Press Release

DSI Delivers AED ٦٣ million in Net Income for Q١ ٢٠١٣ a ٤٧٪ increase Year on Year

Quarterly revenues sustained at AED ١,٢٢٧ billion and backlog closed at AED ٩ billion

- Consolidated Net income for Q١ ٢٠١٣ grew by ٤٧ % in comparison to Q١ ٢٠١٢
- Q١ ٢٠١٣ Revenues reached AED ١,٢٢٧ billion compared to AED ٧٧٧ million in Q١ ٢٠١٢ representing a ٥٨٪ YoY growth
- Quarterly EPS reached AED ٠,٠٢٥ indicating a ٤٢% YoY growth
- SG&A as percentage of revenues fell by ٣,٤٪ from ٧,٧ % to ٤,٣٪ compared to Q١ ٢٠١٢
- Total Backlog closed at AED ٩ billion as of March ٣١st ٢٠١٣
- Net Operating Cash flow was AED ١١٤ million compared to negative AED ٤٤٨ million recorded in Q٤ ٢٠١٢ and Negative AED ٧٦ million generated in Q١ ٢٠١٢
- EPS reached AED ٠,٠٢٥ compared to AED ٠,٠١٨ achieved in Q٤ ٢٠١٢
- Net income doubled in comparison to Q٤ ٢٠١٢ reaching AED ٦٣ million

[Dubai, ٠١ May, ٢٠١٣] Drake & Scull International PJSC (DSI), a regional market leader in the integrated design, engineering and construction disciplines of General Contracting, Mechanical, Electrical and Plumbing (MEP), Water and Power, Rail and Oil and Gas reported today solid financial results for the first quarter ٢٠١٣ ended March ٣١st.

Net profit for Q١ closed at AED ٦٣ million and revenues at AED ١,٢٢٧ billion representing an increase of ٤٧ % and ٥٨ % compared to Q١ ٢٠١٢.

Earnings per Share (EPS) stood at AED ٠,٠٢٥ indicating a ٤٢% growth compared to the same period last year.

In comparison to Q٤ ٢٠١٢ revenues were sustained at the same level whereas the net profit grew exponentially by ٩٣ % and EPS realized a solid growth of ٤٠ %.

Total project awards year to date reached AED ٢ billion in KSA, UAE and Qatar .The total order backlog closed at AED ٩ billion as of the ٣١st of March representing a ١٧% growth in comparison to AED ٧,٧ billion recorded during the same period last year.

Quarterly SG&A as a percentage of revenues was ٤. ٣ %. The net operating cash flow generated during the same period was AED ١١٤ million and was substantially improved from AED negative ٧٦ million and AED negative ٤٤٨ million recorded in Q١ ٢٠١٢ and Q٤ ٢٠١٢ respectively.

Commenting on the results, Khaldoun Tabari, CEO of DSI said, “We continued to deliver consistent revenue growth and improved profitability in this quarter. KSA and the UAE contributed ٥٩ % and ١٩ % to the consolidated top line growth across all our business streams and remain our key markets for ٢٠١٣”.

“Our operations across all markets are streamlined and cost reduction has been evident as our SG&A as percentage of revenue fell by ٣,٤٪ from ٧,٧ % to ٤,٣٪ year on year due increased productivity and cost efficiencies”.

“We are well geared to deliver on our AED ٩ billion backlog and our priority remains in delivering improved margins and enhanced liquidity”.

Osama Hamdan, CFO of DSI added, “Q١ witnessed exceptional operational efficiency as we have succeeded in doubling our profit and sustaining record high revenues compared to Q٤ ٢٠١٢”.

“Our consolidated margins have improved and notably the MEP unit of our Engineering business generating ٤٦% of the quarterly revenues at a ٧.٥٪ net margin. The general contracting business also contributed ٥١% of the quarterly revenues at a steady net margin of approximately ٦ %. Remarkably, the Oil & Gas business achieved ١٥ % in net margin with higher contribution to the consolidated quarterly revenues”.

“On the other hand ,we are very delighted to have restored our quarterly net operating cash flow to AED ١١٤ million and we are keen on improving operational liquidity to deliver on our backlog”.

“Delivering sustainable revenues and healthy profit margins are the key highlights for ٢٠١٣. We expect to continue with the same momentum in Q٢ and we see great potential for all our operations in the GCC region’’.

- Ends -

<u>About Drake & Scull International PJSC</u>

Drake & Scull International PJSC (DSI) is a regional market leader delivering world class quality projects via end to end solutions that provide integrated design, engineering and construction disciplines of Mechanical Electrical and Plumbing (MEP), Civil Contracting, and Water & Power Infrastructure, through People, Innovation, and Passion.

