Drake and Scull International PJSC

Condensed consolidated interim financial information (Unaudited) for the three-month period ended 31 March 2015

Drake and Scull International PJSC

Condensed consolidated interim financial information for the three-month period ended 31 March 2015

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Report on review of 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 31 March 2015 and the related condensed consolidated interim statements of income, 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 Matters

We draw attention to Note 3.1 to this condensed consolidated interim financial information, which describes critical accounting estimate and judgement on revenue recognition relating to unapproved change orders and claims.

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

Emphasis of Matters (continued)

We also draw attention to Note 9 to this condensed consolidated interim financial information, which describes the uncertainty related to the outcome of arbitrations and litigation with certain customers.

Our opinion is not qualified in respect of these matters.

PricewaterhouseCoopers
13 May 2015

Douglas O'Mahony

Douglas O'Mahony
Registered Auditor Number 834
Dubai, United Arab Emirates

Drake and Scull International PJSC

Condensed consolidated interim balance sheet

	Note	As at 31 March 2015 AED'000 (Unaudited)	As at 31 December 2014 AED'000 (Audited)
ASSETS			
Non-current assets			
Property and equipment	7	533,316	534,538
Intangible assets		1,052,330	1,060,719
Investment property	8	29,376	29,376
Investments		262,777	264,812
Deferred income tax assets		5,314	5,811
Available-for-sale financial assets		40,753	40,753
Trade and other receivables	9	241,295	227,650
		2,165,161	2,163,659
Current assets			
Inventories		40,048	44,817
Development properties		19,111	19,111
Trade and other receivables	9	5,507,167	5,474,175
Due from related parties	10	164,595	91,479
Financial assets at fair value through profit or loss		5,368	5,368
Cash and bank balances	11	663,033	758,120
		6,399,322	6,393,070
Total assets		8,564,483	8,556,729
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to owners of the parent			
Share capital		2,285,047	2,285,047
Share premium		3,026	3,026
Statutory reserve		116,677	116,677
Other reserve		24,543	24,543
Retained earnings		618,640	593,554
Foreign currency translation reserve		(19,324)	(15,286)
		3,028,609	3,007,561
Non-controlling interests		71,192	68,425
Total equity		3,099,801	3,075,986
LIABILITIES			
Non-current liabilities			
Bank borrowings	12	516,399	534,084
Deferred income tax liabilities		1,922	2,153
Employees' end of service benefits		156,431	150,962
		674,752	687,199
Current liabilities			
Trade and other payables		3,040,627	2,988,595
Bank borrowings	12	1,593,437	1,676,599
Due to related parties	10	155,866	128,350
		4,789,930	4,793,544
Total liabilities		5,464,682	5,480,743
Total equity and liabilities		8,564,483	8,556,729

The condensed consolidated interim financial information was approved by the Board of Directors on 13 May 2015 and signed on its behalf by:

....
Chairman

....
Chief Executive Officer

The notes on pages 9 to 26 form an integral part of this condensed consolidated interim financial information.

Drake and Scull International PJSC

Condensed consolidated interim income statement

	Note	Three months ended 31 March 2015 AED'000 (Unaudited)	31 March 2014 AED'000 (Unaudited)
Contract revenue	6	1,110,729	1,251,944
Contract costs		(1,007,763)	(1,132,042)
Gross profit		102,966	119,902
Other income		6,888	3,910
General and administrative expenses		(68,160)	(69,480)
Operating profit		41,694	54,332
Finance income		4,441	2,769
Finance costs	13	(15,380)	(2,381)
Finance (costs) / income – net		(10,939)	388
Share of loss from investments	14	(2,035)	(1,543)
Profit for the period before tax		28,720	53,177
Income tax expense	15	(867)	(7,524)
Profit for the period		27,853	45,653
Attributable to:			
Owners of the Parent		25,086	40,304
Non-controlling interests		2,767	5,349
		27,853	45,653
Earnings per share			
- Basic and diluted (AED)	16	0.0110	0.0176

Drake and Scull International PJSC

Condensed consolidated interim statement of comprehensive income

	Three months ended	
	31 March 2015 AED'000 (Unaudited)	31 March 2014 AED'000 (Unaudited)
Profit for the period	27,853	45,653
Other comprehensive income		
Items that will be reclassified subsequently to profit or loss		
Currency translation differences	(4,038)	7,728
Other comprehensive (loss) / income for the period	(4,038)	7,728
Total comprehensive income for the period	23,815	53,381
Attributable to:		
Owners of the Parent	21,048	48,032
Non-controlling interests	2,767	5,349
	23,815	53,381

