

Drake and Scull International PJSC

**Condensed consolidated interim financial information (Unaudited)
for the three-month period ended 31 March 2012**

Drake and Scull International PJSC

Condensed consolidated interim financial information for the three-month period ended 31 March 2012

	Pages
Report on review of condensed consolidated interim financial information	1
Interim consolidated balance sheet	2
Interim consolidated income statement	3
Interim consolidated statement of comprehensive income	4
Interim consolidated statement of changes in equity	5
Interim consolidated statement of cash flows	6 - 7
Notes to the condensed consolidated interim financial information	8 - 20



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

Introduction

We have reviewed the accompanying consolidated interim balance sheet of Drake and Scull International PJSC ("the PJSC") and its subsidiaries (collectively referred to as the "Group") as of 31 March 2012 and the related interim consolidated income statement, comprehensive income, changes in equity and cash flows for the three-month period then ended. Management is responsible for the preparation and presentation of this consolidated condensed interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting." Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting."

PricewaterhouseCoopers
14 May 2012

A handwritten signature in black ink, appearing to read "Paul Suddaby".

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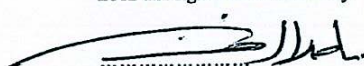
W Hunt, AH Nasser, P Suddaby and JE Fakhoury are registered as practising auditors with the UAE Ministry of Economy

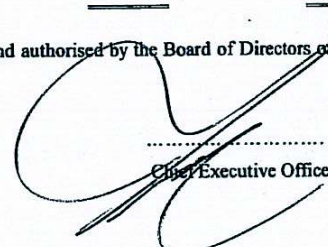
Drake and Scull International PJSC

Interim consolidated balance sheet

		31 March 2012 (Unaudited) AED '000	31 December 2011 (Audited) AED '000
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment	4	464,387	423,412
Intangible assets		1,164,531	1,173,969
Deferred income tax assets		12,745	12,374
Available-for-sale financial assets		19,493	24,707
Held to maturity investments		31,962	27,978
Trade and other receivables	5	255,490	332,674
		<u>1,948,608</u>	<u>1,995,114</u>
Current assets			
Inventories		20,667	26,163
Development properties		52,254	50,932
Trade and other receivables	5	2,971,085	2,901,110
Due from related parties	6	29,742	25,466
Held-to-maturity investments		67,830	211,221
Financial assets at fair value through profit or loss		6,738	5,189
Cash and bank balances	7	345,301	525,487
		<u>3,493,617</u>	<u>3,745,568</u>
Total assets		<u>5,442,225</u>	<u>5,740,682</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		73,753	73,753
Other reserve		24,543	24,543
Retained earnings		484,215	446,639
Foreign currency translation reserve		(7,491)	(8,778)
		<u>2,724,176</u>	<u>2,685,313</u>
Non-controlling interests		<u>37,431</u>	<u>32,244</u>
Total equity		<u>2,761,607</u>	<u>2,717,557</u>
LIABILITIES			
Non-current liabilities			
Bank borrowings	8	154,527	106,398
Deferred income tax liabilities		4,471	3,842
Employees' end of service benefits		68,800	65,108
Other payables		2,765	1,329
		<u>230,563</u>	<u>176,677</u>
Current liabilities			
Trade and other payables		1,982,210	2,080,884
Bank borrowings	8	445,640	722,470
Due to related parties	6	22,205	43,094
		<u>2,450,055</u>	<u>2,846,448</u>
Total liabilities		<u>2,680,618</u>	<u>3,023,125</u>
Total equity and liabilities		<u>5,442,225</u>	<u>5,740,682</u>

The condensed consolidated interim financial information were approved and authorised by the Board of Directors on 14 May 2012 and signed on its behalf by:


Chairman


Chief Executive Office

The notes on pages 8 to 20 form an integral part of these condensed consolidated interim financial information (2)

Drake and Scull International PJSC

Interim consolidated income statement

	Note	Three months ended	
		31 March 2012 AED'000	31 March 2011 AED'000
Contract revenue		776,706	645,060
Contract costs		(667,387)	(544,399)
Gross profit		109,319	100,661
Other income		4,415	7,702
General and administrative expenses		(71,865)	(61,577)
Fair value loss on financial assets at fair value through profit or loss		(3,665)	-
Operating profit		38,204	46,786
Finance income		11,781	15,482
Finance costs		(3,106)	(10,751)
Finance income – net		8,675	4,731
Profit for the period before tax		46,879	51,517
Income tax expense	9	(4,228)	(900)
Profit for the period		42,651	50,617
Attributable to:			
Owners of the Parent		37,576	45,866
Non-controlling interests		5,075	4,751
		42,651	50,617
Earnings per share			
- Basic and diluted (AED)	10	0.0175	0.021

