

Drake and Scull International PJSC

**Condensed consolidated interim financial information
(Unaudited) for the six-month period ended 30 June 2012**

Drake and Scull International PJSC

**Condensed consolidated interim financial information
for the six-month period ended 30 June 201112**

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

Introduction

We have reviewed the accompanying condensed consolidated interim balance sheet of Drake and Scull International PJSC ("the PJSC") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2012 and the related interim consolidated income statement, statements of comprehensive income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

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

Conclusion

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

PricewaterhouseCoopers
14 August 2012

A handwritten signature in blue ink, appearing to read 'A. Nasser', written over a faint, stylized blue line.

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Drake and Scull International PJSC

Interim consolidated balance sheet

	Note	30 June 2012 (Unaudited) AED'000	31 December 2011 (Audited) AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	4	496,400	423,412
Intangible assets		1,155,093	1,173,969
Deferred income tax assets		13,507	12,374
Available-for-sale financial assets		19,493	24,707
Held to maturity investments		31,685	27,978
Trade and other receivables	5	173,875	332,674
		<u>1,890,053</u>	<u>1,995,114</u>
Current assets			
Inventories		20,201	26,163
Development properties		56,570	50,932
Trade and other receivables	5	3,214,802	2,901,110
Due from related parties	6	27,078	25,466
Held-to-maturity investments		819	211,221
Financial assets at fair value through profit or loss		6,738	5,189
Cash and bank balances	7	280,315	525,487
		<u>3,606,523</u>	<u>3,745,568</u>
Total assets		<u>5,496,576</u>	<u>5,740,682</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Parent			
Share capital		2,285,047	2,177,778
Treasury shares		(28,622)	(28,622)
Statutory reserve		73,753	73,753
Other reserve		24,543	24,543
Retained earnings		338,638	446,639
Foreign currency translation reserve		(6,343)	(8,778)
		<u>2,687,016</u>	<u>2,685,313</u>
Non-controlling interests		43,363	32,244
		<u>2,730,379</u>	<u>2,717,557</u>
Total equity			
LIABILITIES			
Non-current liabilities	8		
Bank borrowings		153,857	106,398
Deferred income tax liabilities		5,681	3,842
Employees' end of service benefits		73,281	65,108
Other payables		2,607	1,329
		<u>235,426</u>	<u>176,677</u>
Current liabilities			
Trade and other payables		1,907,391	2,080,884
Bank borrowings	8	592,695	722,470
Due to related parties	6	30,685	43,094
		<u>2,530,771</u>	<u>2,846,448</u>
Total liabilities		<u>2,766,197</u>	<u>3,023,125</u>
Total equity and liabilities		<u>5,496,576</u>	<u>5,740,682</u>

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

Chairman

Chief Executive Officer

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

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Drake and Scull International PJSC

Interim consolidated income statement

	Note	<u>Six months ended</u>		<u>Three months ended</u>	
		30 June 12 AED'000	30 June 11 AED'000	30 June 12 AED'000	30 June 11 AED'000
Contract revenue		1,494,002	1,383,761	717,296	738,701
Contract costs		(1,287,172)	(1,177,747)	(619,785)	(633,348)
Gross profit		<u>206,830</u>	<u>206,014</u>	<u>97,511</u>	<u>105,353</u>
Other income		6,541	12,399	2,126	4,697
General and administrative expenses		(140,034)	(121,956)	(68,169)	(60,379)
Fair value loss on financial assets at fair value through profit and loss		(3,665)	(1,479)	-	(1,479)
Operating profit		<u>69,672</u>	<u>94,978</u>	<u>31,468</u>	<u>48,192</u>
Finance income		21,739	26,580	9,958	11,098
Finance costs		(5,410)	(13,259)	(2,304)	(2,508)
Finance income – net		<u>16,329</u>	<u>13,321</u>	<u>7,654</u>	<u>8,590</u>
Profit for the period before tax		<u>86,001</u>	<u>108,299</u>	<u>39,122</u>	<u>56,782</u>
Income tax expense	9	(11,364)	(2,699)	(7,136)	(1,799)
Profit for the period		<u>74,637</u>	<u>105,600</u>	<u>31,986</u>	<u>54,983</u>
Attributable to:					
Owners of the Parent		63,630	97,153	26,054	51,287
Non-controlling interests		<u>11,007</u>	<u>8,447</u>	<u>5,932</u>	<u>3,696</u>
		<u>74,637</u>	<u>105,600</u>	<u>31,986</u>	<u>54,983</u>
Earnings per share					
- Basic and diluted (AED)	10	<u>0.028</u>	<u>0.045</u>	<u>0.012</u>	<u>0.024</u>

