Drake and Scull International PJSC

Condensed consolidated interim financial information (Unaudited) for the nine-month period ended 30 September 2014

Drake and Scull International PJSC

Condensed consolidated interim financial information for the nine-month period ended 30 September 2014

	Pages
Review report on condensed consolidated interim financial information	**1**
Condensed consolidated interim balance sheet	**2**
Condensed consolidated interim income statement	**3**
Condensed consolidated interim statement of comprehensive income	**4**
Condensed consolidated interim statement of changes in equity	**5**
Condensed consolidated interim statement of cash flows	**6-7**
Notes to the condensed consolidated interim financial information	**8 - 24**

pwc

Review report on condensed consolidated interim financial information to the shareholders of Drake and Scull International PJSC

Introduction

We have reviewed the accompanying condensed 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 2014 and the related condensed consolidated interim statements of income, comprehensive income for the three-month and nine-month periods then ended, and condensed consolidated statements of 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".

Emphasis of Matter

We draw attention to Note 9 to this condensed consolidated interim financial information, which describes the uncertainty related to the outcome of the arbitrations with certain customers. Our conclusion is not qualified in respect of this matter.

PricewaterhouseCoopers
13 November 2014

Paul Suddaby

Paul Suddaby
Registered Auditor Number 309
Dubai, United Arab Emirates

Drake and Scull International PJSC

Condensed consolidated interim balance sheet

	Note	As at 30 September 2014 Unaudited AED'000	As at 31 December 2013 Audited AED'000
ASSETS			
Non-current assets			
Property and equipment	7	532,069	510,680
Intangible assets		1,070,156	1,098,469
Investment property	8	29,376	29,376
Investment accounted for using the equity method		106,484	93,249
Deferred income tax assets		4,896	5,646
Available-for-sale financial assets	13	94,061	75,159
Trade and other receivables	9	215,736	212,503
		2,052,778	2,025,082
Current assets			
Inventories		48,408	30,259
Development properties		19,111	19,111
Trade and other receivables	9	5,323,588	4,256,323
Due from related parties	10	91,971	268,628
Financial assets at fair value through profit or loss		4,678	4,678
Cash and bank balances	11	600,306	558,217
		6,088,062	5,137,216
Total assets		8,140,840	7,162,298
EQUITY AND LIABILITIES			
Equity attributable to owners of the Parent			
Share capital		2,285,047	2,285,047
Share premium		3,026	3,026
Statutory reserve		93,722	93,722
Other reserve		24,543	24,543
Retained earnings		603,358	515,801
Foreign currency translation reserve		(11,613)	(15,685)
		2,998,083	2,906,454
Non-controlling interests		77,780	68,372
Total equity		3,075,863	2,974,826
LIABILITIES			
Non-current liabilities			
Bank borrowings	12	97,829	48,878
Deferred income tax liabilities		2,247	2,414
Employees' end of service benefits		132,992	110,234
		233,068	161,526
Current liabilities			
Trade and other payables		2,846,665	2,938,909
Bank borrowings	12	1,813,603	1,067,592
Due to related parties	10	171,641	19,445
		4,831,909	4,025,946
Total liabilities		5,064,977	4,187,472
Total equity and liabilities		8,140,840	7,162,298

The condensed consolidated interim financial information was approved by the Board of Directors on 13 November 2014 and signed on its behalf by:

....
Chairman

....
Chief Executive Officer

The notes on pages 8 to 24 are an integral part of this condensed consolidated interim financial information.

Drake and Scull International PJSC

Condensed consolidated interim income statement

		Nine months ended		Three months ended	
	Note	30 September 2014 AED'000 Unaudited	30 September 2013 AED'000 Unaudited	30 September 2014 AED'000 Unaudited	30 September 2013 AED'000 Unaudited
Contract revenue	6	3,593,693	3,561,553	1,240,309	994,973
Contract costs		(3,246,970)	(3,153,335)	(1,105,183)	(872,384)
Gross profit		346,723	408,218	135,126	122,589
Other income		11,473	16,245	4,625	9,909
General and administrative expenses		(248,475)	(235,754)	(109,226)	(103,019)
Other gains - net		-	1,506	-	13,243
Operating profit		109,721	190,215	30,525	42,722
Finance income		8,582	16,052	3,842	4,477
Finance costs	15	(9,503)	(27,009)	(4,475)	(6,289)
Finance costs –net		(921)	(10,957)	(633)	(1,812)
Share of profit from investment accounted for using the equity method	14	13,235	-	985	-
Profit for the period before tax		122,035	179,258	30,877	40,910
Income tax expense	16	(25,159)	(34,306)	(5,717)	(10,858)
Profit for the period		96,876	144,952	25,160	30,052
Attributable to:					
Owners of the Parent		87,557	123,712	21,373	23,750
Non-controlling interests		9,319	21,240	3,787	6,302
		96,876	144,952	25,160	30,052
Earnings per share					
- Basic and diluted (AED)	17	0.0383	0.054	0.0094	0.010

