

Drake and Scull International PJSC

**Condensed consolidated interim financial information
for the nine-month period ended 30 September 2011**

Drake and Scull International PJSC

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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 September 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 nine-month period then ended. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard ("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
3 November 2011

A handwritten signature in dark ink, appearing to read 'Paul Suddaby'.

Paul Suddaby
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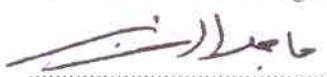
W Hunt, Ali Nasser, P Suddaby and JE Fakheury are registered as practising auditors with the UAE Ministry of Economy

Drake and Scull International PJSC

Condensed consolidated interim balance sheet

	Note	At 30 Sep 11 (Unaudited) AED'000	At 31 Dec 10 (Audited) AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	407,587	249,689
Goodwill and other intangible assets		1,189,530	1,149,435
Trade and other receivables	6	59,737	89,913
Deferred tax assets		12,176	12,132
Held to maturity investments		6,955	89,955
Available for sale investments		15,155	5,967
		<u>1,691,140</u>	<u>1,597,091</u>
Current assets			
Trade and other receivables	6	2,970,844	2,238,605
Held to maturity investments		208,568	312,125
Financial assets at fair value through profit and loss		5,189	6,675
Development properties		48,660	45,315
Inventories		22,296	24,889
Due from related parties	10	18,399	23,709
Cash and cash equivalents	7	621,232	622,150
		<u>3,895,188</u>	<u>3,273,468</u>
Total assets		<u>5,586,328</u>	<u>4,870,559</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Parent			
Share capital		2,177,778	2,177,778
Treasury shares		(28,622)	(28,622)
Statutory reserve		49,116	49,116
Other reserve		24,543	-
Retained earnings		434,497	279,838
Foreign currency translation reserve		(5,694)	(8,443)
		<u>2,651,618</u>	<u>2,469,667</u>
Non-controlling interest		26,651	72,097
Total equity		<u>2,678,269</u>	<u>2,541,764</u>
Non-current liabilities			
Bank borrowings	8	93,902	2,149
Employees' end of service benefits		62,373	49,679
Other payables		115	1,526
		<u>156,390</u>	<u>53,354</u>
Current liabilities			
Trade and other payables	9	2,072,909	1,298,800
Bank borrowings	8	638,898	787,220
Due to related parties	10	39,862	189,421
		<u>2,751,669</u>	<u>2,275,441</u>
Total liabilities		<u>2,908,059</u>	<u>2,328,795</u>
Total equity and liabilities		<u>5,586,328</u>	<u>4,870,559</u>

The condensed consolidated interim financial information was approved by the Board of Directors on 3 November 2011 and signed on its behalf by:


Chairman


Chief Executive Officer

Drake and Scull International PJSC

Condensed consolidated interim income statement for the nine-month period ended 30 September 2011 (Unaudited)

		<u>Nine months ended</u>		<u>Three months ended</u>	
	Note	30 Sep 11 AED'000	30 Sep 10 AED'000	30 Sep 11 AED'000	30 Sep 10 AED'000
Contract revenue		2,230,504	1,230,460	846,743	432,457
Contract costs		(1,901,100)	(991,783)	(723,354)	(360,750)
Gross profit		<u>329,404</u>	<u>238,677</u>	<u>123,389</u>	<u>71,707</u>
Other income		13,274	13,722	875	7,648
Selling, general and administrative expenses		(190,659)	(150,998)	(68,702)	(44,767)
Fair value loss on financial assets at fair value through profit and loss		(1,479)	-	-	-
Operating profit		<u>150,540</u>	<u>101,401</u>	<u>55,562</u>	<u>34,588</u>
Finance income		39,353	37,665	12,774	9,207
Finance costs		(20,334)	(24,832)	(7,075)	(13,800)
Finance income/(costs) – net		<u>19,019</u>	<u>12,833</u>	<u>5,699</u>	<u>(4,593)</u>
Profit for the period before tax		<u>169,559</u>	<u>114,234</u>	<u>61,261</u>	<u>29,995</u>
Income tax (expense) / credit	11	(3,591)	6,222	(892)	4,143
Profit for the period		<u><u>165,968</u></u>	<u><u>120,456</u></u>	<u><u>60,369</u></u>	<u><u>34,138</u></u>
Attributable to:					
Owners of the Parent		154,659	119,744	57,507	33,995
Non-controlling interest		11,309	712	2,862	143
		<u><u>165,968</u></u>	<u><u>120,456</u></u>	<u><u>60,369</u></u>	<u><u>34,138</u></u>
Earnings per share					
- Basic and diluted (AED)	12	<u><u>0.072</u></u>	<u><u>0.056</u></u>	<u><u>0.027</u></u>	<u><u>0.016</u></u>

