Drake & Scull International PJSC and its Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2010

DIRECTORS REPORT

Dear Shareholders,

The Board of Directors of Drake & Scull International PJSC ("DSI") or (the "Company") and its Subsidiaries (the "Group") has the pleasure in presenting their consolidated financial statements for the year ended 31 December 2010.

Principal activities

During the year ended 31 December 2010 DSI was preliminary engaged in engineering, integrated design and construction disciplines of Mechanical, Electrical and Plumbing (MEP), Civil Contracting, and Water and Power Infrastructure.

Financial Results

For the year ended 31 December 2010, DSI earned revenues amounting to AED 1,855 million and the profit for the year amounted to AED 161.5 million. The Earnings per share was AED 0.072 for the year.

We continue to deliver strong financial results and a healthy statement of financial position with a low debt-to-equity ratio and a strong cash position, giving us substantial leverage to support the Company's development and expansion plan for 2011.

DSI has been consistently achieving positive results and we have continued this trend 2010 despite the challenging economic climate. DSI has a healthy project portfolio and managed to achieve a substantial increase in its Order backlog across the region. DSI has successfully met number of the targets and aims that were set before the start of the financial year mainly through expanding the business streamlines and services and increasing the company's geographical reach. With a successful year behind us, DSI has a positive outlook for 2011 as well.

Auditors

Ernst and Young were appointed as external auditors of the Group for the year ended 31 December 2010. Ernst and Young are eligible for reappointment as auditors for 2011 and have expressed their willingness to continue in office.

On behalf of board of directors
10 March 2011
P O Box 65794
Dubai, United Arab Emirates

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DRAKE & SCULL INTERNATIONAL PJSC

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Drake & Scull International PJSC ("the Company") and its subsidiaries (collectively "the Group") which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the applicable provisions of the articles of association of the Company and the UAE Commercial Companies Law of 1984 (as amended), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

ERNST & YOUNG

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

We also confirm that, in our opinion, the consolidated financial statements include, in all material respects, the applicable requirements of the UAE Commercial Companies Law of 1984 (as amended) and the articles of association of the Company, proper books of account have been kept by the Company, an inventory was duly carried out and the contents of the report of the directors relating to these consolidated financial statements are consistent with the books of account. We have obtained all the information and explanations, which we required for the purpose of our audit and, to the best of our knowledge and belief, no violations of the UAE Commercial Companies Laws of 1984 (as amended) or of the articles of association of the Company have occurred during the year ended 31 December 2010 which would have had a material effect on the business of the Company or on its financial position.

Ernst & Young

Signed by
Farrukh Seer
Partner
Registration No. 491

16 March 2011
Dubai

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2010

	Notes	***1 January 2010 to 31 December 2010 AED'000***	*17 November 2008 to 31 December 2009 AED'000 (Restated)*
Contract revenues		**1,854,572**	2,211,706
Contract costs		**(1,510,160)**	(1,775,942)
GROSS PROFIT		**344,412**	435,764
Other income	5	**72,354**	104,357
Selling, general and administrative expenses		**(178,992)**	(182,640)
Finance cost		**(33,292)**	(17,119)
Amortisation of intangible assets	9	**(33,555)**	(37,750)
Management fee expenses	16	**(14,800)**	(16,650)
PROFIT FOR THE YEAR / PERIOD BEFORE PRE - INCORPORATION PROFIT		**156,127**	285,962
Pre-incorporation profit	6	**-**	41,956
PROFIT FOR THE YEAR / PERIOD BEFORE TAX		**156,127**	327,918
Income tax credit (expense)	23	**5,379**	(59)
PROFIT FOR THE YEAR / PERIOD	7	**161,506**	327,859
Attributable to:			
Equity holders of the Parent		**154,618**	325,712
Non-controlling interests		**6,888**	2,147
		161,506	327,859
Earnings per share - basic and diluted (AED)	27	**0.072**	0.150

The attached notes 1 to 32 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	1 January 2010 to 31 December 2010 AED'000	*17 November 2008 to 31 December 2009 AED'000 (Restated)*
Profit for the year / period	**161,506**	327,859
Other comprehensive income		
Exchange differences on translation of foreign operations	**(2,149)**	(6,294)
Other comprehensive loss for the year / period	**(2,149)**	(6,294)
Total comprehensive income for the year / period	**159,357**	321,565
Attributable to:		
Equity holders of the Parent	**152,469**	319,418
Non-controlling interests	**6,888**	2,147
	159,357	321,565

The attached notes 1 to 32 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	Notes	*2010* *AED'000*	*2009* *AED'000* *(Restated)*
ASSETS			
Non current assets			
Property, plant and equipment	8	**249,689**	211,529
Goodwill and other intangible assets	9	**1,149,435**	879,917
Investments	10	**12,922**	197,713
Loans and advances	11	**33,929**	21,727
Contract receivables	13	**41,138**	-
Deferred tax asset	23	**12,132**	2,126
Long term prepayments	16	**14,846**	29,600
		1,514,091	1,342,612
Current assets			
Development properties	12	**45,315**	39,363
Inventories		**24,889**	12,884
Contract receivables and retentions	13	**1,266,115**	980,734
Contract work-in-progress	14	**621,912**	315,785
Prepayments and other receivables	15	**163,104**	242,705
Due from related parties	16	**23,709**	39,559
Loans and advances	11	**187,474**	95,929
Investments	10	**318,800**	135,143
Bank balances and cash	17	**705,150**	1,160,010
		3,356,468	3,022,112
TOTAL ASSETS		**4,870,559**	4,364,724
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the Parent			
Share capital	18	**2,177,778**	2,177,778
Treasury shares	18	**(28,622)**	(28,622)
Statutory reserve	19	**49,116**	33,654
Retained earnings		**279,838**	292,058
Foreign currency translation reserve		**(8,443)**	(6,294)
		2,469,667	2,468,574
Non-controlling interests		**72,097**	38,587
Total equity		**2,541,764**	2,507,161

The attached notes 1 to 32 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 31 December 2010

	Notes	***2010 AED'000***	*2009 AED'000 (Restated)*
Non-current liabilities			
Employees' end of service benefits	21	**49,679**	34,551
Term loans	22	**2,149**	159,882
Other payables		**1,526**	1,458
		53,354	195,891
Current liabilities			
Accounts payable and accruals	24	**963,271**	786,238
Due to related parties	16	**189,421**	75,151
Advances received from customers		**238,283**	198,498
Excess billings	14	**97,246**	98,317
Term loans	22	**567,597**	381,281
Due to banks	25	**219,623**	122,187
		2,275,441	1,661,672
Total liabilities		**2,328,795**	1, 857,563
TOTAL EQUITY AND LIABILITIES		**4,870,559**	4,364,724

These financial statements were approved by the Board of Directors on 16 March 2011 and signed on its behalf by:

Chairman

Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Attributable to equity holders of the parent							
	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 interests AED'000	Total AED'000
Balance at 1 January 2010, as previously stated	2,177,778	(28,622)	33,654	300,736	(6,710)	2,476,836	38,587	2,515,423
Prior period adjustment (note 32)	-	-	-	(8,678)	416	(8,262)	-	(8,262)
Balance at 1 January 2010, as restated	2,177,778	(28,622)	33,654	292,058	(6,294)	2,468,574	38,587	2,507,161
Non-controlling interests arising on business combinations	-	-	-	-	-	-	26,622	26,622
Profit for the year	-	-	-	154,618	-	154,618	6,888	161,506
Other comprehensive loss	-	-	-	-	(2,149)	(2,149)	-	(2,149)
Total comprehensive income for the year	-	-	-	154,618	(2,149)	152,469	6,888	159,357
Dividend paid (note 20)	-	-	-	(150,176)	-	(150,176)	-	(150,176)
Directors' fee	-	-	-	(1,200)	-	(1,200)	-	(1,200)
Transfer to statutory reserve	-	-	15,462	(15,462)	-	-	-	-
Balance at 31 December 2010	**2,177,778**	**(28,622)**	**49,116**	**279,838**	**(8,443)**	**2,469,667**	**72,097**	**2,541,764**

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

The attached notes 1 to 32 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2010

