



## Governance Report Form for 2021

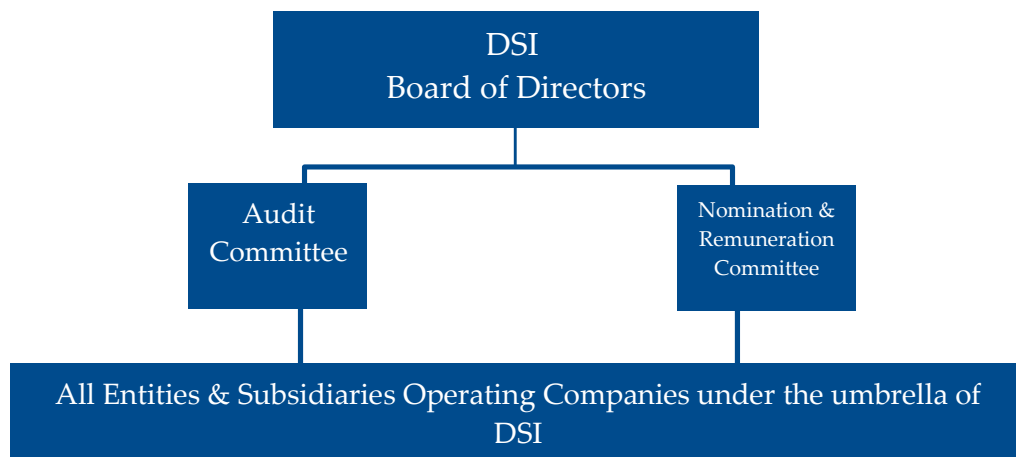
### 1. Statement of procedures taken to complete the Corporate Governance System, during 2021, and method of implementing thereof.

Drake & Scull International PJSC [DSI] is committed to the highest level of Corporate Governance and has derived its values from a system that integrates ethics, corporate integrity, and leading compliant practices. Transparency, fairness, disclosure, and accountability have been central to the working ethos of the Company, Board of Directors, Senior Management, and Employees.

The Corporate Governance Framework takes into account the principles espoused and standards set by the Securities & Commodities Authority (SCA), Dubai Financial Market (DFM), and Commercial Companies Law Federal Law No (2) of 2015 and its amendments regarding commercial companies in setting the direction and requirements for DSI.

DSI is committed to implementing the decision of the Chairman of the Securities & Commodities Authority No. (3 / RM) of 2020 concerning approving the Corporate Governance Guide for Public Joint Stock Companies and its amendments from time to time to the latest standards and the Governance Guide issued accordingly ("The Governance Guide").

Depicted below is the Corporate Governance Structure developed and implemented by DSI, which aims to enhance the good governance practices followed by the Board and the Executive Management of the Company.



\*\* All entities, subsidiaries, and operating companies within Drake & Scull International PJSC have independent Management for operational delivery but are overseen in terms of strategy, compliance, governance, risk, and audit by a single structure.



### **Board of Directors (Chapter 2, of the Governance Guide)**

The appointment, roles and responsibilities of the Board of Directors of DSI (the “Board” or “Board of Directors”) are outlined in DSI’s Articles of Association (“AoA”).

It was taken into consideration that the Chairman and the majority of the Board of Directors would hold the UAE nationality during 2021, in order to fulfill the criteria specified by the Governance Guide in relation to executive and non-executive, and independent members of the Board with an appropriate level of skills, experience, and capabilities across the membership.

### **Board Committees (Chapter 6, of the Governance Guide)**

The Board is empowered to establish Board Committees and to delegate powers to such committees as deemed necessary or appropriate. The Board also delegates certain functions to these committees but without abdicating its own responsibilities from the activities, tasks and powers that the committee has been delegated to perform. Board committees are an effective way to distribute work between Board Members and allow for more detailed consideration of specific matters. All the Board Committees are functioning on behalf of the Board and the Board will be responsible for constituting, assigning, selecting, and determining the term of membership of such committees.

### **Nomination and Remuneration Committee (Art. 59, of the Governance Guide)**

The Board of Directors forms a permanent committee called the Nominations and Remuneration Committee, which holds a meeting once a year or whenever needed. The Nomination and Remuneration Committee assists the Board in discharging its responsibilities in relation to qualifications, compensation, appointment and succession of the Company’s Directors and key management personnel. The Committee oversees the Company’s nomination process for the Board of Directors and its policy in line with the Federal Law No. (2) of 2015 and its amendments, and implementing the decisions of the Chairman of the Securities & Communities Authority No. (3/R.M) for the year 2020 concerning approving the Corporate Governance Guide for Public Joint Stock Companies and the articles of the associated companies and its amendments from time to time. In addition, the Committee works continuously to monitor the independency of the independent members of the Board.

### **Audit Committee (Art. 60 - 62, of the Governance Guide)**

The Board of Directors has formed a permanent committee called the Audit Committee.



All members of the Committee must have the knowledge and expertise in financial and accounting matters and shall monitor the integrity of the Company's financial statements. Moreover, make recommendations regarding the changes in the accounting policies and practices required for the Company's control and financial system, in addition to appointing external auditors, and ensuring that they meet the conditions stipulated by the laws and the articles of association of the Company. Furthermore, the Committee is responsible to meet with the auditors to discuss the nature and scope of the audit process and its effectiveness in accordance with the approved auditing and to ensure establishing a good relationship with them. The Committee also supervises internal control matters and is responsible for adopting recommendations that would improve its performance.

**2. Statement of Ownership and Transactions of Board of Directors (Board) members and their spouses, their children in the company securities during 2021, according to the following schedule:**

<i>Ser.</i>	<i>Name</i>	<i>Position / Kinship</i>	<i>Owned shares as on 31/12/2021</i>	<i>Total sale</i>	<i>Total purchase</i>
1	Shafiq Abdelhamid	Chairman	0	0	0
2	Ahmad Al Sirkal	Vice-Chairman	0	0	0
3	Abdulla Atatreh	Board Member	0	0	0
4	Abdel Hadi Al Sadi	Board Member	0	0	0
5	Ahmad Al Kilani	Board Member	0	0	0
6	Ahmed Saeed Al Hamiri	Board Member	0	0	0
7	Suhair Al Ali	Board Member	0	0	0
8	Khalifa Al Remeithi	Board Member Till 29/04/2021	826,021	0	0
9	Rashed Al Falasi	Board Member Till 29/04/2021	0	0	0

The Company's trading was suspended on 14/11/2018 after the Company announced losses that exceeded 75% of its capital and accordingly, the Company's shares have been suspended from trading throughout this period till date. (Attached is a declaration from the members of the BOD regarding their ownership of Company's shares).

**3. Board Formation:**

**A. Statement of the current Board formation (along with the names of both the resigned and appointed Board members) according to the following schedule:**



Ser.	Name	Category (executive, non-executive, and independent)	Experiences and qualifications	The period he spent as a Board member from the date of his first election Till 31/12/2021	Their membership and positions at any other joint-stock companies	Their positions in any other important regulatory, government or commercial positions.
1	Shafiq Abdelhamid	Independent	- 32 years - BSc & MSc in Civil Engineering	2 years & 9 months from 24/03/2019	-	Founding President & CEO of "City Engineering & Contracting LTD". Chairman of "City Plaza Real Estate & City Living Property".
2	Ahmed Al Sirkal	Independent	- 28 years - Master's degree in Developmental Administration	8 months from 29/04/2021	An executive member of Flag Holding, Fix Pro, Grow Pure & Hub Land Investments	Chairman of Board of Directors at "Technogym".
3	Abdulla Atatreh	Independent	-22 years - Bachelor of Civil Engineering, MBA	4 years and 3 months from 09/09/2017	Board Member in Wahat Al Zaweya PJSC And a board member Gulf Navigation Holding PJSC	Member of the Board of Trustees Al Ain University of Science & Technology
4	Abdel Hadi Al Sadi	Independent	-BSc degree in computer science / Banking and Finance	11 months from 19/01/2021	CEO of BHMubasher for financial services	24 years of management and leadership experience at Regional and international financial institutions.
5	Ahmad Al Kilani	Independent	- 18 years - Bachelor of Finance and Banking, Business Administration in Finance	4 years and 3 months from 09/09/2017	Board Member in Gulf Navigation Holding	CEO of Tabarak Investment and Vice President of Finance and Investments at Prime Holding
6	Ahmed Saeed Al Hamiri	Independent	- 18 years - Bachelor of Political Science	4 years and 3 months from 09/09/2017	Member of Board of Directors of Takaful Emarat	Member of the Board of Trustees Al Falah University
7	Suhair Al Ali	Independent	-Over 30 years. -Master's Degree in Development Economics, and Bachelors of Science Degree of Foreign Service (BSFS) in International Economics.	8 months from 29/04/2021		-Member of the Board of Trustees and Board of Directors, King Hussein Cancer Foundation and Center. -Member of the Board of Trustees, Royal Society for Fine Arts.



8	Khalifah Remeithi Al	Independent	Independent	14 months From 20/02/2020 Till 29/04/2021		Formerly director of Account at the Ministry of the presidential Affairs, and Chairman of the technical for investors Debt. Treatment Fund – Ministry of the presidential Affairs.
9	Rashed Al Falasi	Independent	-20years - Bachelor of Information Technology & Networks	14 months From 20/02/2020 Till 29/04/2021	-	Project Director at Abu Dhabi General services Musanada, and he also held the position of Director of Heavy Tanker Control at RTA

**B. Statement of the percentage of female representation in the Board for 2021 (In case of non-representation, please state that there is no representation).**

There is one female representation in the Board of Directors in 2021.

**C. Statement of the reasons for the absence of any female candidate for the Board membership. (Explanatory example: No female candidate is nominated in the Board elections.**

N/A

**D. Statement of the following:**

**1- The total remunerations paid to Board Members for 2020.**

Members of the Board of Directors have not received any allowances for attending Board Meetings for the year 2020.