Drake and Scull International PJSC

Condensed consolidated interim statement of changes in equity

	Share capital 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 interest AED'000	Total AED'000
Balance at 1 January 2015 (Audited)	2,285,047	3,026	116,677	24,543	593,554	(15,286)	3,007,561	68,425	3,075,986
Profit for the period	-	-	-	-	25,086	-	25,086	2,767	27,853
Other comprehensive loss for the period	-	-	-	-	-	(4,038)	(4,038)	-	(4,038)
Total comprehensive income for the period	-	-	-	-	25,086	(4,038)	21,048	2,767	23,815
Balance at 31 March 2015 (Unaudited)	2,285,047	3,026	116,677	24,543	618,640	(19,324)	3,028,609	71,192	3,099,801
Balance at 1 January 2014 (Audited)	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	-	-	-	-	40,304	-	40,304	5,349	45,653
Other comprehensive income for the period	-	-	-	-	-	7,728	7,728	-	7,728
Total comprehensive income for the period	-	-	-	-	40,304	7,728	48,032	5,349	53,381
Balance at 31 March 2014 (Unaudited)	2,285,047	3,026	93,722	24,543	556,105	(7,957)	2,954,486	73,721	3,028,207

The notes on pages 9 to 26 form an integral part of this condensed consolidated interim financial information.

Drake and Scull International PJSC

Condensed consolidated interim statement of cash flows

	Note	Three months ended 31 March 2015 AED'000 (Unaudited)	31 March 2014 AED'000 (Unaudited)
Operating activities			
Profit for the period before tax		28,720	53,177
Adjustments for:			
Share of loss from investments	14	2,035	1,543
Depreciation	7	14,288	19,388
Amortisation of intangible assets		8,389	9,438
Provision for employees' end of service benefits		10,240	9,979
Finance income		(4,441)	(2,769)
Finance costs	13	32,089	13,811
Loss on disposal of property and equipment	7	-	942
(Reversal of) / provision for impairment on trade receivables and retentions - net	9	(613)	469
Operating cash flows before payment of employees' end of service benefits, income tax paid and changes in working capital		90,707	105,978
Employees' end of service benefits paid		(4,771)	(3,329)
Income tax paid		(601)	(1,119)
Changes in working capital:			
Inventories		4,769	(1,268)
Trade and other receivables before provisions and excluding interest receivable and loans and advances		(51,508)	(444,303)
Due from related parties		(73,116)	(50,644)
Trade and other payables excluding income tax and interest		46,958	356,711
Due to related parties		27,516	(4,037)
Net cash generated from/ (used in) operating activities		39,954	(42,011)
Balance carried forward		39,954	(42,011)

Drake and Scull International PJSC

Condensed consolidated interim statement of cash flows (continued)

	Note	Three months ended 31 March 2015 AED'000 (Unaudited)	31 March 2014 AED'000 (Unaudited)
Balance brought forward		39,954	(42,011)
Investing activities			
Purchase of property and equipment	7	(13,066)	(29,519)
Purchase of financial assets classified as available-for-sale		-	(18,902)
Loans and advances		9,749	16,832
Interest received		176	2,769
Net cash used in investing activities		(3,141)	(28,820)
Financing activities			
Term deposits under lien		(5,904)	(1,051)
Net proceeds from trust receipts and other borrowings		2,370	53,076
Proceeds from term loans		139,213	133,467
Payment of term loans		(173,960)	(71,707)
Interest paid		(27,015)	(13,811)
Net cash (used in)/ generated from financing activities		(65,296)	99,974
Net (decrease)/ increase in cash and cash equivalents		(28,483)	29,143
Net foreign currency translation difference		(4,038)	7,728
Cash and cash equivalents, beginning of the period		196,445	322,266
Cash and cash equivalents, end of the period	11	163,924	359,137

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2015

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, construction of oil and gas facilities, 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**
		2015	**2014**	
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 Energy & Environment 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 these condensed consolidated interim financial statements.

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 these condensed consolidated interim financial statements.

The Group, through Drake & Scull International Saudi Co. LLC, also has a 50% interest in a joint venture with Specon Saudi LLC under a joint arrangement agreement dated 14 February 2013. This is classified as joint operation in these condensed consolidated interim financial statements.

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 these condensed consolidated interim financial statements.

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 these condensed consolidated interim financial statements.

The Group, through Drake & Scull Construction LLC, also has a 50% 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 these condensed consolidated interim financial statements.

Drake & Scull International PJSC, 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 these condensed consolidated interim financial statements.

Drake & 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 these condensed consolidated interim financial statements.