	Attributable to equity holders of the parent							
	Share capital AED'000	*Treasury shares AED'000*	*Statutory reserve AED'000*	*Retained earnings AED'000 (Restated)*	*Foreign currency translation reserve AED'000 (Restated)*	*Total AED'000 (Restated)*	*Non-controlling interests AED'000*	*Total AED'000 (Restated)*
Capital introduced	2,177,778	-	-	-	-	2,177,778	-	2,177,778
Non-controlling interests arising on business combinations (note 3)	-	-	-	-	-	-	28,440	28,440
Non-controlling interests contribution to subsidiary's capital	-	-	-	-	-	-	8,000	8,000
Profit for the period *(Restated)*	-	-	-	325,712	-	325,712	2,147	327,859
Other comprehensive loss *(Restated)*	-	-	-	-	(6,294)	(6,294)	-	(6,294)
Total comprehensive income for the period *(Restated)*	-	-	-	325,712	(6,294)	319,418	2,147	321,565
Transfer to statutory reserve	-	-	33,654	(33,654)	-	-	-	-
Purchase of treasury shares	-	(28,622)	-	-	-	(28,622)	-	(28,622)
Balance at 31 December 2009 *(Restated)*	2,177,778	(28,622)	33,654	292,058	(6,294)	2,468,574	38,587	2,507,161

The attached notes 1 to 32 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	Notes	***1 January 2010 to 31 December 2010 AED'000***	*17 November 2008 to 31 December 2009 AED'000 (Restated)*
ACTIVITIES			
Profit for the year / period before tax		**156,127**	327,918
Adjustments for:			
Depreciation	8	**32,903**	32,338
Amortisation of intangible assets	9	**33,555**	37,750
Gain on sale of trading securities		**-**	(124)
Change in fair value of trading securities		**18**	(194)
Provision for employees' end of service benefits	21	**12,122**	13,506
Management fee expense		**14,800**	16,670
Interest income	5	**(47,024)**	(138,949)
Impairment loss on available-for-sale investments		**4,401**	2,208
Finance cost		**33,292**	17,119
		240,194	308,242
Working capital changes:			
Development properties		**(5,952)**	(15,307)
Inventories		**(7,594)**	54,879
Contract work-in-progress		**(270,080)**	(12,637)
Contract receivables and retentions		**(73,946)**	(296,419)
Due from related parties		**16,034**	(18,553)
Prepayments and other receivables		**38,619**	(31,575)
Accounts payable and accruals		**(143,208)**	(65,006)
Due to related parties		**86,756**	(18,050)
Advances received from customers		**9,351**	(96,564)
Excess billings		**(11,160)**	70,769
Net cash used in operations		**(120,986)**	(120,221)
Management fee paid		**-**	(74,000)
Employees' end of service benefits paid	21	**(5,190)**	(3,596)
Income tax		**(4,627)**	(59)
Net cash used in operating activities		**(130,803)**	(197,876)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	8	**(61,491)**	(20,870)
Proceeds from disposal of property, plant and equipment		**1,371**	1,894
Acquisition of intangibles		**(36,745)**	-
Trading securities – net		**-**	5,721
Investments		**(3,285)**	(315,795)
Loans and advances		**(103,747)**	(117,656)
Interest received		**93,353**	78,727
Net cash (outflow) / inflow on business combination	3	**(108,884)**	53,446
Purchase of treasury shares	18	**-**	(28,622)
Net cash used in investing activities		**(219,428)**	(343,155)

The attached notes 1 to 32 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the year ended 31 December 2010

	Note	***1 January 2010 to 31 December 2010 AED'000***	*17 November 2008 to 31 December 2009 AED'000 (Restated)*
FINANCING ACTIVITIES			
Loan to a shareholder recovered		**-**	45,000
Movement in time deposits under lien		**(145,434)**	(281,442)
Dividend paid		**(150,176)**	-
Directors' fee paid		**(1,200)**	-
Share capital received in cash		**-**	1,197,778
Movement in due to banks		**35,031**	(21,290)
Proceeds from term loans		**99,295**	491,457
Repayments of term loans		**(69,827)**	(138,871)
Interest paid		**(33,292)**	(17,119)
Non-controlling interests		**-**	8,000
Net cash (used in) / from financing activities		**(265,603)**	1,283,513
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		**(615,834)**	742,482
Net foreign currency translation difference		**(3,960)**	432
Cash and cash equivalents at the beginning of the year / period		**742,914**	-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR / PERIOD	17	**123,120**	742,914

1 ACTIVITIES

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

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

Name	*Beneficial ownership*		*Country of incorporation*	*Principal activities*
	2010	*2009*		
Drake & Scull International L.L.C. (Abu Dhabi)	**100%**	100%	UAE	Contracting work relating to construction industry
Gulf Technical Construction Company L.L.C.	**80%**	80%	UAE	Mechanical, electrical and civil construction work
Drake & Scull International for Electrical Contracting WLL	**75%**	75%	Kuwait	Electrical contracting and repairing work relating to construction industry
Drake & Scull International (Qatar) WLL	**100%**	-	Qatar	Contracting work relating to construction industry
Passavant Engineering Limited	**100%**	100%	BVI	Holding company
Subsidiary of Passavant Engineering Ltd. Passavant Roediger GmbH and its subsidiaries	**100%**	100%	Germany	Developing waste water, water and sludge treatment plants
Drake & Scull International (Thailand) Limited	**100%**	100%	Thailand	Contracting work relating to construction industry
Drake & Scull International WLL	**65%**	-	Saudi Arabia	Contracting work relating to construction industry
Drake & Scull International LLC	**100%**	-	Egypt	Contracting work relating to construction industry

The Group, through Gulf Technical Construction Company L.L.C., also has a 50% interest in Ranya Test Joint Venture, a joint venture with Ranya General Contracting Company (L.L.C.) under a joint venture agreement dated 12 August 2005. The Group also had, through Drake and Scull International L.L.C (Abu Dhabi), a 50% interest in King Abdullah University of Science and Technology project, a joint venture with Drake & Scull (W.L.L) –Saudi Arabia under a joint venture agreement dated 15 January 2008. The Group acquired Drake & Scull (W.L.L) –Saudi Arabia during year ended 31 December 2010.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

Basis of preparation
The consolidated financial statements have been prepared under the historical cost convention.

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

Statement of compliance
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and applicable requirements of the UAE laws.

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Company.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control is achieved where the Group has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. All intra-group balances, income and expenses and unrealised gains or losses are eliminated in full on consolidation.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in consolidated statement of income and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgments
In the process of applying the Group's accounting policies, the management has made the following judgment, apart from those involving estimates, which has the most significant effect on the amounts recognised in the consolidated financial statements:

Classification of land
Management, based on their intention about the use of the land, classifies land either as property, plant and equipment or as investment property or as development property. The classification of land will change its treatment in the consolidated financial statements.

Classification of investments
At the time of acquisition of investments, the management makes judgment, based on their intention, of the nature of investment. The classification of investment will change its treatment in the consolidated financial statements.

Use of estimates
The preparation of the consolidated financial statements, in conformity with International Financial Reporting Standards, requires that management make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from these estimates.

Estimates and their underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Use of estimates (continued)
The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- *Percentage of completion*: The Group uses the percentage of completion method when accounting for contracting revenue. Use of the percentage of completion method requires the Group to estimate the costs incurred to date on contracts as a proportion of the total contract costs to be incurred. The accuracy of this estimate has a material impact on the amount of revenue and related profits recognised. Any revision to profit arising from changes in estimates is accounted for in the period when the changes become known.

- *Useful lives and depreciation method for property, plant and equipment:* The management periodically reviews estimated useful lives and the depreciation method to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from the assets.

- *Purchase price allocation:* The Group allocates the cost of business combinations by recognising the acquiree's identifiable assets, liabilities, and contingent liabilities that satisfy the recognition criteria, at their fair values on the date of acquisition. The Group uses third party experts or its own expertise to establish the estimated fair value of the acquiree's property, plant and equipment, and intangibles. The fair values of other assets, liabilities and contingent liabilities are estimated by the management based on the discounted cash flow projections of future expected cash inflows arising as a result of realising such assets and cash outflows expected on settlement of liabilities and contingent liabilities.