**2- The total remunerations of Board Members, which are proposed for 2021, and will be presented in the annual general assembly meeting for approval.**

Members of the Board of Directors have not received any allowances for attending Board meetings for the year 2021.



3- Details of the allowances for attending sessions of the committees emanating from the Board, which were received by the Board members for 2021 fiscal year, according to the following schedule:

None of the members of the Board of Directors received any additional allowances, salaries, or fees for attending sessions of the committees.

Ser.	Name	Allowances for attending sessions of the committees emanating from the Board		
		Committee name	Allowance value	Meetings Nos.
1	Ahmed Al Sirkal	Nomination & Remuneration Committee Till 29/04/2021	-	1
2	Abdulla Atatreh	Nomination & Remuneration Committee	-	1
3	Ahmad Al Kilani	Nomination & Remuneration Committee	-	1
4	Rashed Al Falasi	Nomination & Remuneration Committee Till 29/04/2021	-	1
5	Khalifah Al Remeithi	Nomination & Remuneration Committee Till 29/04/2021	-	1
6	Abdel Hadi Al Sadi	Audit Committee	-	5
7	Ahmad Al Kilani	Audit Committee	-	5
8	Suhair Al Ali	Audit Committee	-	2
9	Khalifah Al Remeithi	Audit Committee Till 29/04/2021	-	2

4- Details of the additional allowances, salaries or fees received by a Board member other than the allowances for attending the committees and their reasons.

No additional allowances, salaries, or fees were received by the Board members.

E. Number of the Board meetings held during 2021 fiscal year along with their convention dates, personal attendance times of all members, and members attending by proxy (The Board



members names must match what is stated in the above-mentioned Clause (3A)).

Ser.	Date of meeting	Number of attendees	Number of attendees by proxy	Names of absent members
1	08-02-2021	7	0	0
2	30-03-2021	7	0	0
3	05-05-2021	7	0	0
4	10-6-2021	7	0	0
5	11-8-3021	7	0	0
6	17-8-2021	7	0	0
7	11-11-2021	6	0	1 resigned

**F. Number of the Board resolutions passed during the 2021 fiscal year, along with its meeting convention dates.**

The Board of Directors has passed four (4) Resolutions by circulation on 19/01/2021, 22/04/2021, 03/08/2021, and 01/09/2021 during the fiscal year ending 31/12/2021.

**G. Statement of Board duties and powers exercised by Board members or the executive management members during 2021 based on an authorization from the Board, specifying the duration and validity of the authorization according to the following schedule:**

Ser.	Name of the authorized person	Power of authorization	Duration of authorization
1	Shafiq Abdelhamid	Chairman of the Board, representing the company and acting on its behalf in	Expires 03/07/2024



		all financial, administrative, legal and operational matters.	
2	Mohammed Al Qawasmi	Financial, administrative, legal, and operational powers to represent Drake & Scull PJSC and its subsidiaries.	Cancelled
3	Muneer Mansoor	Financial, administrative, legal, and operational powers to represent Drake & Scull PJSC and its subsidiaries	Cancelled

H. Statement of the details of transactions made with the related parties (Stakeholders) during 2021, provided that it shall include the following:

<b>Due From Related parties</b>	<b>2021</b>	<b>2020</b>
	AED 000	AED 000
Joint Arrangement Affiliations	6,083	18993
Affiliates	17	991
<b>Total</b>	<b>6,100</b>	<b>19,984</b>

<b>Due To Related parties</b>	<b>2021</b>	<b>2020</b>
	AED 000	AED 000
Joint Arrangements	24,909	24,674
Affiliates	43,594	43,597
Related to Assets Held as discontinued Operations	(27,279)	(27,282)
	<b>41,224</b>	<b>40,989</b>

I. The complete Organizational Structure of the company, which shall clarify Managing Director, the General Manager and / or CEO, the Deputy General Manager and the managers working in the company such as the Financial Manager.



J. A detailed statement of the senior executives in the first and second grade according to the company organizational structure (according to 3-I), their jobs and dates of their appointment, along with a statement of the total salaries and bonuses paid to them, according to the following schedule:

Ser.	Position	Appointment date	Total salaries and allowances paid for 2021 (AED)	Total bonuses paid for 2021 (AED)	Any other cash / in-kind bonuses for 2021 or due in the future
1	Group CEO	28/07/2020 Next 17/05/2021	1,031,935	-	-
2	CEO Passavant	21/05/2012	900,000	-	-
3	CFO	06/09/2020	680,000	-	-
4	Chief Legal Officer	12/08/2010	750,000	-	-
5	International Operations Director	01/03/2021	374,960	-	-
6	UAE Operations Director	15/02/2003	750,000	-	-
7	Business Development Manager	16/09/2020	360,000	-	-
8	Commercial Contracts Director	05/02/2020	420,000	-	-



9	Director of Human Resource	-	-	-	-
10	Quality, Health & Environment Safety Director.	01/10/2009	192,000	-	-
11	Investor Relation Manager	04/01/2021 Next 21/03/2021	112,258	-	-

#### 4. External Auditor:

##### A. Submit an overview of the company auditor to shareholders.

Ernst & Young; a multinational professional services firm headquartered in London, England, United Kingdom. EY is a global leader in professional services and one of the "Big Four" Accounting Firms.

##### B. Statement of fees and costs for the audit or services provided by the external auditor, according to the following schedule:

Name of the audit office and partner auditor	Ernst & Young Partner: Ashraf Abu-Sharkh
Number of years he served as the company external auditor	4 years
The number of years that the partner auditor spent auditing the company's accounts	4 years
Total audit fees for 2021 in (AED)	1,325,000
Fees and costs of other private services other than auditing the financial statements for 2021 (AED), if any, and in case of absence of any other fees, this shall be expressly stated.	N/A
Details and nature of the other services (if any). If there are no other services, this matter shall be stated expressly.	N/A
Statement of other services that <b>an external auditor</b> other than the company accounts auditor provided during 2021 (if any). In the absence of another external auditor, this matter is explicitly stated.	N/A

##### C. Statement clarifying the reservations that the company auditor included in the interim and annual financial statements for



2021 and in case of the absence of any reservations, this matter must be mentioned explicitly.

- Opening Balances
- Bank Confirmations
- Confirmation by Company Lawyers
- Evaluate the Principle of Continuity
- Reversal of liabilities

## 5. Audit Committee:

A. The Audit Committee Chairman's acknowledgment of his responsibility for the Committee system at the Company, review of its work mechanism and ensuring its effectiveness.

“(name), Audit Committee Chairman, acknowledges his responsibility for the committee system in the Company, review of its work mechanism and ensuring its effectiveness.”

“Suhair Al Ali, Audit Committee Chairman, acknowledges her responsibility for the Committee System in the Company, reviewing of its work mechanism and ensuring its effectiveness.

B. Names of the Audit Committee members and clarifying their competences and tasks assigned to them.

- Suhair Al Ali (Audit Committee Chairman)
- Abdul Hadi Al Saadi (Member)
- Ahmad Al Kilani (Member)
- Khalifah Al Remeithi (Audit Committee Chairman) Till 29/04/2021

## Responsibilities of the Audit Committee:

The Audit Committee undertakes the responsibility for the following tasks and duties:

- 1- Reviewing the Company's Financial and Accounting Policies and Procedures.
- 2- Monitoring the integrity of the financial statements and reports (annual, semi-annual, and quarterly), the Company's control systems, and reviewing them as part of its normal operation throughout the year, and shall in particular focus on:
  - a. Any changes in accounting policies and practices.
  - b. Highlighting matters that are subject to the Management's judgment.



- c. Ensuring that the Company updates its policies, procedures, and systems on an annual basis.
  - d. Material amendments resulting from the audit process.
  - e. Assumption of the Company is going concern.
  - f. Adherence to the accounting criteria set by the SCA.
  - g. Adherence to the listing and disclosure rules as well as other legal requirements related to the preparation of financial reports.
- 3- Coordinating with the Board of Directors, the Executive Management, and the Financial Manager assuming the same duties in the Company, in order to duly fulfill its duties.
  - 4- Considering any outstanding unconventional issues that are or have to be reflected in these reports and accounts, and paying the necessary attention to any issues raised by the Company's Financial Manager assuming the same duties, the Compliance Officer, or the External Auditor.
  - 5- Submitting a recommendation to the Board of Directors regarding the selection, resignation, or removal of the auditor. In the event of the absence of the Board of Directors' approval of the recommendations of the Audit Committee, the Board of Directors must include a statement in the Governance Report explaining the recommendations of the Audit Committee and the reasons that led the Board of Directors to not taking them into account.
  - 6- Establishing and implementing the contracting policy with the auditor, and submitting a report to the Board of Directors identifying the matters of importance that require immediate action, and recommending the steps to be taken in this regard.
  - 7- Ensuring that the auditor fulfills the conditions stipulated in the laws, regulations, and decisions in force, the Company's Articles of Association, and following up and monitoring his independence.
  - 8- Meeting the Company's auditor without the presence of any of the senior executive Management or its representative, to discuss the scope of the audit process and its effectiveness in accordance with the approved auditing standards.
  - 9- Approving any additional work carried out by the external auditor for the benefit of the Company and the fees charged for such work.
  - 10- Discussing all matters related to the auditor's job, work plan, correspondence with the Company, notes, proposals and reservations, and any fundamental inquiries that the auditor raises to the higher executive management regarding accounting records, financial accounts or control systems, and following up on the Company's management response to it and providing them with the necessary facilities to carry out his work.
  - 11- Ensuring that the Board of Directors responds promptly to the inquiries and essential issues raised in the auditor's letter.
  - 12- Reviewing and evaluating the Company's internal audit and risk management systems.



