

**Drake & Scull International PJSC
and its Subsidiaries**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (UNAUDITED)**

31 March 2010

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF DRAKE & SCULL INTERNATIONAL PJSC

Introduction

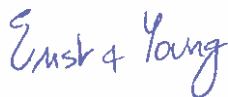
We have reviewed the accompanying interim consolidated statement of financial position of Drake & Scull International PJSC ("the PJSC") and its subsidiaries (collectively "the Group") as at 31 March 2010, the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended and explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements 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 interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

A handwritten signature in blue ink that reads 'Ernst & Young'.

Signed by
Farrukh Seer
Partner
Registration No. 491

11 May 2010
Dubai

Drake & Scull International PJSC and its Subsidiaries
INTERIM CONSOLIDATED STATEMENT OF INCOME
Period ended 31 March 2010 (Unaudited)

		<i>Three months ended 31 March 2010</i>	<i>Three months ended 31 March 2009 (Restated)</i>
	<i>Notes</i>	<i>AED'000</i>	<i>AED'000</i>
Contract revenues		386,360	488,091
Contract costs		(312,265)	(400,709)
GROSS PROFIT		74,095	87,382
Interest income		17,277	23,422
Other income		4,269	806
Selling, general and administrative expenses		(36,500)	(25,358)
Finance costs		(5,792)	(4,059)
Amortisation of intangible assets		(8,389)	(8,389)
Management fee	5	(3,700)	(3,700)
PROFIT FOR THE PERIOD BEFORE TAX		41,260	70,104
Income tax	8	527	-
PROFIT FOR THE PERIOD		41,787	70,104
Attributable to:			
Parent company		42,228	69,004
Non-controlling interests		(441)	1,100
		41,787	70,104
Earnings per share - basic and diluted (AED)	9	0.020	0.032

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

Drake & Scull International PJSC and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Period ended 31 March 2010 (Unaudited)

	<i>Three months ended 31 March 2010 AED'000</i>	<i>Three months ended 31 March 2009 (Restated) AED'000</i>
Profit for the period	41,787	70,104
Other comprehensive income		
Exchange differences on translation of foreign operations	(4,025)	-
Other comprehensive loss for the period	(4,025)	-
Total comprehensive income for the period	37,762	70,104
Attributable to:		
Parent company	38,203	69,004
Non-controlling interests	(441)	1,100
	37,762	70,104

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

Drake & Scull International PJSC and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2010 (Unaudited)

	<i>Notes</i>	31 March 2010 AED'000 (Unaudited)	31 December 2009 AED'000 (Audited)
ASSETS			
Non current assets			
Property, plant and equipment		209,142	211,529
Goodwill and other intangible assets		886,374	821,828
Investments		200,998	197,713
Loans and advances		35,986	21,727
Long term prepayments		25,900	29,600
		1,358,400	1,282,397
Current assets			
Development properties		42,071	39,363
Inventories		13,483	12,884
Contract work-in-progress		461,080	405,143
Contract receivables and retentions		1,000,544	983,866
Due from related parties	5	47,590	39,559
Loans and advances		118,435	95,929
Prepayments and other receivables		221,393	245,994
Investments		135,195	135,143
Bank balances and cash	6	1,025,357	1,160,310
		3,065,148	3,118,191
TOTAL ASSETS		4,423,548	4,400,588
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the parent			
Share capital		2,177,778	2,177,778
Treasury shares		(28,622)	(28,622)
Statutory reserve		33,654	33,654
Retained earnings		342,964	300,736
Foreign currency translation reserve		(10,735)	(6,710)
		2,515,039	2,476,836
Non-controlling interests		38,146	38,587
Total equity		2,553,185	2,515,423

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

Drake & Scull International PJSC and its Subsidiaries

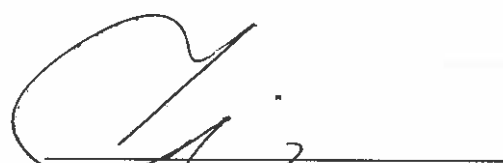
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 31 March 2010 (Unaudited)