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 these condensed consolidated interim financial statements.

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 these condensed consolidated interim financial statements.

2 Basis of preparation and accounting policies

2.1 Basis of preparation

This condensed consolidated interim financial information for the three months ended 31 March 2015 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 2014, 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 2014.

2.3 Basis of consolidation

The condensed consolidated interim financial information at and for the three months ended 31 March 2015 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 2014.

3 Estimates and assumptions (continued)

3.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Revenue recognition

The main uncertainty when assessing contract revenue is related to recoverable amounts from variation orders, claims and incentive payments which are recognised when, in the group's judgement, it is probable that they will result in revenue and are measurable. This assessment is adjusted upon management's evaluation of liquidated damages to be imposed by customers typically relating to contractual delivery terms. In many projects there are frequent changes in scope of work resulting in a number of variation orders. Normally contracts with customers include procedures for presentation of and agreement of variation orders. At any point in time, there will be unapproved variation orders and claims included in the project revenue where recovery is assessed as probable and other criteria are met. Even though management has extensive experience in assessing the outcome of such negotiations, uncertainties exist.

Cost to complete depends on productivity factors and the cost of inputs. The performance of subcontractors and others with an impact on schedules, commodity prices and currency rates can all affect cost estimates. Experience, systematic use of the project execution model and focus on core competencies reduces but does not eliminate the risk that estimates may change significantly. A risk contingency is included in project cost based on the risk register that is prepared for every project.

Progress measurement based on costs has an inherent risk related to the cost estimate as described above. In situations where cost is not seen to properly reflect actual progress, alternative measures such as hours or plan progress are used to achieve more precise revenue recognition.

The estimation uncertainty during the early stages of a contract is mitigated by a policy of normally not recognising revenue in excess of costs on large projects before the contract reaches 20% completion. However, management can on a project-by-project basis give approval of earlier recognition if cost estimates are considered reliable. Cost estimates can be considered reliable in situations of repeat projects, proven technology, proven execution model or when committed costs are high so there is low risk of material changes to the cost estimates.

The application of these policies requires management to apply judgement in estimating the total revenue and total costs expected on each project. Such estimates are revised as a project progresses to reflect the current status of the project and the latest information available to management. Project management teams perform regular reviews to ensure the latest estimates are appropriate.

3 Critical accounting estimates and judgements (continued)

3.1 Critical accounting estimates and assumptions (continued)

Revenue recognition (continued)

In the management's view, one of the projects awarded to a subsidiary of the Group is subject to estimation uncertainty, the outcome of which could have a material impact on the condensed consolidated interim financial information. The completion of the project is currently scheduled to occur during the third quarter of 2015. The project is delayed and costs have increased due to, among other factors, changes to the project, and third party actions in furnishing design, equipment and materials, all of which have directly and adversely impacted the cost and timing of work on the project.

If the change orders and claims' final approved amount was 25% below their actual cost incurred up to 31 March 2015, an amount of AED 176 million would be decreased from gross profit, contract revenue and amount due from customers on contracts and accordingly the Group would achieve a break even on this project. Further reductions in approved change orders and claims' value would result in an onerous contract where management would be required to recognise losses including the cost to complete that will be incurred subsequent to the year end.

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 2014. 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 2014.

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.

4 Financial risk management and financial instruments (continued)

4.2 Liquidity risk factors (continued)

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

Compared to year ended 31 December 2014, 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).

The following table presents the Group's assets that are measured at fair value at 31 March 2015.

	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	-	5,368	-	5,368
Available for sale financial assets				
- Equity securities	2,358	-	753	3,111
Total assets	2,358	5,368	753	8,479

4 Financial risk management and financial instruments (continued)

4.3 Fair value estimation (continued)

The following table presents the Group's assets that are measured at fair value at 31 December 2014.

	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	-	5,368	-	5,368
Available for sale financial assets				
- Equity securities	2,358	-	753	3,111
Total assets	2,358	5,368	753	8,479

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 31 March 2015 and 31 December 2014, 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.

4 Financial risk management and financial instruments (continued)

4.3 Fair value measurements and disclosures (continued)

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

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 approximates their carrying value at 31 March 2015.

- 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 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.

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.

6 Segment reporting (continued)

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 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 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, Algeria, India, Iraq, and Jordan.