- 13- Discussing the internal audit system with the Board of Directors and making sure that it fulfills its duty to develop an effective internal control system.
- 14- Considering findings of the main investigations into internal control issues to be assigned thereto by the Board of Directors or at the initiative of the Committee upon the approval of the Board of Directors.
- 15- Reviewing the auditor's evaluation of the internal audit procedures and ensuring the coordination between the internal auditor and the external auditor.
- 16- Ensuring the availability of the necessary resources for the internal audit process, and reviewing and monitoring the effectiveness of that department.
- 17- Studying the internal audit reports and following up on the implementation of corrective actions for the observations contained therein.
- 18- Setting the regulations upon which the Company's employees may confidentially report any potential violations in financial reports, internal audits, or other issues in confidence, as well as the steps required to ensure independent and fair investigations of these violations.
- 19- Monitoring the Company's compliance with the rules of professional conduct.
- 20- Reviewing the transactions of the relevant parties with the Company and ensuring that there are no conflicts of interest, and recommending those transactions to the Board of Directors before concluding them.
- 21- Ensuring the implementation of business rules related to its duties and the powers entrusted to it by the Board of Directors.
- 22- Submitting reports and recommendations to the Board of Directors on the aforementioned issues in this article.
- 23- Considering any other issues determined by the Board of Directors.

**C. Number of meetings held by the Audit Committee during 2021 and their dates to discuss the matters related to financial statements and any other matters, and demonstrating the members' personal attendance times in the held meetings.**

Name	Title	1 <sup>st</sup> AC 07-02-21	2 <sup>nd</sup> AC 29-03-21	3 <sup>rd</sup> AC 09-06-21	4 <sup>th</sup> AC 10-08-21	5 <sup>th</sup> AC 02-11-21
Suhair Al Ali	Audit Committee Chairman	-	-	Attended	Attended	-
Abdel Hadi Al Sadi	Member	Attended	Attended	Attended	Attended	Attended
Ahmad Al Kilani	Member	Attended	Attended	Attended	Attended	Attended
Khalifah Al Rumaihi	Audit Committee Chairman Till 29/04/2021	Attended	Attended	-	-	-



## 6. Nomination and Remuneration Committee:

A. The Nomination and Remuneration Committee Chairman's acknowledgment of his responsibility for the Committee system at the Company, his review of its work mechanism and ensuring its effectiveness.

“(The name), Nomination and Remuneration Committee Chairman, acknowledges his responsibility for the committee system in the Company, his review of its work mechanism and ensuring its effectiveness.”

“Ahmed Al Sirkal, Nomination and Remuneration Committee Chairman acknowledges his responsibility for the committee system in the Company, his review of its work mechanism and ensuring its effectiveness.”

B. Names of the Nomination and Remuneration Committee members and clarifying their competences and tasks assigned to them.

- Ahmed Al Sirkal (Chairman of the Committee)
- Abdulla Atatreh (Member)
- Ahmad Al Kilani (Member)
- Khalifah Al Remeithi (Member) till 29/04/2022.
- Rashed Al Falasi (Member) Till 29/04/2022

### **Responsibilities of the Nomination and Remuneration Committee:**

- 1- Establishing the membership policy of the Board of Directors and executive management, aiming at taking into account the diversification of the genders within the formation and encouraging women through benefits and incentive and training programs, and providing the SCA with a copy of this policy and any amendments thereto.
- 2- Organizing and following up the procedures for the membership nomination of the Board of Directors in accordance with the laws and regulations in force and the provisions of this resolution.
- 3- Ensuring the continued availability of membership conditions for members of the Board of Directors on an annual basis.
- 4- Ensure the independence of independent members on an ongoing basis
- 5- If it appears to the committee that one of the members has lost the conditions of independence, it must present the matter to the board to notify the member, by means of a registered letter at his fixed address in the Company, of the justifications for losing the status of independence, and the member must respond to the Board of Directors within fifteen days



from the date of his notification, and the Board of Directors shall issue a decision considering the member as independent or not independent at the first meeting following the response of the member or the expiration of the period referred to in the previous paragraph without a response.

- 6- Subject to Article 145 of the Companies Law, should the Board decision affirming the absence of reasons or justifications for the independence of the member affect the minimum percentage required for independent members, the Board of Directors shall appoint an independent member to replace this member if the latter submits his resignation due to the lack of Independence status in him, and in the event that a member refuses to resign, the board of directors must present the matter to the General Assembly to take a decision approving the appointment of another member to replace him or to call for elections to a new member.
- 7- Preparing the policy for granting rewards, benefits, incentives, and salaries for the Board of Directors and the Company's employees, and reviewing it annually. The Committee must ensure that the rewards and benefits granted to the senior executive management are reasonable and in proportion with the Company's performance.
- 8- Ensuring that rewards and bonuses, including options and other deferred bonuses, and benefits offered to senior executive management are linked to the Company's performance in the medium and long term.
- 9- Annual review of the required needs of appropriate skills for membership of the Board of Directors and the preparation of a description of the capabilities and qualifications required for membership of the Board of Directors, including determining the time required to be allocated by each member to perform his duties in the Board of Directors.
- 10- Reviewing the structure of the Board of Directors and making recommendations regarding the changes that can be made.
- 11- Determining the Company's needs for competencies at the level of senior executive management and the staff and the basis of their choice.
- 12- Preparing the Human Resources and Training Policy, monitoring its implementation, and reviewing it on an annual basis.
- 13- Any other topics determined by the Board of Directors.

**C. Statement of number of meetings held by the Committee during 2021 and their dates, and statement of all Committee members' personal attendance of times.**

Name	Title	1 <sup>st</sup> NRC – 17/01/2021
Ahmed Al Sirkal	Chairman	-
Abdulla Atatreh	Member	-
Ahmed Al Kilani	Member	Attended
Rashed Al Falasi	Member	Attended
Khalifah Al Rumaithi	Member	Attended



7. The Supervision and Follow-up Committee of insiders' transactions.

A. Acknowledgment by the Committee Chairman or the authorized person of his responsibility for the Committee system at the Company, review of its work mechanism and ensuring its effectiveness.

"(The name) acknowledges his responsibility for the follow-up and supervision system on transactions of the insiders in the Company, review of its work mechanism and ensuring its effectiveness.

The Company did not appoint anyone for the follow-up and supervision due to the difficult financial conditions.

B. Names of members of the Supervision and Follow-up Committee of insiders' transactions and clarifying their competences and tasks assigned to them.

N/A - Please refer to Clause 7/A

C. A summary of the committee's work report during 2021. (In case the committee was not formed, the reasons should be explained).

The Company has not appointed follow-up and supervision committees, due to the suspension of stock trading on November 14, 2018. The Company is currently under a restructuring process and intends to appoint a follow-up and supervision committee once the process is completed.

8. Any other committee (s) approved by the Board.

A. The Committee Chairman's acknowledgment of his responsibility for the Committee system at the Company, review of its work mechanism and ensuring its effectiveness.



"(Name), ..... Committee Chairman acknowledges his responsibility for the committee system in the Company, review of its work mechanism and ensuring its effectiveness.

Not Applicable.

B. Name of Committee (s).

Not Applicable.

C. Names of each committee members, clarifying its competences and tasks assigned thereto.

Not Applicable.

D. Statement of number of meetings held by the Committee during 2021 and their dates, and all Committee members' personal attendance times.

Not Applicable.

9. Internal Control System:

A. Acknowledgment by the Board of its responsibility for the Company internal control system, review of its work mechanism and ensuring its effectiveness.

The Board of Directors acknowledges the responsibility toward the application, review and efficiency of the Company's internal control system by maintaining an effective and robust Internal Control Mechanism. The Board has committed itself to promote and deploy best practices in Risk Management, sound application of governance rules, verification of compliance by the Company and its employees with applicable laws, regulations and resolutions that govern its operations, as well as internal procedures and policies and review of financial information that is forwarded to the Company's senior management, investors and all stakeholders at large.



**B. Name of the Department Director, his qualifications and date of appointment.**

Due to the financial difficulties and the restructuring process, the Company is undergoing, and for cost-cutting reasons, the Company did not hire a Department Director in 2021, provided that, the Company will activate this position once the restructuring plan is completed.

**C. Name of Compliance Officer, his qualifications and date of appointment.**

Due to the financial difficulties and the restructuring process, the Company is undergoing and for cost-cutting reasons, the role of the Compliance Officer has been put on hold until the restructuring process is completed. The Board anticipates filling this position in 2022.

**D. How the Internal Control Department dealt with any major problems at the Company or those that were disclosed in the annual reports and accounts (in case of the absence of major problems, it must be mentioned that the Company did not face any problems).**

Kindly refer to Clause A-B above.

**E. Number of reports issued by the Internal Control Department to the Company's Board of Directors.**

Due to the financial difficulties and the restructuring process that the Company is going through, and for cost-cutting reasons, the role of an Internal Control Department Manager has been put on hold during 2021, therefore, there are no reports.

**10. Details of the violations committed during 2021, explaining their causes, how to address them and avoid their recurrence in the future.**

According to our records, the company was notified of only one penalty during the year 2021 pertaining to the company failure to disclose the financial statements for the first quarter of 2021, during the legal period. (In any case, if there were any other penalties imposed on the company and we did not have knowledge about them, please let us know).



11. Statement of the cash and in-kind contributions made by the Company during 2021 in developing the local community and preserving the environment. (In case of the absence of contributions, it must be mentioned that the Company has not made any contributions.)

Due to the difficult financial conditions that the Company is going through, it did not make any cash or in-kind contributions during 2021 for the development of the local community and the preservation of the environment.

12. General Information:

- A. Statement of the company share price in the market (closing price, highest price, and lowest price) at the end of each month during the fiscal year 2021.