	Note	31 March 2010 AED'000 (Unaudited)	31 December 2009 AED'000 (Audited)
Non-current liabilities			
Employees' end of service benefits		38,154	34,551
Term loans		150,381	159,882
Deferred tax liability		27,179	29,795
		<u>215,714</u>	<u>224,228</u>
Current liabilities			
Accounts payable and accruals		817,719	785,503
Due to related parties	5	87,539	75,151
Advances received from customers		214,559	198,498
Excess billings		68,991	98,317
Term loans		361,987	381,281
Due to banks		103,854	122,187
		<u>1,654,649</u>	<u>1,660,937</u>
Total liabilities		<u>1,870,363</u>	<u>1,885,165</u>
TOTAL EQUITY AND LIABILITIES		<u>4,423,548</u>	<u>4,400,588</u>

These interim condensed consolidated financial statements were approved by the Board of Directors on 11 May 2010 and signed on its behalf by:


Chairman


Chief Executive Officer

Drake & Scull International PJSC and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 31 March 2010 (Unaudited)

	Attributable to equity holders of the parent						Non-controlling interests AED '000	Total AED '000
	Share capital AED '000	Treasury shares AED '000	Statutory reserve AED '000	Retained earnings AED '000	Foreign currency translation reserve AED '000	Total AED '000		
Balance at 1 January 2010	2,177,778	(28,622)	33,654	300,736	(6,710)	2,476,836	38,587	2,515,423
Profit for the period	-	-	-	42,228	-	42,228	(441)	41,787
Other comprehensive loss	-	-	-	-	(4,025)	(4,025)	-	(4,025)
Total comprehensive income for the period	-	-	-	42,228	(4,025)	38,203	(441)	37,762
Balance at 31 March 2010	<u>2,177,778</u>	<u>(28,622)</u>	<u>33,654</u>	<u>342,964</u>	<u>(10,735)</u>	<u>2,515,039</u>	<u>38,146</u>	<u>2,553,185</u>

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

Drake & Scull International PJSC and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 31 March 2010 (Unaudited)

	Attributable to equity holders of the parent						Non-controlling interests AED '000	Total AED '000
	Share capital AED '000	Treasury shares AED '000	Statutory reserve AED '000	Retained earnings AED '000	Foreign currency translation reserve AED '000	Total AED '000		
Balance at 1 January 2009, as previously stated	2,177,778	-	5,733	51,595	-	2,235,106	10,431	2,245,537
Prior period adjustment – note 12	-	-	-	(4,083)	-	(4,083)	(110)	(4,193)
Balance at 1 January 2009, as restated	2,177,778	-	5,733	47,512	-	2,231,023	10,321	2,241,344
Non controlling interests contribution to subsidiary's capital	-	-	-	-	-	-	4,000	4,000
Profit for the period (<i>restated</i>)	-	-	-	69,004	-	69,004	1,100	70,104
Total comprehensive income for the period (<i>restated</i>)	-	-	-	69,004	-	69,004	1,100	70,104
Balance at 31 March 2009 (<i>restated</i>)	2,177,778	-	5,733	116,516	-	2,300,027	15,421	2,315,448

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

Drake & Scull International PJSC and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Period ended 31 March 2010 (Unaudited)

	<i>Note</i>	<i>Three months ended 31 March 2010 AED'000</i>	<i>Three months ended 31 March 2009 (Restated) AED'000</i>
ACTIVITIES			
Profit for the period before tax		41,260	70,104
Adjustments for:			
Depreciation		7,380	7,483
Amortisation of intangible assets		8,389	8,389
Gain on sale of trading securities		-	(56)
Change in fair value of trading securities		(52)	(81)
Provision for employees' end of service benefits		3,046	2,872
Management fee expense		3,700	3,700
Interest income		(17,277)	(23,422)
Finance charges		5,755	4,060
		52,201	73,049
Working capital adjustments:			
Development properties		(2,708)	(1,595)
Inventories		(599)	40,484
Contract work-in-progress		(33,079)	(60,947)
Contract receivables and retentions		29,285	(49,406)
Due from related parties		(8,031)	(10,756)
Prepayments and other receivables		(25,278)	33,508
Accounts payable and accruals		(106,081)	(55,194)
Due to related parties		6,002	(1,846)
Advances received from customers		16,061	(27,903)
Excess billings		(29,326)	(14,023)
Net cash used in operations		(101,553)	(74,629)
Management fee paid		-	(74,000)
Employees' end of service benefits paid		(990)	(628)
Income tax paid		(2,089)	-
Net cash used in operating activities		(104,632)	(149,257)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(2,738)	(1,798)
Proceeds from disposal of property, plant and equipment		67	15
Trading securities – net		-	5,592
Investments		(3,285)	-
Loans and advances		(36,765)	-
Interest received		69,648	23,422
Net cash inflow on business combination	3.1	398	-
Net cash from investing activities		27,325	27,231

