

**Drake and Scull International PJSC**

**Condensed consolidated interim financial information  
for the six-month period ended 30 June 2011**

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## **Drake and Scull International PJSC**

### **Condensed consolidated interim financial information for the six-month period ended 30 June 2011**

|                                                                                 | <b>Pages</b>  |
|---------------------------------------------------------------------------------|---------------|
| <b>Report on review of condensed consolidated interim financial information</b> | <b>1</b>      |
| <b>Condensed consolidated interim balance sheet</b>                             | <b>2</b>      |
| <b>Condensed consolidated interim income statement</b>                          | <b>3</b>      |
| <b>Condensed consolidated interim statement of comprehensive income</b>         | <b>4</b>      |
| <b>Condensed consolidated interim statement of changes in equity</b>            | <b>5 - 6</b>  |
| <b>Condensed consolidated interim statement of cash flows</b>                   | <b>7</b>      |
| <b>Notes to the condensed consolidated interim financial information</b>        | <b>8 - 19</b> |

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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 Company") and its subsidiaries (collectively referred to as "the Group") as of 30 June 2011 and the related condensed consolidated interim income statement and condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the six-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 ("IAS") 34: 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

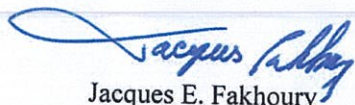
**Scope of review**

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 IAS 34: 'Interim Financial Reporting'.

PricewaterhouseCoopers  
11 August 2011



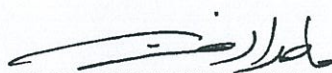
Jacques E. Fakhoury  
Registered Auditor Number 379  
Dubai, United Arab Emirates

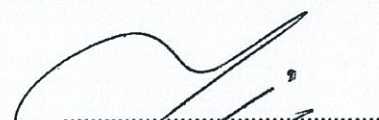
# Drake and Scull International PJSC

## Condensed consolidated interim balance sheet

|                                                        | Note | At 30 June 11<br>(Unaudited)<br>AED'000 | At 31 Dec 10<br>(Audited)<br>AED'000 |
|--------------------------------------------------------|------|-----------------------------------------|--------------------------------------|
| <b>ASSETS</b>                                          |      |                                         |                                      |
| <b>Non-current assets</b>                              |      |                                         |                                      |
| Property, plant and equipment                          | 5    | 389,088                                 | 249,689                              |
| Goodwill and other intangible assets                   |      | 1,198,650                               | 1,149,435                            |
| Trade and other receivables                            | 6    | 62,310                                  | 89,913                               |
| Deferred tax assets                                    |      | 12,128                                  | 12,132                               |
| Held to maturity investments                           |      | 6,955                                   | 89,955                               |
| Available for sale investments                         |      | 5,967                                   | 5,967                                |
|                                                        |      | <u>1,675,098</u>                        | <u>1,597,091</u>                     |
| <b>Current assets</b>                                  |      |                                         |                                      |
| Trade and other receivables                            | 6    | 2,816,478                               | 2,238,605                            |
| Held to maturity investments                           |      | 226,568                                 | 312,125                              |
| Financial assets at fair value through profit and loss |      | 5,189                                   | 6,675                                |
| Development properties                                 |      | 47,697                                  | 45,315                               |
| Inventories                                            |      | 23,579                                  | 24,889                               |
| Due from related parties                               | 10   | 13,220                                  | 23,709                               |
| Cash and cash equivalents                              | 7    | 600,117                                 | 622,150                              |
|                                                        |      | <u>3,732,848</u>                        | <u>3,273,468</u>                     |
| <b>Total assets</b>                                    |      | <u>5,407,946</u>                        | <u>4,870,559</u>                     |
| <b>EQUITY AND LIABILITIES</b>                          |      |                                         |                                      |
| <b>Equity attributable to owners of the Parent</b>     |      |                                         |                                      |
| Share capital                                          |      | 2,177,778                               | 2,177,778                            |
| Treasury shares                                        |      | (28,622)                                | (28,622)                             |
| Statutory reserve                                      |      | 49,116                                  | 49,116                               |
| Retained earnings                                      |      | 376,991                                 | 279,838                              |
| Foreign currency translation reserve                   |      | (5,279)                                 | (8,443)                              |
|                                                        |      | <u>2,569,984</u>                        | <u>2,469,667</u>                     |
| Non-controlling interest                               |      | 74,474                                  | 72,097                               |
| <b>Total equity</b>                                    |      | <u>2,644,458</u>                        | <u>2,541,764</u>                     |
| <b>Non-current liabilities</b>                         |      |                                         |                                      |
| Bank borrowings                                        | 8    | 85,991                                  | 2,149                                |
| Employees' end of service benefits                     |      | 59,504                                  | 49,679                               |
| Other payables                                         |      | 1,668                                   | 1,526                                |
|                                                        |      | <u>147,163</u>                          | <u>53,354</u>                        |
| <b>Current liabilities</b>                             |      |                                         |                                      |
| Trade and other payables                               | 9    | 1,968,585                               | 1,298,800                            |
| Bank borrowings                                        | 8    | 513,691                                 | 787,220                              |
| Due to related parties                                 | 10   | 134,049                                 | 189,421                              |
|                                                        |      | <u>2,616,325</u>                        | <u>2,275,441</u>                     |
| <b>Total liabilities</b>                               |      | <u>2,763,488</u>                        | <u>2,328,795</u>                     |
| <b>Total equity and liabilities</b>                    |      | <u>5,407,946</u>                        | <u>4,870,559</u>                     |