DSI established its first office in Abu Dhabi in ١٩٦٦, and has since expanded operations to encompass offices in Dubai, Egypt, Kuwait, Libya, Oman, Saudi Arabia, Syria, Qatar, Jordan and Thailand, as well as managing projects in Europe and other parts of North Africa.

DSI 's main business streams include Drake & Scull International, which serves as the MEP arm, Drake & Scull Construction (DSC), which is the General Civil Contracting unit and Drake and Scull Water & Power (DSWP), which focuses on the Water & Power and Infrastructure sector.

In ٢٠٠٨, DSI offered ٥٥٪ of its shares to the public and the IPO was oversubscribed ١٠١ times. Ernst & Young ranked the IPO among the top ٢٠ global IPOs in ٢٠٠٨.

DSI has since then used the funds to integrate, establish and acquire businesses that complement its corporate strategy of expansion into new markets, via organic and inorganic growth.
The fully Integrated Management Systems, certified to ISO ٩٠٠١:٢٠٠٨, ISO ١٤٠٠١:٢٠٠٥ and OSHAS ١٨٠٠١:٢٠٠٧ standards are compliant with leading building, health and safety regulations, as well as sound environmental and energy management procedures.

DSI is a leader through experience, and has established a regional leadership position over ٤٤ years of successfully completing the most complex projects on time, within budgets and matching set quality parameters.

DSI has completed many prestigious projects in the region for over four decades, and has helped shape the region's skyline from within.

Press Release

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Drake and Scull International PJSC

Condensed consolidated interim financial information (Unaudited) for the three-month period ended 31 March 2013

Drake and Scull International PJSC

Condensed consolidated interim financial information for the three-month period ended 31 March 2013

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 31 March 2013 and the related interim consolidated income statement, statements of comprehensive income, changes in equity and cash flows for the three-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."

Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note 5 to this condensed consolidated financial information, which describes the uncertainty related to the outcome of the arbitrations with certain customers.

PricewaterhouseCoopers
30 April 2013

Paul Suddaby

Paul Suddaby
Registered Auditor Number 309
Dubai, United Arab Emirates

Drake and Scull International PJSC

Interim consolidated balance sheet

	Note	31 March 2013 (Unaudited) AED'000	31 December 2012 (Audited) AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	4	524,528	504,200
Intangible assets		1,126,781	1,136,219
Deferred income tax assets		17,094	17,630
Available-for-sale financial assets		3,449	2,384
Trade and other receivables	5	205,200	174,415
		1,877,052	1,834,848
Current assets			
Inventories		20,835	26,510
Development properties		65,366	64,830
Trade and other receivables	5	4,019,685	3,741,861
Due from related parties	6	32,027	25,990
Financial assets at fair value through profit or loss		4,821	4,821
Cash and bank balances	7	857,573	730,700
		5,000,307	4,594,712
Total assets		6,877,359	6,429,560
EQUITY AND LIABILITIES			
Equity attributable to owners of the Parent			
Share capital		2,285,047	2,285,047
Treasury shares		(28,622)	(28,622)
Statutory reserve		79,219	79,219
Other reserve		24,543	24,543
Retained earnings		419,836	363,835
Foreign currency translation reserve		(8,763)	(8,346)
		2,771,260	2,715,676
Non-controlling interests		59,799	53,106
Total equity		2,831,059	2,768,782
LIABILITIES			
Non-current liabilities			
Bank borrowings	8	94,139	119,384
Deferred income tax liabilities		8,491	8,835
Employees' end of service benefits		88,314	84,669
Derivative financial instruments	9	25,312	21,659
		216,256	234,547
Current liabilities			
Trade and other payables		2,569,656	2,205,158
Bank borrowings	8	1,250,799	1,209,374
Due to related parties	6	9,589	11,699
		3,830,044	3,426,231
Total liabilities		4,046,300	3,660,778
Total equity and liabilities		6,877,359	6,429,560

The condensed consolidated interim financial information were approved and authorised by the Board of Directors on 30 April 2013 and signed on its behalf by:

....
Chairman

....
Chief Executive Office

Drake and Scull International PJSC

Interim consolidated income statement

	Note	Three months ended 31 March 2013 AED'000	Three months ended 31 March 2012 AED'000
Contract revenue		1,226,573	776,706
Contract costs		(1,096,129)	(667,387)
Gross profit		130,444	109,319
Other income		2,481	4,415
General and administrative expenses		(63,277)	(71,865)
Other losses		(3,653)	(3,665)
Operating profit		65,995	38,204
Finance income		5,839	11,781
Finance costs		(7,314)	(3,106)
Finance (costs)/income – net		(1,475)	8,675
Profit for the period before tax		64,520	46,879
Income tax expense	10	(1,826)	(4,228)
Profit for the period		62,694	42,651
Attributable to:			
Owners of the Parent		56,001	37,576
Non-controlling interests		6,693	5,075
		62,694	42,651
Earnings per share			
- Basic and diluted (AED)	11	0.0249	0.0175

Drake and Scull International PJSC

Interim consolidated statement of comprehensive income

	Three months ended	
	31 March 2013 AED'000	31 March 2012 AED'000
Profit for the period	62,694	42,651
Other comprehensive (loss)/income:		
Foreign currency translation	(417)	1,287
Other comprehensive (loss)/income for the period	(417)	1,287
Total comprehensive income for the period	62,277	43,938
Attributable to:		
Owners of the Parent	55,584	38,863
Non-controlling interests	6,693	5,075
	62,277	43,938

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 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	-	-	-	-	37,576	-	37,576	5,075	42,651
Other comprehensive income for the period	-	-	-	-	-	1,287	1,287	-	1,287
Total comprehensive income for the period	-	-	-	-	**37,576**	**1,287**	**38,863**	**5,075**	**43,938**
Non-controlling interest contribution to subsidiary's capital	-	-	-	-	-	-	-	112	112
Balance at 31 March 2012	**2,177,778**	**(28,622)**	**73,753**	**24,543**	**484,215**	**(7,491)**	**2,724,176**	**37,431**	**2,761,607**
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	-	-	-	-	56,001	-	56,001	6,693	62,694
Other comprehensive loss for the period	-	-	-	-	-	(417)	(417)	-	(417)
Total comprehensive income for the period	-	-	-	-	**56,001**	**(417)**	**55,584**	**6,693**	**62,277**
Balance at 31 March 2013	**2,285,047**	**(28,622)**	**79,219**	**24,543**	**419,836**	**(8,763)**	**2,771,260**	**59,799**	**2,831,059**

Drake and Scull International PJSC

Interim consolidated statement of cash flows

	Note	Three months ended 31 March 2013 AED'000	31 March 2012 AED'000
Operating activities			
Profit for the period before tax		64,520	46,879
Adjustments for:			
Depreciation		11,447	10,497
Amortisation of intangible assets		9,438	9,438
Provision for employees' end of service benefits		7,030	6,963
Group management fee expense		-	3,700
Finance income		(5,839)	(11,781)
Fair value (gain)/loss on financial assets at fair value through profit or loss		-	3,665
Finance costs		7,314	3,106
Fair value gain on available-for-sale financial assets		(1,065)	-
Gain on disposal of property, plant and equipment		(496)	-
Fair value loss on interest rate swaps		3,653	-
Provision for impairment of inventories		-	5,497
Provision for impairment on trade receivables and retentions - net		337	6,323
Operating cash flows before payment of employees' end of service benefits, income tax and changes in working capital		96,339	84,287
Employees' end of service benefits paid		(3,385)	(3,291)
Income tax paid		(1,291)	(3,857)
Changes in working capital:			
Inventories		5,675	-
Development properties		(536)	(1,322)
Trade and other receivables before provisions and excluding interest receivable and loans and advances		(339,628)	(29,986)
Due from related parties		(6,037)	(4,276)
Trade and other payables excluding income tax, interest and group management fee payable		364,744	(96,636)
Due to related parties		(2,110)	(20,889)
Net cash generated from/(used in) operating activities		113,771	(75,970)
Investing activities			
Purchase of property, plant and equipment		(35,273)	(51,939)
Proceeds from disposal of property, plant and equipment		3,994	467
Net proceeds from disposal of investments		-	139,407
Loans and advances		32,116	30,440
Interest received		4,398	8,533
Net cash generated from investing activities		5,235	126,908

Interim consolidated statement of cash flows (continued)

	Note	Three months ended 31 March 2013 AED'000	Three months ended 31 March 2012 AED'000
Financing activities			
Term deposits under lien		(14,683)	227,648
Net proceeds from trust receipts and other borrowings		50,003	46,586
Proceeds from term loans		71,377	89,522
Payment of term loans		(102,371)	(349,551)
Non-controlling interest's contribution to subsidiary's capital		-	112
Interest paid		(7,902)	(3,823)
Net cash (used in)/generated from financing activities		(3,576)	10,494
Net increase in cash and cash equivalents		115,430	61,432
Net foreign currency translation difference		(417)	1,287
Cash and cash equivalents, beginning of the period		182,034	223,370
Cash and cash equivalents, end of the period		297,047	286,089

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 arrangement 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 arrangement 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 arrangement 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 arrangement agreement dated 27 September 2011.