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Condensed consolidated interim statement of comprehensive income for the nine-month period ended 30 September 2011 (Unaudited)

	<u>Nine months ended</u>		<u>Three months ended</u>	
	30 Sep 11	30 Sep 10	30 Sep 11	30 Sep 10
	AED'000	AED'000	AED'000	AED'000
Profit for the period	165,968	120,456	60,369	34,138
Other comprehensive income / (loss):				
Foreign currency translation	2,749	(664)	(415)	10,714
Other comprehensive income / (loss) for the period	2,749	(664)	(415)	10,714
Total comprehensive income for the period	168,717	119,792	59,954	44,852
Attributable to:				
Owners of the parent	157,408	119,080	57,092	44,709
Non-controlling interest	11,309	712	2,862	143
	168,717	119,792	59,954	44,852

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Condensed consolidated interim statement of changes in equity (Unaudited)

	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	Non-controlling interest AED'000	Total AED'000
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	-	-	-	119,744	-	119,744	712	120,456
Other comprehensive loss for the period	-	-	-	-	(664)	(664)	-	(664)
Total comprehensive income for the period	-	-	-	119,744	(664)	119,080	712	119,792
Transactions with owners								
Dividends	-	-	-	(150,176)	-	(150,176)	-	(150,176)
Non-controlling interest arising on business combinations	-	-	-	-	-	-	233	233
Directors' fee	-	-	-	(1,200)	-	(1,200)	-	(1,200)
At 30 September 2010	2,177,778	(28,622)	33,654	269,104	(7,374)	2,444,540	39,532	2,484,072

The notes on pages 8 to 20 are an integral part of these condensed consolidated interim financial information.

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Condensed consolidated interim statement of changes in equity (continued)

	Share capital AED'000	Treasury shares AED'000	Statutory reserve AED'000	Other reserve AED'000	Retained earnings AED'000	Foreign currency translation reserve AED'000	Total AED'000	Non-controlling interest AED'000	Total AED'000
At 1 January 2011	2,177,778	(28,622)	49,116	-	279,838	(8,443)	2,469,667	72,097	2,541,764
Profit for the period	-	-	-	-	154,659	-	154,659	11,309	165,968
Other comprehensive income for the period	-	-	-	-	-	2,749	2,749	-	2,749
Total comprehensive income for the period	-	-	-	-	154,659	2,749	157,408	11,309	168,717
Transactions with owners									
Dividends	-	-	-	-	-	-	-	(8,568)	(8,568)
Non-controlling interest arising on business combinations	-	-	-	-	-	-	-	1,897	1,897
Non-controlling interest acquired in a subsidiary	-	-	-	24,543	-	-	24,543	(50,805)	(26,262)
Non-controlling interest contribution to subsidiary's capital	-	-	-	-	-	-	-	721	721
At 30 September 2011	2,177,778	(28,622)	49,116	24,543	434,497	(5,694)	2,651,618	26,651	2,678,269

The notes on pages 8 to 20 are an integral part of these condensed consolidated interim financial information.

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Condensed consolidated interim statement of cash flows for the nine-month period ended 30 September 2011