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

Drake & Scull International PJSC and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Period ended 31 March 2010 (Unaudited)

		<i>Three months ended 31 March 2010 AED'000</i>	<i>Three months ended 31 March 2009 (Restated) AED'000</i>
	<i>Note</i>		
FINANCING ACTIVITIES			
Loan to a shareholder recovered		-	45,000
Movement in time deposits under lien		(43,557)	2,878
Movement in due to banks		(30,953)	(16,602)
Proceeds from term loans		7,674	-
Repayments of term loans		(32,813)	(164,395)
Interest paid		(5,755)	(4,060)
Non controlling interests		-	4,000
Net cash used in financing activities		<u>(105,404)</u>	<u>(133,179)</u>
DECREASE IN CASH AND CASH EQUIVALENTS		(182,711)	(255,205)
Net foreign currency translation difference		(8,419)	-
Cash and cash equivalents at 1 January		<u>743,214</u>	<u>1,330,003</u>
CASH AND CASH EQUIVALENTS AT 31 MARCH	6	<u>552,084</u>	<u>1,074,798</u>

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

Drake & Scull International PJSC and its Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2010 (Unaudited)

1 ACTIVITIES

Drake & Scull International PJSC ("the PJSC") was incorporated on 17 November 2008 and registered on 21 January 2009 as a Public Joint Stock Company in accordance with UAE Federal Law No. 8 of 1984 (as amended). The PJSC is primarily engaged in carrying out contracting work relating to the construction industry, such as electrical, plumbing, air-conditioning and sanitation work. The PJSC's registered head office is at P.O. Box 65794, Dubai, United Arab Emirates.

The PJSC and its subsidiaries are referred to as "the Group" in the interim condensed consolidated financial statements. Major subsidiaries of the Group are as follows:

<i>Name</i>	<i>Beneficial ownership</i>		<i>Country of incorporation</i>	<i>Principal activities</i>
	<i>31 March 2010</i>	<i>31 December 2009</i>		
Drake & Scull International L.L.C. (Abu Dhabi)	100%	100%	UAE	Contracting work relating to construction industry
Gulf Technical Construction Company L.L.C.	80%	80%	UAE	Mechanical, electrical and civil construction work
Drake & Scull International for Electrical Contracting WLL	75%	75%	Kuwait	Electrical contracting and repairing work relating to construction industry
Drake & Scull International (Qatar) WLL	100%	-	Qatar	Contracting work relating to construction industry
Passavant Engineering Limited	100%	100%	BVI	Holding company
Subsidiary of Passavant Engineering Ltd. Passavant Roediger GmbH and its subsidiaries	100%	100%	Germany	Developing waste water, water and sludge treatment plants

The Group, through Gulf Technical Construction Company L.L.C., also has a 50% interest in Ranya Test Joint Venture, a joint venture with Ranya General Contracting Company (L.L.C.) under a joint venture agreement dated 12 August 2005; and through Drake and Scull International L.L.C (Abu Dhabi), a 50% interest in King Abdullah University of Science and Technology project, a joint venture with Drake & Scull (W.L.L) –Saudi Arabia under a joint venture agreement dated 15 January 2008.

2 SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

The interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting and applicable requirements of the UAE laws.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements as at 31 December 2009. In addition, results for the three months ended 31 March 2010 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2010.

The interim condensed consolidated financial statements have been presented in United Arab Emirates Dirhams and all values are rounded to the nearest thousand (AED'000), except where otherwise stated.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated financial statement for the period from 17 November 2008 to 31 December 2009, except for the adoption of new Standards and Interpretations as on 1 January 2010 noted below:

IFRS 7 Financial Instruments: Disclosures

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between level 1 and level 2 fair value measurement. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management.