The condensed consolidated interim financial information was approved by the Board of Directors on 11 August 2011 and signed on its behalf by:

  
Chairman

  
Chief Executive Officer

The notes on pages 8 to 19 are an integral part of these condensed consolidated interim financial information.

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## Drake and Scull International PJSC

### Condensed consolidated interim income statement for the six-month period ended 30 June 2011 (Unaudited)

|                                                                           |      | <u>Six months ended</u> |                       | <u>Three months ended</u> |                       |
|---------------------------------------------------------------------------|------|-------------------------|-----------------------|---------------------------|-----------------------|
|                                                                           | Note | 30 June 11<br>AED'000   | 30 June 10<br>AED'000 | 30 June 11<br>AED'000     | 30 June 10<br>AED'000 |
| Contract revenue                                                          |      | 1,383,761               | 798,003               | 738,701                   | 411,643               |
| Contract costs                                                            |      | (1,177,747)             | (631,033)             | (633,348)                 | (318,768)             |
| <b>Gross profit</b>                                                       |      | <u>206,014</u>          | <u>166,970</u>        | <u>105,353</u>            | <u>92,875</u>         |
| Other income                                                              |      | 12,399                  | 6,074                 | 4,697                     | 1,805                 |
| Selling, general and administrative expenses                              |      | (121,956)               | (106,231)             | (60,379)                  | (57,642)              |
| Fair value loss on financial assets at fair value through profit and loss |      | (1,479)                 | -                     | (1,479)                   | -                     |
| <b>Operating profit</b>                                                   |      | <u>94,978</u>           | <u>66,813</u>         | <u>48,192</u>             | <u>37,038</u>         |
| Finance income                                                            |      | 26,580                  | 28,458                | 11,098                    | 11,181                |
| Finance costs                                                             |      | (13,259)                | (11,032)              | (2,508)                   | (5,240)               |
| Finance income – net                                                      |      | <u>13,321</u>           | <u>17,426</u>         | <u>8,590</u>              | <u>5,941</u>          |
| <b>Profit for the period before tax</b>                                   |      | <u>108,299</u>          | <u>84,239</u>         | <u>56,782</u>             | <u>42,979</u>         |
| Income tax (expense) / credit                                             | 11   | (2,699)                 | 2,079                 | (1,799)                   | 1,552                 |
| <b>Profit for the period</b>                                              |      | <u><u>105,600</u></u>   | <u><u>86,318</u></u>  | <u><u>54,983</u></u>      | <u><u>44,531</u></u>  |
| <b>Attributable to:</b>                                                   |      |                         |                       |                           |                       |
| Owners of the Parent                                                      |      | 97,153                  | 85,749                | 51,287                    | 43,521                |
| Non-controlling interest                                                  |      | 8,447                   | 569                   | 3,696                     | 1,010                 |
|                                                                           |      | <u><u>105,600</u></u>   | <u><u>86,318</u></u>  | <u><u>54,983</u></u>      | <u><u>44,531</u></u>  |
| <b>Earnings per share</b>                                                 |      |                         |                       |                           |                       |
| - Basic and diluted (AED)                                                 | 12   | <u><u>0.045</u></u>     | <u><u>0.040</u></u>   | <u><u>0.024</u></u>       | <u><u>0.020</u></u>   |

## Drake and Scull International PJSC

### Condensed consolidated interim statement of comprehensive income for the six-month period ended 30 June 2011 (Unaudited)

|                                                           | <u>Six months ended</u> |                 | <u>Three months ended</u> |                |
|-----------------------------------------------------------|-------------------------|-----------------|---------------------------|----------------|
|                                                           | 30 June 11              | 30 June 10      | 30 June 11                | 30 June 10     |
|                                                           | AED'000                 | AED'000         | AED'000                   | AED'000        |
| <b>Profit for the period</b>                              | 105,600                 | 86,318          | 54,983                    | 44,531         |
| <b>Other comprehensive income / (loss):</b>               |                         |                 |                           |                |
| Foreign currency translation                              | 3,164                   | (11,378)        | 1,067                     | (7,353)        |
|                                                           | <u>3,164</u>            | <u>(11,378)</u> | <u>1,067</u>              | <u>(7,353)</u> |
| <b>Other comprehensive income / (loss) for the period</b> | <u>3,164</u>            | <u>(11,378)</u> | <u>1,067</u>              | <u>(7,353)</u> |
| Total comprehensive income for the period                 | <u>108,764</u>          | <u>74,940</u>   | <u>56,050</u>             | <u>37,178</u>  |
| <b>Attributable to:</b>                                   |                         |                 |                           |                |
| Owners of the parent                                      | 100,317                 | 74,371          | 52,354                    | 36,168         |
| Non-controlling interest                                  | 8,447                   | 569             | 3,696                     | 1,010          |
|                                                           | <u>108,764</u>          | <u>74,940</u>   | <u>56,050</u>             | <u>37,178</u>  |