Drake and Scull International PJSC

Condensed consolidated interim statement of comprehensive income

	Nine months ended		Three months ended	
	30 September 2014 AED'000 Unaudited	30 September 2013 AED'000 Unaudited	30 September 2014 AED'000 Unaudited	30 September 2013 AED'000 Unaudited
Profit for the period	96,876	144,952	25,160	30,052
Other comprehensive income				
Items that will be reclassified subsequently to profit or loss				
Currency translation differences	4,072	(2,374)	(2,590)	(1,536)
Other comprehensive income/(loss) for the period	4,072	(2,374)	(2,590)	(1,536)
Total comprehensive income for the period	100,948	142,578	22,570	28,516
Attributable to:				
Owners of the Parent	91,629	121,338	18,783	22,214
Non-controlling interests	9,319	21,240	3,787	6,302
	100,948	142,578	22,570	28,516

Condensed consolidated interim 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 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 income 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 (Unaudited)	2,285,047	-	3,026	79,219	24,543	487,547	(10,720)	2,868,662	72,716	2,941,378
Balance at 1 January 2014	**2,285,047**	**-**	**3,026**	**93,722**	**24,543**	**515,801**	**(15,685)**	**2,906,454**	**68,372**	**2,974,826**
Profit for the period	-	-	-	-	-	87,557	-	87,557	9,319	96,876
Other comprehensive income for the period	-	-	-	-	-	-	4,072	4,072	-	4,072
Total comprehensive income for the period	-	-	-	-	-	87,557	4,072	91,629	9,319	100,948
Amount contributed by non-controlling interests	-	-	-	-	-	-	-	-	89	89
Balance at 30 September 2014 (Unaudited)	2,285,047	-	3,026	93,722	24,543	603,358	(11,613)	2,998,083	77,780	3,075,863

Drake and Scull International PJSC

Condensed consolidated interim statement of cash flows

	Note	Nine months ended 30 September 2014 AED'000 Unaudited	30 September 2013 AED'000 Unaudited
Operating activities			
Profit for the period before tax		122,035	179,258
Adjustments for:			
Depreciation	7	39,372	32,472
Amortisation of intangible assets		28,313	28,313
Provision for employees' end of service benefits		32,315	23,182
Finance costs	15	62,973	65,445
Loss/(gain) on disposal of property and equipment		1,093	(665)
Provision for impairment of trade receivables and retentions - net		24,573	3,961
Gain on investment		-	(1,625)
Fair value gain on settlement of derivatives financial liabilities		-	(1,506)
Fair value loss on financial assets at fair value through profit or loss		-	143
Finance income		(8,582)	(16,052)
Share of profit from investment accounted for using the equity method	14	(13,235)	-
Operating cash flows before payments of employees' end of service benefits, income tax and changes in working capital		288,857	312,926
Payment of employees' end of service benefits		(9,557)	(9,699)
Income tax paid		(9,483)	(31,518)
Changes in working capital:			
Inventories		(18,149)	(2,368)
Development properties		-	(2,944)
Trade and other receivables before provisions and fair value adjustment, and excluding interest receivable and loans and advances		(1,117,363)	(510,931)
Due from related parties		176,657	(104,760)
Trade and other payables excluding income tax and interest payable		(103,331)	581,701
Due to related parties		152,196	(2,029)
Net cash (used in)/generated from operating activities		(640,173)	230,378
Balance carried forward		(640,173)	230,378

Drake and Scull International PJSC

Condensed consolidated interim statement of cash flows (continued)