IFRS 3 Business Combinations and IAS 27 Consolidated and separate financial statements

A revised IFRS 3 Business Combinations and a revised IAS 27 Consolidated and separate financial statements are effective from 1 July 2009. These revisions to IFRS 3 and IAS 27 impact the manner in which business combinations are identified and accounted for. The revised IAS 27 will impact the Group, when its percentage holdings in subsidiaries decrease or increase without resulting in a loss of control, by taking the gains and losses directly to equity instead of through the consolidated statement of income. Further, there is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group has adopted to measure the non-controlling interest in the acquire at the non-controlling interest's proportionate share of the acquiree's net assets.

IFRIC 15 Agreement for the Construction of Real Estate

IFRIC 15 was issued in July 2008 and becomes effective for financial years beginning on or after 1 January 2009. The Interpretation is to be applied retrospectively. It clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is complete. Furthermore the Interpretation provides guidance on how to determine whether an agreement is within the scope of IAS 11 or IAS 18. IFRIC 15 does not have an impact on the interim condensed consolidated financial statement because the Group has not recognised any profit on development properties.

Improvements to IFRSs

In May 2008 IASB issued its first omnibus of amendments to its Standards primarily with a view to removing inconsistencies and clarifying wordings. There are separate transitional provisions for each Standard. All such improvements are applicable from future dates and none of them are considered significant by the Group. The Group has also concluded that there is no significant impact of any changes made by IASB in its Standards as part of such improvements.

Drake & Scull International PJSC and its Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2010 (Unaudited)

3 BUSINESS COMBINATIONS

Acquisition in 2010

3.1 Acquisition of Drake & Scull International (Qatar) WLL

During the period, the Group formalised the acquisition of a 100% interest in Drake & Scull International (Qatar) WLL ("the Company") effective 1 January 2010.

The Group has provisionally recorded tangible assets and liabilities at the value they were carried in the books of the Company prior to the transfer, as summarised below:

	<i>Carrying value AED'000</i>
Tangible assets:	
Property, plant and equipment	2,511
Contract work-in-progress	22,858
Contract receivables and retentions	45,963
Prepayments and other receivables	2,492
Bank balances and cash	398
Total tangible assets	74,222
Liabilities:	
Employees' end of service benefits	(1,547)
Loans	(534)
Due to related parties	(6,386)
Accounts payable and accruals	(42,150)
Total liabilities	(50,617)
Book value of net tangible assets acquired	23,605
Total consideration payable	96,147
Book value of net tangible assets acquired, as above	(23,605)
Goodwill and other intangible assets	72,542
<i>Cash flow on acquisition:</i>	
Net cash acquired on business combination	398
Net cash inflow	398

The goodwill has been allocated to the MEP unit. The acquisition was undertaken to expand the operations of the Group to the State of Qatar. The goodwill represents expected synergies and intangible assets acquired. Adjustments to the provisional values to record separately identifiable intangible assets, if any, will be recognised within twelve months of the transfer date as allowed by International Financial Reporting Standard 3 "Business Combinations".

The Company has contributed AED 18,347 thousand to the revenue of the Group and AED 4,843 thousand to overall profit of the Group since 1 January 2010.

Drake & Scull International PJSC and its Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2010 (Unaudited)

3 BUSINESS COMBINATIONS (continued)

Acquisitions in 2009

3.2 Acquisition of Drake & Scull International (LLC) and its Subsidiaries

During the period ended on 31 December 2009, assets and liabilities of Drake & Scull International (LLC) and its subsidiaries (the "LLC") were transferred to the PJSC as an in-kind contribution for 45% interest in the PJSC.