## Drake and Scull International PJSC

### Condensed consolidated interim statement of changes in equity (Unaudited)

|                                                         | Share<br>capital<br>AED'000 | Treasury<br>shares<br>AED'000 | Statutory<br>reserve<br>AED'000 | Retained<br>earnings<br>AED'000 | Foreign<br>currency<br>translation<br>reserve<br>AED'000 | Total<br>AED'000 | Non-<br>controlling<br>interest<br>AED'000 | Total<br>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                                   | -                           | -                             | -                               | 85,749                          | -                                                        | 85,749           | 569                                        | 86,318           |
| Other comprehensive loss for the period                 | -                           | -                             | -                               | -                               | (11,378)                                                 | (11,378)         | -                                          | (11,378)         |
| <b>Total comprehensive income/(loss) for the period</b> | -                           | -                             | -                               | <b>85,749</b>                   | <b>(11,378)</b>                                          | <b>74,371</b>    | <b>569</b>                                 | <b>74,940</b>    |
| <b>Transactions with owners</b>                         |                             |                               |                                 |                                 |                                                          |                  |                                            |                  |
| Dividends                                               | -                           | -                             | -                               | (150,176)                       | -                                                        | (150,176)        | -                                          | (150,176)        |
| Directors' fee                                          | -                           | -                             | -                               | (1,200)                         | -                                                        | (1,200)          | -                                          | (1,200)          |
| <b>Balance at 30 June 2010</b>                          | <b>2,177,778</b>            | <b>(28,622)</b>               | <b>33,654</b>                   | <b>235,109</b>                  | <b>(18,088)</b>                                          | <b>2,399,831</b> | <b>39,156</b>                              | <b>2,438,987</b> |

The notes on pages 8 to 19 are an integral part of these condensed consolidated interim financial information.

## Drake and Scull International PJSC

### Condensed consolidated interim statement of changes in equity (Unaudited) (continued)

|                                                               | Share capital<br>AED'000 | Treasury shares<br>AED'000 | Statutory reserve<br>AED'000 | Retained earnings<br>AED'000 | Foreign currency translation reserve<br>AED'000 | Total<br>AED'000 | Non-controlling interest<br>AED'000 | Total<br>AED'000 |
|---------------------------------------------------------------|--------------------------|----------------------------|------------------------------|------------------------------|-------------------------------------------------|------------------|-------------------------------------|------------------|
| Balance at 1 January 2011                                     | 2,177,778                | (28,622)                   | 49,116                       | 279,838                      | (8,443)                                         | 2,469,667        | 72,097                              | 2,541,746        |
| Profit for the period                                         | -                        | -                          | -                            | 97,153                       | -                                               | 97,153           | 8,447                               | 105,600          |
| Other comprehensive income for the period                     | -                        | -                          | -                            | -                            | 3,164                                           | 3,164            | -                                   | 3,164            |
| <b>Total comprehensive income for the period</b>              | -                        | -                          | -                            | <b>97,153</b>                | <b>3,164</b>                                    | <b>100,317</b>   | <b>8,447</b>                        | <b>108,764</b>   |
| <b>Transactions with owners</b>                               |                          |                            |                              |                              |                                                 |                  |                                     |                  |
| Dividends                                                     | -                        | -                          | -                            | -                            | -                                               | -                | (8,568)                             | (8,568)          |
| Non-controlling interest arising on business combinations     | -                        | -                          | -                            | -                            | -                                               | -                | 1,897                               | 1,897            |
| Non-controlling interest contribution to subsidiary's capital | -                        | -                          | -                            | -                            | -                                               | -                | 601                                 | 601              |
| <b>At 30 June 2011</b>                                        | <b>2,177,778</b>         | <b>(28,622)</b>            | <b>49,116</b>                | <b>376,991</b>               | <b>(5,279)</b>                                  | <b>2,569,984</b> | <b>74,474</b>                       | <b>2,644,458</b> |

The notes on pages 8 to 19 are an integral part of these condensed consolidated interim financial information.