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

Drake and Scull International PJSC

Interim consolidated statement of comprehensive income

	<u>Six months ended</u>		<u>Three months ended</u>	
	30 June 12	30 June 11	30 June 12	30 June 11
	AED'000	AED'000	AED'000	AED'000
Profit for the period	74,637	105,600	31,986	54,983
Other comprehensive income:				
Foreign currency translation	2,435	3,164	1,148	1,067
Other comprehensive income for the period	2,435	3,164	1,148	1,067
Total comprehensive income for the period	<u>77,072</u>	<u>108,764</u>	<u>33,134</u>	<u>56,050</u>
Attributable to:				
Owners of the parent	66,065	100,317	27,202	52,354
Non-controlling interests	<u>11,007</u>	<u>8,447</u>	<u>5,932</u>	<u>3,696</u>
	<u>77,072</u>	<u>108,764</u>	<u>33,134</u>	<u>56,050</u>

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

Drake and Scull International PJSC

Interim consolidated statement of changes in equity

	Share Capital AED'000	Treasury shares AED'000	Statutory reserve AED'000	Other reserve AED'000	Retained earnings AED'000	Foreign currency translation reserve AED'000	Total AED'000	Non- controlling interest AED'000	Total AED'000
Balance at 1 January 2011	2,177,778	(28,622)	49,116	-	279,838	(8,443)	2,469,667	72,097	2,541,764
Profit for the period	-	-	-	-	97,153	-	97,153	8,447	105,600
Other comprehensive income for the period	-	-	-	-	-	3,164	3,164	-	3,164
Total comprehensive income for the period	-	-	-	-	97,153	3,164	100,317	8,447	108,764
Dividends	-	-	-	-	-	-	-	(8,568)	(8,568)
Non-controlling interest arising on business combination	-	-	-	-	-	-	-	1,897	1,897
Non-controlling interest contribution to subsidiary's capital	-	-	-	-	-	-	-	601	601
Balance at 30 June 2011	2,177,778	(28,622)	49,116	-	376,991	(5,279)	2,569,984	74,474	2,644,458
Balance at 1 January 2012	2,177,778	(28,622)	73,753	24,543	446,639	(8,778)	2,685,313	32,244	2,717,557
Profit for the period	-	-	-	-	63,630	-	63,630	11,007	74,637
Other comprehensive income for the period	-	-	-	-	-	2,435	2,435	-	2,435
Total comprehensive income for the period	-	-	-	-	63,630	2,435	66,065	11,007	77,072
Dividends	-	-	-	-	(171,631)	-	(171,631)	-	(171,631)
Bonus shares issued to shareholders	107,269	-	-	-	-	-	107,269	-	107,269
Non-controlling interest contribution to subsidiary's share capital	-	-	-	-	-	-	-	112	112
Balance at 30 June 2012	2,285,047	(28,622)	73,753	24,543	338,638	(6,343)	2,687,016	43,363	2,730,379