Drake and Scull International PJSC

Interim consolidated statement of comprehensive income

	<u>Three months ended</u>	
	31 March 2012 AED'000	31 March 2011 AED'000
Profit for the period	42,651	50,617
Other comprehensive income:		
Foreign currency translation	1,287	2,097
Other comprehensive income for the period	<u>1,287</u>	<u>2,097</u>
Total comprehensive income for the period	<u><u>43,938</u></u>	<u><u>52,714</u></u>
Attributable to:		
Owners of the Parent	38,863	47,963
Non-controlling interests	5,075	4,751
	<u><u>43,938</u></u>	<u><u>52,714</u></u>

Drake and Scull International PJSC

Interim consolidated statement of changes in equity

	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
Balance 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	-	-	-	-	45,866	-	45,866	4,751	50,617
Other comprehensive income for the period	-	-	-	-	-	2,097	2,097	-	2,097
Total comprehensive income for the period	-	-	-	-	45,866	2,097	47,963	4,751	52,714
Non-controlling interest arising on business combination	-	-	-	-	-	-	-	1,987	1,987
Non-controlling interest contribution to subsidiary's capital	-	-	-	-	-	-	-	671	671
Balance at 31 March 2011	2,177,778	(28,622)	49,116	-	325,704	(6,346)	2,517,630	79,506	2,597,136
Balance at 1 January 2012	2,177,778	(28,622)	73,753	24,543	446,639	(8,778)	2,685,313	32,244	2,717,557
Profit for the period	-	-	-	-	37,576	-	37,576	5,075	42,651
Other comprehensive income for the period	-	-	-	-	-	1,287	1,287	-	1,287
Total comprehensive income for the period	-	-	-	-	37,576	1,287	38,863	5,075	43,938
Non-controlling interest contribution to subsidiary's share capital	-	-	-	-	-	-	-	112	112
Balance at 31 March 2012	2,177,778	(28,622)	73,753	24,543	484,215	(7,491)	2,724,176	37,431	2,761,607

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

Drake and Scull International PJSC

Interim consolidated statement of cash flows

	Note	Three months ended	
		31 March 2012 AED'000	31 March 2011 AED'000
Operating activities			
Profit for the period before tax		46,879	51,517
Adjustments for:			
Depreciation		10,497	17,921
Amortisation of intangible assets		9,438	8,389
Provision for employees' end of service benefits		6,983	3,031
Group management fee expense	6	3,700	3,700
Finance income		(11,781)	(15,482)
Fair value loss on financial assets at fair value through profit or loss		3,665	-
Finance costs		3,106	10,751
Provision for impairment of inventories		5,497	-
Provision for impairment on trade receivables and retentions - net		6,303	18,155
Operating cash flows before payments of employees' end of service benefits, income tax and changes in working capital		84,287	97,982
Employees' end of service benefits paid		(3,291)	(3,718)
Income tax paid		(3,857)	1,047
Changes in working capital (excluding the effects of business combinations):			
Inventories		-	1,443
Development properties		(1,322)	(1,596)
Trade and other receivables before provisions and excluding interest receivable and loans and advances		(29,986)	(337,614)
Due from related parties		(4,276)	19,129
Trade and other payables excluding income tax, interest and group management fee payable		(96,636)	422,227
Due to related parties		(20,889)	54,138
Net cash (used in) / from operating activities		(75,970)	253,038
Investing activities			
Purchase of property, plant and equipment		(51,939)	(32,580)
Proceeds from disposal of property, plant and equipment		467	802
Net proceeds from disposal of investments / (net investments made)		139,407	(31,436)
Loans and advances		30,440	(12,526)
Interest received		8,533	15,482
Net cash outflow on business combination		-	(98,803)
Net cash from / (used in) investing activities		126,908	(159,061)

Drake and Scull International PJSC

Interim consolidated statement of cash flows (continued)

	<u>Three months ended</u>	
	31 March 2012 AED'000	31 March 2011 AED'000
Financing activities		
Term deposits under lien	227,648	173,611
Net proceeds from trust receipts and other borrowings	46,586	(15,027)
Proceeds from term loans	89,522	55,593
Payment of term loans	(349,551)	(97,594)
Non-controlling interest's contribution to subsidiary's capital	112	-
Interest paid	(3,823)	(10,751)
Net cash from financing activities	10,494	105,832
Net increase in cash and cash equivalents	61,432	199,809
Net foreign currency translation difference	1,287	(771)
Cash and cash equivalents, beginning of the period	223,370	40,120
Cash and cash equivalents, end of the period	286,089	239,158

Drake and Scull International PJSC

Notes to the condensed consolidated interim financial information for the period ended 31 March 2012

1 General information

Drake and Scull International PJSC (“the Company” or “the Parent Company”) was incorporated on 16 November 2008 and was registered on 21 January 2009 as a Public Joint Stock Company in accordance with the UAE Federal Law No. 8 of 1984, (as amended). The Company is listed on Dubai Financial Market.

