

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

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

30 SEPTEMBER 2010

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

Introduction

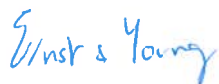
We have reviewed the accompanying interim condensed consolidated financial statements of Drake & Scull International PJSC ("the PJSC") and its subsidiaries (collectively "the Group") as at 30 September 2010 which comprises the interim consolidated statement of financial position as at 30 September 2010, the related interim consolidated statements of income and comprehensive income for the three-month and nine-month periods then ended, the related statements of changes in equity and cash flows for the nine-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, appearing to read 'Farrukh Seer'.

Signed by
Farrukh Seer
Partner
Registration No. 491

7 November 2010
Dubai

Drake & Scull International PJSC and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF INCOME

Period ended 30 September 2010 (Unaudited)

		<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>Notes</i>	<i>2010 AED'000</i>	<i>2009 AED'000 (Restated)</i>	<i>2010 AED'000</i>	<i>2009 AED'000 (Restated)</i>
Contract revenues		432,457	399,709	1,230,460	1,399,833
Contract costs		(360,750)	(309,074)	(991,783)	(1,113,004)
GROSS PROFIT		71,707	90,635	238,677	286,829
Interest income		9,207	20,252	37,665	63,846
Other income		7,648	680	13,722	2,453
Selling, general and administrative expenses		(32,678)	(34,759)	(114,731)	(93,619)
Finance costs		(13,800)	(2,332)	(24,832)	(9,003)
Amortisation of intangible assets		(8,389)	(8,389)	(25,167)	(25,167)
Management fee	6	(3,700)	(3,700)	(11,100)	(11,100)
PROFIT FOR THE PERIOD BEFORE TAX		29,995	62,387	114,234	214,239
Income tax	9	4,143	-	6,222	-
PROFIT FOR THE PERIOD		34,138	62,387	120,456	214,239
Attributable to:					
Equity holders of the Parent company		33,995	60,797	119,744	208,189
Non-controlling interests		143	1,590	712	6,050
		34,138	62,387	120,456	214,239
Earnings per share - basic and diluted (AED) 10		0.016	0.028	0.056	0.096

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

Drake & Scull International PJSC and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Period ended 30 September 2010 (Unaudited)

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2010 AED'000</i>	<i>2009 AED'000 (Restated)</i>	<i>2010 AED'000</i>	<i>2009 AED'000 (Restated)</i>
Profit for the period	34,138	62,387	120,456	214,239
Other comprehensive income				
Exchange differences on translation of foreign operations	10,714	-	(664)	-
Other comprehensive income / (loss) for the period	10,714	-	(664)	-
Total comprehensive income for the period	44,852	62,387	119,792	214,239
Attributable to:				
Equity holders of the Parent company	44,709	60,797	119,080	208,189
Non-controlling interests	143	1,590	712	6,050
	44,852	62,387	119,792	214,239

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

Drake & Scull International PJSC and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2010 (Unaudited)

	Notes	30 September 2010 AED'000 (Unaudited)	31 December 2009 AED'000 (Audited)
ASSETS			
Non current assets			
Property, plant and equipment		203,211	211,529
Goodwill and other intangible assets		910,558	821,828
Investments		12,982	197,713
Loans and advances	5	34,865	21,727
Contract receivables		47,114	-
Deferred tax asset		8,698	-
Long term prepayments		18,500	29,600
		<u>1,235,928</u>	<u>1,282,397</u>
Current assets			
Development properties		44,381	39,363
Inventories		19,436	12,884
Contract work-in-progress		669,615	405,143
Contract receivables and retentions		854,338	983,866
Due from related parties	6	19,350	39,559
Loans and advances	5	168,205	95,929
Prepayments and other receivables		301,531	245,994
Investments		318,824	135,143
Bank balances and cash	7	671,793	1,160,310
		<u>3,067,473</u>	<u>3,118,191</u>
TOTAL ASSETS		<u>4,303,401</u>	<u>4,400,588</u>
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		269,104	300,736
Foreign currency translation reserve		(7,374)	(6,710)
		<u>2,444,540</u>	<u>2,476,836</u>
Non-controlling interests		39,532	38,587
Total equity		<u>2,484,072</u>	<u>2,515,423</u>

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

Drake & Scull International PJSC and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 30 September 2010 (Unaudited)