The Group, through Drake & Scull Construction Company LLC – Saudi Arabia, also 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, also 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 three months ended 31 March 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 Basis of preparation and accounting policies (continued)

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.

2.3 Basis of consolidation

The condensed consolidated interim financial information at and for the period ended 31 March 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

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.

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 2012.

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.

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, Syria, Thailand, Algeria, Djibouti, India, Afghaistan, Iraq, and Jordan.

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
	Three months ended 31 March 2013						Three months ended 31 March 2012					
Revenue												
External customers	487,490	79,012	615,050	45,021	-	1,226,573	411,274	142,512	222,919	-	-	776,706
Inter- segment	72,385	523	15,023	-	(87,931)	-	42,587	2,824	41,084	-	(84,495)	-
	559,875	79,535	630,073	45,021	(87,931)	1,226,573	453,862	145,336	264,004	-	(86,495)	776,706
Segment profit / (loss)	40,995	(12,197)	29,291	4,605	-	62,694	39,098	(2,449)	229	97	5,676	42,651
Depreciation and amortisation	5,329	809	3,940	10,807	-	20,885	3,084	650	6,465	9,735	-	19,935
Capital expenditure	6,035	486	23,525	5,227	-	35,273	26,700	1,455	23,702	82	-	51,939
	At 31 March 2013						At 31 December 2012					
Segment total assets	2,371,475	719,702	2,119,606	3,014,071	(1,347,495)	6,877,359	1,870,393	655,209	1,501,217	2,536,626	(1,121,220)	5,442,225

Revenue from one customer amounting to AED 414,227 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 109,200 thousand relating to Civil works.

Notes to the condensed consolidated interim financial information for the period ended 31 March 2013 (continued)

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
	Three months ended 31 March 2013					Three months ended 31 March 2012				
Revenue from external customers	239,002	721,150	266,421	-	1,226,573	247,854	380,374	148,478	-	776,706

4 Property, plant and equipment

The Group acquired property, plant and equipment during the period ended 31 March 2013 amounting to AED 35,273 thousand (2012: AED 51,939 thousand). The Group disposed property, plant and equipment during the period ended 31 March 2013 amounting to AED 3,498 thousand (2012: AED 467 thousand) and depreciation charged to the interim consolidated income statement amounted to AED 11,447 thousand (2012: AED 10,497 thousand).

5 Trade and other receivables

	31 March 2013	31 December 2012
Non-current		
Trade receivables and retentions	213,127	183,570
Less: fair value adjustment	(7,927)	(9,155)
	205,200	174,415
Current		
Trade receivables and retentions	1,464,433	1,410,576
Prepayments and other receivables	395,743	412,366
Amount due from customers on contracts	2,102,593	1,829,550
Loans and advances	109,666	141,782
	4,072,435	3,794,274
Less: provision for impairment	(52,750)	(52,413)
	4,019,685	3,741,861

Arbitrations

The Group has already filed arbitrations or in the process of filing arbitrations with certain customers for settlement of the 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 31 December 2012, no provision for impairment has been made against these balances of AED 135.3 million.

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.

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 31 March 2013:

The significant related party transactions primarily include management fees charged by DSG amounting to AED Nil (2012: AED 3,700 thousand).

The outstanding balances with related parties are given below:

Due from related parties:

	31 March 2013 AED'000	31December 2012 AED'000
Joint venture	22,128	22,408
Affiliated entities	9,899	3,582
	32,027	25,990
Due to related parties:		
Drake and Scull Group	842	842
Other affiliated entities	8,747	10,857
	9,589	11,699

6 Related party transactions and balances (continued)

Compensation of key management personnel

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

	Three months ended 31 March	
	2013	2012
	AED'000	AED'000
Short term benefits	9,895	10,170
Employees' end of service benefits	1,476	942
	11,371	11,112

7 Cash and bank balances

	31 March 2013	31 December 2012
Cash on hand	5,699	2,782
Cash at bank	301,743	636,941
Term deposits	550,131	90,977
Cash and bank balances	857,573	730,700

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

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

	31 March 2013	31 March 2012
	AED'000	AED'000
Cash and bank balances	857,573	345,301
Less: Term deposits under lien	(58,840)	(36,254)
Bank overdrafts	(56,819)	(22,958)
Restricted cash	(444,867)	-
Cash and cash equivalents	297,047	286,089

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.