The fair values of the identifiable assets and liabilities of the LLC and corresponding carrying amounts as at the date of acquisition were as follows:

	<i>Fair value AED'000</i>	<i>Carrying value AED'000</i>
Assets		
Property, plant and equipment	217,679	171,530
Intangible assets	385,052	-
Available-for-sale investments	12,576	12,576
Development properties	24,056	21,106
Inventories	2,064	2,064
Contract work-in-progress	226,187	226,187
Contract receivables and retentions	520,041	520,041
Due from related parties	14,667	14,667
Prepayments and other receivables	115,137	115,137
Trading securities	12,096	12,096
Loan to a shareholder	45,000	45,000
Bank balances and cash	162,328	162,328
	<u>1,736,883</u>	<u>1,302,732</u>
Liabilities		
Employees' end of service benefits	(19,779)	(19,779)
Term loans	(178,096)	(178,096)
Due to related parties	(16,951)	(16,951)
Accounts payable and accruals	(531,861)	(531,861)
Advances received from customers	(280,879)	(280,879)
Due to banks	(83,754)	(83,754)
Excess billings	(27,548)	(27,548)
	<u>(1,138,868)</u>	<u>(1,138,868)</u>
Net identifiable assets	<u>598,015</u>	<u>163,864</u>
Total fair value of the LLC	980,000	
Net assets acquired, as above	(598,015)	
Non controlling interests acquired	23,811	14,328
Goodwill	<u>405,796</u>	
<i>Cash flow on business combination:</i>		
Net cash acquired on business combination	162,328	
Less: Time deposits under lien	(45,803)	
Less: Bank overdrafts	(31,893)	
Net cash inflow	<u>84,632</u>	

From the date of acquisition to 31 December 2009, the acquired entities have contributed AED 2,055,174 thousand to the revenue of the Group and AED 326,500 thousand to overall profit of the Group.

Intangible assets comprise customer relationships and trade name which were determined to have finite and infinite useful lives respectively. The fair value of the intangible assets was determined on an income approach using the discounted cash flow analysis.

Drake & Scull International PJSC and its Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2010 (Unaudited)

3 BUSINESS COMBINATIONS (continued)

3.3 Acquisition of Passavant Roediger GmbH and its Subsidiaries

During the period ended on 31 December 2009, the Group acquired a 100% interest in Passavant Roediger GmbH and its subsidiaries ("Passavant") through its 100% owned subsidiary, Passavant Engineering Limited. The principal activities of Passavant are developing waste water, water and sludge treatment plants.

The Group has provisionally recorded tangible assets and liabilities at the value they were carried in the books of Passavant on the date of transfer, as summarised below:

	<i>Carrying value AED'000</i>
Tangible assets:	
Property, plant and equipment	7,270
Inventories	65,699
Contract work-in-progress	139,197
Contract receivables and retentions	116,009
Due from related parties	6,203
Other receivables	11,481
Bank balances and cash	14,693
Total tangible assets	360,552
Liabilities:	
Employees' end of service benefits	(3,708)
Deferred tax liability	(30,327)
Provisions	(5,435)
Due to related parties	(72,261)
Accounts payable and accruals	(165,559)
Total liabilities	(277,290)
Book value of net tangible assets acquired	83,262
Total consideration	73,784
Book value of net tangible assets acquired, as above	(83,262)
Negative goodwill	(9,478)
<i>Cash flow on acquisition:</i>	
Net cash acquired on acquisition	14,693
Less: paid on acquisition	(48,526)
Net cash outflow	(33,833)

Negative goodwill has been recognised as other income.

From the date of acquisition to 31 December 2009, Passavant has contributed AED 30,618 thousand to the revenue of the Group and AED 1,765 thousand to overall profit of the Group. Had the acquisition taken place on 1 January 2009, Passavant would have contributed AED 11,223 thousand to the profit of the Group.

Adjustments to the provisional values will be recognised within twelve months of the transfer date as allowed by International Financial Reporting Standard 3 "Business Combinations"

Of the interest acquired, 82% has been transferred to the Group. The Group has both put option and call option for the remaining 18% interest in Passavant exercisable on 31 December 2011 at a predetermined price. Accordingly, the full 100% has been accounted for as acquired and the fair value of the option has been recognised under other liabilities.

Drake & Scull International PJSC and its Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2010 (Unaudited)

3 BUSINESS COMBINATIONS (continued)

3.4 Acquisition of Drake & Scull International for Contracting WLL

In December 2009, the Group formalised the acquisition of a 75% interest in Drake & Scull International for Contracting WLL (the "Company") effective 1 January 2009, from a related party.