	Note	Nine months ended 30 Sep 2011 (Unaudited) AED'000	Nine months ended 30 Sep 2010 (Unaudited) AED'000
Operating activities			
Profit for the period before tax		169,559	114,234
Adjustments for:			
Depreciation		27,212	21,824
Amortisation of intangible assets		25,166	25,167
Change in fair value of financial assets at fair value through profit and loss		-	(6)
Provision for employees' end of service benefits		12,684	9,358
Management fee expense		11,100	11,100
Finance income - net		(19,019)	(12,833)
Operating cash flows before working capital changes and payment of employees' end of service benefits		226,702	168,844
Payment for employees' end of service benefits		(7,651)	(4,045)
Changes in working capital:			
Development properties		(3,345)	(5,018)
Inventories		2,593	(6,552)
Trade and other receivables, excluding loans and advances		(572,923)	(235,952)
Due from related parties		10,697	20,393
Trade and other payables		584,971	(52,691)
Due to related parties		(149,846)	(47,933)
Income tax paid		(4,429)	(2,089)
Net cash provided by / (used in) operating activities		86,769	(165,043)
Investing activities			
Purchase of property, plant and equipment		(109,601)	(10,950)
Proceeds from disposal of property, plant and equipment		4,936	129
Acquisition of intangibles		-	(36,745)
Investments		178,855	1,056
Loans and advances		22,059	(85,414)
Interest received		26,526	85,250
Net cash flow on business combination		(98,803)	(96,539)
Net cash provided by / (used in) investing activities		23,972	(143,213)
Financing activities			
Movement in time deposits under lien		229,023	(73,022)
Dividends paid		-	(150,176)
Director's fee paid		-	(1,200)
Net movement in bank borrowings		2,126	24,787
Non-controlling interest		(18,465)	-
Interest paid		(18,685)	(24,832)
Net cash provided by / (used in) financing activities		193,999	(224,443)
Net increase / (decrease) in cash and cash equivalents		304,740	(532,699)
Net foreign currency translation difference		(6,427)	(19,744)
Cash and cash equivalents at beginning of period		40,120	743,214
Cash and cash equivalents at end of period	7	338,433	190,771

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Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2011 (continued)

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 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	100	80	UAE
Drake & Scull Water and Power LLC	Developing waste water, water and sludge treatment plants	100	100	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)	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
International Center for Contracting Co. Ltd	Contracting work relating to construction industry	100	-	Saudi Arabia
Drake & Scull International for Contracting SAE	Contracting work relating to construction industry	100	100	Egypt

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Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2011 (continued)

1 General information (continued)

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.

2 Basis of preparation and accounting policies

Basis of preparation

The condensed consolidated interim financial information for the nine-month period ended 30 September 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 nine-month period ended 30 September 2011 comprises results of the Group. The condensed interim financial information of the subsidiaries is prepared for the same reporting period as that of the Company, using consistent accounting policies. All inter-company transactions, profits and balances are eliminated on consolidation.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

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Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 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 three main segments; UAE, Saudi Arabia 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.

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Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2011 (continued)

3 Operating segments (continued)

Information about business segments

All figures in AED'000

	For the nine-month period ended 30 September 2011					For the nine-month period ended 30 September 2010 (Unaudited)						
	MEP	IWP	Civil	Corporate office	Inter segment elimination	Total	MEP	IWP	Civil	Corporate office	Inter segment elimination	Total
Revenue												
External customers	1,027,758	403,736	799,010	-	-	2,230,504	668,529	342,406	219,525	-	-	1,230,460
Internal - segment	106,252	1,960	141,166	-	(249,378)	-	13,918	-	6,142	-	(20,060)	-
	<u>1,134,010</u>	<u>405,696</u>	<u>940,176</u>	<u>-</u>	<u>(249,378)</u>	<u>2,230,504</u>	<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 / (loss)	<u>124,648</u>	<u>22,028</u>	<u>32,907</u>	<u>(13,615)</u>	<u>-</u>	<u>165,968</u>	<u>101,136</u>	<u>19,527</u>	<u>5,031</u>	<u>159</u>	<u>(5,397)</u>	<u>120,456</u>
Depreciation	<u>12,143</u>	<u>2,054</u>	<u>12,297</u>	<u>718</u>	<u>-</u>	<u>27,212</u>	<u>13,991</u>	<u>1,424</u>	<u>6,029</u>	<u>380</u>	<u>-</u>	<u>21,824</u>
Capital expenditure	<u>84,217</u>	<u>3,272</u>	<u>21,021</u>	<u>1,091</u>	<u>-</u>	<u>109,601</u>	<u>5,859</u>	<u>905</u>	<u>2,234</u>	<u>1,952</u>	<u>-</u>	<u>10,950</u>
	At 30 September 2011						At 31 December 2010 (Audited)					
Segment assets	<u>1,643,331</u>	<u>653,357</u>	<u>1,309,610</u>	<u>2,842,225</u>	<u>(862,195)</u>	<u>5,586,328</u>	<u>1,500,600</u>	<u>591,211</u>	<u>707,376</u>	<u>2,838,419</u>	<u>(767,047)</u>	<u>4,870,559</u>