	<i>Note</i>	30 September 2010 AED'000 (Unaudited)	31 December 2009 AED'000 (Audited)
Non-current liabilities			
Employees' end of service benefits		41,448	34,551
Term loans		147,323	159,882
Deferred tax liability		-	29,795
		<u>188,771</u>	<u>224,228</u>
Current liabilities			
Accounts payable and accruals		710,196	785,503
Due to related parties	6	34,420	75,151
Advances received from customers		305,402	198,498
Excess billings		60,323	98,317
Term loans		370,866	381,281
Due to banks		149,351	122,187
		<u>1,630,558</u>	<u>1,660,937</u>
Total liabilities		<u>1,819,329</u>	<u>1,885,165</u>
TOTAL EQUITY AND LIABILITIES		<u><u>4,303,401</u></u>	<u><u>4,400,588</u></u>

These interim condensed consolidated financial statements were approved by the Board of Directors on 7 November 2010 and signed on its behalf by:


Chairman


Chief Executive Officer

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to equity holders of the parent

In accordance with the Ministry of Economy interpretation of Article 118 of Commercial Companies Law No.8 of 1984, Directors' fees have been treated as an appropriation from equity.

Drake & Scull International PJSC and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Period ended 30 September 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 13)	-	-	-	(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	-	-	-	-	-	-	8,000	8,000
Profit for the period (<i>restated</i>)	-	-	-	208,189	-	208,189	6,050	214,239
Total comprehensive income for the period (<i>restated</i>)	-	-	-	208,189	-	208,189	6,050	214,239
Transfer to statutory reserve	-	-	23,269	(23,269)	-	-	-	-
Purchase of treasury shares	-	(26,982)	-	-	-	(26,982)	-	(26,982)
Balance at 30 September 2009 (<i>restated</i>)	2,177,778	(26,982)	29,002	232,432	-	2,412,230	24,371	2,436,601

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

Drake & Scull International PJSC and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Period ended 30 September 2010 (Unaudited)

	<i>Nine months ended 30 September 2010 AED'000</i>	<i>Nine months ended 30 September 2009 (Restated) AED'000</i>
ACTIVITIES		
Profit for the period before tax	114,234	214,239
Adjustments for:		
Depreciation	21,824	20,606
Amortisation of intangible assets	25,167	25,167
Gain on sale of trading securities	-	(124)
Change in fair value of trading securities	(6)	(247)
Provision for employees' end of service benefits	9,358	7,791
Management fee expense	11,100	11,100
Interest income	(37,665)	(63,846)
Finance charges	24,832	9,005
	168,844	223,691
Working capital adjustments:		
Development properties	(5,018)	(6,697)
Inventories	(6,552)	34,642
Contract work-in-progress	(236,856)	(32,044)
Contract receivables and retentions	131,679	(176,810)
Due from related parties	20,393	3,496
Prepayments and other receivables	(130,775)	(63,555)
Accounts payable and accruals	(121,601)	(63,211)
Due to related parties	(47,933)	1,109
Advances received from customers	106,904	(48,865)
Excess billings	(37,994)	34,716
Net cash used in operations	(158,909)	(93,528)
Management fee paid	-	(74,000)
Employees' end of service benefits paid	(4,045)	(1,910)
Income tax paid	(2,089)	-
Net cash used in operating activities	(165,043)	(169,438)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(10,950)	(6,970)
Proceeds from disposal of property, plant and equipment	129	1,855
Acquisition of intangibles	(36,745)	-
Trading securities – net	-	5,670
Investments	1,056	(183,700)
Loans and advances	(85,414)	(21,727)
Interest received	85,250	63,846
Net cash outflow on business combinations	(96,539)	-
Purchase of treasury shares	-	(26,982)
Net cash used in investing activities	(143,213)	(168,008)

The attached notes 1 to 14 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 30 September 2010 (Unaudited)

		<i>Nine months ended 30 September 2010</i>	<i>Nine months ended 30 September 2009 (Restated)</i>
	<i>Note</i>	<i>AED'000</i>	<i>AED'000</i>
FINANCING ACTIVITIES			
Loan to a shareholder recovered		-	45,000
Movement in time deposits under lien		(73,022)	5,633
Dividend paid		(150,176)	-
Directors' fee paid		(1,200)	-
Movement in due to banks		36,260	(79,296)
Proceeds from term loans		53,672	217,137
Repayments of term loans		(65,145)	(166,735)
Interest paid		(24,832)	(9,005)
Non controlling interests		-	8,000
Net cash used in financing activities		<u>(224,443)</u>	<u>20,734</u>
DECREASE IN CASH AND CASH EQUIVALENTS		(532,699)	(316,712)
Net foreign currency translation difference		(19,744)	-
Cash and cash equivalents at 1 January		<u>743,214</u>	<u>1,330,003</u>
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	7	<u>190,771</u>	<u>1,013,291</u>