	Note	Nine months ended 30 September 2014 AED'000 Unaudited	Nine months ended 30 September 2013 AED'000 Unaudited
Balance brought forward		(640,173)	230,378
Investing activities			
Purchase of property and equipment	7	(61,854)	(98,317)
Purchase of available-for-sale financial assets	13	(18,902)	-
Proceeds from disposal of property and equipment		-	35,739
Net proceeds from disposal of investments		-	(53,843)
Loans and advances		26,675	34,966
Interest received		4,199	19,250
Net cash used in investing activities		(49,882)	(62,205)
Financing activities			
Term deposits under lien		(84,398)	(193,236)
Net proceeds from trust receipts and other borrowings		284,087	170,331
Proceeds from term loans		429,198	87,284
Payment of term loans		(165,120)	(621,357)
Proceeds from re-issue of treasury shares		-	31,648
Dividends paid		-	(1,630)
Interest paid		(66,979)	(23,602)
Amount contributed by non-controlling interests		89	-
Net cash generated from/(used in) financing activities		396,877	(550,562)
Net decrease in cash and cash equivalents		(293,178)	(382,389)
Net foreign currency translation differences		4,072	(2,374)
Movement in restricted cash		-	444,867
Cash and cash equivalents, beginning of the period		322,266	182,034
Cash and cash equivalents, end of the period	11	33,160	242,138

Drake and Scull International PJSC

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2014

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**
		30 September 2014	**31 December 2013**	
Drake & Scull International LLC (Abu Dhabi)	Contracting work related to mechanical, electrical and sanitary engineering	100	100	UAE
Gulf Technical Construction Company LLC	Mechanical, electrical and civil construction work	100	100	UAE
Drake & Scull Engineering formerly Drake & Scull Water and Power LLC	Engineering, procurement and construction of Water and Power Infrastructure projects	100	100	UAE
Drake & Scull International for Electrical Contracting WLL	Mechanical, Electrical contracting and repairing work relating to the construction industry	75	75	Kuwait
Drake & Scull International (Qatar) WLL	Mechanical, electrical and plumbing activities	100	100	Qatar
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 WLL	Implementation of construction contracts, operation and maintenance of electrical and mechanical installations and related activities	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 related to mechanical, electrical and sanitary engineering	100	100	Egypt
Drake & Scull International LLC (Oman)	Contracting work related to mechanical, electrical and sanitary engineering	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 arrangement with Ranya General Contracting Company LLC under a joint arrangement agreement dated 12 August 2005. This is classified as joint operation in this condensed consolidated interim financial information.

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. This is classified as joint operation in this condensed consolidated interim financial information.

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. This is classified as joint operation in this condensed consolidated interim financial information.

The Group, through Drake & Scull Construction Company LLC – Saudi Arabia, also has a 50% interest in a joint venture with Saudi Arabia Construction Co (SACC – DSC JV) under a joint arrangement agreement dated 15 October 2012. This is classified as joint operation in this condensed consolidated interim financial information.

The Group, through Drake & Scull Construction LLC, also has a 90% interest in a joint venture with John Sisk and Sons Construction LLC, (SISK-DSC-SMH-Joint Venture) under a joint arrangement agreement dated 25 November 2012. This is classified as joint operation in this condensed consolidated interim financial information.

Drake and Scull International PJSC, also has a 50% interest in a joint venture with SICIM S.p.A under joint arrangement agreement dated 11 January 2013. This is classified as joint operation in this condensed consolidated interim financial information.

Drake and Scull International PJSC, also has a 51% interest in a joint venture with Al Habtoor Specon LLC (DSI-HLS Joint Venture) under a joint arrangement agreement dated 17 April 2013. This is classified as joint operation in this condensed consolidated interim financial information.

Drake & Scull Engineering LLC, also has a 49% interest in a joint venture with Al Habtoor Specon LLC (HLS-DSE Joint Venture) under a joint arrangement agreement dated 1 May 2013. This is classified as joint operation in this condensed consolidated interim financial information.

The Group, through Drake & Scull (Cayman Islands) No. 3 Limited, also has a 50% interest in a joint venture with Omniyat Properties Twenty Seven Limited (DSO Development Limited) under a joint arrangement agreement dated 6 November 2012. This is classified as joint venture in this condensed consolidated interim financial information.

2 Basis of preparation and accounting policies

2.1 Basis of preparation

This condensed consolidated interim financial information for the nine months ended 30 September 2014 has been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2013, 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 condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2013 except as described below.

- IAS 32, 'Financial instruments: Presentation', on asset and liability offsetting (effective 1 January 2014); and
- Amendment to IAS 36, 'Impairment of assets' on recoverable amount disclosures (effective from 1 January 2014).