The Group has provisionally recorded tangible assets and liabilities at the value they were carried in the books of the Company prior to the transfer, as summarised below:

	<i>Carrying value AED'000</i>
Tangible assets:	
Property, plant and equipment	278
Contract work-in-progress	31,225
Contract receivables and retentions	51,540
Due from related parties	136
Bank balances and cash	3,948
Total tangible assets	87,127
Liabilities:	
Employees' end of service benefits	(1,154)
Loans	(10,481)
Due to related parties	(3,989)
Accounts payable and accruals	(37,040)
Advances	(14,183)
Due to banks	(1,765)
Total liabilities	(68,612)
Book value of net tangible assets acquired	18,515
Total consideration paid or payable	85,057
Book value of net tangible assets acquired, as above	(18,515)
Non controlling interests acquired	4,629
Goodwill and other intangible assets	71,171
<i>Cash flow on acquisition:</i>	
Net cash acquired on business combination	2,961
Net cash inflow	2,961

The goodwill has been allocated to MEP unit. The acquisition was undertaken to expand the operations of the Group to the State of Kuwait. The goodwill represents expected synergies and intangible assets acquired. Adjustments to the provisional values to record separately identifiable intangible assets, if any, will be recognised within twelve months of the transfer date as allowed by International Financial Reporting Standard 3 "Business Combinations".

The Company has contributed AED 125,217 thousand to the revenue of the Group and AED 8,582 thousand to overall profit of the Group since 1 January 2009 to 31 December 2009.

The Group has also written a put option to acquire the remaining 25% interest in the Company excisable between 1 January to 31 December 2014. The fair value of the put option has been recognised under other liabilities.

Drake & Scull International PJSC and its Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2010 (Unaudited)

4 OPERATING SEGMENT INFORMATION

Business segment:

For management purposes, the Group is organised into business units based on their services and has three reportable operating segments; i.e. M.E.P., I.W.P. and Civil works.

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

The I.W.P. 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.

Income from sources other than the above business segments is included in other operating income.

Period from 1 January 2010 to 31 March 2010 (Unaudited)

	<i>M.E.P</i> <i>AED'000</i>	<i>I.W.P</i> <i>AED'000</i>	<i>Civil works</i> <i>AED'000</i>	<i>Eliminations</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Revenue					
External customers	226,622	111,526	48,212	-	386,360
Internal - segment	4,273	1,583	9,473	(15,329)	-
	<u>230,895</u>	<u>113,109</u>	<u>57,685</u>	<u>(15,329)</u>	<u>386,360</u>
Segment profit	<u>29,841</u>	<u>13,986</u>	<u>(2,040)</u>	<u>-</u>	<u>41,787</u>
Depreciation	4,845	443	2,092	-	7,380
Capital expenditure	2,319	361	58	-	2,738
Segment assets at 31 March 2010	<u>3,677,879</u>	<u>613,687</u>	<u>483,484</u>	<u>(351,502)</u>	<u>4,423,548</u>

Period from 1 January 2009 to 31 March 2009 (Unaudited)

	<i>M.E.P</i> <i>AED'000</i>	<i>I.W.P</i> <i>AED'000</i>	<i>Civil works</i> <i>AED'000</i>	<i>Eliminations</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Revenue					
External customers	343,154	60,856	84,081	-	488,091
Internal - segment	44	-	21,186	(21,230)	-
	<u>343,198</u>	<u>60,856</u>	<u>105,267</u>	<u>(21,230)</u>	<u>488,091</u>
Segment profit (Restated)	<u>53,670</u>	<u>15,136</u>	<u>1,298</u>	<u>-</u>	<u>70,104</u>
Depreciation	4,839	145	2,499	-	7,483
Capital expenditure	1,254	342	202	-	1,798
Segment assets at 31 December 2009	<u>3,596,748</u>	<u>679,221</u>	<u>481,756</u>	<u>(357,137)</u>	<u>4,400,588</u>

Transfer price between operating segments is on an arm length's basis in a manner similar to transaction with third parties. Transactions and balances of the corporate office are included in M.E.P. segment.

Drake & Scull International PJSC and its Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2010 (Unaudited)

4 OPERATING SEGMENT INFORMATION (continued)

Geographic segments:

The Group is presently engaged in carrying out contracting work relating to the construction industry in the United Arab Emirates, Saudi Arabia, Kuwait, Qatar, Germany and Thailand.