6 Segment reporting (continued)

Information about business segments

All figures in AED'000

	Engineering	Civil	Oil and Gas	Other	Inter-segment elimination	Total
	Three months ended 31 March 2015 (Unaudited)					
Revenue						
External customers	645,100	406,619	16,425	42,585	-	1,110,729
Inter- segment	92,665	5,863	-	2,231	(100,759)	-
	737,765	412,482	16,425	44,816	(100,759)	1,110,729
Segment profit / (loss)	32,286	(4,943)	(168)	678	-	27,853
Depreciation and amortisation	7,563	5,445	616	9,053	-	22,677
Capital expenditure	6,002	6,524	-	540	-	13,066
	At 31 March 2015 (Unaudited)					
Segment total assets	4,141,212	3,063,283	216,488	3,616,033	(2,472,533)	8,564,483

	Engineering	Civil	Oil and Gas	Other	Inter-segment elimination	Total
	Three months ended 31 March 2014 (Unaudited)					
Revenue						
External customers	581,236	546,049	77,488	47,171	-	1,251,944
Inter- segment	156,765	-	-	30	(156,795)	-
	738,001	546,049	77,488	47,201	(156,795)	1,251,944
Segment profit / (loss)	31,292	13,557	10,194	(9,390)	-	45,653
Depreciation and amortisation	6,809	4,757	6,933	10,327	-	28,826
Capital expenditure	10,546	6,642	8,833	3,498	-	29,519
	At 31 December 2014 (Audited)					
Segment total assets	3,927,012	3,120,308	201,942	3,621,297	(2,313,830)	8,556,729

During the period ended 31 March 2015, revenue from one customer amounted to AED 114,048 thousand (31 March 2014: AED 352,048 thousand relating to Civil works) which exceeded 10% of the Group revenue, was earned through the Civil works segment.

6 Segment reporting (continued)

Information about geographical segments

All figures in AED'000

	UAE	Saudi Arabia	Iraq	Others	Inter segment elimination	Total
	Three months ended 31 March 2015 (Unaudited)					
Revenue from external customers	283,135	456,427	16,149	355,018	-	1,110,729
	Three months ended 31 March 2014 (Unaudited)					
Revenue from external customers	220,705	664,665	68,240	298,334	-	1,251,944
	At 31 March 2015 (Unaudited)					
Non-current assets	2,340,054	291,562	8,394	116,184	(591,033)	2,165,161
	At 31 December 2014 (Audited)					
Non-current assets	2,324,168	313,445	8,260	109,991	(592,205)	2,163,659

7 Property and equipment

The Group acquired property and equipment during the period ended 31 March 2015 amounting to AED 13,066 thousand (31 March 2014: AED 29,519 thousand). The Group disposed property and equipment during the period ended 31 March 2015 amounting to nil (31 March 2014: AED 942 thousand) and depreciation charged to the condensed consolidated interim income statement amounted to AED 14,288 thousand (31 March 2014: AED 19,388 thousand).

8 Investment property

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

	Fair value measurements at 31 March 2015 (Unaudited) and 31 December 2014 (Audited) using			
	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
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

	31 March 2015 AED'000 (Unaudited)	31 December 2014 AED'000 (Audited)
Non-current		
Trade receivables and retentions	252,115	239,766
Less: fair value adjustment	(10,820)	(12,116)
	241,295	227,650
Current		
Trade receivables and retentions	1,432,580	1,751,067
Prepayments and other receivables	502,625	453,622
Amount due from customers on contracts	3,599,194	3,287,582
Loans and advances	75,800	85,549
	5,610,199	5,577,820
Less: provision for impairment	(103,032)	(103,645)
	5,507,167	5,474,175

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 amounting to AED 48.3 million with appropriate provision being made for potential irrecoverable balance.

During the year ended 31 December 2014, one of the arbitrations for settlement of the receivables, retentions and due from customers on contracts' balances amounting to AED 61 million 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 estimated amount has been provided for against these balances.

At 31 December 2014 and 31 March 2015, the retentions and due from customers on contracts' balances of AED 8 million and AED 18 million respectively are still under arbitration. As at the year end, no provision for impairment is made against these balances of AED 26 million as management believes these are fully recoverable.

Litigation

During the year ended 31 December 2013, the Group entered into a final settlement agreement of AED 105 million with one customer for a project that was completed and handed over. A payment plan was agreed according to the settlement agreement. During the year ended 31 December 2014, the customer has not fulfilled his obligations as per the agreement.

The Group has filed a lawsuit against the customer. During the current quarter, the first ruling was issued by Abu Dhabi Courts in favor of the Group. The final outcome of the lawsuit is still uncertain.

As at 31 December 2014 and 31 March 2015, no provision for impairment is made against this balance of AED 105 million.