The amendments to IFRSs effective for the financial year ending 31 December 2014 are not expected to have a material impact on the Group.

2.3 Basis of consolidation

The condensed consolidated interim financial information at and for the nine month period ended 30 September 2014 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 condensed consolidated interim 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 condensed consolidated interim 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 2013.

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 and it should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2013. 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 2013.

There have been no changes in the risk management department or in any risk management policies since the year end.

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 bank balances and credit 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 2013, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

4.3 Fair value estimation

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).

4 Financial risk management and financial instruments (continued)

4.3 Fair value estimation (continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 30 September 2014.

	Level 1 AED'000 Unaudited	**Level 2** AED'000 Unaudited	**Level 3** AED'000 Unaudited	**Total** AED'000 Unaudited
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	2,358	-	753	3,111
Total assets	2,358	4,678	753	7,789
Total liabilities	-	-	-	-

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2013.

	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	-	4,678	-	4,678
Available for sale financial assets				
- Equity securities	2,358	-	753	3,111
Total assets	2,358	4,678	753	7,789
Total liabilities	-	-	-	-

4 Financial risk management and financial instruments (continued)

4.3 Fair value measurements and disclosures (continued)

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. 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 2014 and 31 December 2013, 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.

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 following financial assets and liabilities approximate their carrying value at 30 September 2014:

- Trade and other receivables
- Other current financial assets
- Cash and cash equivalents (excluding bank overdrafts)
- Trade and other payables
- Bank borrowings

5 Seasonality of operations

The Group's financial results for any nine 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.

For management purpose, the Group is organised into business units based on their services and has four reportable business segments; Mechanical, Electrical and Plumbing ("Engineering"), Civil, Oil and Gas and Others.

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

The Oil & Gas segment carries out contracting services relating to design and engineering, procurement of material, fabrication and construction of complete plant and facilities.

Others segment represents a subsidiary carrying out contracting work in energy and environment industry and 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 mutually agreed terms. The revenue from external parties reported to the Executive management is measured in a manner consistent with that in the condensed consolidated interim 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 four main segments; UAE, Saudi Arabia, Iraq 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, India, Iraq, and Jordan.

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2014
(continued)

6 Segment reporting (continued)

Information about business segments

All figures in AED'000

	Engineering	Civil	Oil and Gas	Other	Inter segment elimination	Total	Engineering	Civil	Oil and Gas	Other	Inter segment elimination	Total
	Nine months ended 30 September 2014 (Unaudited)						Nine months ended 30 September 2013 (Unaudited)					
Revenue												
External customers	1,778,857	1,462,699	226,491	125,646	-	3,593,693	1,618,472	1,556,672	288,002	98,407	-	3,561,553
Inter- segment	358,185	-	-	18,122	(376,307)	-	220,698	25,220	-	160	(246,078)	-
	2,137,042	1,462,699	226,491	143,768	(376,307)	3,593,693	1,839,170	1,581,892	288,002	98,567	(246,078)	3,561,553
Segment profit/(loss)	37,578	16,085	45,676	(2,463)	-	96,876	83,009	64,949	36,703	(39,709)	-	144,952
Depreciation and amortisation	21,816	14,278	1,048	30,543	-	67,685	17,413	11,143	1002	31,227	-	60,785
Capital expenditure	32,966	23,784	203	4,901	-	61,854	17,379	73,463	3,172	4,303	-	98,317
	At 30 September 2014 (Unaudited)						At 31 December 2013 (Audited)					
Segment total assets	3,709,266	3,110,275	225,702	3,135,594	(2,039,997)	8,140,840	3,185,972	2,647,117	261,917	2,665,938	(1,598,646)	7,162,298

During the nine month period ended 30 September 2014, revenue from one customer amounted to AED 707,551 thousand which exceeded 10% of the Group revenue earned through the Civil works segment. (Nine month period ended 30 September 2013: AED 948,301 thousand relating to Civil works).