Drake and Scull International PJSC

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2011 (continued)

3 Operating segments (continued)

Information about geographical segments
All figures in AED'000

	For the nine-month period ended 30 September 2011									
	UAE	Saudi Arabia	Others	Inter segment elimination	Total	UAE	Others	Inter segment elimination	Total	
Revenue from external customers	933,209	877,197	420,098	-	2,230,504	913,128	317,332	-	1,230,460	
At 30 September 2011										
Non-current assets	1,902,245	106,425	39,480	(357,010)	1,691,140	1,746,957	36,360	(186,226)	1,597,091	

Drake and Scull International PJSC

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2011 (continued)

4 Business combination

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

During the first quarter, 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 AED'000
Assets	
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>
Liabilities	
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	<u>(125,298)</u>
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. It 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 nine-month period ended 30 September 2011 (continued)

4 Business combination (continued)

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

ICCC has contributed AED 126,597 thousand to the revenue of the Group and AED 5,816 thousand to the net profit of the Group since acquisition to 30 September 2011.

(b) Acquisition of non-controlling interest in a subsidiary

During the third quarter 2011, the Group has acquired the remaining 20% of the shares related to the non-controlling interest in one of its subsidiary, Gulf Technical Construction Company LLC (GTCC). The fair value of the net identifiable assets of GTCC was AED 160 million. The shares were owned equally by two individuals. The Group paid one of the shareholders fully in cash and to pay the other shareholder partially in cash and settle the remaining balance for 6% shares in another subsidiary, Drake and Scull Construction LLC (a wholly owned subsidiary of the Group). The difference of AED 24,543 thousand between the total consideration paid / equity transferred and the carrying amount of non-controlling interest has been credited to other reserve under the statement of changes in equity.

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 109,601 during the nine-month period ended 30 September 2011. The additions mainly relate to on capital work-in-progress of AED 68,656 thousand and purchase of plant and equipment of AED 22,326 thousand.

6 Trade and other receivables

	30 September 2011 AED'000	31 December 2010 AED'000 (Audited)
Non-current		
Contract receivables and retentions	17,199	41,138
Loans and advances	38,468	33,929
Prepayments	4,070	14,846
	<u>59,737</u>	<u>89,913</u>
Current		
Contract receivables and retentions	1,444,184	1,295,905
Less: provision for impairment	(51,630)	(29,790)
	<u>1,392,554</u>	<u>1,266,115</u>
Amount due from customers on contracts	1,005,713	621,912
Loans and advances	160,876	187,474
Prepayments and other receivables	411,701	163,104
	<u>2,970,844</u>	<u>2,238,605</u>

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Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2011 (continued)

7 Cash and cash equivalents

	30 September 2011 AED'000 (Unaudited)	31 December 2010 AED'000 (Audited)
Cash on hand	4,600	2,731
Cash at bank	299,773	170,872
Time deposits	316,859	448,547
Cash and bank balances	<u>621,232</u>	<u>622,150</u>

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

	30 September 2011 AED'000 (Unaudited)	30 September 2010 AED'000 (Unaudited)
Cash and bank balances	621,232	671,793
Less: Time deposits under lien	(243,656)	(400,267)
Bank overdrafts	(39,143)	(80,755)
	<u>338,433</u>	<u>190,771</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 September 2011 AED'000 (Unaudited)	31 December 2010 AED'000 (Audited)
Non-current		
Term loan	<u>93,902</u>	<u>2,149</u>
Current		
Term loan	484,855	567,597
Trust receipts and other borrowings	114,900	110,272
Bank overdrafts	39,143	109,351
	<u>638,898</u>	<u>787,220</u>

Drake and Scull International PJSC

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2011 (continued)

8 Bank borrowings (continued)

The Group obtained the following loans during the nine-month period ended 30 September 2011:

	Currency	Total loan facility AED'000	Amount withdrawn AED'000	Undrawn facility AED'000
Loan A	USD	55,193	55,193	-
Loan B	AED	12,500	12,500	-
Loan C	AED	100,000	35,864	64,136
Loan D	OMR	9,537	2,613	6,924
Loan E	AED	128,555	128,555	-
Loan F	USD	30,845	30,845	-
Loan G	AED	18,000	18,000	-
		<u>354,630</u>	<u>283,570</u>	<u>71,060</u>

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

Loan B: This represents loan of AED 12.5 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 a property.