# Drake and Scull International PJSC

## Condensed consolidated interim statement of cash flows for the six-month period ended 30 June 2011

|                                                                                                       |      | <u>Six months ended</u>              |                                      |
|-------------------------------------------------------------------------------------------------------|------|--------------------------------------|--------------------------------------|
|                                                                                                       | Note | 30 June 11<br>(Unaudited)<br>AED'000 | 30 June 10<br>(Unaudited)<br>AED'000 |
| <b>Operating activities</b>                                                                           |      |                                      |                                      |
| Profit for the period before tax                                                                      |      | 108,299                              | 84,239                               |
| Adjustments for:                                                                                      |      |                                      |                                      |
| Depreciation                                                                                          |      | 24,679                               | 14,589                               |
| Amortisation of intangible assets                                                                     |      | 16,778                               | 16,778                               |
| Change in fair value of financial assets at fair value through profit and loss                        |      | 1,479                                | 63                                   |
| Provision for employees' end of service benefits                                                      |      | 6,043                                | 6,534                                |
| Management fee expense                                                                                |      | 7,400                                | 7,400                                |
| Finance income - net                                                                                  |      | (13,321)                             | (17,426)                             |
| Operating cash flows before working capital changes and payment of employees' end of service benefits |      | 151,357                              | 112,177                              |
| Payment for employees' end of service benefits                                                        |      | (3,879)                              | (2,781)                              |
| Changes in working capital:                                                                           |      |                                      |                                      |
| Development properties                                                                                |      | (2,382)                              | (3,843)                              |
| Inventories                                                                                           |      | 1,310                                | (6,294)                              |
| Trade and other receivables, excluding loans and advances                                             |      | (420,297)                            | 16,960                               |
| Due from related parties                                                                              |      | 14,861                               | (15,825)                             |
| Trade and other payables                                                                              |      | 489,531                              | (184,783)                            |
| Due to related parties                                                                                |      | (55,659)                             | (49,431)                             |
| Income tax paid                                                                                       |      | (2,703)                              | (2,089)                              |
| Net cash provided by / (used in) operating activities                                                 |      | 172,139                              | (135,909)                            |
| <b>Investing activities</b>                                                                           |      |                                      |                                      |
| Purchase of property, plant and equipment                                                             |      | (83,647)                             | (6,675)                              |
| Proceeds from disposal of property, plant and equipment                                               |      | -                                    | 846                                  |
| Acquisition of intangibles                                                                            |      | -                                    | (36,745)                             |
| Investments                                                                                           |      | 168,565                              | (3,285)                              |
| Loans and advances                                                                                    |      | 20,065                               | (61,908)                             |
| Interest received                                                                                     |      | 18,613                               | 84,070                               |
| Net cash flow on business combination                                                                 |      | (98,803)                             | 398                                  |
| Net cash provided by / (used in) investing activities                                                 |      | 24,793                               | (23,299)                             |
| <b>Financing activities</b>                                                                           |      |                                      |                                      |
| Movement in time deposits under lien                                                                  |      | 211,306                              | (43,836)                             |
| Dividends paid                                                                                        |      | -                                    | (150,176)                            |
| Director's fee paid                                                                                   |      | -                                    | (1,200)                              |
| Net movement in bank borrowings                                                                       |      | (129,638)                            | (12,924)                             |
| Interest paid                                                                                         |      | (12,680)                             | (11,032)                             |
| Net cash provided by / (used in) financing activities                                                 |      | 68,988                               | (219,168)                            |
| <b>Net increase / (decrease) in cash and cash equivalents</b>                                         |      | 265,920                              | (378,376)                            |
| Net foreign currency translation difference                                                           |      | (5,084)                              | (24,933)                             |
| Cash and cash equivalents at beginning of period                                                      |      | 40,120                               | 743,214                              |
| <b>Cash and cash equivalents at end of period</b>                                                     | 7    | 300,956                              | 339,905                              |

# Drake and Scull International PJSC

## Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2011

### 1 General information

Drake and Scull International PJSC (“the Company” or “the Parent Company”) and its subsidiaries (together “the Group”) was incorporated on 17 November 2008 and 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 principal activities of the Company are carrying out contracting work relating to the construction industry, such as electrical, plumbing, air conditioning and sanitation work in the Middle East, Europe, Asia and North Africa region.

The Company’s registered head office is PO Box 65794, Dubai, United Arab Emirates.

The Company and its following directly or indirectly wholly owned subsidiaries are referred to as “the Group” in the condensed consolidated interim financial information:

| <i>Major Subsidiaries</i>                                                                    | <i>Principal activities</i>                                                 | <i>Shareholding %</i> |             | <i>Country of incorporation</i> |
|----------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|-----------------------|-------------|---------------------------------|
|                                                                                              |                                                                             | <i>2011</i>           | <i>2010</i> |                                 |
| Drake & Scull International LLC (Abu Dhabi)                                                  | Contracting work relating to construction industry                          | 100                   | 100         | UAE                             |
| Gulf Technical Construction Company LLC                                                      | Mechanical, electrical and civil construction work                          | 80                    | 80          | UAE                             |
| Drake & Scull International for Electrical Contracting WLL                                   | Electrical contracting and repairing work relating to construction industry | 75                    | 75          | Kuwait                          |
| Drake & Scull International (Qatar) WLL                                                      | Contracting work relating to construction industry                          | 100                   | 100         | Qatar                           |
| Passavant Engineering Limited                                                                | Holding company                                                             | 100                   | 100         | BVI                             |
| Passavant Roediger GmbH and its subsidiaries (a subsidiary of Passavant Engineering Limited) | Developing waste water, water and sludge treatment plants                   | 100                   | 100         | Germany                         |
| Drake & Scull International (Thailand) Limited                                               | Contracting work relating to construction industry                          | 100                   | 100         | Thailand                        |
| Drake & Scull International WLL                                                              | Contracting work relating to construction industry                          | 65                    | 65          | Saudi Arabia                    |
| Drake & Scull International for Contracting SAE                                              | Contracting work relating to construction industry                          | 100                   | 100         | Egypt                           |

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

## **Drake and Scull International PJSC**

### **Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2011 (continued)**

#### **2 Basis of preparation and accounting policies**

##### **Basis of preparation**

The condensed consolidated interim financial information for the six-month period ended 30 June 2011 has been prepared in accordance with IAS 34 'Interim Financial Reporting'. This condensed consolidated interim financial information does not include all the information required for annual financial statements and should be read in conjunction with the audited consolidated financial statements of the Group at and for the year ended 31 December 2010, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The condensed consolidated interim financial information has been prepared under the historical cost convention, except for financial assets at fair value through profit and loss.

- a) Standards, interpretations and amendments effective in 2011
  - IAS 24 (amendment), 'Related party disclosures' (effective 1 January 2011)

Management has assessed the impact of the above amendment on the Group's condensed consolidated interim financial information and has concluded that the effect on the Group's condensed consolidated interim financial information is not likely to be material.

- b) Standards, interpretations and amendments to published standards that are not yet effective and have not been early adopted
  - IFRS 9, 'Financial instruments' (effective 1 January 2013)

While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted. The Group is considering the implications of the standard, the impact on the condensed consolidated interim financial information of the Group and the timing of its adoption.

##### **Basis of consolidation**

The condensed consolidated interim financial information at and for the six-month period ended 30 June 2011 comprises results of the Group. The condensed interim financial information of the subsidiaries are 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.

## **Drake and Scull International PJSC**

### **Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2011 (continued)**

#### **2 Basis of preparation and accounting policies (continued)**

##### **Significant accounting policies**

The Group has consistently applied the accounting policies and methods of computation used in the preparation of the last published annual consolidated financial statements for the year ended 31 December 2010.

##### **Estimates and judgements**

The preparation of 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 these condensed consolidated interim financial information, the significant judgements made by 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 as at and for the year ended 31 December 2010.

##### **Financial risk management**

The Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial statements as at and for the year ended 31 December 2010.

#### **3 Segment reporting**

Information regarding the Group's operating segments is set out below in accordance with IFRS 8 Operating Segments. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

##### **Business segments**

For management purpose, the Group is organised into business units based on their services and has three reportable operating business segments; MEP, IWP and Civil.

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

The IWP segment carries out contracting work relating to the construction industry, such as infrastructure, water treatment plants, district cooling plants and power plants.

The Civil works segment carries out contracting work relating to the construction industry, such as property construction, sanitation work and real estate activities.

##### **Geographical segments**

The Chief Operating decision maker of the Group ("Executive Management") considers the geographical distribution of the Group's operations into two main segments; UAE and Others. The Group is presently engaged in carrying out contracting work relating to the construction industry mainly in the United Arab Emirates, Saudi Arabia, Kuwait, Qatar, Egypt, Oman, Germany, Syria and Thailand.

**Notes to the condensed consolidated interim financial information  
for the six-month period ended 30 June 2011 (continued)**

## Information about business segments

[illegible]

## Drake and Scull International PJSC

### Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2011 (continued)

#### 3 Operating segments (continued)

##### Information about geographical segments All figures in AED'000

|                                 | UAE                                                     | Others  | Inter<br>segment<br>elimination | Total     |                               | UAE                                                     | Others  | Inter<br>segment<br>elimination | Total     |
|---------------------------------|---------------------------------------------------------|---------|---------------------------------|-----------|-------------------------------|---------------------------------------------------------|---------|---------------------------------|-----------|
|                                 | For the six-month period ended 30 June 2011 (Unaudited) |         |                                 |           |                               | For the six-month period ended 30 June 2010 (Unaudited) |         |                                 |           |
| Revenue from external customers | 676,624                                                 | 707,137 | -                               | 1,383,761 |                               | 576,146                                                 | 221,857 | -                               | 798,003   |
|                                 |                                                         |         |                                 |           |                               |                                                         |         |                                 |           |
| Non-current assets              | 1,872,892                                               | 131,172 | (328,966)                       | 1,675,098 | At 30 June 2011 (Unaudited)   | 1,746,957                                               | 36,360  | (186,226)                       | 1,597,091 |
|                                 |                                                         |         |                                 |           | At 31 December 2010 (Audited) |                                                         |         |                                 |           |

## Drake and Scull International PJSC

### Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2011 (continued)

#### 4 Business combination

##### *Acquisition of International Center for Contracting Co. Ltd (ICCC)*

During the period, the Group acquired 100% shareholding in ICCC (a limited liability company incorporated in the Kingdom of Saudi Arabia) effective from 1 January 2011.