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2014
(continued)

6 Segment reporting (continued)

Information about geographical segments

All figures in AED'000

	UAE	Saudi Arabia	Iraq	Others	Inter segment elimination	Total	UAE	Saudi Arabia	Iraq	Others	Inter segment elimination	Total
	Nine months ended 30 September 2014 (Unaudited)						Nine months ended 30 September 2013 (Unaudited)					
Revenue from external customers	906,798	1,580,812	202,310	903,773	-	3,593,693	688,822	1,886,571	268,377	717,783	-	3,561,553
	At 30 September 2014 (Unaudited)						At 31 December 2013 (Audited)					
Non-current assets	2,235,549	241,230	7,439	113,454	(544,894)	2,052,778	2,223,251	233,424	16,118	81,756	(529,467)	2,025,082

7 Property and equipment

The Group acquired property and equipment during the nine month period ended 30 September 2014 amounting to AED 61,854 thousand (2013: AED 98,317 thousand). The Group disposed property and equipment during the nine month period ended 30 September 2014 amounting to AED 1,093 thousand (2013: AED 35,074 thousand) and depreciation charged to the condensed consolidated interim income statement amounted to AED 39,372 thousand (2013: AED 32,105 thousand).

8 Investment property

The fair value of investment property was equivalent to the carrying value at condensed consolidated interim balance sheet date.

	Fair value measurements at 30 September 2014 and 31 December 2013 using			
	Level 1	**Level 2**	**Level 3**	**Total**
	AED'000	AED'000	AED'000	AED'000
	Unaudited	Unaudited	Unaudited	Unaudited
Recurring fair value measurements				
Investment property	-	29,376	-	29,376
Total assets	-	29,376	-	29,376

Level 2 fair values have been derived using the sales comparison approach. Sales prices of comparable units in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot. There were no changes in the valuation techniques during the period.

9 Trade and other receivables

	30 September 2014	31 December 2013
	AED'000	AED'000
	Unaudited	Audited
Non-current		
Trade receivables and retentions	227,138	224,257
Less: fair value adjustment	(11,402)	(11,754)
	215,736	212,503
Current		
Trade receivables and retentions	1,482,574	1,632,912
Prepayments and other receivables	469,183	339,302
Amount due from customers on contracts	3,357,340	2,218,370
Loans and advances	105,424	132,099
	5,414,521	4,322,683
Less: provision for impairment	(90,933)	(66,360)
	5,323,588	4,256,323

9 Trade and other receivables (continued)

Arbitrations

During the year ended 31 December 2012, the Group had filed 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 related to projects that were completed and handed over to those customers. At that time, the outcome of the arbitrations was uncertain. Management was of the opinion that the balances were fully recoverable. As at 31 December 2012, no provision for impairment was made against these balances of AED 135.3 million.

During the year ended 31 December 2013, the Group reached an amicable resolution with one of the customers for settlement of the receivables, retentions and due from customers on contracts' balances of AED 24 million, AED 10 million and AED 14.3 million respectively.

During the current quarter, one of the arbitrations for settlement of the receivables, retentions and due from customers on contracts' balances was not concluded fully in favour of the Group. As a result management has decided to continue pursuing its claims, either in Dubai courts or through a new arbitration. An amount has been provided for against these balances.

Currently, the remaining retentions and due from customers on contracts' balances of AED 8 million and AED 18 million are still under arbitration. As at 30 September 2014, no provision for impairment is made against these balances of AED 26 million.

10 Related party transactions and balances

Related parties comprise the major shareholders, key management personnel, joint venture partners, 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 significant related party transactions:

From 1 January 2014 to 30 September 2014:

Significant related party transactions with affiliates amounted to AED 44,734 thousand (1 January 2013 to 30 September 2013: AED 34,582 thousand) that mainly represent sub-contracting charges on contracts charged to the Group.

10 Related party transactions and balances (continued)

The outstanding balances with related parties are given below:

	30 September 2014 AED'000 Unaudited	31 December 2013 AED'000 Audited
Due from related parties:		
Joint arrangements	91,226	216,548
Other affiliates	745	52,080
	91,971	268,628
Due to related parties:		
Drake and Scull Group	-	818
Joint arrangements	49,116	4,314
Other affiliates	122,525	14,313
	171,641	19,445

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 2014 AED'000 Unaudited	30 September 2013 AED'000 Unaudited	30 September 2014 AED'000 Unaudited	30 September 2013 AED'000 Unaudited
Short term benefits	29,552	26,514	9,473	3,771
Employees' end of service benefits	2,601	3,154	762	789
	32,153	29,668	10,235	4,560

11 Cash and bank balances

	30 September 2014 AED'000 Unaudited	31 December 2013 AED'000 Audited
Cash on hand	5,570	4,160
Cash at bank	311,143	281,543
Term deposits	283,593	272,514
Cash and bank balances	600,306	558,217

Term deposits carry an average interest rate of 1% to 4% (2013: 1% to 5%).