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

Drake and Scull International PJSC

Interim consolidated statement of cash flows

	Six months ended	
Note	30 June 2012	30 June 2011
	AED'000	AED'000
Operating activities		
Profit for the period before tax	86,001	108,299
Adjustments for:		
Depreciation	18,462	24,679
Amortisation of intangible assets	18,876	16,778
Provision for employees' end of service benefits	13,747	6,043
Group management fee expense	7,400	7,400
Finance income	(21,739)	(26,580)
Fair value loss on financial assets at fair value through profit or loss	3,665	1,479
Gain on disposal of property, plant and equipment	(1,344)	-
Finance costs	5,410	13,259
Provision for impairment of inventories	5,497	-
Provision for impairment on trade receivables and retentions - net	12,916	22,029
Operating cash flows before payments of employees' end of service benefits, income tax and changes in working capital	148,891	173,386
Employees' end of service benefits paid	(5,574)	(3,879)
Income tax paid	(12,497)	(2,703)
Changes in working capital (excluding the effects of business combinations):		
Inventories	465	1,310
Development properties	(5,638)	(2,382)
Trade and other receivables before provisions and excluding interest receivable and loans and advances	(195,390)	(442,326)
Due from related parties	(1,612)	14,861
Trade and other payables excluding income tax, interest and group management fee payable	(167,494)	489,531
Due to related parties	(12,410)	(55,659)
Net cash (used in) / from operating activities	(251,259)	172,139
Investing activities		
Purchase of property, plant and equipment	(92,194)	(83,647)
Proceeds from disposal of property, plant and equipment	2,088	-
Net proceeds from disposal of investments / (net investments made)	206,695	168,565
Loans and advances	30,440	20,065
Interest received	11,481	18,613
Net cash outflow on business combination	-	(98,803)
Net cash from investing activities	158,510	24,793

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

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Interim consolidated statement of cash flows (continued)

	Note	Three months ended	
		30 June 2012	30 June 2011
		AED'000	AED'000
Financing activities			
Term deposits under lien		226,642	211,306
Net proceeds from trust receipts and other borrowings		118,886	(28,035)
Proceeds from term loans		264,336	191,438
Payment of term loans		(450,654)	(293,041)
Non-controlling interest's contribution to subsidiary's capital	112	-	-
Dividends paid	(64,361)	-	-
Interest paid	(8,293)	(12,680)	-
Net cash from financing activities		86,668	68,988
Net (decrease) / increase in cash and cash equivalents		(6,081)	265,920
Net foreign currency translation difference		2,435	(5,084)
Cash and cash equivalents, beginning of the period		223,370	40,120
Cash and cash equivalents, end of the period	7	219,724	300,956

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

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Drake and Scull International PJSC

Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2012

1 General information

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

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

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

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

<i>Major Subsidiaries</i>	<i>Principal activities</i>	<i>Shareholding %</i>		<i>Country of incorporation</i>
		<i>2012</i>	<i>2011</i>	
Drake & Scull International LLC (Abu Dhabi)	Contracting work relating to the construction industry	100	100	UAE
Gulf Technical Construction Company LLC	Mechanical, electrical and civil construction work	100	80	UAE
Drake & Scull Water and Power LLC	Developing waste water, water and sludge treatment plants	100	100	UAE
Drake & Scull International for Electrical Contracting WLL	Electrical contracting and repairing work relating to the construction industry	75	75	Kuwait
Drake & Scull International (Qatar) WLL	Contracting work relating to the construction industry	100	100	Qatar
Passavant Engineering Limited	Holding company	100	100	British Virgin Island
Passavant Roediger GmbH and its subsidiaries (a subsidiary of Passavant Engineering Limited)	Developing waste water, water and sludge treatment plants	100	100	Germany
Drake & Scull International (Thailand) Limited	Contracting work relating to the construction industry	100	100	Thailand
Drake & Scull International WLL	Contracting work relating to the construction industry	65	65	Saudi Arabia
International Center for Contracting Co. Ltd	Contracting work relating to the construction industry	100	100	Saudi Arabia
Drake & Scull Construction Company LLC	Contracting work relating to the construction industry	94	94	Saudi Arabia
Drake & Scull International for Contracting SAE	Contracting work relating to the construction industry	100	100	Egypt
Drake & Scull Water & Energy India Private Limited	Developing waste water, water and sludge treatment plants	100	-	India
Drake & Scull International LLC (Oman)	Contracting work relating to the construction industry	51	51	Oman

Drake and Scull International PJSC

Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2012 (continued)

1 General information (continued)

The Group, through Gulf Technical Construction Company LLC, also has a 50% interest in Ranya Test Joint Venture, a joint venture with Ranya General Contracting Company LLC under a joint venture agreement dated 12 August 2005.