The Group has provisionally recorded tangible assets and liabilities at the value they were carried in the books of ICCC, which approximate their fair values, prior to the transfer, as summarised below:

|                                            | Carrying value<br>AED'000 |
|--------------------------------------------|---------------------------|
| <b>Assets</b>                              |                           |
| Property, plant and equipment              | 80,444                    |
| Trade and other receivables                | 149,472                   |
| Due from related parties                   | 5,387                     |
| Cash and bank balances                     | 26,495                    |
| Total tangible assets                      | <u>261,798</u>            |
| <b>Liabilities</b>                         |                           |
| Employees' end of service benefits         | (7,662)                   |
| Trade and other payables                   | (180,206)                 |
| Due to related parties                     | (287)                     |
| Bank borrowings                            | (11,514)                  |
|                                            | <u>(199,669)</u>          |
| Equity minority interest                   | (1,988)                   |
| Total liabilities                          | <u>(201,657)</u>          |
| Book value of net tangible assets acquired | <u>60,141</u>             |
| Total consideration                        | 125,298                   |
| Net assets acquired (as above)             | <u>(60,141)</u>           |
| Goodwill                                   | <u>65,157</u>             |
| <i>Cash flow on acquisition</i>            |                           |
| Net cash acquired on business combination  | 26,495                    |
| Less: paid on acquisition                  | (125,298)                 |
| Net cash flow                              | <u>(98,803)</u>           |

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

## Drake and Scull International PJSC

### Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2011 (continued)

#### 4 Business combination (continued)

##### *Acquisition of International Center for Contracting Co. Ltd (ICCC) (continued)*

ICCC has contributed AED 83,111 thousand to the revenue of the Group and AED 3,594 thousand to the net profit of the Group since acquisition to 30 June 2011.

#### 5 Property, plant and equipment

In addition to the property, plant and equipment acquired through the acquisition of ICCC (Note 4), the Group's property, plant and equipment increased by AED 83,647 thousand during the six-month period ended 30 June 2011. The additions mainly belong to the expenditures on capital work-in-progress of AED 51,796 thousand and acquisition of land of AED 5,474 thousand.

#### 6 Trade and other receivables

|                                        | 30 June<br>2011<br>AED'000<br>(Unaudited) | 31 December<br>2010<br>AED'000<br>(Audited) |
|----------------------------------------|-------------------------------------------|---------------------------------------------|
| <b>Non-current</b>                     |                                           |                                             |
| Contract receivables and retentions    | 22,954                                    | 41,138                                      |
| Loans and advances                     | 33,929                                    | 33,929                                      |
| Prepayments                            | 5,427                                     | 14,846                                      |
|                                        | <u>62,310</u>                             | <u>89,913</u>                               |
| <b>Current</b>                         |                                           |                                             |
| Contract receivables and retentions    | 1,432,017                                 | 1,295,905                                   |
| Less: provision for impairment         | (51,819)                                  | (29,790)                                    |
|                                        | <u>1,380,198</u>                          | <u>1,266,115</u>                            |
| Amount due from customers on contracts | 845,525                                   | 621,912                                     |
| Loans and advances                     | 167,409                                   | 187,474                                     |
| Prepayments and other receivables      | 423,346                                   | 163,104                                     |
|                                        | <u>2,816,478</u>                          | <u>2,238,605</u>                            |

#### 7 Cash and cash equivalents

|                        | 30 June<br>2011<br>AED'000<br>(Unaudited) | 31 December<br>2010<br>AED'000<br>(Unaudited) |
|------------------------|-------------------------------------------|-----------------------------------------------|
| Cash on hand           | 4,427                                     | 2,731                                         |
| Cash at bank           | 241,627                                   | 87,872                                        |
| Time deposits          | 354,063                                   | 531,547                                       |
| Cash and bank balances | <u>600,117</u>                            | <u>622,150</u>                                |

## Drake and Scull International PJSC

### Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2011 (continued)

#### 7 Cash and cash equivalents (continued)

For the purpose of statement of cash flows, cash and cash equivalents include the following;

|                                | 30 June<br>2011<br>AED'000<br>(Unaudited) | 30 June<br>2010<br>AED'000<br>(Unaudited) |
|--------------------------------|-------------------------------------------|-------------------------------------------|
| Cash and bank balances         | 600,117                                   | 762,095                                   |
| Less: Time deposits under lien | (261,373)                                 | (371,081)                                 |
| Bank overdrafts                | (37,788)                                  | (51,109)                                  |
|                                | <u>300,956</u>                            | <u>339,905</u>                            |

