	0.030	0.010	0.002

18 Earnings per share (continued)

Diluted

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

19 Guarantees

	30 September 2013 (Unaudited) AED'000	31 December 2012 (Audited) AED'000
Performance bonds	904,745	921,909
Letter of guarantees	1,233,445	705,617
	2,138,190	1,627,526

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.

20 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 2013 (Unaudited) AED'000	31 December 2012 (Audited) AED'000
Future minimum lease payments:		
No later than one year	17,949	26,009
Later than one year but no later than five years	21,786	12,324
Later than five years	1,546	1,633
	41,281	39,966

(b) Other commitments

Letters of credit for purchase of materials and operating equipment	990,355	363,066