- *Impairment indicators:* The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption used to calculate the value-in-use may change which may then require a material adjustment to the carrying value of goodwill, intangible and tangible assets. The Group monitors internal and external indicators of impairment relating to its tangible and intangible assets.

- *Impairment of accounts receivable:* An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

- *Impairment of inventories:* Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence based on historical selling prices.

- *Income taxes:* The Group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the statement of financial position date could be impacted.

  Additionally, future changes in tax laws in the jurisdictions in which the Group operates could limit the ability of the Group to obtain tax deductions in future periods.

- *Impairment of non-financial assets:* The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and other indefinite life intangibles are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

2.3 ACCOUNTING STANDARDS AND INTERPRETATIONS

New accounting Standards and Interpretations
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2010. Adoption of these Standards and Interpretations did not have an impact on the consolidated financial statements of the Group. The Group has early adopted the following IAS:

IAS 24 Related Party Disclosures (Amendment)
The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities. There is no significant impact on the Group's financial position or performance except for the classification of amounts under note 11.

IASB Standards and Interpretations issued but not adopted
The amendments to IASB Standards and Interpretations which have been issued as of the date of the statement of financial position but are effective from future dates have not yet been adopted by the Group.

Future adoption of these Standards and Interpretations is not expected to have an impact on the consolidated financial statements of the Group except in case of the following:

IFRS 9 Financial Instruments: Classification and Measurement
IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The completion of this project is expected in early 2011. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue
Contract revenues and cost
Revenue on contracts is recognised using the percentage of completion method. When the outcome of the contract can be reasonably estimated, revenue is recognised by reference to the proportion of the costs incurred to the period end as compared to the estimated total contract costs. When the contract is at an early stage or its outcome cannot be reliably estimated, contract revenue is recognised to the extent of contract costs that are considered recoverable. Provisions for foreseeable losses are made in full as soon as they are anticipated. The excess of costs over progress billings on individual jobs in progress is recorded as contract work-in-progress. Where the payments received and receivable for any contract exceed the cost plus attributable profit or less anticipated losses, the excess is shown as excess billings. Claims are only recognised when the outcome can be determined with reasonable certainty.

Costs include direct materials, subcontractors' costs and labour plus attributable overheads based on a normal level of activity.

Interest
Interest income is recognised as the interest accrues (using the effective interest rate that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Developed properties
Sales are recognised when the significant risks and rewards of ownership of the properties as evidenced by the legal title have passed to the buyer, the amount of revenue and cost can be measured reliably, and it is probable that the economic benefits associated with the transaction will flow to the Group.

Taxes
Income tax expense represents the sum of the current tax and deferred tax. Income tax expense also includes any interest, fines and penalties payable to Tax Authorities.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxes (continued)

(a) Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

(b) Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences (other than those mentioned above), carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised.The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Income tax relating to items recognised directly in equity is recognised directly in equity and not in the consolidated statement of comprehensive income.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Interests in joint ventures

The Group's interests in jointly controlled entities are accounted for by proportionate consolidation. The Group combines its share of the joint ventures' individual assets and liabilities on a line-by-line basis with similar items in the Group's statement of financial position. The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the Group's purchase of assets from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net recognised value of current assets, or an impairment loss.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Land and capital work-in-progress are not depreciated.

Depreciation is calculated on a straight line basis over the estimated useful lives of other assets as follows:

Plant and equipment	over 2 to 5 years
Motor vehicles	over 3 to 5 years
Furniture and fixtures	over 2 to 5 years
Buildings	over 2 to 5 years

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)
The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the consolidated statement of income as the expense is incurred.

The estimated useful lives, residual values and depreciation method are reviewed at each period end, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of income in the period the item is derecognised.

Fully depreciated fixed assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

Business combination and Non-controlling interests
Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, plus any costs directly attributable to the business combination.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

Goodwill
Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets and liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events of changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in business combinations is the fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)
Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generation unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on prospective basis.

The Group's intangible assets consist of assets acquired on business combination and their useful lives are as follows:

Goodwill	Indefinite
Trade name	Indefinite
Customer relationships	10 years

Inventories
Inventories are stated at the lower of cost and net realisable value after making due allowance for any obsolete and slow moving items. Costs, including an appropriate portion of fixed and variable overhead expenses incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Development properties
Properties acquired, constructed or in the course of construction for sale are classified as development properties. Such properties are stated at the lower of cost or net realisable value. The cost of development properties includes the cost of land and other related expenditure which are recognised as and when activities that are necessary to get the properties ready for sale are in progress. Net realisable value represents the estimated selling price less costs to be incurred in completing and selling the property.

Impairment of non-financial assets
At each statement of financial position date, the Group reviews the carrying amounts of its assets to assess whether there is an indication that those assets may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows attributable to the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognised immediately in the consolidated statement of income.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Reversal of an impairment loss is recognised immediately in the consolidated statement of income. Impairment losses on goodwill are not reversed.

Impairment and uncollectibility of financial assets
An assessment is made at each statement of financial position date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the consolidated statement of income. Impairment is determined as follows:

(a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the consolidated statement of income.
(b) For assets carried at cost, impairment is the difference between cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.
(c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contract receivables
Contract receivables are stated at original invoice less provision for impairment. A provision for impairment of contract receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 60 days past due) are considered indicators that the accounts receivable is impaired.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated statement of income. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited in the consolidated statement of income.

Investments and other financial assets
Financial assets within the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, and available for sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, which is the date that the Group commits to purchase the asset.

Investments carried at fair value through profit or loss
Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit and loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term.

Gains or losses and change in fair value on investments held for trading are recognised in the consolidated statement of income. Interest and other revenues generated from trading securities are included in other income in the consolidated statement of income.

Held-to-maturity investments
Where the Group has a positive intent and ability to hold debt securities to maturity, then these are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses. Gains and losses are recognised in the consolidated statement of income when the investments are derecognised or impaired, as well as through the amortisation process.

Available-for-sale investments
Available-for-sale investments are recognised and derecognised, on a trade date basis, when the Group becomes, or ceases to be, a party to the contractual provisions of the instrument.

Investments designated as available-for-sale investments are initially recorded at cost and subsequently measured at fair value, unless this cannot be reliably measured. Changes in fair value are reported as a separate component of equity. Upon impairment any loss, or upon derecognition any gain or loss, previously reported as "cumulative changes in fair value" within equity is included in the consolidated statement of income for the period.

Cash and cash equivalents
For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances and short term deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

Employees' end of service benefits
The Group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Accounts payable and accruals
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Term loans
Loans are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

Subsequent to initial recognition, interest-bearing loans and borrowings are measured at amortised cost using the effective interest method.

Gains and losses are recognised in the consolidated statement of income when the liabilities are derecognised as well as through the amortisation process.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

Borrowing costs
Borrowing costs include interest and direct costs such as underwriting, stamp duty, legal and other related costs in connection with borrowings.

Borrowing costs, net of interest received on term deposits that are directly attributable to acquisition, construction or production of an asset, are included in the cost of that asset, until such time as the asset is substantially ready for its intended use or sale. Borrowing costs also include the effect of interest payable or receivable on any interest rate swaps and collars entered into by the Group to hedge its exposure to interest rate risk. Other borrowing costs are recognised as an expense in the year in which they are incurred.

Leases
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated statement of income on a straight-line basis over the lease term.

Contingencies
Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Foreign currency translation
Transactions and balances in foreign currencies
The consolidated financial statements are presented in AED, which is the Company's presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the statement of financial position date. All differences are taken to the consolidated statement of income.

Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation (continued)
Foreign group companies
The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
(b) income and expenses for each statement of income are translated at average exchange rates; and
(c) all resulting exchange differences are recognised in other comprehensive income.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3 BUSINESS COMBINATIONS

Acquisition in 2010

3.1 Acquisition of Drake & Scull International (Qatar) WLL

During the year, the Group acquired a 100% interest in Drake & Scull International (Qatar) WLL ("DSI-Qatar") effective 1 January 2010.