Not Applicable - The stock has been suspended from trading at the closing price of (0.37 Dirhams) since November 14, 2018.

- B. Statement of the Company comparative performance with the general market index and sector index to which the Company belongs during 2021.

Not Applicable - The stock has been suspended from trading at the closing price of (0.37 Dirhams) since November 14, 2018.

- C. Statement of the shareholders ownership distribution as on 31/12/2021 (individuals, companies, governments) classified as follows: local, Gulf, Arab and foreign.



Percentage of owned shares				
Ser.	Shareholders Classification	Individuals	Companies	Government
1	Local	583,896,207	199,579,193	518,442
2	Gulf	19,207,922	23,728,978	-
3	Arab	128,764,328	12,033,364	-
4	Foreign	66,569,640	28,297,412	-

D. Statement of shareholders owning 5% or more of the Company's capital as on 31/12/2021 according to the following schedule:

Ser.	Name	Number of owned shares	Percentage of owned shares of the company's capital
1	Ajman Bank	139,900,000	13.0627%

E. Statement of how shareholders are distributed according to the volume of property as on 31/12/2021 according to the following schedule:

Ser.	Share ownership (s)	Number of shareholders	Number of owned shares	Percentage of owned shares of the capital
1	Less than 50,000	16,734	45,982,225	4.29%
2	From 50,000 to less than 500,000	1,407	238,285,676	22.25%
3	From 500,000 to less than 5,000,000	325	407,480,816	38.05%
4	More than or equal to 5,000,000	23	379,239,030	35.41%

F. Statement of measures taken regarding the controls of investor relationships and an indication of the following:-

- Name of the investor relationships officer.
- As per Article 51 of the Resolution (3/R.M 2020) the Company appointed Ms. Manar Ibrahim as an Investor Relations Officer.



- Upon terminating Ms. Manar services, the Company appointed Ms. Dalia Zaher as an Investor Relations & Communication Manager.
- Data of communication with the investor relationships (e-mail- phone- mobile- fax).
  - Email: [dalia.zaher@drakescull.com](mailto:dalia.zaher@drakescull.com)
  - Phone No.: +971 4 528 3444
  - Mob.: +971 56 720 5771
- The link of investor relationships page on the Company's website.

<http://www.drakescull.com/internethome/irteam>

#### G. Statement of the special decisions presented in the General assembly held during 2021 and the procedures taken in their regard.

Approval The Amendments Of the Company's Article of Association in order to comply with the new amendments to the Federal Law pertaining to Commercial Companies No.2 for the year 2015.

#### H. Rapporteur of the Board meetings.

- Name of the rapporteur of the Board meetings.
  - Mr. Fadi Saba / Chief Legal Officer and Board Secretary.
- His appointment Date.
  - Appointed as a Board Secretary in April 29, 2019
- His qualifications and experiences.
  - Bachelor of Law – University of Jordan (2001).
  - Masters in International Commercial Law, Sydney University, Australia.
  - Specialized in Company Law.
- Statement of his duties during the year.
  - Chief Legal Officer.
  - Following up on Legal Cases.
  - Providing Legal Counsel to the Company on various issues.



- Following up, defining the internal management policies, and monitoring the compliance of the law regularly.
- Maintaining records of cases, internal and external investigation committees, and ensuring their confidentiality.

**I. Detailed statement of major events and important disclosures that the Company encountered during 2021.**




- Appointment of seven new members as the company's Board of directors after the election and voting on their behalf by the majority at the General Assembly Meeting 29/04/2021
- Appointment of Mr. Ammar Tahboub as a Chief Financial Officer of the Company – 17/01/2021.
- Reassignment of Ms. Suhair Al Ali as a Board Member of the company 31/10/2021.

**J. Statement of Emiratization percentage in the Company at the end of 2018, 2019, 2021 (workers are excluded for companies working in the field of contracting).**

- 2018: 11 employees (1.28%)
- 2019: 7 employees (2.51%)
- 2020: 2 employees (2.53%)
- 2021: 2 employees (3.63%)

**K. Statement of innovative projects and initiatives carried out by the company or being developed during 2021.**

Due to the ongoing restructuring process where the available resources have been directed to safely complete ongoing projects and maintaining business continuity. Post restructuring, the Company intends to carry out innovative projects and initiative to serve the local communities.

Signature of the Board Chairman	Signature of Audit Committee Chairman	Signature of Nomination and Remuneration Committee Chairman	Signature of Internal Control Department Director
			
Date: 29/3/2022	Date: 29/3/2022	Date: 29/3/2022	Date: 29/3/2022

Company Official Seal



Drake & Scull International PJSC

**DRAKE AND SCULL  
INTERNATIONAL PJSC & ITS  
SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS**

**31 DECEMBER 2021**

## **Consolidated financial statements for the year ended 31 December 2021**

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## REPORT OF THE BOARD OF DIRECTORS

The Board of Directors present their report and the consolidated financial statements for the year ended 31 December 2021.

## PRINCIPAL ACTIVITIES

Drake & Scull International PJSC is preliminary engaged in engineering, integrated design and construction disciplines of engineering, civil contracting and water and power infrastructure.

## RESULTS

For the year ended 31 December 2021, the Group recorded revenue of AED 150 million (2020: AED 182 million). The net profit for the year was AED 28 million (2020: AED 77 million).

Looking ahead our main focus will be to restructure our debt and equity for which a comprehensive plan is in progress.

## AUDITORS

A resolution to re-appoint Ernst & Young as auditors for the ensuing year will be put to the members at the Annual General Meeting.

## For and on Behalf of the Board of Directors

A handwritten signature in blue ink, appearing to be the initials 'DT' with a stylized flourish.

Chairman

28 March 2022

Dubai, United Arab Emirates

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DRAKE AND SCULL INTERNATIONAL P.J.S.C.**

### **Report on the Audit of the Consolidated Financial Statements**

#### *Disclaimer of opinion*

We were engaged to audit the consolidated financial statements of Drake and Scull International P.J.S.C. (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statements of income, other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying consolidated financial statements of the Group. Because of the significance of the matters described in the *Basis for disclaimer of opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the consolidated financial statements.

#### *Basis for disclaimer of opinion*

##### *1. Opening balances*

We disclaimed our opinion on the consolidated financial statements of the Group as of and for the year ended 31 December 2020 as a result of a number of significant and pervasive audit issues. As opening balances enter into the determination of the results for the current year, and in the absence of any practicable alternative audit procedures that we could carry out in this regard, we were unable to ascertain whether any misstatements in those balances would have had a material impact on the consolidated financial statements for the year ended 31 December 2021.

##### *2. Write back of liabilities*

As disclosed in note 23 to the accompanying consolidated financial statements, the Group has recognised other income for the year ended 31 December 2021 of AED 167 million on account of write back of certain liabilities. We were not provided with appropriate supporting documents to review write back of related liabilities amounting to AED 132 million and, as a result, we were unable to conclude on the accuracy, completeness and measurement of other income amounting to AED 132 million for the year ended 31 December 2021.

##### *3. Bank balances and liabilities*

We were unable to obtain direct bank confirmations for bank balances, bank borrowings, provision for bank liabilities of subsidiaries, and commitments and contingencies included in the consolidated statement of financial position amounting to AED 64 million, AED 1,994 million, AED 1,276 million and AED 994 million as of 31 December 2021, respectively. In the absence of any practicable alternative audit procedures that we could perform in respect of this matter, we were unable to conclude on the completeness and valuation of these balances, and related liabilities, commitments and contingent liabilities, if any, as of 31 December 2021.

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DRAKE AND SCULL INTERNATIONAL P.J.S.C. (continued)**

### **Report on the Audit of the Consolidated Financial Statements (continued)**

#### *Basis for disclaimer of opinion (continued)*

##### *3. Bank balances and liabilities (continued)*

During 2021, the Group has commenced the process of collecting details of creditor claims, including banks and joint venture partners, and reconciling them with those recorded in the Group's books. The creditor claim reconciliation process can only progress if further information is received by the Company from the Expert as stated in note 2.1 to the consolidated financial statements. As this process is still on-going, we are unable to determine if any adjustments are required to the consolidated financial statements for the year ended 31 December 2021. Further, we did not receive significant responses for direct audit confirmation requested to verify the existence and completeness of claims from trade and other creditors.

##### *4. External lawyers' confirmations*

We were not able to obtain certain external lawyers' confirmations in relation to legal cases to assess the Group's exposure against legal cases as of 31 December 2021. In the absence of any alternative procedures that we could perform in respect of this matter, we were unable to satisfy ourselves with regard to the completeness of legal provisions, required disclosures and accruals made.

##### *5. Going concern assessment and restructuring plan*

As detailed in note 2.1 to the consolidated financial statements, the Group's accumulated losses as of 31 December 2021 amounted to AED 4,874 million, and its current liabilities exceeded its current assets by AED 4,020 million. Also, the Group had negative cash flow from operations of AED 49 million for the year ended 31 December 2021.

The accompanying consolidated financial statements, however, have been prepared on a going concern basis based on a restructuring plan developed by management in consultation with the board of directors of the Company and approval of the shareholders. However, the successful execution of the plan as set out in note 2.1 to the consolidated financial statements, is dependent on approval by regulators, relevant stakeholders and final court judgment. Accordingly, the Group's going concern assumption, and the impact of the restructuring plan on its consolidated financial statements as at 31 December 2021 cannot be determined at this stage.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and, therefore, it may not be able to realise its assets and discharge its liabilities in the normal course of business.

The consolidated financial statements for the year ended 31 December 2020 were also disclaimed in respect to certain of the above and other matters.



## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DRAKE AND SCULL INTERNATIONAL P.J.S.C. (continued)**

### **Report on the Audit of the Consolidated Financial Statements (continued)**

#### *Responsibilities of management and those charged with governance for the consolidated financial statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and in compliance with the applicable provisions of the articles of association of the Company and the UAE Federal Law No. (2) of 2015 (as amended), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

#### *Auditor's responsibilities for the audit of the consolidated financial statements*

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the *Basis for disclaimer of opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants' (including International Independence Standards) (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.



**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
DRAKE AND SCULL INTERNATIONAL P.J.S.C. (continued)**

**Report on other legal and regulatory requirements**

Because of the significance of the matters described in the *Basis for disclaimer of opinion* section of our report, we are unable to report on other legal and regulatory requirements.

For Ernst & Young

A handwritten signature in blue ink, appearing to be 'Wardah Ebrahim', with a horizontal line extending to the right.

Signed by:  
Wardah Ebrahim  
Partner  
Registration No: 1258

29 March 2022

Dubai, United Arab Emirates

Drake and Scull International PJSC & its subsidiaries  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
As at 31 December 2021

	<i>Notes</i>	<b>31 December 2021 AED'000</b>	<i>31 December 2020 AED'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	5	<b>34,902</b>	44,895
Investment property	6	<b>88,724</b>	94,354
Right-of-use assets	7	<b>7,242</b>	6,186
Deferred income tax assets	8	<b>15,300</b>	16,543
Trade and other receivables	10	<b>23,556</b>	37,820
		<hr/> <b>169,724</b> <hr/>	<hr/> 199,798 <hr/>
<b>Current assets</b>			
Trade and other receivables	10	<b>215,298</b>	259,114
Due from related parties	11	<b>6,100</b>	19,985
Financial assets at fair value through profit or loss	12	<b>974</b>	1,058
Cash and bank balances	13	<b>89,001</b>	98,962
		<hr/> <b>311,373</b> <hr/>	<hr/> 379,119 <hr/>
Assets held for sale	30	<b>2,914</b>	2,585
		<hr/> <b>314,287</b> <hr/>	<hr/> 381,704 <hr/>
<b>TOTAL ASSETS</b>		<hr/> <b>484,011</b> <hr/> <hr/>	<hr/> 581,502 <hr/> <hr/>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	14	<b>1,070,988</b>	1,070,988
Share premium	14	<b>3,026</b>	3,026
Statutory reserve	15	<b>125,760</b>	125,760
Accumulated losses		<b>(4,873,775)</b>	(4,901,556)
Foreign currency translation reserve		<b>(64,784)</b>	(59,198)
		<hr/> <b>(3,738,785)</b> <hr/>	<hr/> (3,760,980) <hr/>
<b>Equity attributable to equity holders of the parent</b>		<b>(3,738,785)</b>	(3,760,980)
Non-controlling interests	32	<b>(141,442)</b>	(141,632)
		<hr/> <b>(3,880,227)</b> <hr/>	<hr/> (3,902,612) <hr/>
<b>Deficiency of assets</b>		<b>(3,880,227)</b>	(3,902,612)

The attached notes 1 to 33 form part of these consolidated financial statements.

Drake and Scull International PJSC & its subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2021

	<i>Notes</i>	<i>31 December 2021 AED'000</i>	<i>31 December 2020 AED'000</i>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Employees' end of service benefits	17	23,943	30,577
Lease liabilities	7	6,478	5,287
		<u>30,421</u>	<u>35,864</u>
<b>Current liabilities</b>			
Provision for bank liabilities of subsidiaries	19	1,275,596	1,275,285
Bank borrowings	16	1,996,976	1,908,773
Trade and other payables	18	832,032	1,034,663
Due to related parties	11	41,224	40,989
Lease liabilities	7	1,052	1,213
Provision for loss of control over subsidiaries	31	23,468	23,874
		<u>4,170,348</u>	<u>4,284,797</u>
Liabilities associated with discontinued operations	30	163,469	163,453
		<u>4,333,817</u>	<u>4,448,250</u>
<b>Total liabilities</b>		<u>4,364,238</u>	<u>4,484,114</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>484,011</u>	<u>581,502</u>

The consolidated financial statements were approved by the Board of Directors on 28 March 2022 and signed on its behalf by:

Chairman

Group CFO

The attached notes 1 to 33 form part of these consolidated financial statements

Drake and Scull International PJSC & its subsidiaries

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2021

	<i>Notes</i>	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
<b>Continuing operations</b>			
Revenue	4, 20	<b>150,347</b>	182,157
Cost of revenue	21	<b>(131,270)</b>	(164,778)
		<hr/>	<hr/>
<b>Gross profit</b>		<b>19,077</b>	17,379
Other income	23	<b>179,014</b>	68,539
General and administrative expenses	24	<b>(60,411)</b>	(68,907)
Provision for legal cases		<b>(10,019)</b>	-
Provision for liabilities related to disposed subsidiaries		-	(39,136)
Share of results of joint venture	9	-	5,412
Provision for expected credit loss on trade and other receivables	10	<b>(6,902)</b>	(50,456)
Provision for expense related to bond encashment		<b>(13,570)</b>	-
Gain on disposal of subsidiaries	31	-	290,954
Reversal / (provision) related to subsidiaries with loss of control	31	<b>951</b>	(1,568)
Finance income		<b>425</b>	356
Finance costs	25	<b>(80,146)</b>	(107,954)
		<hr/>	<hr/>
<b>Profit before tax from continuing operations</b>		<b>28,419</b>	114,619
Income tax expense	8	<b>(859)</b>	(1,005)
		<hr/>	<hr/>
<b>Profit from continuing operations</b>		<b>27,560</b>	113,614
		<hr/> <hr/>	<hr/> <hr/>
<b>Discontinued operations</b>			
Profit /(loss) after tax from discontinued operations	30	<b>433</b>	(36,700)
		<hr/>	<hr/>
<b>PROFIT FOR THE YEAR</b>		<b>27,993</b>	76,914
		<hr/> <hr/>	<hr/> <hr/>
<b>Attributable to:</b>			
Equity holders of the parent		<b>27,781</b>	94,898
Non-controlling interests		<b>212</b>	(17,984)
		<hr/>	<hr/>
		<b>27,993</b>	76,914
		<hr/> <hr/>	<hr/> <hr/>
<b>Profit per share</b>			
Basic and diluted (AED)	26	<b>0.03</b>	0.09
		<hr/> <hr/>	<hr/> <hr/>

Drake and Scull International PJSC & its subsidiaries

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
Profit for the year	27,993	76,914
<i>Other comprehensive income items that would be reclassified subsequently to profit or loss</i>		
Currency translation differences	(5,565)	(3,913)
Exchange difference transferred to profit and loss on disposal of foreign operation	-	3,355
Exchange difference related to discontinued operations	(43)	-
Other comprehensive income for the year	<u>(5,608)</u>	<u>(558)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b><u>22,385</u></b>	<b><u>76,356</u></b>
<b>Attributable to:</b>		
Equity holders of the parent	22,195	94,304
Non-controlling interests	190	(17,948)
	<b><u>22,385</u></b>	<b><u>76,356</u></b>

The attached notes 1 to 33 form part of these consolidated financial statements

Drake and Scull International PJSC & its subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	<i>Attributable to the equity holders of the parent</i>							
	<i>Share capital AED'000</i>	<i>Share premium AED'000</i>	<i>Statutory reserve AED'000</i>	<i>Accumulated losses AED'000</i>	<i>Foreign currency translation reserve AED'000</i>	<i>Total AED'000</i>	<i>Non-controlling interests AED'000</i>	<i>Total AED'000</i>
At 1 January 2021	1,070,988	3,026	125,760	(4,901,556)	(59,198)	(3,760,980)	(141,632)	(3,902,612)
Profit for the year	-	-	-	27,781	-	27,781	212	27,993
Other comprehensive income for the year	-	-	-	-	(5,586)	(5,586)	(22)	(5,608)
Total comprehensive income/(loss) for the year	-	-	-	27,781	(5,586)	22,195	190	22,385
<b>At 31 December 2021</b>	<b>1,070,988</b>	<b>3,026</b>	<b>125,760</b>	<b>(4,873,775)</b>	<b>(64,784)</b>	<b>(3,738,785)</b>	<b>(141,442)</b>	<b>(3,880,227)</b>
At 1 January 2020	1,070,988	3,026	125,760	(4,996,454)	(58,604)	(3,855,284)	(123,684)	(3,978,968)
Profit/(Loss) for the year	-	-	-	94,898	-	94,898	(17,984)	76,914
Other comprehensive income for the year	-	-	-	-	(594)	(594)	36	(558)
Total comprehensive income/(loss) for the year	-	-	-	94,898	(594)	94,304	(17,948)	76,356
At 31 December 2020	1,070,988	3,026	125,760	(4,901,556)	(59,198)	(3,760,980)	(141,632)	(3,902,612)