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

The principal activities of the Company and its subsidiaries (together, “the Group”) are carrying out contracting work relating to the construction industry, such as electrical, plumbing, air conditioning and sanitation work in the Middle East, Europe, Asia and North Africa region.

The Company has either directly or indirectly the following major subsidiaries:

<i>Major Subsidiaries</i>	<i>Principal activities</i>	<i>Shareholding %</i>		<i>Country of incorporation</i>
		<i>2012</i>	<i>2011</i>	
Drake & Scull International LLC (Abu Dhabi)	Contracting work relating to the 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 the construction industry	75	75	Kuwait
Drake & Scull International (Qatar) WLL	Contracting work relating to the construction industry	100	100	Qatar
Passavant Engineering Limited	Holding company	100	100	British Virgin Island
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 the construction industry	100	100	Thailand
Drake & Scull International WLL	Contracting work relating to the construction industry	65	65	Saudi Arabia
International Center for Contracting Co. Ltd	Contracting work relating to the construction industry	100	100	Saudi Arabia
Drake & Scull Construction Company LLC	Contracting work relating to the construction industry	100	100	Saudi Arabia
Drake & Scull International for Contracting SAE	Contracting work relating to the construction industry	100	100	Egypt

Drake and Scull International PJSC

Notes to the condensed consolidated interim financial information for the period ended 31 March 2012 (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.

2 Basis of preparation and accounting policies

2.1 Basis of preparation

This interim condensed consolidated financial information for the three months ended 31 March 2012 has been prepared in accordance with IAS 34, 'Interim financial reporting'. The interim condensed consolidated financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2011, which have been prepared in accordance with International Financial Reporting Standards.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to profit already recognised.

2.2 Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2011, except as discussed below:

IFRS 7, Financial instruments: Disclosures (Amendment)

The amended standard is effective for annual periods beginning on or after 1 July 2011. It promotes transparency in the reporting of transfer transactions and improves users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. The adoption of this amendment does not have any significant impact on the financial position or performance of the Group.

IAS 12, Income taxes (Amendment)

The amended standard is effective for annual periods beginning on or after 1 January 2012. It introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes - recovery of revalued non-depreciable assets', will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn. The adoption of this amendment does not have any significant impact on the financial position or performance of the Group.

Drake and Scull International PJSC

Notes to the condensed consolidated interim financial information for the period ended 31 March 2012 (continued)

2 Basis of preparation and accounting policies (continued)

2.3 Basis of consolidation

The condensed consolidated interim financial information at and for the three-month period ended 31 March 2012 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.

Estimates and assumptions

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2011.

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 2011.

Liquidity risk factors

The Group monitors its risk of a possible shortage of funds using cash flow forecasts. These forecasts consider the maturity of both its financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected cash flows from operations.

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

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 "Executive management" who are the Chief Operating decision-makers in order to allocate resources to the segment and to assess its performance. Executive management assesses the performance of the operating segments based on revenue.

Business segments

For management purpose, the Group is organised into business units based on their services and has three reportable business segments; Mechanical, Electrical and Plumbing ("MEP"), Infrastructure, Water and Power ("IWP"), Civil and other (corporate office).

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.

Other segment represents corporate office which carries out strategic planning, management of all subsidiaries, treasury management, mergers and acquisition, corporate branding and investor relations. For segment information disclosure, goodwill and other intangible assets and their amortisation are disclosed under the relevant segment. Sales between segments are carried out at agreed terms. The revenue from external parties reported to the Executive management is measured in a manner consistent with that in the consolidated income statement.

The amounts provided to the Executive management with respect to the total assets are measured in a manner consistent with that of the consolidated financial statements. These assets are allocated based on the operations of the segment.

Geographical segments

Executive management considers the geographical distribution of the Group's operations into 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 and Thailand.