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

Drake & Scull International PJSC and its Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 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>30 September 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 the 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 nine months ended 30 September 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 became 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 elected to measure the non-controlling interest in the acquiree 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 became 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 30 September 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	<u>74,222</u>
Liabilities:	
Employees' end of service benefits	(1,547)
Loans	(534)
Due to related parties	(6,386)
Accounts payable and accruals	(42,150)
Total liabilities	<u>(50,617)</u>
Book value of net tangible assets acquired	<u>23,605</u>
Total consideration	96,147
Book value of net tangible assets acquired, as above	(23,605)
Goodwill and other intangible assets	<u>72,542</u>
Cash flow on acquisition:	
Net cash acquired on business combination	398
Less: Paid on acquisition	(96,147)
Net cash outflow	<u>(95,749)</u>

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 46,738 thousand to the revenue of the Group and a loss of AED 2,904 thousand to the results of the Group since 1 January 2010.

Drake & Scull International PJSC and its Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2010 (Unaudited)

3 BUSINESS COMBINATIONS (continued)

Acquisition in 2010 (continued)

3.2 Acquisition of Drake & Scull International LLC (Oman)

During the period, the Group formalised the acquisition of a 51% interest in Drake & Scull International LLC (Oman) ("the Company") effective 1 August 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	343
Contract work-in-progress	4,758
Contract receivables and retentions	3,302
Due from related parties	184
Prepayments and other receivables	425
Bank balances and cash	1,884
Total tangible assets	10,896
Liabilities:	
Employees' end of service benefits	(72)
Loans	(3,301)
Due to related parties	(816)
Accounts payable and accruals	(6,233)
Total liabilities	(10,422)
Book value of net tangible assets acquired	474
Total consideration	2,674
Book value of net tangible assets acquired, as above	(474)
Non controlling interest acquired	233
Goodwill and other intangible assets	2,433
Cash flow on acquisition:	
Net cash acquired on business combination	1,884
Less: Paid on acquisition	(2,674)
Net cash outflow	(790)

The goodwill has been allocated to the MEP unit. The acquisition was undertaken to expand the operations of the Group to the State of Oman. 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 2,178 thousand to the revenue of the Group and a loss of AED 255 thousand to the results of the Group since 1 August 2010.

Drake & Scull International PJSC and its Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2010 (Unaudited)

3 BUSINESS COMBINATIONS (continued)

Acquisitions in 2009

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

The assets and liabilities of Drake & Scull International (LLC) and its subsidiaries (the "LLC") were transferred to the PJSC as an in-kind contribution for a 45% interest in the PJSC effective from 17 November 2008.

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 contributed AED 2,055,174 thousand to the revenue of the Group and AED 326,500 thousand to the 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 a discounted cash flow analysis.

3 BUSINESS COMBINATIONS (continued)**Acquisitions in 2009 (continued)****3.4 Acquisition of Passavant Roediger GmbH and its Subsidiaries**

The Group acquired a 100% interest in Passavant Roediger GmbH and its subsidiaries ("Passavant") through its 100% owned subsidiary, Passavant Engineering Limited effective from 30 November 2009. 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)
Cash flow on acquisition:	
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 contributed AED 30,618 thousand to the revenue of the Group and AED 1,765 thousand to the 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 a put option and a 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 30 September 2010 (Unaudited)

3 BUSINESS COMBINATIONS (continued)

Acquisitions in 2009 (continued)

3.5 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
Cash flow on acquisition:	
Net cash acquired on business combination	2,961
Net cash inflow	2,961

The goodwill has been allocated to the 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 contributed AED 125,217 thousand to the revenue of the Group and AED 8,582 thousand to overall profit of the Group upto 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.

Drake & Scull International PJSC and its Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2010 (Unaudited)

4 OPERATING SEGMENT INFORMATION

Business segment:

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

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.

The Corporate office segment carries out strategic planning, management of all subsidiaries, treasury management, mergers and acquisition, corporate branding and investor relations.