	31 March 2013 AED'000	31 December 2012 AED'000
Non-current		
Term loan	94,139	119,384
Current		
Term loan	605,447	611,203
Trust receipts and other borrowings	588,533	538,529
Bank overdrafts	56,819	59,642
31 December	1,250,799	1,209,374

The Group entered into a syndicated facility agreement dated 13 November, 2012, amounting to USD 75 million and AED 166.8 million with local and international banks.

The facility is 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 have issued promissory notes of AED 178,503 thousand and USD 80,250 thousand.

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 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 balance sheet date.

8 Bank borrowings (continued)

At 31 December 2012 and at 31 March 2013, the Group was not compliant with certain financial covenants in relation to the syndicated loan facility obtained during the year ended 31 December 2012. This non-compliance with covenants may require the Group to repay the entire borrowings amounting to AED 444,867 thousand on demand by the lenders. Accordingly, all borrowings were classified under current liabilities in the balance sheet. Subsequent to the year ended 31 December 2012, the Group reached an agreement with its lenders for a conditional waiver of the breach where management is able to meet these conditions and obtain a final waiver and a reset of the stated financial covenants. In addition, at 31 December 2012 and 31 March 2013, the Group was not compliant with financial covenants in relation to another facility agreement with an international bank. The bank borrowings related to this facility are classified under current liabilities. Subsequent to the year ended 31 December 2012, the Group has received a conditional waiver of the breach where management is able to meet these conditions and obtain a final waiver and a reset of the stated financial covenants

9 Derivative financial instruments

	31 March 2013 AED'000	31 December 2012 AED'000
Non-current liability		
Equity warrants	485	485
Interest rate swaps	24,827	21,174
	25,312	21,659

The notional principal amounts outstanding are:

	31 March 2013 AED'000	31 December 2012 AED'000
Equity warrants	146,960	146,960
Interest rate swaps	441,550	441,550
	588,510	588,510

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

	31 March 2013 AED'000	31 December 2012 AED'000
Principal amount outstanding (in thousands):		
USD denominated (115,000 thousand)	422,395	422,395
AED	166,000	166,000

9 Derivative financial instruments (continued)

The Group has issued equity warrants to Goldman Sachs International ("GSI"). These warrants have a notional value of USD 40 million equivalents to AED 147 million which represents approximately 9% of the company's market capitalisation. The maturity of the warrants is 5 years and can be exercised by GSI any time after 2 years. Upon exercise of the warrants, GSI's economic exposure will be cash settled (subject to a pre-agreed maximum cash settlement amount). Further, the warrants agreement set a cap of USD 18 million on the liability that DSI may incur on this transaction.

The full fair value of the derivative instrument is classified as non-current liability since the remaining maturity of the related host contracts is more than 12 months as at the end of the reporting period.

Fair value loss on interest rate swaps amounting to AED 3,653 thousand was recognised in the consolidated income statement under "Other (losses)/gains"

10 Income tax expense

The major components of income tax expense are:

	31 March 2013 AED'000	31 March 2012 AED'000
Current income tax expense:		
Current income tax charge	(1,793)	(3,714)
Deferred income tax expense		
Relating to origination and reversal of temporary differences	(33)	(514)
	(1,826)	(4,228)

11 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 excluding ordinary shares purchased and held as treasury shares.

Notes to the condensed consolidated interim financial information for the year ended 31 March 2013 (continued)

11 Earnings per share (continued)

	Three months period ended 31 March 2013	Three months period ended 31 March 2012
Earnings (AED'000)		
Earnings for the purposes of basic earnings per share being net profit attributable to owners of the parent	56,001	37,576
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
Basic and diluted earnings per share (AED)	0.0249	0.0175

Diluted

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

12 Guarantees

	31 March 2013 AED'000	31 December 2012 AED'000
Performance bonds	995,056	921,909
Letter of guarantees	1,217,530	705,617
	2,212,586	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.

13 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:

	31 March 2013 AED'000	31 December 2012 AED'000
Future minimum lease payments:		
No later than one year	23,912	26,009
Later than one year but no later than five years	18,127	12,324
Later than five years	1,546	1,633
	43,585	39,966

(b) Other commitments

	31 March 2013 AED	31 December 2012 AED
Letters of credit for purchase of materials and operating equipment	1,036,862	363,066