The Group, through Drake & Scull Water & Power LLC, also has a 50% interest in a Joint Venture with Afghan Electrical Power Corporation under a joint venture agreement dated 27 September 2011.

The Group, through Drake & Scull International for Contracting SAE, also has a 50% interest in a Joint Venture with Hassan Allam Sons (Mfir Sons Development S.A.E) under a joint venture agreement dated 21 July 2011.

The Group, through Drake & Scull Construction Company LLC, also has a 50% interest in a Joint Venture with Consolidated Contractors Group S.A.L (Offshore) (CCC) under a joint venture agreement dated 27 September 2011.

2 Basis of preparation and accounting policies

2.1 Basis of preparation

This interim condensed consolidated financial information for the six months ended 30 June 2012 has been prepared in accordance with IAS 34, 'Interim financial reporting'. The interim condensed consolidated financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2011, which have been prepared in accordance with International Financial Reporting Standards.

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

2.2 Significant accounting policies

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

IFRS 7, Financial instruments: Disclosures (Amendment)

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

Drake and Scull International PJSC

Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2012 (continued)

2 Basis of preparation and accounting policies (continued)

2.2 Significant accounting policies (continued)

IAS 12, Income taxes (Amendment)

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

2.3 Basis of consolidation

The condensed consolidated interim financial information at and for the six-month period ended 30 June 2012 comprises results of the Group. The condensed interim financial information of the subsidiaries is prepared for the same reporting period as that of the Company, using consistent accounting policies. All inter-company transactions, profits and balances are eliminated on consolidation.

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

Estimates and assumptions

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

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

Financial risk management

The Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial statements as at and for the year ended 31 December 2011.

Liquidity risk factors

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

Drake and Scull International PJSC

Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2012 (continued)

2 Basis of preparation and accounting policies (continued)

2.2 Significant accounting policies (continued)

Liquidity risk factors (continued)

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

3 Segment reporting

Information regarding the Group's operating segments is set out below in accordance with IFRS 8 "Operating Segments". IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the "Executive management" who are the Chief Operating decision-makers in order to allocate resources to the segment and to assess its performance. Executive management assesses the performance of the operating segments based on revenue.

Business segments

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

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

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

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

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

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

Geographical segments

Executive management considers the geographical distribution of the Group's operations into three main segments; UAE, Saudi Arabia and Others. The Group is presently engaged in carrying out contracting work relating to the construction industry mainly in the United Arab Emirates, Saudi Arabia, Kuwait, Qatar, Egypt, Oman, Germany, Thailand, Algeria, Iraq and India.

Drake and Scull International PJSC

Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2012 (continued)

3 Segment reporting (continued)

Information about business segments

All figures in AED'000

	MEP	IWP	Civil	Other	Inter segment elimination	Total	MEP	IWP	Civil	Other	Inter segment elimination	Total
	Six months ended 30 June 2012						Six months ended June 2011					
Revenue												
External customers	830,346	290,344	373,312	-	-	1,494,002	645,806	243,306	494,649	-	-	1,383,761
Inter- segment	126,938	2,666	51,568	-	(181,172)	-	48,452	1,406	72,247	-	(122,105)	-
	<u>957,284</u>	<u>293,010</u>	<u>424,880</u>	<u>-</u>	<u>(181,172)</u>	<u>1,494,002</u>	<u>694,258</u>	<u>244,712</u>	<u>566,896</u>	<u>-</u>	<u>(122,105)</u>	<u>1,383,761</u>
Segment profit / (loss)	<u>89,652</u>	<u>(7,399)</u>	<u>(2,403)</u>	<u>(2,387)</u>	<u>(2,826)</u>	<u>74,637</u>	<u>86,797</u>	<u>12,176</u>	<u>18,175</u>	<u>(11,548)</u>	<u>-</u>	<u>105,600</u>
Depreciation and amortisation	<u>6,361</u>	<u>1,231</u>	<u>10,272</u>	<u>19,474</u>	<u>-</u>	<u>37,338</u>	<u>8,298</u>	<u>1,101</u>	<u>14,820</u>	<u>17,238</u>	<u>-</u>	<u>41,457</u>
Capital expenditure	<u>56,697</u>	<u>2,100</u>	<u>33,207</u>	<u>190</u>	<u>-</u>	<u>92,194</u>	<u>63,399</u>	<u>1,402</u>	<u>18,346</u>	<u>500</u>	<u>-</u>	<u>83,647</u>
	<u>At 30 June 2012</u>						<u>At 31 December 2011</u>					
Segment total assets	<u>1,988,048</u>	<u>664,454</u>	<u>1,489,474</u>	<u>2,477,075</u>	<u>(1,122,475)</u>	<u>5,496,576</u>	<u>1,797,402</u>	<u>640,488</u>	<u>1,400,219</u>	<u>2,825,171</u>	<u>(922,598)</u>	<u>5,740,682</u>