Change orders and claims

Due from customers on contracts include an amount of AED 697 million relating to unapproved change orders and claims recorded in the consolidated statement of income as contract revenue and contract cost in respect of one contract. The amount of the unapproved change orders and the claims represents 20% of the total contract cost incurred to date.

9 Trade and other receivables (continued)

Change orders and claims (continued)

The Group has recognised both these costs at no profit margin as Management believes that the unapproved change orders are fully recoverable and that the amount of the claims element included in the aforesaid amount will be at least recoverable at cost. Previous change orders and variations were approved to the extent of 80% of the change orders submitted. In determining the revenue recognised management has considered a conservative estimate of change orders will be approved. The cost to complete has been reasonably estimated by management at the original price of contract taking into account previously agreed contractual rates.

10 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.

From 1 January 2015 to 31 March 2015:

Significant related party transactions with affiliates amounted to AED 567 thousand (during the period ended 31 March 2014: 14,792 thousand) that mainly represent sub-contracting charges on contracts.

The outstanding balances with related parties are given below:

Due from related parties:

	31 March 2015 AED'000 (Unaudited)	31 December 2014 AED'000 (Audited)
Joint arrangements	156,908	90,610
Affiliates	7,687	869
	164,595	91,479

Due to related parties:

	31 March 2015 AED'000 (Unaudited)	31 December 2014 AED'000 (Audited)
Joint arrangements	29,198	28,560
Affiliates	126,668	99,790
	155,866	128,350

10 Related party transactions and balances (continued)

Compensation of key management personnel

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

	31 March 2015 AED'000 (Unaudited)	31 March 2014 AED'000 (Unaudited)
Short term benefits	9,558	6,939
Employees' end of service benefits	900	1,115
	10,458	8,054

11 Cash and bank balances

	31 March 2015 AED'000 (Unaudited)	31 December 2014 AED'000 (Audited)
Cash on hand	6,019	4,116
Cash at bank	370,929	335,592
Term deposits	286,085	418,412
Cash and bank balances	663,033	758,120

Term deposits carry an average interest rate of 1% to 3.5% (2014: 1% to 4%).

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

	31 March 2015 AED'000 (Unaudited)	31 March 2014 AED'000 (Unaudited)
Cash and bank balances	663,033	714,501
Less: Term deposits under lien	(206,797)	(113,816)
Bank overdrafts	(292,312)	(241,548)
Cash and cash equivalents	163,924	359,137

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.

	31 March 2015 AED'000 (Unaudited)	31 December 2014 AED'000 (Audited)
Non-current		
Term loan	516,399	534,084
Current		
Term loan	328,872	345,934
Trust receipts and other borrowings	972,253	969,883
Bank overdrafts	292,312	360,782
	1,593,437	1,676,599

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

Interest rates on the term loans were at variable rates and range between 2% to 6.5% (2014: 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 Finance costs

	31 March 2015 AED'000 (Unaudited)	31 March 2014 AED'000 (Unaudited)
Finance costs	32,089	13,811
Less: charged to cost of sales	(16,709)	(11,430)
	15,380	2,381

14 Share of loss from investments

	31 March 2015 AED'000 (Unaudited)	31 March 2014 AED'000 (Unaudited)
Share of loss from investment in joint venture	1,871	1,543
Share of loss from investment in associate	164	-
	2,035	1,543

15 Income tax expense

The major components of income tax expense are:

	31 March 2015 AED'000 (Unaudited)	31 March 2014 AEd'000 (Unaudited)
Current income tax expense:		
Current income tax charge	(601)	(7,571)
Deferred income tax (expense)/credit		
Relating to origination and reversal of temporary differences	(266)	47
	(867)	(7,524)

16 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.

	Three months ended	
	31 March 2015 (Unaudited)	31 March 2014 (Unaudited)
Earnings (AED'000)		
Earnings for the purposes of basic earnings per share being net profit attributable to Owners of the Parent	25,086	40,304
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
Basic and diluted earnings per share (AED)	0.0110	0.0176

16 Earnings per share (continued)

Diluted

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

17 Guarantees

	31 March 2015 AED'000 (Unaudited)	31 December 2014 AED'000 (Audited)
Performance bonds	1,447,784	1,438,543
Letter of guarantees	1,541,190	1,503,315
	2,988,974	2,941,858

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.

18 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 2015 AED'000 (Unaudited)	31 December 2014 AED'000 (Audited)
Future minimum lease payments:		
No later than one year	15,644	15,976
Later than one year but no later than five years	23,611	24,103
Later than five years	1,404	1,753
	40,659	41,832

(b) *Other commitments*

Letters of credit for purchase of materials and operating equipment	1,244,675	1,115,223