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

	30 September 2014 AED'000 Unaudited	30 September 2013 AED'000 Unaudited
Cash and bank balances	600,306	637,704
Less: term deposits under lien	(197,163)	(237,393)
Bank overdrafts (Note 12)	(369,983)	(158,173)
Cash and cash equivalents	33,160	242,138

12 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 2014 AED'000 Unaudited	31 December 2013 AED'000 Audited
Non-current		
Term loan	97,829	48,878
Current		
Term loan	343,527	128,400
Trust receipts and other borrowings	1,100,093	816,006
Bank overdrafts	369,983	123,186
	1,813,603	1,067,592

12 Bank borrowings (continued)

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

During the nine month period ended 30 September 2014, the Group has obtained four new term loans amounting to USD 20 million and AED 275 million from an international and local banks respectively. Term loans payable within twelve months at the date of condensed consolidated interim balance sheet are classified within current liabilities.

Interest rates on the term loans were at variable rates and ranging between 2% to 5% (2013: 2% to 6.5%) 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 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 condensed consolidated interim 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 condensed consolidated interim balance sheet date.

13 Available-for-sale financial assets

During the nine month period ended 30 September 2014, the Group invested an amount of AED 18,902 thousand, which represents 0.4% of the share capital of a non-listed company incorporated in the Cayman Islands. 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 the condensed consolidated interim balance sheet date is approximately equivalent to the consideration paid during the period.

14 Investment accounted for using the equity method

	Nine months ended		Three months ended	
	30 September 2014 AED'000 Unaudited	30 September 2013 AED'000 Unaudited	30 September 2014 AED'000 Unaudited	30 September 2013 AED'000 Unaudited
Share of profit from investment accounted for using the equity method	13,235	-	985	-
	13,235	-	985	-

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2014 (continued)

15 Finance costs

	Nine months ended		Three months ended	
	30 September 2014 AED'000 Unaudited	30 September 2013 AED'000 Unaudited	30 September 2014 AED'000 Unaudited	30 September 2013 AED'000 Unaudited
Finance costs	62,973	65,445	25,618	19,620
Less: charged to cost of sales	(53,470)	(38,436)	(21,143)	(13,331)
	9,503	27,009	4,475	6,289

16 Income tax expense

The major components of income tax expense are:

	Nine months ended		Three months ended	
	30 September 2014 AED'000 Unaudited	30 September 2013 AED'000 Unaudited	30 September 2014 AED'000 Unaudited	30 September 2013 AED'000 Unaudited
Current income tax expense:				
Current income tax charge	24,576	30,772	5,077	8,250
Deferred income tax expense				
Relating to origination and reversal of temporary differences	583	3,534	640	2,608
	25,159	34,306	5,717	10,858

Drake and Scull International PJSC

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2014 (continued)

17 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.

	Nine months ended		Three months ended	
	30 September 2014	30 September 2013	30 September 2014	30 September 2013
	Unaudited	Unaudited	Unaudited	Unaudited
Earnings (AED'000)				
Earnings for the purposes of basic earnings per share being net profit attributable to owners of the Parent	87,557	123,712	21,373	23,750
Number of shares				
Weighted average number of ordinary shares for the purposes of basic earnings per share	2,285,046,667	2,285,046,667	2,285,046,667	2,285,046,667
Basic and diluted earnings per share (AED)	0.0383	0.054	0.0094	0.010

Diluted

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

18 Guarantees

	30 September 2014 AED'000 Unaudited	31 December 2013 AED'000 Audited
Performance bonds	1,524,263	1,004,345
Letter of guarantees	1,368,474	1,266,331
	2,892,737	2,270,676

The various bank guarantees disclosed 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.

19 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 2014 AED'000 Unaudited	31 December 2013 AED'000 Audited
Future minimum lease payments:		
No later than one year	11,847	10,457
Later than one year but no later than five years	19,526	26,551
Later than five years	1,878	1,742
	33,251	38,750

(b) Other commitments

Letters of credit for purchase of materials and operating equipment	1,103,987	687,121

20 Subsequent events

Subsequent to the nine month period ended 30 September 2014, the Group issued Sukuk bonds of USD 120 million which are subscribed by four commercial banks, incorporated in the United Arab Emirates. The maturity of these Sukuk bonds is five years from the issue date.