Revenue from one customer amounting to AED 189,072 thousand which exceeded 10% of the Group revenue was earned through the Civil works segment. In 2011, one customer accounted for over 10% of the Group revenue which represents AED 202,208 thousand relating to Civil works.

Drake and Scull International PJSC

Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2012 (continued)

3 Segment reporting (continued)

Information about geographical segments

All figures in AED'000

	UAE	Saudi Arabia	Others	Inter segment elimination	Total	UAE	Saudi Arabia	Others	Inter segment elimination	Total
	Six months ended 30 June 2012					Six months ended 2011				
Revenue from external customers	<u>425,473</u>	<u>650,636</u>	<u>417,893</u>	<u>-</u>	<u>1,494,002</u>	<u>676,624</u>	<u>469,580</u>	<u>237,557</u>	<u>-</u>	<u>1,383,761</u>

Drake and Scull International PJSC

Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2012 (continued)

4 Property, plant and equipment

The Group acquired property, plant and equipment during the six-month period ended 30 June 2012 amounting to AED 92,194 thousand (2011: AED 83,647 thousand). The Group disposed property, plant and equipment during the six-month period ended 30 June 2012 amounting to AED 744 thousand (2011: AED Nil thousand) and depreciation charged to the interim consolidated income statement amounted to AED 18,462 thousand (2011: AED 24,679 thousand).

5 Trade and other receivables

	30 June 2012 AED'000	31 December 2011 AED'000
Non-current		
Trade receivables and retentions	133,127	211,829
Loans and advances	45,440	123,132
Prepayments	-	2,713
	<u>178,567</u>	<u>337,674</u>
	(4,692)	(5,000)
	<u>173,875</u>	<u>332,674</u>
Less: fair value adjustment		
Current		
Trade receivables and retentions	1,371,873	1,499,014
Prepayments and other receivables	338,222	346,638
Amount due from customers on contracts	1,459,335	1,044,422
Loans and advances	117,248	69,996
	<u>3,286,678</u>	<u>2,960,070</u>
Less: provision for impairment	(71,876)	(58,960)
	<u>3,214,802</u>	<u>2,901,110</u>

6 Related party transactions and balances

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

Drake and Scull International PJSC

Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2012 (continued)

6 Related party transactions and balances (continued)

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

From 1 January 2011 to 30 June 2011:

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

The other significant related party transactions primarily include management fees charged by DSG amounting to AED 7,400 thousand (2011: AED 7,400 thousand).

The outstanding balances with related parties are given below:

Due from related parties:

	30 June 2012 AED'000	31 December 2011 AED'000
Joint venture	17,303	23,786
Affiliated entities	9,775	1,680
	<u>27,078</u>	<u>25,466</u>
Due to related parties:		
Drake and Scull Group	24,466	24,484
Other affiliated entities	6,219	18,610
	<u>30,685</u>	<u>43,094</u>

Compensation of key management personnel

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

	<u>Six months ended</u>		<u>Three months ended</u>	
	30 June 12 AED'000	30 June 11 AED'000	30 June 12 AED'000	30 June 11 AED'000
Short term benefits	20,584	15,077	10,414	7,736
Employees' end of service benefits	<u>1,378</u>	<u>598</u>	<u>436</u>	<u>305</u>
	<u>21,962</u>	<u>15,675</u>	<u>10,850</u>	<u>8,041</u>

Drake and Scull International PJSC

Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2012 (continued)

7 Cash and bank balances

	30 June 2012 AED'000	31 December 2011 AED'000
Cash on hand	7,110	3,506
Cash at bank	149,488	173,872
Term deposits	123,717	348,109
	<u>280,315</u>	<u>525,487</u>
Cash and bank balances		

Term deposits carry an average interest rate of 1% to 4.5% (2011: 1% to 5%).