Period from 1 January 2010 to 31 March 2010 (Unaudited)

	<i>U.A.E AED'000</i>	<i>Other AED'000</i>	<i>Total AED'000</i>	<i>Eliminations AED'000</i>	<i>Total AED'000</i>
Revenue from external customers	282,405	103,955	386,360	-	386,360
Non current assets at 31 March 2010	<u>1,601,683</u>	<u>11,240</u>	<u>1,612,923</u>	<u>(254,523)</u>	<u>1,358,400</u>

Period from 1 January 2009 to 31 March 2009 (Unaudited)

	<i>U.A.E AED'000</i>	<i>Other AED'000</i>	<i>Total AED'000</i>	<i>Eliminations AED'000</i>	<i>Total AED'000</i>
Revenue from external Customers	421,910	66,181	488,091	-	488,091
Non current assets at 31 December 2009	<u>1,544,467</u>	<u>8,358</u>	<u>1,552,825</u>	<u>(270,428)</u>	<u>1,282,397</u>

The above revenue information is based on the location of the Group companies undertaking the work.

Revenue from two largest customers amounted to AED 18,328 thousand and AED 17,774 thousand relating to IWP and MEP segment respectively.

5 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

Transactions between the PJSC and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. There are no transactions with joint ventures during the periods ended 31 March 2010 and 31 March 2009. Details of transactions between the Group and other related parties included in the interim consolidated statement of income are as follows:

	<i>Three months ended 31 March 2010 AED'000 (Unaudited)</i>	<i>Three months ended 31 March 2009 AED'000 (Unaudited)</i>
Sales	-	91
Purchases	-	3,774
Management fee expenses	<u>3,700</u>	<u>3,700</u>

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2010 (Unaudited)

5 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Balances with related parties included in the interim consolidated statement of financial position are as follows:

	31 March 2010		31 December 2009	
	<i>Due from related parties</i>	<i>Due to related parties</i>	<i>Due from related parties</i>	<i>Due to related parties</i>
	AED'000	AED'000	AED'000	AED'000
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
Joint ventures	15,700	25,587	14,649	16,289
Other related parties	31,890	61,952	24,910	58,862
	<u>47,590</u>	<u>87,539</u>	<u>39,559</u>	<u>75,151</u>

The Group had following transaction with Drake and Scull Group (DSG), an entity owned by the Chief Executive Officer:

- During the period, the Group acquired 49% of Drake & Scull International (Qatar) WLL from parties who were beneficially holding the interest on behalf of DSG (Note 3.1).
- During the period ended 31 December 2009, the Group paid AED 74 million to DSG as management fee for the period upto 31 December 2012. The agreement for the payment which was referred to in the prospectus for offering of shares was subsequently amended with the approval of the board of directors. The amendments did not result in any change to the total amount payable to DSG. Long term prepayments represent such fee for the period from 1 April 2011 to 31 December 2012.
- During the period ended 31 December 2009, the Group acquired 49% of Drake & Scull International for Contracting (W.L.L.) – Kuwait from parties who were beneficially holding the interest on behalf of DSG (Note 3.4).
- One of the Group's subsidiaries is a partner in a joint venture in Saudi Arabia with a subsidiary of DSG.

For the period ended 31 March 2010, the Group has not recorded any impairment of amounts owned by related parties.

Compensation of key management personnel

The remuneration of directors and other members of key management during the period was as follows:

	Three months ended 31 March 2010 AED'000 (Unaudited)	Three months ended 31 March 2009 AED'000 (Unaudited)
Short-term benefits	8,038	8,204
Employees' end of service benefits	340	641
	<u>8,379</u>	<u>8,845</u>

Drake & Scull International PJSC and its Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2010 (Unaudited)

6 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the interim consolidated statement of cash flows consist of the following statement of financial position amounts:

	<i>31 March 2010 AED'000 (Unaudited)</i>	<i>31 March 2009 AED'000 (Unaudited)</i>
Cash on hand	2,183	1,514
Cash at bank	97,938	99,620
Time deposits	925,236	1,094,953
Bank balances and cash	1,025,357	1,196,087
Time deposits under lien	(370,802)	(45,976)
Bank overdrafts	(102,471)	(75,313)
Cash and cash equivalents	552,084	1,074,798

7 PROPOSED DIVIDENDS AND DIRECTORS FEE

The Board of Directors proposed a cash dividend of AED 152,444 thousand at the rate of AED 0.07 per share through board resolution dated 15 March 2010. A fee of AED 200 thousand payable to each independent directors of the PJSC was also proposed. The dividends and directors fee have been approved by the shareholders in Annual General Meeting held on 15 April 2010.