Loan C: This represents loan of AED 100 million obtained to finance the capital work-in-progress expenditure. 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. This loan carries interest at variable rate of marginal cost of funds plus 4% per annum and is repayable in 72 months.

Loan E: This represents a loan of AED 128,555 thousand obtained to partly finance acquisitions. The loan carries interest at variable rate of three months EIBOR plus 3.3% per annum with a minimum limit of 4% per annum and is repayable within 36 months. The loan is secured against the cross corporate guarantee of Drake and Scull International LLC (Abu Dhabi), Drake and Scull International (Qatar) WLL, Drake and Scull International WLL (Saudi Arabia) and International Center for Contracting Co. Ltd.

Loan F: This represents the extended loan facility of AED 30,845 thousand on an existing loan from a local bank. This is a short term loan, carrying an interest rate of 2.06% and is repayable in 12 months.

Loan G: This represents the bank overdraft on project facilities converted into a short term loan carrying an interest rate of 8.5% and is repayable in 12 monthly instalments. As at 30 September 2011, the majority of this facility has been repaid.

Drake and Scull International PJSC

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2011 (continued)

9 Trade and other payables

	30 September 2011 AED'000 (Unaudited)	31 December 2010 AED'000 (Audited)
Accounts payable and accruals	1,361,546	963,271
Amount due to customers on contracts	65,008	97,246
Advances from customers	646,355	238,283
	<u>2,072,909</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 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 September 2011

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

From 1 January 2010 to 30 September 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 11,100 thousand (2010: AED 11,100 thousand) and the acquisition of non-controlling interest in Gulf Technical Construction Company LLC (Note 4).

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Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2011 (continued)

10 Related party transactions and balances (continued)

The outstanding balances with related parties are given below:

Due from related parties:

	30 September 2011 AED'000 (Unaudited)	31 December 2010 AED'000 (Audited)
Joint venture	15,603	17,848
Affiliated entities	2,796	5,861
	<u>18,399</u>	<u>23,709</u>

Due to related parties:

Drake and Scull Group	24,517	183,024
Affiliated entities	15,345	6,397
	<u>39,862</u>	<u>189,421</u>

Compensation of key management personnel

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

	<u>Nine months ended</u>		<u>Three months ended</u>	
	30 Sep 11 (Unaudited) AED'000	30 Sep 10 (Unaudited) AED'000	30 Sep 11 (Unaudited) AED'000	30 Sep 10 (Unaudited) AED'000
Short term benefits	24,121	23,787	9,044	7,552
Employees' end of service benefits	1,289	1,154	691	486
	<u>25,410</u>	<u>24,941</u>	<u>9,735</u>	<u>8,038</u>

Drake and Scull International PJSC

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2011 (continued)

11 Income tax expense / (credit)

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

	<u>Nine months ended</u>		<u>Three months ended</u>	
	30 Sep 11	30 Sep 10	30 Sep 11	30 Sep 10
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	AED'000	AED'000	AED'000	AED'000
<i>Current income tax expense:</i>				
Current income tax charge	62	273	(1,418)	-
<i>Deferred tax income:</i>				
Relating to origination and reversal of temporary differences	3,529	(6,495)	2,310	(4,143)
	<u>3,591</u>	<u>(6,222)</u>	<u>892</u>	<u>(4,143)</u>

12 Earnings per share

	<u>Nine months ended</u>		<u>Three months ended</u>	
	30 Sep 11	30 Sep 10	30 Sep 11	30 Sep 10
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Earnings (AED'000)				
Earnings for the purposes of basic earnings per share being net profit attributable to owners of the parent	154,659	119,744	57,507	33,995
Number of shares				
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>0.072</u>	<u>0.056</u>	<u>0.027</u>	<u>0.016</u>

13 Contingencies

	30 September 2011 AED'000	31 December 2010 AED'000
Performance bonds	831,894	731,777
Financial guarantees	1,294,359	659,074
	<u>2,126,253</u>	<u>1,390,851</u>

Drake and Scull International PJSC

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2011 (continued)

14 Expenditure commitments

	30 September 2011 AED'000	31 December 2010 AED'000
Future minimum lease payments:		
Within one year	12,275	22,115
After one year but not more than 5 years	1,503	544
More than 5 years	1,742	1,851
Total operating lease expenditure contracted for at the reporting date	15,520	24,510

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.