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

	Fair value AED'000	*Carrying value AED'000*
Assets:		
Property, plant and equipment	2,511	2,511
Contract work-in-progress	22,858	22,858
Contract receivables and retentions	45,963	45,963
Prepayments and other receivables	2,492	2,492
Bank balances and cash	398	398
	74,222	74,222
Liabilities		
Employees' end of service benefits	(1,547)	(1,547)
Loans	(534)	(534)
Due to related parties	(6,386)	(6,386)
Accounts payable and accruals	(42,150)	(42,150)
	(50,617)	(50,617)
Net identifiable assets	23,605	23,605
Total consideration	96,147	
Net assets acquired, as above	(23,605)	
Goodwill	72,542	
Cash flow on business combination:		
Net cash acquired on business combination	398	
Less: Paid on acquisition	(96,147)	
Net cash outflow	(95,749)	

The goodwill has been allocated to the MEP unit. The acquisition was undertaken to expand the operations of the Group to the State of Qatar. The goodwill represents expected synergies acquired.

DSI-Qatar has contributed AED 60,841 thousand to the revenue of the Group and a loss of AED 2,388 thousand to the results of the Group since 1 January 2010.

3 BUSINESS COMBINATIONS (continued)

Acquisition in 2010 (continued)

3.2 Acquisition of Drake & Scull International LLC (Oman)

During the year, the Group acquired a 51% interest in Drake & Scull International LLC (Oman) ("DSI-Oman") effective 1 August 2010.

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

	Carrying value AED'000
Tangible assets	
Property, plant and equipment	343
Contract work-in-progress	4,758
Contract receivables and retentions	3,302
Due from related parties	184
Prepayments and other receivables	425
Bank balances and cash	1,884
Total tangible assets	10,896
Liabilities	
Employees' end of service benefits	(72)
Loans	(3,301)
Due to related parties	(816)
Accounts payable and accruals	(6,233)
Total liabilities	(10,422)
Book value of net tangible assets acquired	474
Total consideration	2,674
Book value of net tangible assets acquired, as above	(474)
Non controlling interest acquired	233
Goodwill and other intangible assets	2,433
Cash flow on business combination:	
Net cash acquired on business combination	1,884
Less: Paid on acquisition	(2,674)
Net cash outflow	(790)

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

DSI-Oman has contributed AED 9,136 thousand to the revenue of the Group and a profit of AED 1,000 thousand to the results of the Group since 1 August 2010. Had the acquisition taken place on 1 January 2010, DSI-Oman would have contributed AED 18,995 thousand and AED 155 thousand to the revenue and profit of the Group respectively.

3 BUSINESS COMBINATIONS (continued)

Acquisition in 2010 (continued)

3.3 Acquisition of Drake & Scull International WLL – Saudi Arabia

During the year, the Group acquired a 65% interest in Drake & Scull International WLL (Saudi Arabia) ("DSI-Saudi Arabia") effective 1 October 2010.

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

	Carrying value AED'000
Tangible assets	
Property, plant and equipment	**8,496**
Inventories	**4,411**
Contract receivables and retentions	**203,308**
Contract work-in-progress	**8,431**
Prepayments and other receivables	**2,476**
Bank balances and cash	**13,230**
Total tangible assets	**240,352**
Liabilities	
Employees' end of service benefits	**(6,577)**
Accounts payable and accruals	**(55,312)**
Due to related parties	**(20,312)**
Advances received from customers	**(30,434)**
Due to bank	**(42,905)**
Excess billings	**(10,089)**
Total liabilities	**(165,629)**
Book value of net tangible assets acquired	**74,723**
Total consideration, paid or payable	**242,425**
Book value of net tangible assets acquired, as above	**(74,723)**
Non controlling interest acquired	**26,153**
Goodwill and other intangible assets	**193,855**
Cash flow on business combination:	
Net cash acquired on business combination	**13,230**
Less: Paid on acquisition	**(25,575)**
Net cash outflow	**(12,345)**

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

DSI-Saudi Arabia has contributed AED 128,130 thousand to the revenue of the Group and a profit of AED 11,965 thousand to the results of the Group since 1 October 2010. Had the acquisition taken place on 1 January 2010, DSI-Saudi Arabia would have contributed AED 370,872 thousand and AED 41,323 thousand to the revenue and profit of the Group respectively.

3 BUSINESS COMBINATIONS (continued)

Acquisitions between 17 November 2008 and 31 December 2009

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

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

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

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

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

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

3 BUSINESS COMBINATIONS (continued)

Acquisitions between 17 November 2008 and 31 December 2009 (continued)

3.5 Acquisition of Passavant Roediger GmbH and its Subsidiaries

The Group acquired a 100% interest in Passavant Roediger GmbH and its subsidiaries ("Passavant") through its 100% owned subsidiary, Passavant Engineering Limited effective from 30 November 2009. The principal activities of Passavant are developing waste water, water and sludge treatment plants.

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

	Fair value AED'000	*Carrying value AED'000*
Assets		
Property, plant and equipment	7,270	7,270
Deferred tax assets	2,223	-
Inventories	65,699	65,699
Contract work-in-progress	45,736	139,197
Contract receivables and retentions	112,734	116,009
Due from related parties	6,203	6,203
Other receivables	8,041	11,481
Bank balances and cash	14,379	14,693
	262,285	360,552
Liabilities		
Employees' end of service benefits	(3,708)	(3,708)
Other payables	(1,525)	-
Deferred tax liability	-	(30,327)
Provisions	(5,435)	(5,435)
Due to related parties	(72,261)	(72,261)
Accounts payable and accruals	(170,838)	(165,559)
	(253,767)	(277,290)
Net identifiable assets acquired	8,518	83,262
Total consideration	69,472	73,784
Net assets acquired, as above	(8,518)	
Goodwill	60,954	
Cash flow on acquisition:		
Net cash acquired on acquisition	14,379	
Less: paid on acquisition	(48,526)	
Net cash outflow	(34,147)	

3 BUSINESS COMBINATIONS (continued)

Acquisitions between 17 November 2008 and 31 December 2009 (continued)

3.5 Acquisition of Passavant Roediger GmbH and its Subsidiaries (continued)

The goodwill has been allocated to the IWP unit. The acquisition was undertaken to expand the operations of the Group to Germany. The goodwill represents expected synergies acquired.

The carrying values of assets and liabilities were previously recorded at fair value on the date of acquisition. Adjustments to fair values were recorded on completion of the purchase price allocation process during the current year as allowed by International Financial Reporting Standard. Such adjustments are set out in note 32.

From the date of acquisition to 31 December 2009, Passavant contributed AED 30,618 thousand to the revenue of the Group and AED 1,765 thousand to the overall profit of the Group for the period ended 31 December 2009. Had the acquisition taken place on 1 January 2009, Passavant would have contributed AED 225,396 thousand to the revenue of the Group and profit of the Group would have reduced by AED 55,099 thousand.

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

3 BUSINESS COMBINATIONS (continued)

Acquisitions between 17 November 2008 and 31 December 2009 (continued)

3.6 Acquisition of Drake & Scull International for Contracting WLL

In December 2009, the Group acquired a 75% interest in Drake & Scull International for Contracting WLL ("DSI-Kuwait") effective 1 January 2009, from a related party.

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

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

The goodwill has been allocated to the MEP unit. The acquisition was undertaken to expand the operations of the Group to the State of Kuwait. The goodwill represents expected synergies acquired.

DSI-Kuwait contributed AED 125,217 thousand to the revenue of the Group and AED 8,582 thousand to overall profit of the Group for the period ended 31 December 2009.

The Group has also written a put option to acquire the remaining 25% interest in DSI-Kuwait exercisable between 1 January to 31 December 2014.

4 OPERATING SEGMENT INFORMATION

Business segment:
For management purposes, the Group is organised into business units based on their services and has four reportable operating segments; i.e. MEP., IWP., Civil works and 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.

The Corporate office segment 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 is disclosed under the Corporate segment as management believes that this results in a more accurate disclosure of the financial position and financial performance of other segments.