8 INCOME TAX AND DEFERRED TAX

The major components of income tax expense for the period ended 31 March 2010 are:

Income tax expense:

	<i>31 March 2010 AED'000 (Unaudited)</i>	<i>31 March 2009 AED'000 (Unaudited)</i>
<i>Current income tax expense:</i>		
Current income tax charge	273	-
<i>Deferred tax income:</i>		
Relating to origination and reversal of temporary differences	(800)	-
Income tax	(527)	-

The tax expense and deferred tax liability relate to the Group's subsidiary in Germany. Deferred tax liability relates to temporary difference on the subsidiary in accordance with the taxation laws and regulations of Germany.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2010 (Unaudited)

9 EARNINGS PER SHARE

	<i>Three months ended 31 March 2010 (Unaudited)</i>	<i>Three months ended 31 March 2009 (Restated) (Unaudited)</i>
Earnings:		
Profit for the period attributable to equity holders of the Parent (AED'000)	<u>42,228</u>	<u>69,004</u>
Shares:		
Weighted average number of shares outstanding during the period	<u>2,145,377,778</u>	<u>2,177,777,778</u>
Basic and diluted earnings per share (AED)	<u>0.020</u>	<u>0.032</u>

10 EXPENDITURE COMMITMENTS

	<i>31 March 2010 AED'000 (Unaudited)</i>	<i>31 December 2009 AED'000 (Audited)</i>
Operating lease commitments		
Future minimum lease payments:		
Within one year	25,242	24,896
More than one year but less than five years	5,922	6,908
More than five years	<u>1,633</u>	<u>1,633</u>
Total operating lease expenditure contracted for at the Interim statement of financial position date	<u>32,797</u>	<u>33,437</u>

11 CONTINGENCIES

	<i>31 March 2010 AED'000 (Unaudited)</i>	<i>31 December 2009 AED'000 (Audited)</i>
Performance bonds	589,408	626,769
Labour and other guarantees	<u>776,102</u>	<u>405,621</u>

Drake & Scull International PJSC and its Subsidiaries

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At 31 March 2010 (Unaudited)

12 PRIOR PERIOD ADJUSTMENT

As disclosed in note 3.2, assets and liabilities of Drake & Scull International (LLC) and its subsidiaries (the "LLC") were transferred to the PJSC as at 17 November 2008. In the interim consolidated financial statements for the period ended 31 March 2009, the Group recognised the net assets at the values they were carried in the books of LLC prior to the transfer. The purchase price allocation was completed in December 2009. The adjustment to the provisional values resulted in increase in fair value of plots of land and recognition of intangible assets.

Intangible assets comprise customer relationships and trade name which were determined to have finite (10 years) and infinite useful lives respectively.

The comparative information for the period ended 31 March 2009 has been restated to reflect the amortization of customer relationships intangible assets for the period from 17 November 2008 to 31 March 2009.

The following table summarises the impact of the above adjustment to the Group's financial information of the prior period:

	<i>As at 31 March 2009</i>			<i>As at 1 January 2009</i>		
	<i>Reported AED'000</i>	<i>Adjustment AED'000</i>	<i>Restated AED'000</i>	<i>Reported AED'000</i>	<i>Adjustment AED'000</i>	<i>Restated AED'000</i>
Retained earnings	124,683	(8,167)	116,516	51,595	(4,083)	47,512
Non-controlling interests	15,643	(222)	15,421	10,431	(110)	10,321

	<i>For the period ended 31 March 2009</i>		
	<i>Reported AED'000</i>	<i>Adjustment AED'000</i>	<i>Restated AED'000</i>
Amorisation charge	-	8,389	8,389
Profit for the period	78,493	(8,389)	70,104