The attached notes 1 to 33 form part of these consolidated financial statements

# Drake and Scull International PJSC & its subsidiaries

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

		<i>For the year ended 31 December</i>	
		<i>2021</i>	<i>2020</i>
		<i>AED'000</i>	<i>AED'000</i>
	<i>Notes</i>		
<b>Operating activities</b>			
Profit before tax from continuing operations		<b>28,419</b>	114,619
Profit / (loss) before tax from discontinued operations	30	<b>433</b>	(36,700)
		<hr/>	<hr/>
Profit before tax		<b>28,852</b>	77,919
Adjustments for:			
Depreciation on property and equipment	5	<b>529</b>	473
Depreciation of investment properties	6	<b>5,630</b>	5,646
Impairment of property and equipment	5	<b>1,031</b>	-
Expenses related to disposed subsidiary		-	3,811
Expense related to assets held for sale		-	19,174
Provision for employees' end of service benefits	17	<b>1,807</b>	2,330
Finance cost	25	<b>83,449</b>	112,341
Fair value loss on financial assets at fair value through profit or loss	24	<b>84</b>	-
(Gain)/loss on disposal of property and equipment		<b>(20)</b>	41
Share in profit of equity accounted investment	9	-	(5,412)
Provision for legal cases		<b>10,019</b>	-
Provision for expected credit losses	10	<b>6,902</b>	50,456
Provision for liabilities related to disposed subsidiaries		-	39,136
Provision for slow moving inventories		-	502
Finance income		<b>(425)</b>	(356)
Gain on disposal of subsidiaries	31	-	(290,954)
Depreciation of right-of-use asset	7	<b>1,538</b>	1,603
Reversal of provision for expected credit loss	10, 23	<b>(3,557)</b>	-
Write back of provisions		<b>(167,296)</b>	(24,204)
Trade and other receivables written off	10, 24	-	5,240
		<hr/>	<hr/>
		<b>(31,457)</b>	(2,254)
Changes in working capital:			
Inventories		-	39
Trade and other receivables		<b>54,735</b>	(13,811)
Trade and other payables (excluding income tax and interest payable)		<b>(84,500)</b>	(123,195)
Due to / from related parties		<b>14,120</b>	38,769
		<hr/>	<hr/>
		<b>(47,102)</b>	(100,452)
Payment of employees' end of service benefits	17	<b>(1,591)</b>	(4,120)
Income tax paid		<b>(104)</b>	-
		<hr/>	<hr/>
<b>Net cash (used) in / generated from operating activities</b>			
- Continuing operations		<b>(48,797)</b>	(104,572)
- Discontinued operations	30	<b>(101)</b>	317
		<hr/>	<hr/>
		<b>(48,898)</b>	(104,255)
		<hr/>	<hr/>

The attached notes 1 to 33 form part of this consolidated financial statements.

Drake and Scull International PJSC & its subsidiaries  
CONSOLIDATED STATEMENT OF CASH FLOWS (continued)  
For the year ended 31 December 2021

		<i>For the year ended 31 December</i>	
		<i>2021</i>	<i>2020</i>
		<i>AED'000</i>	<i>AED'000</i>
	<i>Notes</i>		
<b>Investing activities</b>			
Purchase of property and equipment	5	(760)	(209)
Proceeds from disposal of property and equipment		9,178	102
Provision for subsidiaries with loss of control	31	-	1,568
Interest received		425	356
		<u>8,843</u>	<u>1,817</u>
Net cash generated from investing activities			
<b>Financing activities</b>			
Movement in term deposits under lien		(1,111)	(16,674)
Movement in trust receipts and other borrowings		36,979	(540,390)
Movement in term loans		116	180,580
		<u>35,984</u>	<u>(376,484)</u>
Net cash generated from / (used in) financing activities			
- Continuing operations		35,984	(376,484)
- Discontinued operations	30	-	(49,600)
		<u>35,984</u>	<u>(426,084)</u>
<b>NET INCREASE / (DECREASE) IN</b>			
<b>CASH AND CASH EQUIVALENTS</b>			
Net foreign currency translation difference		(4,319)	106
Cash and cash equivalents at the beginning of the year		(622,479)	(94,063)
		<u>(630,869)</u>	<u>(622,479)</u>
<b>CASH AND CASH EQUIVALENTS AT</b>			
<b>THE END OF THE YEAR</b>			
	13	<u>(630,869)</u>	<u>(622,479)</u>

The attached notes 1 to 33 form part of this consolidated financial statements.

# Drake and Scull International PJSC & its subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

### 1 CORPORATE 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 Group and currently operates in accordance with the UAE Federal Law No. (2) of 2015 (as amended). The Company is listed on the Dubai Financial Market.

Federal Decree-Law No. 26 of 2020 which amends certain provisions of Federal Law No. 2 of 2015 on Commercial Companies was issued on 27 September 2020 and the amendments came into effect on 2 January 2021. The Company is in the process of reviewing the new provisions and will apply the requirements thereof no later than one year from the date on which the amendments came into effect.

The address of 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, oil and gas, air conditioning and sanitation work in the Middle East, Europe, Asia and North Africa region.

Certain trade licenses of the Group subsidiaries are not renewed as at the date of approval of these consolidated financial statements. However, the Group is managing the business based on the applicable laws and regulations in which the subsidiaries are domiciled. Management is in the process to renew the trade licenses after seeking necessary approval from respective authorities.

The Group has either directly or indirectly the shareholding in following major subsidiaries:

<i>Major Subsidiaries</i>	<i>Principal activities</i>	<i>Shareholding %</i>		<i>Country of incorporation</i>
		<i>31 December 2021</i>	<i>31 December 2020</i>	
Drake & Scull International LLC (Abu Dhabi)	Contracting work related to mechanical, electrical and sanitary engineering	100	100	UAE
Drake & Scull Engineering	Engineering, procurement and construction of Water and Power Infrastructure projects	100	100	UAE
Passavant Energy & Environment and its subsidiaries	Developing waste water, water and sludge treatment plants	100	100	Germany
Drake & Scull International for Electrical Contracting WLL	Mechanical, electrical contracting and repairing work relating to the construction industry	100	100	Kuwait
Drake & Scull International for Contracting SAE	Contracting work relating to mechanical, electrical and sanitary engineering	100	100	Egypt
Drake & Scull International LLC (Oman)	Contracting work related to mechanical, electrical and sanitary engineering	51	51	Oman

During the year ended 31 December 2018, the Group administratively and operationally lost control over Drake and Scull International (Qatar) WLL, a subsidiary in Qatar. During the year ended 31 December 2020, the Group disposed of its entire stake (legal and economic benefits) in the subsidiary pending transfer of legal ownership which is in progress as at the date of issuance of these consolidated financial statements. Refer Note 31.

# Drake and Scull International PJSC & its subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

### 1 CORPORATE INFORMATION (continued)

The Group operates in various jurisdictions such as Germany, India, Saudi Arabia, Algeria, Jordan and Iraq through branches of the Company or any of its subsidiaries or its branches.

The Group, through Drake and Scull International for Contracting SAE has a 50% interest in a jointly controlled entity with Hassan Allam Sons (Misr Sons Development S.A.E) under a joint arrangement agreement dated 21 July 2011. This is classified as a joint operation in these consolidated financial statements.

Drake and Scull International PJSC has a 51% interest in a joint venture with Al Habtoor Specon LLC (DSI-HLS Joint Venture) under a joint arrangement agreement dated 17 April 2013. The joint venture agreement in relation to the DSI-HLS Joint Venture require unanimous consent from all parties for all relevant activities. The two partners have direct rights to the assets and are jointly and severally liable for the liabilities incurred by the partnership. This entity is therefore classified as a joint operation and the Group recognises its direct right to the jointly held assets, liabilities, revenues and expenses.

Drake and Scull Engineering LLC has a 49% interest in a jointly controlled entity with Al Habtoor Specon LLC (HLS-DSE Joint Venture) under a joint arrangement agreement dated 1 May 2013. This is classified as joint operation in these consolidated financial statements.

The Group, through Passavant Energy & Environment GmbH has a 33% interest in a jointly controlled entity with Equipment Sales and Service Company, and Hinnawi Contracting Company under a joint arrangement agreement dated 09 December 2012. This is classified as joint operation in these consolidated financial statements.

The Group, through Passavant Energy & Environment GmbH has a 35% interest in a jointly controlled entity with Acciona Agua SA under a joint arrangement agreement dated 31 October 2013. This is classified as joint operation in these consolidated financial statements.

The Group, through Passavant Energy & Environment GmbH has a 99% interest in a jointly controlled entity with Acciona Agua SA under a joint arrangement agreement dated 01 June 2017. This is classified as joint operation in these consolidated financial statements.

The Group, through Passavant Energy & Environment GmbH has a 50% interest in a jointly controlled entity with Larsen & Toubro Limited under a joint arrangement agreement dated 12 October 2016. This is classified as joint operation in these consolidated financial statements.

The Group's interest in certain joint ventures during 2020 held through the entities disposed are included as part of financial information mentioned under Note 31.

### 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

#### 2.1 GOING CONCERN

The consolidated financial statements have been prepared on a going concern basis in view of the restructuring initiatives undertaken by the Group.

The Group has earned a profit of AED 28 million during the year ended 31 December 2021 (31 December 2020: AED 77 million), and as of that date, its current liabilities exceeded its current assets by AED 4,020 million (2020: AED 4,067 million). Furthermore, the Group had negative cash flow from operating activities of AED 49 million for the year ended 31 December 2021 (2020: AED 104 million). These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and that, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. Should the Group be unable to continue as a going concern, adjustments would have to be made to reduce the value of assets to their recoverable amount, to provide for any liabilities which might arise, and to reclassify non-current assets as current assets and non-current liabilities as current liabilities. However, these financial statements, have been prepared on a going concern basis based on the developments related to restructuring.

## Drake and Scull International PJSC & its subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

#### 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

##### 2.1 GOING CONCERN (continued)

The restructuring process was initiated by the Group following the reporting of significant losses in the third quarter of 2018. At that point, the Board of Directors (“Board”) approved the formation of a Restructuring Committee (“RSC”) to develop a comprehensive restructuring plan. During the last quarter of 2018, the Company appointed financial advisors, legal advisors and consultants to carry out an Independent Business Review and, additional financial advisors and legal advisors were appointed during 2019 (consultants and advisors are collectively referred to as the “Advisors”).

In early 2019, the Board, Management and the Advisors worked on developing the strategic direction through the pillars of the restructuring strategy. This was adopted and approved by the Board of Directors. This was subsequently presented to the Shareholders and approved at the General Assembly Meeting on 7 May 2019. Once approved, this became the foundation for the strategic direction upon which the future business plan was established. The Board and management continue to implement the strategic direction and the pillars of the restructuring by exiting underperforming operations and markets.