Year from 1 January 2010 to 31 December 2010

	MEP *AED'000*	*IWP* *AED'000*	*Civil works* *AED'000*	*Corporate office* *AED'000*	*Eliminations* *AED'000*	*Total* *AED'000*
Revenue						
External customers	**1,048,701**	**486,553**	**319,318**	**-**	**-**	**1,854,572**
Internal - segment	**38,809**	**-**	**119,113**	**-**	**(157,922)**	**-**
	1,087,510	**486,553**	**438,431**	**-**	**(157,922)**	**1,854,572**
Segment profit	**127,008**	**23,855**	**15,726**	**(5,083)**	**-**	**161,506**
Depreciation	**23,207**	**1,851**	**7,300**	**545**	**-**	**32,903**
Capital expenditure	**50,054**	**1,450**	**7,408**	**2,129**	**-**	**61,041**
Segment assets at 31 December 2010	**1,500,600**	**591,211**	**707,376**	**2,838,419**	**(767,047)**	**4,870,559**

Period from 17 November 2008 to31 December 2009

	MEP *AED'000*	*IWP* *AED'000*	*Civil works* *AED'000*	*Corporate office* *AED'000*	*Eliminations* *AED'000*	*Total* *AED'000*
Revenue						
External customers	1,268,205	416,572	526,929	-	-	2,211,706
Internal - segment	37,926	-	61,599	-	(99,525)	-
	1,306,131	416,572	588,528	-	(99,525)	2,211,706
Segment profit (Restated)	220,524	51,670	27,519	28,146	-	327,859
Depreciation	19,483	1,174	11,637	44	-	32,338
Capital expenditure	13,215	3,914	2,353	1,388	-	20,870
Segment assets at 31 December 2009 (Restated)	719,617	585,268	481,756	2,935,220	(357,137)	4,364,724

4 OPERATING SEGMENT INFORMATION (continued)

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

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

Year from 1January 2010 to 31 December 2010

	U.A.E AED'000	***Other AED'000***	***Total AED'000***	***Eliminations AED'000***	***Total AED'000***
Revenue from external customers	**1,153,674**	**700,898**	**1,854,572**	**-**	**1,854,572**
Non current assets	**1,663,957**	**36,360**	**1,700,317**	**(186,226)**	**1,514,091**

Period from 17 November 2008 to 31 December 2009

	U.A.E AED'000	*Other AED'000*	*Total AED'000*	*Eliminations AED'000*	*Total AED'000*
Revenue from external customers	1,782,451	429,255	2,211,706	-	2,211,706
Non current assets (Restated)	1,544,467	72,885	1,617,352	(274,740)	1,342,612

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

Revenue from two largest customers amounted to AED 285,818 thousand and AED 144,802 thousand relating to MEP and Civil works segment respectively.

5 OTHER INCOME

	1 January 2010 to 31 December 2010 AED'000	*17 November 2008 to 31 December 2009 AED'000 (Restated)*
Interest income	**47,024**	93,914
Exchange gain	**-**	3,887
Profit on investments	**7,836**	2,879
Others	**17,494**	3,677
	72,354	104,357

6 PRE-INCORPORATION PROFIT

This represents the income earned on investing the money received from IPO subscriptions between the first day of public subscription and the date of incorporation of the Company, net of expenses related to its incorporation as follows:

	17 November 2008 to 31 December 2009 AED'000
Interest income from deposits	45,035
Offering fee	43,556
	88,591
Pre incorporation expenses	(46,635)
	41,956

7 PROFIT FOR THE YEAR / PERIOD

	1 January 2010 to 31 December 2010 AED'000	*17 November 2008 to 31 December 2009 AED'000*
The profit for the year / period is stated after charging:		
Staff costs	**149,632**	169,317
Rental expenses	**14,816**	10,242

8 PROPERTY, PLANT AND EQUIPMENT

	Land AED'000	*Buildings AED'000*	*Plant and equipment AED'000*	*Motor vehicles AED'000*	*Furniture and fixtures AED'000*	*Capital work-in-progress AED'000*	*Total AED'000*
Cost:							
At 1 January 2010	140,416	27,458	38,226	13,485	4,964	18,372	242,921
Acquisition on business combinations	499	1,501	2,859	1,948	4,543	-	11,350
Additions	-	1,305	14,760	2,271	3,729	39,426	61,491
Transfers	-	-	995	-	-	(995)	-
Disposals	-	(707)	(1,272)	(4,784)	(382)	(131)	(7,276)
Translation adjustment	-	(40)	(150)	(25)	(493)	(327)	(1,035)
At 31 December 2010	**140,915**	**29,517**	**55,418**	**12,895**	**12,361**	**56,345**	**307,451**
Depreciation:							
At 1 January 2010	-	8,410	14,523	6,687	1,772	-	31,392
Charge for the year	-	8,359	16,882	5,087	2,575	-	32,903
Disposals	-	-	(1,259)	(3,203)	(1,443)	-	(5,905)
Translation adjustment	-	(4)	(163)	(23)	(438)	-	(628)
At 31 December 2010	-	**16,765**	**29,983**	**8,548**	**2,466**	-	**57,762**
Net carrying amount							
At 31 December 2010	**140,915**	**12,752**	**25,435**	**4,347**	**9,895**	**56,345**	**249,689**

8 PROPERTY, PLANT AND EQUIPMENT

	Land AED'000	*Buildings AED'000*	*Plant and equipment AED'000*	*Motor vehicles AED'000*	*Furniture and fixtures AED'000*	*Capital work-in-progress AED'000*	*Total AED'000*
Cost:							
Transfer from the LLC (note 3.4)	140,416	23,615	21,651	13,310	3,234	15,453	217,679
Acquisition on business combinations	-	897	1,097	128	798	4,628	7,548
Additions	-	2,992	14,718	352	1,421	1,387	20,870
Transfers	-	-	2,892	-	-	(2,892)	-
Disposals	-	-	(2,086)	(300)	(454)	-	(2,840)
Translation adjustment	-	(46)	(46)	(5)	(35)	(204)	(336)
At 31 December 2009	140,416	27,458	38,226	13,485	4,964	18,372	242,921
Depreciation:							
Charge for the period	-	8,410	15,232	6,827	1,869	-	32,338
Disposals	-	-	(709)	(140)	(97)	-	(946)
At 31 December 2009	-	8,410	14,523	6,687	1,772	-	31,392
Net carrying amount							
At 31 December 2009	140,416	19,048	23,703	6,798	3,192	18,372	211,529

Motor vehicles and equipment with a net book value of AED 3,342 thousand and AED 1,067 thousand respectively (2009: AED 4,905 thousand and AED 1,980 thousand respectively) are mortgaged as security for term loans. Title deeds for properties with a net book value of AED 23.5 million (2009: AED 23.5 million) are held in name of other party on behalf of the Group.

8 PROPERTY, PLANT AND EQUIPMENT (continued)

The depreciation charge has been allocated in the consolidated statement of income as follows:

	1 January 2010 to 31 December 2010 AED'000	*17 November 2008 to 31 December 2009 AED'000*
Contract costs	**24,602**	16,774
Selling, general and administrative expenses	**8,301**	15,564
	32,903	32,338

The carrying value of land includes plots of AED 132,416 thousand (2009: AED 132,416 thousand) held by the Company for future use as corporate assets. Although the fair value of such plots may be lower, management estimates that their value-in-use will be higher than their carrying values.

9 GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill AED'000	*Trade name AED'000*	*Customer relationships AED'000*	*Total AED'000*
Cost:				
At 1 January 2010	**532,615**	**49,500**	**335,552**	**917,667**
Acquired through business combinations	**268,830**	**36,746**	**-**	**305,576**
Translation adjustment	**(2,503)**	**-**	**-**	**(2,503)**
At 31 December 2010	**798,942**	**86,246**	**335,552**	**1,220,740**
Amortisation:				
At 1 January 2010	**-**	**-**	**37,750**	**37,750**
Amortisation charge for the year	**-**	**-**	**33,555**	**33,555**
At 31 December 2010	**-**	**-**	**71,305**	**71,305**
Net carrying amount:				
At 31 December 2010	**798,942**	**86,246**	**264,247**	**1,149,435**

9 GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

	Goodwill AED'000 (Restated)	*Trade name AED'000*	*Customer relationships AED'000*	*Total AED'000 (Restated)*
Cost:				
Acquired through business combinations (Restated)	537,921	49,500	335,552	922,973
Translation adjustment (Restated)	(5,306)	-	-	(5,306)
At 31 December 2009 (Restated)	532,615	49,500	335,552	917,667
Amortisation:				
Amortisation charge for the period	-	-	37,750	37,750
At 31 December 2009	-	-	37,750	37,750
Net carrying amount:				
At 31 December 2009 (Restated)	532,615	49,500	297,802	879,917

Impairment testing of goodwill and intangibles with indefinite useful lives

Goodwill and trade name acquired have been allocated to the following cash generating units:

	2010		*2009*	
	Goodwill AED'000	***Trade name AED'000***	*Goodwill AED'000 (Restated)*	*Trade name AED'000*
Cash generating units relating to:				
MEP	**593,814**	**73,317**	324,256	36,571
IWP	**152,666**	**12,929**	155,897	12,929
Civil	**52,462**	-	52,462	-
At 31 December	**798,942**	**86,246**	532,615	49,500

Key assumptions used in value in use calculations

The recoverable amounts of the cash generating units (CGU) have been determined based on their value in use, calculated using cash flows projections based on the financial budgets approved by management covering a period of 5 years. The discount rates applied are ranging between 14% and 16.8%. The other key assumptions used in the value in use calculations are as follows:

Budgeted gross margins: The basis used to determine the value assigned to the budgeted gross margin is the average gross margin achieved in the year immediately before the budgeted year, adjusted for expected efficiency improvements, price fluctuations and manpower costs.