Period from 1 January 2010 to 30 September 2010 (Unaudited)

	<i>M.E.P</i> <i>AED'000</i>	<i>I.W.P</i> <i>AED'000</i>	<i>Civil</i> <i>works</i> <i>AED'000</i>	<i>Corporate</i> <i>office</i> <i>AED'000</i>	<i>Eliminations</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Revenue						
External customers	668,529	342,406	219,525	-	-	1,230,460
Internal - segment	13,918	-	6,142	-	(20,060)	-
	<u>682,447</u>	<u>342,406</u>	<u>225,667</u>	<u>-</u>	<u>(20,060)</u>	<u>1,230,460</u>
Segment profit	<u>101,136</u>	<u>19,527</u>	<u>5,031</u>	<u>159</u>	<u>(5,397)</u>	<u>120,456</u>
Depreciation	13,991	1,424	6,029	380	-	21,824
Capital expenditure	5,859	905	2,234	1,952	-	10,950
Segment assets at 30 September 2010	<u>850,151</u>	<u>624,905</u>	<u>521,340</u>	<u>2,638,726</u>	<u>(331,721)</u>	<u>4,303,401</u>

Period from 1 January 2009 to 30 September 2009 (Unaudited)

	<i>M.E.P</i> <i>AED'000</i>	<i>I.W.P</i> <i>AED'000</i>	<i>Civil</i> <i>works</i> <i>AED'000</i>	<i>Corporate</i> <i>office</i> <i>AED'000</i>	<i>Eliminations</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Revenue						
External customers	908,388	224,332	267,113	-	-	1,399,833
Internal - segment	32,432	-	55,993	-	(88,425)	-
	<u>940,820</u>	<u>224,332</u>	<u>323,106</u>	<u>-</u>	<u>(88,425)</u>	<u>1,399,833</u>
Segment profit (Restated)	<u>118,030</u>	<u>37,665</u>	<u>30,398</u>	<u>28,146</u>	<u>-</u>	<u>214,239</u>
Depreciation	12,442	748	7,414	1	-	20,605
Capital expenditure	4,853	1,307	785	25	-	6,970
Segment assets at 31 December 2009 (Restated)	<u>719,617</u>	<u>679,221</u>	<u>481,756</u>	<u>2,877,131</u>	<u>(357,137)</u>	<u>4,400,588</u>

4 OPERATING SEGMENT INFORMATION (continued)

Transfer price between operating segments is on an arm length's basis in a manner similar to transactions with third parties. Transactions and balances of the corporate office which were previously included in the MEP segment have now been classified as a separate segment. Therefore, the comparative information has been restated to conform with the current period presentation.

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, Oman and Thailand.

Period from 1 January 2010 to 30 September 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	913,128	317,332	1,230,460	-	1,230,460
Non current assets at 30 September 2010	<u>1,256,818</u>	<u>165,169</u>	<u>1,421,987</u>	<u>(186,059)</u>	<u>1,235,928</u>

Period from 1 January 2009 to 30 September 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	1,187,382	212,451	1,399,833	-	1,399,833
Non current assets at 31 December 2009 (Restated)	<u>1,473,296</u>	<u>79,529</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 191,587 thousand and AED 57,893 thousand relating to MEP segment.

5 LOANS AND ADVANCES

	<i>30 September 2010 AED'000 (Unaudited)</i>	<i>31 December 2009 AED'000 (Audited)</i>
Current (i)	168,205	95,929
Non-current (ii)	<u>34,865</u>	<u>21,727</u>
	<u>203,070</u>	<u>117,656</u>

- (i) Amounts due from a customer for construction contracts were converted into a twelve month advance. The amounts are unsecured and carry interest rates ranging from 10% to 11% per annum.
- (ii) These amounts carry interest rates ranging from 7% to 10% per annum and are due on 31 December 2012. The amounts are secured by property units under development in Thailand and the Group also has an option to purchase those units.

Drake & Scull International PJSC and its Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2010 (Unaudited)

6 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 30 September 2010 and 30 September 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 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2010 AED'000 (Unaudited)</i>	<i>2009 AED'000 (Unaudited)</i>	<i>2010 AED'000 (Unaudited)</i>	<i>2009 AED'000 (Unaudited)</i>
Sales	-	-	-	91
Purchases	-	-	-	3,774
Management fee expenses	<u>3,700</u>	<u>3,700</u>	<u>11,100</u>	<u>11,100</u>

The Group had following transactions 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, the Group acquired 50% of Drake & Scull International LLC (Oman) from DSG (Note 3.2).
- 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 and 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 October 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.

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

	<i>30 September 2010</i>		<i>31 December 2009</i>	
	<i>Due from related parties AED'000 (Unaudited)</i>	<i>Due to related parties AED'000 (Unaudited)</i>	<i>Due from related parties AED'000 (Audited)</i>	<i>Due to related parties AED'000 (Audited)</i>
Joint ventures	16,478	26,927	14,649	16,289
Other related parties	<u>2,872</u>	<u>7,493</u>	<u>24,910</u>	<u>58,862</u>
	<u>19,350</u>	<u>34,420</u>	<u>39,559</u>	<u>75,151</u>

For the period ended 30 September 2010, the Group has not recorded any impairment of amounts owned by related parties.