Moreover, the Company focused on engaging with all stakeholders including the regulators, lenders, creditors and the employees in terms of the various initiatives that the Company has been undertaking. The Company initiated discussions with the lenders. Four of the largest lenders formed an Adhoc Committee (“AHG”) so as to discuss the financial changes required to return the Group back to profitability over time. The Company also conducted an exhaustive exercise to establish the details of the trade creditors.

On the operational side, the Group focused its efforts on reducing its operating costs and addressing legacy projects that had significant cashflow or profitability issues. Moreover, the Group embarked on implementing the Board’s strategic objectives, as approved at the Shareholder meeting, to exit non-core operations and markets.

Further, during 2019, the Business Plan was developed by management with the support of the Group’s Advisors and approved by the Board (the “Business Plan”) at the end of the third quarter of 2019. There were several meetings with the AHG and a number of individual and bank meetings.

During 2020, the Board reviewed the Business Plan in light of the Covid-19 pandemic. Management with the support of Advisers produced a revised Business Plan, which was approved by the Board during the third quarter of 2020 and subsequently approved by AGH and their advisers in last quarter of 2020. Throughout the year despite of the Covid-19 situation there were several virtual meetings with the AHG and a number of individual banks to discuss the terms of a potential restructuring transaction. As part of this process the key terms of the Restructuring Plan were developed and substantially agreed with the AHG at the end of fourth quarter of 2020. Throughout 2020, there were continuous discussion between the Company and the AHG with the aim of a agreeing a restructuring plan.

Also, in 2020 the Board approached and requested the Financial Restructuring Committee (FRC), which was established under Federal Decree Law No (9) of 2016 to accept the Company under the resolutions set out above. A formal submission was made to the FRC during the first quarter of 2020 and was subsequently accepted during the second quarter of 2020 by the Committee to support and oversee the financial restructuring of the Company and its subsidiaries. Shortly thereafter the FRC appointed an independent expert (the “Expert”) to oversee the reorganisation and provide regular updates to the FRC. Formal monthly meetings between the FRC, the FRC appointed independent expert, and the Company began during the third quarter of 2020.

At the beginning of September 2020, the Expert, after discussions with the FRC and the support of the Company, launched the Creditor Claims Process (CCP) to ascertain the details of all the creditor claims of both the Financial Creditors (i.e., banks and financial institutions) and Trade Creditors.

The Company held a meeting of its Financial Creditors on 25 February 2021 and Trade Creditors on 1 March 2021 via virtual platform. The Reorganisation Plan (the “Plan”) was presented by the Company in conjunction with the FRC appointed Expert. Following the meetings, the documents outlining the commercial deal were released to Financial and Trade Creditors for their review. At the same time, the legal documentation required to formalise the required approval of the Plan is being developed by the Company’s and the creditors’ legal and financial advisers.

## Drake and Scull International PJSC & its subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

## 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

### 2.1 GOING CONCERN (continued)

The overall restructuring from an operational, financial and legal aspect is extremely complicated and requires a substantial amount of time to formalise the transaction. Further, like in most developed countries, there were new laws introduced to deal with the COVID-19 pandemic.

The full set of legal documents were released to all creditors on 24 June 2021. These documents include the voting forms and the details of the voting process. A second round of meetings with the Financial and Trade Creditors was held on 27 July 2021.

Throughout the year and up to the date of issuance of these consolidated financial statements for the year ended 31 December 2021, the voting has progressed towards obtaining the required amount of two thirds of the Financial and Trade Creditors (by value) to vote in favour the Plan. On 11 February 2022, the Expert delivered a report to the FRC informing them that the two thirds by value threshold for voting had been achieved. In summary, the total number of votes cast was 122 of which 92 had voted in favour and 30 had voted against or abstained. In terms of value, 67.18% had voted in favour with 8.83% voting against or abstaining.

The FRC reviewed the Experts findings at a meeting of the FRC on 28 February 2022 and based on this it was concluded that the Company had completed the financial reorganisation procedures in accordance with the provisions of the law and the decision of the Council of Ministers. FRC also urged the Company to implement the Plan as agreed with majority of creditors thereby guaranteeing the rights of the creditors and ensuring the continuity of the Company and safeguarding the employment of its employees.

On 1 March 2022, following the FRC meeting the Company was notified in writing of the FRC's decision that their process was completed and the Company should now take the necessary steps to implement the Plan. Following receipt of the FRC's notification, the Company notified the various authorities and issued a public announcement on the Dubai Financial Markets on 7 March 2022 stating that the FRC process has been completed.

Further, DSI filed with Dubai courts the Plan on 13 July 2021. The main request was to seek approval from the Dubai courts for the application to be considered under the recently introduced temporary Emergency Provisions of the bankruptcy law. The primary objective was to successfully complete the voting thereby completing the FRC process. This would then have allowed the Dubai courts to consider the application without any potential contradictions with the FRC process. However, this process was delayed and as a result, the filing took place in mid-July in order for the Company to benefit from the Emergency Provisions which were only valid until 31 July 2021.

On 18 October 2021, the Court of First Instance rejected the application. This was mainly based on the fact that the FRC process and the Court process were two separate procedures both having different tasks and objectives that could not operate in parallel and on that basis, the Court felt that such an application could not be considered while the Company was under the supervision of the FRC.

The Company filed an appeal on 16 November 2021 and has provided comprehensive documentation to the Appeal Court to support the appeal against the initial judgment delivered by the Court of First Instance. At the last hearing on 2 March 2022 the Judge has reserved the case for judgment on 20 April 2022.

Once the Court process is successfully completed it will then allow the Company to issue the Mandatory Convertible Sukuk, complete the Rights Issue to the existing shareholders and to resume the trading of shares on the Dubai Financial Market (DFM). There have been a number of discussions with the authorities concerning the final stage of equity related matters including the overall approval on all the restructuring terms and conditions. This exercise will begin in earnest once the Court has ruled on certain matters and approved the Plan.

# Drake and Scull International PJSC & its subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

### 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

#### 2.2 BASIS OF PREPARATION

The consolidated financial statements of the Group for the year ended 31 December 2021 have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and IFRS Interpretations Committee applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The consolidated financial statements have been prepared in United Arab Emirates Dirhams (AED), since this is the currency of the country in which the company is domiciled. All values are rounded to the nearest thousands (000’) except otherwise mentioned.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

#### 2.3 BASIS OF CONSOLIDATION

The consolidated financial statements comprise of the financial statements of the Group and its subsidiaries as at 31 December 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group’s voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. There is no impact on the profit and loss of the comparative period and total equity.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

## Drake and Scull International PJSC & its subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

## 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

### 2.3 BASIS OF CONSOLIDATION (continued)

#### *Equity accounted investment*

A joint venture is a type of joint arrangement whereby the parties that have control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its joint venture is accounted for using the equity method.

Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated income statement reflects the Group's share of the results of operations of the joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of profit or loss of a joint venture is shown on the face of the consolidated income statement outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the equity accounted investment are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's equity accounted investment. The Group determines at each reporting date whether there is any objective evidence that the equity accounted investment is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the equity accounted investment and its carrying value and recognises the amount in the consolidated income statement in 'share of results of an equity accounted investment'.

Upon loss of significant influence over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised consolidated income statement.

The consolidated financial statements of the Group include the following equity accounted investment:

<i>Name of equity accounted investment and domicile</i>	<i>% Holding</i>		<i>Principal activities</i>
	<i>2021</i>	<i>2020</i>	
MEP Joint Venture, Abu Dhabi*	-	-	Mechanical, electrical and plumbing work

\* Dissolved during 2020. Refer Note 9.

## 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

### 2.4 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

#### **Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16**

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the consolidated financial statements of the Group.

#### **Amendments to IFRS 16 Covid-19 Related Rent Concessions**

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was earlier intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. These amendments had no impact on the consolidated financial statements of the Group.

### 2.5 STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

#### **IFRS 17 Insurance Contracts**

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**

**2.5 STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (continued)**

**Amendments to IAS 1: Classification of Liabilities as Current or Non-current**

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on its current accounting policies and whether covenants on existing loan agreements may require renegotiation.

**Reference to the Conceptual Framework – Amendments to IFRS 3**

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

**Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16**

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

**Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37**

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

**IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter**

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**

**2.5 STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (continued)**

**IFRS 9 Financial Instruments – Fees in the ‘10 per cent’ test for derecognition of financial liabilities**

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after 1 January 2022, with earlier adoption permitted. The Group must apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

**IAS 41 Agriculture – Taxation in fair value measurements**

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

**Definition of Accounting Estimates - Amendments to IAS 8**

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of ‘accounting estimates’. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.

**Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2**

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgments, in which it provides guidance and examples to help entities apply materiality judgments to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group’s accounting policy disclosures.

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**

**2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Revenue from contracts with customers**

Revenue from contracts with customers is recognised when control of the goods and services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is the principal in all of its revenue arrangements as the Group typically controls the goods or services before transferring to the customer. The following specific recognition criteria must also be met before revenue is recognised:

*Contract revenue*

Revenue from contracts with customers is recognised when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods before transferring to the customer.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled for those goods and services.

The standard introduces a 5-step approach to revenue recognition:

- Step 1 Identify the contract with a customer
- Step 2 Identify the performance obligations in the contract
- Step 3 Determine the transaction price
- Step 4 Allocate the transaction price to the performance obligations in the contract
- Step 5 Recognise revenue as and when the entity satisfies a performance obligation.

The Group recognises revenue over time if any one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance obligation completed to date.

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognising revenue. The Group has concluded that for certain of its arrangements, it is either creating or enhancing an asset controlled by the customer or it is creating an asset with no alternative use and has an enforceable right to payment for work completed. Therefore, it meets the criteria to recognise revenue over the period of time and measure progress of its projects through the cost to complete method (input method) as it best depicts the transfer of control of products and services under each performance obligation.