Notes to the condensed consolidated interim financial information for the period ended 31 March 2012 (continued)

Information about business segments

	Three months ended 31 March 2012						Three months ended 31 March 2011					
	MEP	IWP	Civil	Other	Inter segment elimination	Total	MEP	IWP	Civil	Other	Inter segment elimination	Total
Revenue												
External customers	411,274	142,512	222,919	-	-	776,706	286,290	95,129	263,641	-	-	645,060
Inter- segment	42,587	2,824	41,084	-	(86,495)	-	19,003	819	29,075	-	(48,897)	-
	<u>453,862</u>	<u>145,336</u>	<u>264,004</u>	<u>-</u>	<u>(86,495)</u>	<u>776,706</u>	<u>305,293</u>	<u>95,948</u>	<u>292,716</u>	<u>-</u>	<u>(48,897)</u>	<u>645,060</u>
Segment profit / (loss)	<u>39,098</u>	<u>(2,449)</u>	<u>229</u>	<u>97</u>	<u>5,676</u>	<u>42,651</u>	<u>50,654</u>	<u>3,022</u>	<u>9,525</u>	<u>(12,584)</u>	<u>-</u>	<u>50,617</u>
Depreciation and amortisation	<u>3,084</u>	<u>650</u>	<u>6,465</u>	<u>9,735</u>	<u>-</u>	<u>19,935</u>	<u>6,543</u>	<u>223</u>	<u>10,932</u>	<u>8,612</u>	<u>-</u>	<u>26,310</u>
Capital expenditure	<u>26,700</u>	<u>1,455</u>	<u>23,702</u>	<u>82</u>	<u>-</u>	<u>51,939</u>	<u>23,443</u>	<u>451</u>	<u>8,221</u>	<u>465</u>	<u>-</u>	<u>32,580</u>
Segment total assets	<u>1,870,393</u>	<u>655,209</u>	<u>1,501,217</u>	<u>2,536,626</u>	<u>(1,121,220)</u>	<u>5,442,225</u>	<u>1,797,402</u>	<u>640,488</u>	<u>1,400,219</u>	<u>2,825,171</u>	<u>(922,598)</u>	<u>5,740,682</u>

Revenue from one customer amounting to AED 109,200 thousand which exceeded 10% of the Group revenue was earned through the Civil works segment. In 2011, one customer accounted for over 10% of the Group revenue which represents AED 85,300 thousand relating to Civil works.

Drake and Scull International PJSC

Notes to the condensed consolidated interim financial information for the period ended 31 March 2012 (continued)

3 Segment reporting (continued)

Information about geographical segments

All figures in AED'000

	Three months ended 31 March 2012			Three months ended 31 March 2011		
	UAE	Saudi Arabia	Others	Inter segment elimination	Total	Inter segment elimination
Revenue from external customers	247,854	380,374	148,478	-	776,706	239,570
						106,174
						-
						645,060

Drake and Scull International PJSC

Notes to the condensed consolidated interim financial information for the year ended 31 March 2012 (continued)

4 Property, plant and equipment

The Group acquired property, plant and equipment during the three-month period ended 31 March 2012 amounting to AED 51,939 thousand (2011: AED 32,580 thousand). The Group disposed property, plant and equipment during the three-month period ended 31 March 2012 amounting to AED 467 thousand (2011: AED 802 thousand) and depreciation charged to the interim consolidated income statement amounted to AED 10,497 thousand (2011: AED 17,921 thousand).

5 Trade and other receivables

	31 March 2012	31 December 2011
Non-current		
Trade receivables and retentions	132,798	211,829
Loans and advances	122,692	123,132
Prepayments	-	2,713
	255,490	337,674
Less: fair value adjustment	-	(5,000)
	255,490	332,674
Current		
Trade receivables and retentions	1,292,392	1,499,014
Prepayments and other receivables	336,962	346,638
Amount due from customers on contracts	1,366,999	1,044,422
Loans and advances	39,996	69,996
	3,036,348	2,960,070
Less: provision for impairment	(65,263)	(58,960)
	2,971,085	2,901,110

6 Related party transactions and balances

Related parties comprise the major shareholders, key management personnel, joint ventures, directors and businesses which are controlled directly or indirectly by the shareholders or directors or over which they exercise significant management influence (hereinafter referred as "affiliates"). In the normal course of business, the Group has various transactions with its related parties. Transactions are entered into with the related parties on terms and conditions approved by either the Group management, or its Board of Directors.

6 Related party transactions and balances (continued)

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 31 March 2011:

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

The other significant related party transactions primarily include management fees charged by DSG amounting to AED 3,700 thousand (2011: AED 3,700 thousand).