Discount rates: These represent the weighted average cost of capital for the cash generating units adjusted for the respective location risk factors.

Cost inflation: The basis used to determine cost inflation is the forecast general price index during the budget year for the cash generating units.

Terminal growth rate: The terminal growth rate has been assumed to be 3%. In management's view, the terminal growth rate is the minimum growth rate expected to be achieved beyond the five year period.

Sensitivity to changes in assumptions

With regard to the assessment of value in use of the cash generating units, management believe that no reasonably possible change would cause the carrying values of the units to materially exceed their recoverable amount.

10 INVESTMENTS

	Notes	2010 AED'000	2009 AED'000
Held-to-maturity investments	10.1	**319,080**	315,795
Available-for-sale investments	10.2	**5,967**	10,368
Investments carried at fair value through profit or loss		**6,675**	6,693
		331,722	332,856
Current		**318,800**	135,143
Non-current		**12,922**	197,713
		331,722	332,856

10.1 HELD-TO-MATURITY INVESTMENTS

Unquoted debt securities held to maturity carry interest at rates ranging from three months LIBOR plus 1.20% to three months LIBOR plus 2.60% and have maturity dates upto 3 November 2014. At 31 December 2010, there is no impairment on held to maturity debt securities (2009: Nil). These investments are placed as collateral against an amount borrowed from a financial institution (note 22). The maximum exposure to credit risk is the carrying value of the debt securities classified as held to maturity. Investments classified as current are expected to mature within twelve months after the reporting date.

10.2 AVAILABLE-FOR-SALE INVESTMENTS

This comprises:

- AED 5,214 thousand (2009: AED 5,214 thousand) representing the acquisition cost of the investment in Deera Real Estate LLC, a company based in the Kingdom of Jordan, in which the Group holds less than 5% of the issued share capital.
- AED 753 thousand (2009: AED 5,154 thousand) representing the acquisition cost, net of impairment and refunds, of the investment in Ajman Real Estate Holding Ltd., in which the Group holds less than 10% of the issued share capital.

These investments are carried at cost as their fair value cannot be reliably determined due to the unpredictable nature of future cash flows.

11 LOANS AND ADVANCES

	2010 AED'000	2009 AED'000
Current (i)	**187,474**	95,929
Non-current (ii)	**33,929**	21,727
	221,403	117,656

(i) Amounts due from one particular customer for construction contracts were converted into a twelve month advance. Certain amounts being due during the year have been rolled over for another twelve months at interest rate of 11% per annum. The amounts are unsecured and carry interest rates ranging from 10% to 11% per annum (2009: 10% per annum). One of the directors of the Company is a member of the key management personnel of the customer.

(ii) These amounts are due from an entity controlled by the above customer. They carry interest rates ranging from 7% to 10% per annum and are due on 31 December 2012. The amounts are secured by property units under development in Thailand and the Group also has an option to purchase those units.

12 DEVELOPMENT PROPERTIES

Development properties amounting to AED 45,315 thousand (2009: AED 39,363 thousand) comprise parcels of land acquired and held for future development and sale and the related development cost. These projects are likely to be completed and sold during the year 2011. These properties are held in the name of a shareholder on behalf of the Group. To date, no revenue has been recognised on development properties. The development properties have been classified as current as they are expected to be realised in the Group's operating cycle.

13 CONTRACT RECEIVABLES AND RETENTIONS

	2010	*2009*
	AED'000	*AED'000*
		(Restated)
Contract receivables	**932,543**	627,254
Retentions receivable	**404,500**	367,738
Provision for receivables	**(29,790)**	(14,258)
	1,307,253	980,734
Current	**1,266,115**	980,734
Non-current	**41,138**	-
	1,307,253	980,734

Gross contract receivables and retentions receivable include AED 541,912 thousand and AED 227,888 thousand respectively (2009: AED 207,776 thousand and AED 145,410 thousand respectively) assigned in favor of the Group's bankers as security against facilities granted to the Group (note 25).

Retentions receivable represent contract retentions due from customers. Retentions receivable include AED 112,653 thousand (2009: AED 161,463 thousand) due more than twelve months after the reporting date.

In accordance with a payment plan agreed with a customer, certain amounts will be received more than twelve months after the reporting date. The discounted value of such amounts has been classified as non-current assets.

As at 31 December 2010, contract and retention receivables at nominal value of AED 29,790 thousand (2009: AED 14,258 thousand) were doubtful and provided for. Movements in the allowance for doubtful contract and retention receivables were as follows:

	2010	*2009*
	AED'000	*AED'000*
Balance at the beginning of the year / period	**14,258**	-
Transferred from LLC	**-**	12,964
Acquisition on business combination	**8,430**	2,600
Provided during the year / period	**10,385**	5,027
Unused amounts reversed	**(2,772)**	(2,034)
Written off during the year / period	**(511)**	(4,299)
Balance at 31 December	**29,790**	14,258

13 CONTRACT RECEIVABLES AND RETENTIONS (continued)

At the statement of financial position date, the ageing of unimpaired contract receivables and retention receivables is as follows:

			Past due but not impaired			
	Total AED'000	*Neither past due nor impaired AED'000*	*<30 days AED'000*	*30-60 days AED'000*	*60-90 days AED'000*	*>90 days AED'000*
31 December 2010	**1,307,253**	**726,358**	**97,327**	**90,278**	**55,130**	**338,160**
31 December 2009 (Restated)	980,734	526,980	147,447	111,454	25,892	168,961

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables.

14 CONTRACT WORK-IN-PROGRESS

	2010 AED'000	*2009 AED'000 (Restated)*
Costs and estimated earnings	**7,451,572**	5,152,494
Less: Progress billings	**(6,926,906)**	(4,935,026)
	524,666	217,468
Disclosed in the consolidated statement of financial position as follows:		
Contract work-in-progress	**621,912**	315,785
Excess billings – Billings in excess of value of work executed	**(97,246)**	(98,317)
	524,666	217,468

15 PREPAYMENTS AND OTHER RECEIVABLES

	2010 AED'000	*2009 AED'000 (Restated)*
Advances to suppliers	**52,219**	86,605
Interest receivable	**14,040**	60,222
Prepayments and other receivables	**96,845**	95,878
	163,104	242,705

16 RELATED PARTY TRANSACTIONS AND BALANCES

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

16 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties included in the consolidated statement of income are as follows:

	1 January 2010 to 31 December 2010		*17 November 2008 to 31 December 2009*	
	Joint ventures AED'000	***Other related parties AED'000***	*Joint ventures AED'000*	*Other related parties AED'000*
Sales	-	-	-	230
Purchases	-	-	-	5,403
Management fee income	**650**	-	1,598	-
Management fee expenses	-	**14,800**	-	16,650

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

From 1 January 2010 to 31 December 2010

- The Group acquired 49% of Drake & Scull International (Qatar) WLL from parties who were beneficially holding the interest on behalf of DSG (Note 3.1).
- The Group acquired 50% of Drake & Scull International LLC (Oman) from DSG (Note 3.2).
- The Group acquired 45% of Drake & Scull International WLL (Saudi Arabia) from an entity who was beneficially holding the interest on behalf of DSG (Note 3.3).
- One of the Group's wholly owned subsidiary is a partner in a joint venture with Drake & Scull International WLL (Saudi Arabia), now a 65% owned subsidiary of the Group.