#### 8 Bank borrowings

The Group has obtained bank borrowings (including bank overdrafts) from several commercial banks, mainly to fund the acquisition of new businesses and to meet other working capital requirements.

|                                     | 30 June<br>2011<br>AED'000<br>(Unaudited) | 31 December<br>2010<br>AED'000<br>(Audited) |
|-------------------------------------|-------------------------------------------|---------------------------------------------|
| <b>Non-current</b>                  |                                           |                                             |
| Term loan                           | <u>85,991</u>                             | <u>2,149</u>                                |
| <b>Current</b>                      |                                           |                                             |
| Term loan                           | 382,151                                   | 567,597                                     |
| Trust receipts and other borrowings | 93,752                                    | 110,272                                     |
| Bank overdrafts                     | <u>37,788</u>                             | <u>109,351</u>                              |
|                                     | <u>513,691</u>                            | <u>787,220</u>                              |

The Group obtained the following facilities during the quarter ended 30 June 2011;

|        | Currency | Total loan<br>facility<br>AED'000 | Amount<br>withdrawn<br>AED'000 | Undrawn<br>facility<br>AED'000 |
|--------|----------|-----------------------------------|--------------------------------|--------------------------------|
| Loan A | USD      | 55,193                            | 55,193                         | -                              |
| Loan B | AED      | 40,000                            | 40,000                         | -                              |
| Loan C | AED      | 100,000                           | 35,864                         | 64,136                         |
| Loan D | OMR      | 9,537                             | 2,613                          | 6,924                          |
|        |          | <u>204,730</u>                    | <u>133,670</u>                 | <u>71,060</u>                  |

## Drake and Scull International PJSC

### Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2011 (continued)

#### 8 Bank borrowings (continued)

Loan A: This represents loan of USD 15 million obtained to partly finance the business acquisitions. The loan carries interest at variable rates of three months LIBOR plus 3.75% per annum and is repayable within 36 months.

Loan B: This represents loan of AED 40 million obtained to finance the working capital requirements and investments. This loan carries interest at variable rates of EIBOR plus 2.5% per annum and is repayable within 12 months. This loan is secured by pledge of property.

Loan C: This represents loan of AED 100 million obtained to finance the expenditures on capital work-in-progress. This loan carries interest at variable rates of EIBOR plus 4% per annum and is repayable within 60 months.

Loan D: This represents loan of OMR 1 million obtained to facilitate construction of a new labour camp on the labour camp property. This loan carries interest at variable rates of marginal cost of funds plus 4% per annum and is repayable in 72 months.

#### 9 Trade and other payables

|                                      | 30 June<br>2011  | 31 December<br>2010 |
|--------------------------------------|------------------|---------------------|
| Accounts payable and accruals        | 1,190,321        | 963,271             |
| Amount due to customers on contracts | 102,800          | 97,246              |
| Advances from customers              | 675,464          | 238,283             |
|                                      | <u>1,968,585</u> | <u>1,298,800</u>    |

#### 10 Related party transactions and balances

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Related parties comprise the major shareholders, key management personnel, directors of the Board and their related companies. 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's management, or its Board of Directors.

Balances and transactions between the Company and its subsidiaries are eliminated on consolidation and are not disclosed in this note. Details of balances and transactions between the Group and other related parties during the period are as follows:

##### Related party transactions

The Group had the following transactions with Drake & Scull Group (DSG), an entity owned by the Chief Executive Officer of the Company:

From 1 January 2011 to 30 June 2011

- The Group has acquired 50% of ICCG from DSG and the remaining 50% has been acquired from third parties (Note 4).

# Drake and Scull International PJSC

## Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2011 (continued)

### 10 Related party transactions and balances (continued)

From 1 January 2010 to 30 June 2010

- The Group acquired 49% of Drake & Scull International (Qatar) WLL from parties who were beneficially holding the interest on behalf of DSG and the remaining 51% were acquired from third parties.

The other significant related party transactions primarily include management fees charged by DSG amounting to AED 7,400 thousand (2010: AED 7,400 thousand).