The outstanding balances with related parties are given below:

Due from related parties:

	31 March 2012 AED'000	31 December 2011 AED'000
Joint venture	29,485	23,786
Affiliated entities	257	1,680
	<u>29,742</u>	<u>25,466</u>
Due to related parties:		
Drake and Scull Group	1,008	24,484
Other affiliated entities	21,197	18,610
	<u>22,205</u>	<u>43,094</u>

Drake and Scull International PJSC

Notes to the condensed consolidated interim financial information for the year ended 31 March 2012 (continued)

6 Related party transactions and balances (continued)

Compensation of key management personnel

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

	<u>Three months ended 31 March</u>	
	<u>2012</u>	<u>2011</u>
	<u>AED'000</u>	<u>AED'000</u>
Short term benefits	10,170	7,341
Employees' end of service benefits	942	293
	<u>11,112</u>	<u>7,634</u>

7 Cash and bank balances

	<u>31 March</u>	<u>31 December</u>
	<u>2012</u>	<u>2011</u>
Cash on hand	5,528	3,506
Cash at bank	193,833	173,872
Term deposits	145,940	348,109
Cash and bank balances	<u>345,301</u>	<u>525,487</u>

Term deposits carry an average interest rate of 1% to 5% (2011: 1% to 5%).

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

	<u>31 March</u>	<u>31 March</u>
	<u>2012</u>	<u>2011</u>
	<u>AED'000</u>	<u>AED'000</u>
Cash and bank balances	345,301	645,908
Less: Term deposits under lien	(36,254)	(299,068)
Bank overdrafts	(22,958)	(107,682)
Cash and cash equivalents	<u>286,089</u>	<u>239,158</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.

	31 March 2012 AED'000	31 December 2011 AED'000
Non-current		
Term loan	154,527	106,398
Current		
Term loan	173,846	482,005
Trust receipts and other borrowings	248,836	202,250
Bank overdrafts (Note 16)	22,958	38,215
31 December	445,640	722,470

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

Interest rates on the term loans were at variable rates and ranging between 2% to 8.5% (2011: 2% to 8.5%) per annum. Contractual re-pricing dates are set on the basis of 3 months LIBOR/EIBOR.

The nature of securities provided in respect of certain bank borrowings by the Group, are set out below:

- Lien on motor vehicles and equipment purchased and on certain receivables;
- Pledge on held-to-maturity investments;
- Mortgage over certain property, plant and equipment; and
- Pledge of all assets acquired through utilisation of credit facilities.

The carrying amount of current borrowings approximates their fair value at the balance sheet date. Long-term borrowings are at market linked variable interest rates and therefore the carrying amounts of non-current borrowings approximate their fair value at the balance sheet date.

The Group has to comply with financial and non-financial debt covenants including debt equity ratio and tangible net worth value. There were no breaches of debt covenants as at 31 March 2012.

9 Income tax expense

The major components of income tax expense are:

	31 March 2012 AED'000	31 March 2011 AED'000
<i>Current income tax expense:</i>		
Current income tax (charge) / credit	(3,714)	153
<i>Deferred income tax (expense)/credit</i>		
Relating to origination and reversal of temporary differences	(514)	(1,053)
	<u>(4,228)</u>	<u>(900)</u>

10 Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased and held as treasury shares.

	Three months period ended 31 March 2012	Three months period ended 31 March 2011
Earnings (AED'000)		
Earnings for the purposes of basic earnings per share being net profit attributable to owners of the parent	<u>37,576</u>	<u>45,866</u>
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>
Basic and diluted earnings per share (AED)	<u>0.0175</u>	<u>0.021</u>

Diluted

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

11 Guarantees

	31 March 2012 AED'000	31 December 2011 AED'000
Performance bonds	911,754	831,894
Letter of guarantees	1,005,308	1,099,198
	<u>1,917,062</u>	<u>1,931,092</u>

The various bank guarantees above were issued by the Group's bankers in the ordinary course of business. In the opinion of the Directors, the above bank guarantees are unlikely to result in any liability to the Group.

12 Expenditure commitments

(a) Operating lease commitments

The Group has various operating lease agreements. The future minimum lease payments payable under operating leases are as follows:

	31 March 2012 AED'000	31 December 2011 AED'000
Future minimum lease payments:		
No later than one year	29,347	24,593
Later than one year but no later than five years	4,239	1,917
	<u>33,586</u>	<u>26,510</u>

(b) Other commitments

	31 March 2012 AED	31 December 2011 AED
Letters of credit for purchase of materials and operating equipment	619,786	646,425
Capital commitments for construction of facilities	30,780	41,214
	<u>650,566</u>	<u>687,639</u>

13 Dividend

In its meeting held on 28 March 2012, the Board of Directors proposed cash dividends of 5% of the face value of the authorised shares. During the Annual General Meeting held on 26 April 2012, the shareholders approved the cash dividends of 3% of the face value of the authorised shares and 5% bonus shares.