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

	30 June 2012 AED'000	30 June 2011 AED'000
Cash and bank balances	280,315	600,117
Less: Term deposits under lien	(37,260)	(261,373)
Bank overdrafts	<u>(23,331)</u>	<u>(37,788)</u>
Cash and cash equivalents	<u>219,724</u>	<u>300,956</u>

8 Bank borrowings

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

	30 June 2012 AED'000	31 December 2011 AED'000
Non-current		
Term loan	<u>153,857</u>	<u>106,398</u>
Current		
Term loan	248,228	482,005
Trust receipts and other borrowings	321,136	202,250
Bank overdrafts	<u>23,331</u>	<u>38,215</u>
	<u>592,695</u>	<u>722,470</u>

Drake and Scull International PJSC

Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2012 (continued)

8 Bank borrowings (continued)

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

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

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

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

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

The Group has to comply with financial and non-financial debt covenants including debt equity ratio and tangible net worth value. There were no breaches of debt covenants as at 30 June 2012.

9 Income tax expense

The major components of income tax expense are:

	<u>Six months ended</u>		<u>Three months ended</u>	
	30 June 12	30 June 11	30 June 12	30 June 11
	AED'000	AED'000	AED'000	AED'000
<i>Current income tax expense:</i>				
Current income tax charge	11,055	1,480	7,341	1,633
<i>Deferred income tax expense / (credit)</i>				
Relating to origination and reversal of temporary differences	309	1,219	(205)	166
	<u>11,364</u>	<u>2,699</u>	<u>7,136</u>	<u>1,799</u>

Drake and Scull International PJSC

Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2012 (continued)

10 Earnings per share

Basic

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

	<u>Six months ended</u>		<u>Three months ended</u>	
	30 June 12	30 June 11	30 June 12	30 June 11
Earnings (AED'000)				
Earnings for the purposes of basic earnings per share being net profit attributable to owners of the parent	63,630	97,153	26,054	51,287
Number of shares				
Weighted average number of ordinary shares for the purposes of basic earnings per share	2,252,646,667	2,145,377,778	2,252,646,667	2,145,377,778
Basic and diluted earnings per share (AED)	0.028	0.045	0.012	0.024

Diluted

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

11 Guarantees

	30 June 2012 AED'000	31 December 2011 AED'000
Performance bonds	880,735	831,894
Letter of guarantees	902,881	1,099,198
	<u>1,783,616</u>	<u>1,931,092</u>

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

Drake and Scull International PJSC

Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2012 (continued)

12 Expenditure commitments

(a) Operating lease commitments

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

	30 June 2012 AED'000	31 December 2011 AED'000
Future minimum lease payments:		
No later than one year	9,093	24,593
Later than one year but no later than five years	10,167	1,917
More than five years	1,742	-
	<u>21,002</u>	<u>26,510</u>

(b) Other commitments

	30 June 2012 AED'000	31 December 2011 AED'000
Letters of credit for purchase of materials and operating equipment	514,504	646,425
Capital commitments for construction of facilities	<u>10,278</u>	<u>41,214</u>
	<u>524,782</u>	<u>687,639</u>

13 Dividend

In its meeting held on 28 March 2012, the Board of Directors proposed cash dividends of 5% of the face value of the authorised shares. During the Annual General Meeting held on 26 April 2012, the shareholders approved the cash dividends of 3% of the face value of the authorised shares and 5% bonus shares. The increase in share capital was formally approved by the Ministry of Economy on 25 June 2012. These dividends have been reflected in the current quarter's consolidated statement of changes in equity