The outstanding balances with related parties are given below:

#### Due from related parties:

|                     | 30 June<br>2011<br>AED'000<br>(Unaudited) | 31 December<br>2010<br>AED'000<br>(Audited) |
|---------------------|-------------------------------------------|---------------------------------------------|
| Joint venture       | 10,393                                    | 17,848                                      |
| Affiliated entities | 2,827                                     | 5,861                                       |
|                     | <u>13,220</u>                             | <u>23,709</u>                               |

#### Due to related parties:

|                       |                |                |
|-----------------------|----------------|----------------|
| Drake and Scull Group | 114,155        | 183,024        |
| Affiliated entities   | 19,894         | 6,397          |
|                       | <u>134,049</u> | <u>189,421</u> |

#### Compensation of key management personnel

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

|                                    | <u>Six months ended</u>              |                                      | <u>Three months ended</u>            |                                      |
|------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
|                                    | 30 June 11<br>(Unaudited)<br>AED'000 | 30 June 10<br>(Unaudited)<br>AED'000 | 30 June 11<br>(Unaudited)<br>AED'000 | 30 June 10<br>(Unaudited)<br>AED'000 |
| Short term benefits                | 15,077                               | 16,235                               | 7,736                                | 8,197                                |
| Employees' end of service benefits | 598                                  | 856                                  | 305                                  | 516                                  |
|                                    | <u>15,675</u>                        | <u>17,091</u>                        | <u>8,041</u>                         | <u>8,713</u>                         |

## Drake and Scull International PJSC

### Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2011 (continued)

#### 11 Income tax expense / (credit)

The major components of income tax expense for the period ended 30 June 2011 are:

|                                                               | <u>Six months ended</u> |                | <u>Three months ended</u> |                |
|---------------------------------------------------------------|-------------------------|----------------|---------------------------|----------------|
|                                                               | 30 June 11              | 30 June 10     | 30 June 11                | 30 June 10     |
|                                                               | (Unaudited)             | (Unaudited)    | (Unaudited)               | (Unaudited)    |
|                                                               | AED'000                 | AED'000        | AED'000                   | AED'000        |
| <i>Current income tax expense:</i>                            |                         |                |                           |                |
| Current income tax charge                                     | 1,480                   | 273            | 1,633                     | -              |
| <i>Deferred tax income:</i>                                   |                         |                |                           |                |
| Relating to origination and reversal of temporary differences | 1,219                   | (2,352)        | 166                       | (1,552)        |
|                                                               | <u>2,699</u>            | <u>(2,079)</u> | <u>1,799</u>              | <u>(1,552)</u> |

#### 12 Earnings per share

|                                                                                                             | <u>Six months ended</u> |                      | <u>Three months ended</u> |                      |
|-------------------------------------------------------------------------------------------------------------|-------------------------|----------------------|---------------------------|----------------------|
|                                                                                                             | 30 June 11              | 30 June 10           | 30 June 11                | 30 June 10           |
| <b>Earnings (AED'000)</b>                                                                                   |                         |                      |                           |                      |
| Earnings for the purposes of basic earnings per share being net profit attributable to owners of the parent | 97,153                  | 85,749               | 51,287                    | 43,521               |
| <b>Number of shares</b>                                                                                     |                         |                      |                           |                      |
| Weighted average number of ordinary shares for the purposes of basic earnings per share                     | <u>2,145,377,778</u>    | <u>2,145,377,778</u> | <u>2,145,377,778</u>      | <u>2,145,377,778</u> |
| Basic and diluted earnings per share (AED)                                                                  | <u>0.045</u>            | <u>0.040</u>         | <u>0.024</u>              | <u>0.020</u>         |

#### 13 Contingencies

|                      | 30 June<br>2011<br>AED'000 | 31 December<br>2010<br>AED'000 |
|----------------------|----------------------------|--------------------------------|
| Performance bonds    | 789,270                    | 731,777                        |
| Financial guarantees | 1,173,640                  | 659,074                        |
|                      | <u>1,962,910</u>           | <u>1,390,851</u>               |

## Drake and Scull International PJSC

### Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2011 (continued)

#### 14 Expenditure commitments

|                                                                        | 30 June<br>2011<br>AED'000 | 31 December<br>2010<br>AED'000 |
|------------------------------------------------------------------------|----------------------------|--------------------------------|
| Future minimum lease payments:                                         |                            |                                |
| Within one year                                                        | 16,370                     | 22,115                         |
| After one year but not more than 5 years                               | 544                        | 544                            |
| More than 5 years                                                      | 2,086                      | 1,851                          |
|                                                                        | <u>          </u>          | <u>          </u>              |
| Total operating lease expenditure contracted for at the reporting date | <u>19,000</u>              | <u>24,510</u>                  |

#### 15 Comparatives

Comparative figures have been re-classified, where necessary, to conform to the current period's classification.

Time deposits of AED 83 million has been reclassified from 'Cash and cash equivalents' to 'Held to maturity investments' as it relates to guaranteed structured investments with a bank against a financial guarantee issued by the Company on behalf of one of its subsidiaries.

'Contract receivables and retentions', 'Contract work-in-progress', 'Prepayments and other receivables' and 'Loans and advances' have been classified under 'Trade and other receivables'.

'Accounts payable and accruals', 'Advances received from customers', 'Excess billings' and 'Other payables' have been classified under 'Trade and other payables'.

'Term loans' and 'Due to banks' have been classified under 'Bank borrowings'.

'Investments' have been classified under their respective categories of 'Held to maturity investments', 'Available for sale investments' and 'Financial assets at fair value through profit and loss' on face of the condensed consolidated interim balance sheet.