6 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Compensation of key management personnel

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

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2010 AED'000 (Unaudited)</i>	<i>2009 AED'000 (Unaudited)</i>	<i>2010 AED'000 (Unaudited)</i>	<i>2009 AED'000 (Unaudited)</i>
Short-term benefits	7,552	7,797	23,787	23,718
Employees' end of service benefits	486	313	1,154	1,622
	<u>8,038</u>	<u>8,110</u>	<u>24,941</u>	<u>25,340</u>

7 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>30 September 2010 AED'000 (Unaudited)</i>	<i>30 September 2009 AED'000 (Unaudited)</i>
Cash on hand	2,150	1,277
Cash at bank	131,158	68,507
Time deposits	538,485	1,046,008
Bank balances and cash	<u>671,793</u>	<u>1,115,792</u>
Time deposits under lien	(400,267)	(43,221)
Bank overdrafts	(80,755)	(59,280)
Cash and cash equivalents	<u>190,771</u>	<u>1,013,291</u>

8 DIVIDENDS

The Board of Directors proposed a cash dividend of AED 0.07 per share through board resolution dated 15 March 2010. The dividends were approved by the shareholders in Annual General Meeting held on 15 April 2010 and have since been paid.

Drake & Scull International PJSC and its Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2010 (Unaudited)

9 INCOME TAX AND DEFERRED TAX

The major components of income tax expense for the period ended 30 September 2010 are:

Income tax expense:

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2010 AED'000 (Unaudited)</i>	<i>2009 AED'000 (Unaudited)</i>	<i>2010 AED'000 (Unaudited)</i>	<i>2009 AED'000 (Unaudited)</i>
<i>Current income tax expense:</i>				
Current income tax charge	-	-	273	-
<i>Deferred tax income:</i>				
Relating to net reversal of temporary differences	(4,143)	-	(6,495)	-
Income tax	<u>(4,143)</u>	<u>-</u>	<u>(6,222)</u>	<u>-</u>

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

10 EARNINGS PER SHARE

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2010 AED'000 (Unaudited)</i>	<i>2009 AED'000 (Unaudited) (Restated)</i>	<i>2010 AED'000 (Unaudited)</i>	<i>2009 AED'000 (Unaudited) (Restated)</i>
Earnings:				
Profit for the period attributable to equity holders of the Parent (AED'000)	<u>33,995</u>	<u>60,797</u>	<u>119,744</u>	<u>208,189</u>
Shares:				
Weighted average number of shares outstanding during the period	<u>2,145,377,778</u>	<u>2,154,978,598</u>	<u>2,145,377,778</u>	<u>2,170,052,566</u>
Basic and diluted earnings per share (AED)	<u>0.016</u>	<u>0.028</u>	<u>0.056</u>	<u>0.096</u>

11 EXPENDITURE COMMITMENTS

	<i>30 September 2010 AED'000 (Unaudited)</i>	<i>31 December 2009 AED'000 (Audited)</i>
Operating lease commitments		
Future minimum lease payments:		
Within one year	11,803	24,896
More than one year but less than five years	6,579	6,908
More than five years	1,633	1,633
Total operating lease expenditure contracted for at the interim statement of financial position date	<u>20,015</u>	<u>33,437</u>

Drake & Scull International PJSC and its Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2010 (Unaudited)

12 CONTINGENCIES

	30 September 2010 AED'000 (Unaudited)	31 December 2009 AED'000 (Audited)
Performance bonds	683,965	626,769
Advance payment and other guarantees	609,070	405,621

13 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 30 September 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 30 September 2009 has been restated to reflect the amortisation of customer relationships intangible assets for the period from 17 November 2008 to 30 September 2009.

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

	<i>As at 30 September 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	261,013	(28,581)	232,432	51,595	(4,083)	47,512
Non-controlling interests	25,150	(779)	24,371	10,431	(110)	10,321
	<i>For the three months period ended 30 September 2009</i>			<i>For the nine months period ended 30 September 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>
Amorisation charge	-	8,389	8,389	-	25,167	25,167
Profit for the period	70,776	(8,389)	62,387	239,406	(25,167)	214,239

14 SUBSEQUENT EVENTS

Subsequent to the period end, the management of the PJSC has signed a Letter of Intent (LOI) for the acquisition of a Saudi-based Mechanical, Electrical and Plumbing (MEP) company, owned by Drake & Scull Group, an entity controlled by the Chief Executive Officer of the PJSC. The legal proceedings to finalise and sign the Sales Purchase Agreement (SPA) are underway.