From 17 November 2008 to 31 December 2009

- The Group paid AED 74 million to DSG as management fee for the period upto 31 December 2012. The agreement for the payment was referred to in the prospectus for offering of shares and was subsequently amended with the approval of the board of directors. The amendments did not result in any change to the total amount payable to DSG. The amount is amortised on a time proportion basis up to 31 December 2012, with amounts relating to the period more than 12 months after the reporting date classified as long term prepayment.
- The Group acquired 49% of Drake & Scull International for Contracting (W.L.L.) – Kuwait from parties who were beneficially holding the interest on behalf of DSG (note 3.6).
- One of the Group's subsidiaries is a partner in a joint venture in Saudi Arabia with a subsidiary of DSG I.E. Drake & Scull International WLL (Saudi Arabia).

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

	2010		*2009*	
	Due from related parties AED'000	***Due to related parties AED'000***	*Due from related parties AED'000*	*Due to related parties AED'000*
Joint ventures	**17,848**	-	14,649	16,289
Other related parties	**5,861**	**189,421**	24,910	58,862
	23,709	**189,421**	39,559	75,151

16 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

For the period ended 31 December 2010, the Group has not recorded any impairment of amounts owned by related parties (2009: Nil).

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

	1 January 2010 to 31 December 2010 AED'000	*17 November 2008 to 31 December 2009 AED'000*
Short-term benefits	**34,605**	39,909
Employees' end of service benefits	**3,445**	1,863
	38,050	41,772

17 CASH AND CASH EQUIVALENTS

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

	2010 AED'000	*2009 AED'000 (Restated)*
Cash on hand	**2,731**	847
Cash at bank	**170,872**	131,196
Time deposits	**531,547**	1,027,967
Bank balances and cash	**705,150**	1,160,010
Time deposits under lien	**(472,679)**	(327,245)
Bank overdrafts (note 25)	**(109,351)**	(89,851)
Cash and cash equivalents	**123,120**	742,914

18 SHARE CAPITAL

	2010 AED'000	*2009 AED'000*
Authorised, issued and fully paid		
1,197,777,778 shares of AED 1 each paid in cash	**1,197,778**	1,197,778
980,000,000 shares of AED 1each paid in kind	**980,000**	980,000
	2,177,778	2,177,778

As noted in note 3.1, assets and liabilities of Drake & Scull International LLC and its subsidiaries, were transferred to the Company as an in-kind contribution for 45% interest in the Company by the shareholders.

During the period ended 31 December 2009, the Company obtained necessary regulatory approval to undertake a share buy-back program. A total of 32,400 thousand shares were purchased from the market at an average price of AED 0.88 per share amounting to AED 28,622 thousand.

19 STATUTORY RESERVE

In accordance with the Commercial Companies Law of 1984 (as amended) and the Company's Articles of Association, 10% of the annual net profit of the Company is required to be transferred to a statutory reserve. This reserve is not available for distribution except as stipulated by the law.

20 DIVIDENDS

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

21 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the provision recognised in the consolidated statement of financial position are as follows:

	2010 ***AED'000***	*2009* *AED'000*
Provision at the beginning of the year / period	**34,551**	-
Transfer from the LLC (note 3.4)	**-**	19,779
Acquired through business combinations	**8,196**	4,862
Provided during the year / period	**12,122**	13,506
End of service benefits paid	**(5,190)**	(3,596)
Provision as at end of the year / period	**49,679**	34,551

An actuarial valuation has not been performed as the net impact of discount rates and future increases in benefits is not likely to be material.

22 TERM LOANS

	2010 ***AED'000***	*2009* *AED'000*
Loans (i)	**77,681**	49,199
Loan (ii)	**59,334**	78,949
Loans (iii)	**256,900**	256,900
Loan (iv)	**143,500**	156,115
Loan (v)	**32,331**	-
	569,746	541,163
Term loans	**569,746**	541,163
Non- current portion	**(2,149)**	(159,882)
Current portion of term loans	**567,597**	381,281

(i) These loans carry interest rates ranging between 2.2% and 8.5% (2009:7.5% and 8.25%) per annum and are repayable in 12 to 60 monthly installments. Installments due within one year are disclosed under current liabilities. These loans are secured by lien on the motor vehicles and equipment purchased and on certain receivables.

(ii) This represents loan of Euro 15 million obtained to finance the working capital requirements of a subsidiary. The loan carries interest at variable rates of three months EURIBOR plus 1% per annum. During the year, the Group made payment of Euro 3.2 million.

22 TERM LOANS (continued)

(iii) These represent loans of USD 70 million obtained to finance the working capital requirements and investments. These loans carry interest at variable rates of three months LIBOR plus 1.25% to 2.5% per annum and is repayable within 12 months.

(iv) This represents loan of USD 42.5 million obtained to finance the held-to-maturity investments. The loan carries interest at variable rates of three months LIBOR plus 0.5% per annum and is repayable on 12 August 2011. The loan is secured by pledge on the unquoted debt securities (note 10.1). During the year, the Group made payment of USD 3.4 million.

(v) This represents loan of USD 8.8 million obtained to finance the held-to-maturity investments. The loan carries interest at variable rates of three months LIBOR plus 1.5% per annum and is repayable on 28 February 2011. The loan is secured by pledge on the unquoted debt securities (note 10.1).

23 INCOME TAX AND DEFERRED TAX

The major components of income tax expense for the year / period ended 31 December 2010 and 31 December 2009 are:

Income tax expense:

	1 January 2010 to 31 December 2010 AED'000	*17 November 2008 to 31 December 2009 AED'000 (Restated)*
Current income tax (credit) expense:		
Current income tax charge	**4,811**	59
Deferred tax (credit) expense:		
Relating to origination and reversal of temporary differences	**(10,190)**	-
Income tax (credit) expense	**(5,379)**	59

Deferred tax

Movement in the deferred tax asset in the consolidated statement of financial position is as follows:

	2010 AED'000	*2009 AED'000 (Restated)*
At the beginning of the year / period	**2,126**	-
Acquired through business combinations (note 3.5)	**-**	2,223
Tax credit during the year / period	**10,190**	-
Translation adjustment	**(184)**	(97)
At end of the year / period	**12,132**	2,126

The tax (credit) expense and deferred tax asset relate to the Group's subsidiaries in Germany and Saudi Arabia. Deferred tax asset relates to temporary difference on the subsidiaries in Germany in accordance with the taxation laws and regulations of Germany.

24 ACCOUNTS PAYABLE AND ACCRUALS

	2010 AED'000	2009 AED'000 (Restated)
Due to suppliers and subcontractors	**482,607**	390,071
Retention payable	**82,889**	72,687
Provision for maintenance	**15,406**	20,168
Accrued expenses and other payables	**382,369**	303,312
	963,271	786,238

25 DUE TO BANKS

	2010 AED'000	2009 AED'000
Trust receipts and other borrowings	**110,272**	32,336
Bank overdrafts (note 17)	**109,351**	89,851
	219,623	122,187

The banking facilities carry interest at prevailing market rates and are secured by one or more of the following:

- Assignment of project receivables and insurance policy over the asset financed.
- Assignment of guarantees issued by subcontractors.
- Lien over time deposits.
- Guarantees of certain related parties.

26 INVESTMENT IN JOINT VENTURES

The Group, through its subsidiary Gulf Technical Construction Co. L.L.C. has a 50% interest in Ranya Test Joint Venture, a joint venture with Ranya General Contracting Company (L.L.C.) under a joint venture agreement dated 12 August 2005.

The Group's share in the joint venture's assets and liabilities included in the consolidated financial statements is as follows:

	2010 AED'000	2009 AED'000
Current assets	**61,002**	62,707
Non-current assets	**229**	1,134
Current liabilities	**(46,723)**	(47,829)
Non-current liabilities	-	-
Net assets	**14,508**	16,012

26 INVESTMENT IN JOINT VENTURES (continued)

The Group's share in the operating results of the joint venture included in the consolidated financial statements is as follows:

	1 January 2010 to 31 December 2010 AED'000	*17 November 2008 to 31 December 2009 AED'000*
Revenue	**34,773**	91,180
(Loss) Profit for the year/ period	**(1,504)**	14,824

The Group through its subsidiary Drake & Scull International LLC (Abu Dhabi) has a 50% interest in King Abdullah University of Science and Technology project, a joint venture with Drake & Scull (W.L.L) – Saudi Arabia under a joint venture agreement dated 15 January 2008. The Company acquired Drake & Scull (W.L.L) – Saudi Arabia during the year ended 31 December 2010.

The Group's share in the joint venture's assets and liabilities included in the consolidated financial statements is as follows:

	2010 AED'000	*2009 AED'000*
Current assets	-	192,701
Non-current assets	-	2,963
Current liabilities	-	(87,262)
Net assets	-	108,402

The Group's share in the operating results of the joint ventures included in the consolidated financial statements is as follows:

	1 January 2010 to 31 December 2010 AED'000	*17 November 2008 to 31 December 2009 AED'000*
Revenue	**57,892**	267,417
Profit for the year/ period	**25,153**	84,413

27 EARNINGS PER SHARE

	1 January 2010 to 31 December 2010	*17 November 2008 to 31 December 2009 (Restated)*
Earnings:		
Profit for the year / period attributable to equity holders of the Parent less directors' fee (AED'000)	**154,618**	325,712
Shares:		
Weighted average number of shares outstanding during the year / period (Issued shares less weighted treasury shares)	**2,145,377,778**	2,165,835,593
Basic and diluted earnings per share (AED)	**0.072**	0.150

28 EXPENDITURE COMMITMENTS

	2010 *AED'000*	*2009* *AED'000*
Operating lease commitments		
Future minimum lease payments:		
Within one year	**22,115**	24,896
After one year but not more than five years	**544**	6,908
More than five years	**1,851**	1,633
Total operating lease expenditure contracted for at the statement of financial position date	**24,510**	33,437

29 CONTINGENCIES

	2010 *AED'000*	*2009* *AED'000*
Performance bonds	**731,777**	626,769
Advance payment and other guarantees	**659,074**	405,621

30 RISK MANAGEMENT

Interest rate risk
The Group is exposed to interest rate risk on its interest bearing assets and liabilities (time deposits, loans and advances, due to banks, and term loans). The Group's interest-bearing financial assets and financial liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The sensitivity analyses below have been determined based on the exposure to interest rates for time deposit, loans and advances, due to banks and term loans at the reporting date. For time deposits, interest bearing loans and advances, due to banks and term loans, the analysis is prepared assuming the amount of time deposits with banks, loans and advances, due to banks and term loans outstanding at the reporting date was outstanding for the whole period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

There is no direct impact on the Group's equity other than the impact resulting from the effect on profit for the year/ period.

	Increase/ decrease in basis points	*Effect on profit for the year/ period AED'000*
2010		
AED	**+50**	**14,133**
AED	**-50**	**(14,133)**
2009		
AED	+50	44,891
AED	-50	(44,891)

Currency risk
The Group's foreign currency monetary assets and liabilities are denominated in mainly Saudi Arabian Riyals, Qatari Dinars, Euro or Kuwaiti Dinar.

30 RISK MANAGEMENT (continued)

Currency risk (continued)
The table below indicates the Group's foreign currency exposure at 31 December, as a result of its monetary assets and liabilities. As Saudi Arabian Riyals, Qatari Dinars and Arab Emirates Dirhams are pegged to US Dollars, the analysis calculates the effect of a reasonably possible movement of the AED currency rate against the Euro and Kuwaiti Dinar, with all other variables held constant, on the statement of income (due to the fair value of currency sensitive monetary assets and liabilities).

	Increase/ decrease in rate to the AED	*Effect on profit for the year / period AED'000*
2010		
Euro	**+5%**	**(411)**
	-5%	**411**
Kuwaiti Dinar	**+5%**	**(73)**
	-5%	**73**
2009		
Euro	+5%	(1,001)
	-5%	1,001
Kuwaiti Dinar	+5%	(4,179)
	-5%	4,179

Credit risk
The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables and retentions due from the customers.

The Group limits its credit risk with regard to bank deposits by dealing with reputable banks only.

With respect to credit risk arising from the other financial assets of the Group, including cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk
The Group limits its liquidity risk by ensuring bank facilities and funding from the shareholders are available.

The table below summarises the maturities of the Group's undiscounted financial liabilities at 31 December, based on contractual payment dates and current market interest rates.

31 December 2010

	Less than 3 months AED'000	***3 to 12 months AED'000***	***1 to 5 years AED'000***	***>5 years AED'000***	***Total AED'000***
Accounts payable and accruals	**638,116**	**184,406**	**134,365**	**6,384**	**963,271**
Due to related parties	**189,421**	-	-	-	**189,421**
Due to banks	**222,368**	-	-	-	**222,368**
Term loans	**109,211**	**482,721**	**2,418**	-	**594,350**
Total	**1,159,116**	**667,127**	**136,783**	**6,384**	**1,969,410**

31 December 2009 (Restated)

	Less than 3 months AED'000	*3 to 12 months AED'000*	*1 to 5 years AED'000*	*>5 years AED'000*	*Total AED'000*
Accounts payable and accruals	412,887	281,417	91,934	-	786,238
Due to related parties	58,423	16,728	-	-	75,151
Due to banks	115,758	7,190	-	-	122,948
Term loans	43,670	348,103	165,865	-	557,638
Total	630,738	653,438	257,799	-	1,541,975

30 RISK MANAGEMENT (continued)

Capital management
The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholder value.

The Group has raised capital through public subscription. Capital comprises share capital, treasury shares, statutory reserve and retained earnings and is measured at AED 2,478,110 thousand at 31 December 2010 (2009: AED 2,474,868 thousand).

31 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets comprise of cash and bank balances, contract receivables and retentions receivable, loans and advances, other receivables and due from related parties. Financial liabilities comprise of due to banks, term loans, account payables and accruals and due to related parties.

The fair values of financial instruments are not materially different from their carrying values.

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Bank balances and cash, receivables, amounts due from related parties, accounts payable and amounts due to related parties approximate their carrying amounts largely due to the short-term maturities of these instruments.

- The fair values of term loans from bank are not materially different from their carrying values as the spread between the instruments' carrying rates and market rates are not significant.

Fair value hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of financial instrument by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at 31 December, the Group is not carrying any financial instrument measured at fair value, except for investments carried at fair value through profit and loss.

32 PRIOR PERIOD ADJUSTMENTS

As described in note 3.5, the purchase price allocation for the acquisition of Passavant Roediger GmbH and its subsidiaries ("Passavant") was completed in December 2010. The adjustment to the provisional values resulted in reversal of negative goodwill at the time of acquisition and adjustments to prior period balances. The comparative information as of 31 December 2009 and for the period ended 31 December 2009 has been restated to reflect these adjustments.

32 PRIOR PERIOD ADJUSTMENTS (continued)

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

	For the period from 17 November 2008 to 31 December 2009		
	Reported AED'000	*Adjustment AED'000*	*Restated AED'000*
Other income	113,835	(9,478)	104,357
Income tax	(859)	800	(59)
Profit for the period	336,537	(8,678)	327,859
Exchange difference on translation of foreign operations	6,710	(416)	6,294
Total comprehensive income for the period	329,824	(8,259)	321,565

	As at 31 December 2009		
	Reported AED'000	*Adjustment AED'000*	*Restated AED'000*
Goodwill and other intangible assets	821,828	58,089	879,917
Deferred tax assets	-	2,126	2,126
Contract receivables and retentions	983,866	(3,132)	980,734
Contract work-in-progress	405,143	(89,358)	315,785
Prepayments and other receivables	245,994	(3,289)	242,705
Bank balances and cash	1,160,310	(300)	1,160,010
Retained earnings	300,736	(8,678)	292,058
Foreign currency translation reserve	(6,710)	416	(6,294)
Deferred tax liability	29,795	(29,795)	-
Other payables	-	1,458	1,458
Accounts payable and accruals	785,503	735	786,238