When the Group satisfies a performance obligation by delivering the promised goods or services it creates a contract asset based on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives rise to a contract liability.

Variations which are in the nature of extension of existing scope of work are accounted for using cumulative catch up adjustments to the cost of complete method of revenue recognition. Variation orders which require addition of distinct goods and services to the scope at discounted prices are accounted for prospectively and variation orders which require addition of distinct goods and services to the scope at standalone selling prices are accounted for as new contracts with the customers.

Claims are accounted for as variable consideration. They are included in contract revenue using the expected value or most likely amount approach (whichever is more predictive of the amount the entity expects to be entitled to receive) and it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the claim is subsequently resolved.

A loss is recognised in the consolidated income statement when the expected contract costs exceed the total anticipated contract revenue.

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**

**2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Revenue from contracts with customers (continued)**

*Contract revenue (continued)*

The Group combines two or more contracts entered into at or near the same time with the same customer and accounts for the contracts as a single contract if one or more of the following criteria are met:

- The two or more contracts entered into at or near the same time with the same customer are negotiated as a package, with a single commercial objective;
- The amount of consideration to be paid in one contract depends on the price or performance of the other contract; or
- The goods or services promised in the contracts (or some goods or services promised in each of the contracts) are a single performance obligation.

If the above criteria are met, the arrangements are combined and accounted for a single arrangement for revenue recognition.

Pre-contract cost of obtaining a contract with a customer is recognised as an asset if those costs are expected to be recovered.

Revenue is recognised in the consolidated income statement to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur and the revenue and costs, if applicable, can be measured reliably.

**Contract costs**

Contract costs comprise direct contract costs and other costs relating to the contracting activity in general and which can be allocated to contracts. In addition, contract costs include other costs that are specifically chargeable to the customer under the terms of the contracts.

Costs that cannot be related to contract activity or cannot be allocated to a contract are excluded from the costs of the construction contracts and are included in general and administrative expenses.

**Contract balances**

*Contract assets*

A contract asset is initially recognised for revenue recognised on construction contracts. Upon completion of the contracting work and acceptance by the customer, the amount recognised as contract assets is reclassified to trade receivables.

Contract assets are subject to impairment assessment. Refer to accounting policies on impairment of financial assets in section.

*Trade receivable*

A receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in Financial instruments – initial recognition and subsequent measurement.

**Contract liabilities**

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

## Drake and Scull International PJSC & its subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

## 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

### 2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Value-added Tax (VAT)

Expenses, and assets are recognised net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and/or
- When receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

#### Interest income

Interest income is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the consolidated income statement.

#### Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the profit or loss as incurred.

Land is not depreciated. Depreciation on other assets is calculated on the straight-line method, at rates calculated to allocate the cost of assets less their estimated residual value over their expected useful lives as follows:

Buildings	over 5-10 years
Machinery	over 2-5 years
Furniture, fixtures and office equipment	over 2-5 years
Motor vehicles	over 3-5 years

The carrying values of property 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.

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the consolidated income statement when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

#### Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at historical cost less accumulated depreciation and impairment. Fair values are determined based on an annual valuation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee.

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**

**2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Investment properties (continued)**

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. In determining the amount of consideration from the derecognition of investment property the Group considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any).

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Investment properties are depreciated over a period of 15 years.

**Fair value measurement**

The Group measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The Group's management determines the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted financial assets, and for non-recurring measurement, such as assets held for sale in discontinued operations. Management comprised of Group Chief Financial Officer, Group Chief Executive Officer, and the managers of each property.

# Drake and Scull International PJSC & its subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

### 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

#### 2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### **Fair value measurement (continued)**

External valuers are involved for valuation of significant assets, such as investment properties and unquoted financial assets, and significant liabilities, such as contingent consideration. Involvement of external valuers is determined annually by the management after discussion with and approval by the Company's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuers are normally rotated every three years. The management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

Management also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

On an interim basis, management presents the valuation results to the Audit Committee and the Group's independent auditors. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the Note 29.

##### **Leases**

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

##### *Group as a lessee*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

##### *Right-of-use assets*

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Office space	2 to 4 years
Building	18 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

##### *Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**

**2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Leases (continued)**

*Lease liabilities (continued)*

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

*Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

*Group as a lessor*

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated income statement due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Contingent rents are recognised as revenue in the period in which they are earned.

**Inventories**

Inventories are valued at the lower of cost and net realisable value after making due allowance for any obsolete or slow-moving items. Costs are those expenses incurred in bringing each product to its present location and condition and are determined using the first-in, first-out method.

Net realisable value is based on estimated selling price less any further costs to be incurred on completion and disposal.

**Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**i) Financial assets**

***Initial recognition and measurement***

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**

**2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial instruments (continued)**

*i) Financial assets (continued)*

***Initial recognition and measurement (continued)***

Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and bank balances, trade and other receivables, financial assets at fair value through profit or loss and amounts due from related parties.

***Subsequent measurement***

For purposes of subsequent measurement, financial assets are classified in below categories:

- Financial assets at amortised cost
- Financial assets at fair value through profit or loss

**Financial assets at amortised cost**

Group's financial assets at amortised cost include:

**Accounts receivable**

Accounts receivable are stated at original invoice less provision for impairment.

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 income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the consolidated income statement.

**Due from related parties**

Due from related parties are recognised at amortised costs less impairment losses, if any.

**Cash and cash equivalents**

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of bank balances net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

**Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated income statement.

This category includes investment in real estate fund.

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**

**2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial instruments (continued)**

**i) Financial assets (continued)**

***Derecognition***

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's statement of consolidated financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

***Impairment of financial assets***

The Group recognises an allowance for expected credit losses ("ECL") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation to the asset's original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integrated to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Group considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For trade and other receivables, bank balance and due from related parties, the Group applies a simplified approach in calculating ECLs based on lifetime expected credit losses at each reporting date. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The expected credit losses are recognised in the consolidated income statement.

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**

**2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial instruments (continued)**

**ii) Financial liabilities**

***Initial recognition and measurement***

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include bank overdrafts, lease liabilities, accounts payables, accruals, provision for bank liabilities of subsidiaries and provision for loss of control over subsidiaries.

***Subsequent measurement***

The measurement of financial liabilities depends on their classification, as described below:

***Accounts payables 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.

***Provisions***

Provisions are recognised when the Group has a present obligation (legal or constructive) 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. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

***Due to related parties***

Due to related parties are recognised for amounts to be paid in the future for goods or services received, whether billed by the related party or not.

***Loans and borrowings***

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in consolidated income statement when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated income statement. This category generally applies to interest-bearing loans and borrowings.

***Derecognition financial liabilities***

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated income statement.

**iii) Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**

**2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Impairment of non-financial assets**

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows 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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the consolidated income statement in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated income statement unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

**Non-current assets held for sale and discontinued operations**

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

## Drake and Scull International PJSC & its subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

## 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

### 2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Non-current assets held for sale and discontinued operations (continued)**

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or
- Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of other comprehensive income.

Additional disclosures are provided in Note 30. All other notes to the consolidated financial statements include amounts for continuing operations, unless indicated otherwise.

#### **Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group purchases the Group's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Group's equity holders until the shares are cancelled or reissued.

Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, included in equity attributable to the Group's equity holders.

#### **Taxes**

##### *Current income tax*

Current income tax assets and liabilities 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 at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

##### *Deferred tax*

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or 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
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when 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 tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses.

## Drake and Scull International PJSC & its subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

## 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

### 2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Taxes (continued)

##### *Deferred tax (continued)*

Deferred tax assets are recognised 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, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition 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
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred 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 tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in 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 relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

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.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

#### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

#### **Employees' end of service benefits**

A provision is made for the estimated liability for employees' entitlements to annual leave and related benefits as a result of services rendered by the employees up to the consolidated statement of financial position date. Provision is also made, using actuarial techniques, for the end of service benefits due to employees in accordance with the Labour Laws applicable in the countries in which the Group operates, for their periods of service up to the consolidated statement of financial position date.

With respect to its UAE national employees, the Group makes a provision for contributions to be made to the UAE Pension Authority calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due. These are dealt with as payments to defined contribution plans, where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

The provision relating to annual leave and leave passage is disclosed as a current liability and included in trade and other payables, while that relating to end of service benefits is disclosed as a non-current liability.

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**

**2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Foreign currency translation**

(a) Functional and presentation currency

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognised in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates 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. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

(b) Group entities

On consolidation, the assets and liabilities of foreign operations are translated into AED at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

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 spot rate of exchange at the reporting date.

**Contingencies**

Contingent liabilities are not recognised in the consolidated statement of financial position. 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 statement of financial position but disclosed when an inflow of economic benefits is probable.

**Current versus non-current classification**

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is classified as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**

**2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Current versus non-current classification (continued)**

A liability is classified as current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

**3 USE OF ESTIMATES AND JUDGMENTS**

The preparation of consolidated financial statements requires management to make judgments, 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 consolidated financial statement, the significant judgments 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 2020.

**3.1 Critical accounting estimates and assumptions**

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that may affect the reported amount of financial assets and liabilities, revenues, expenses, disclosure of contingent liabilities and the resultant provisions and fair values. Such estimates are necessarily based on assumptions about several factors and actual results may differ from reported amounts. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

a) Cost-to-cost (input method) to measure progress of construction contracts

The Group uses the cost-to-cost (input method) in accounting for its construction contracts. At each reporting date, the Group is required to estimate the stage of completion and costs to complete on its construction contracts. This requires the Group to make estimates of future costs to be incurred, based on work to be performed beyond the reporting date. These estimates also include the cost of potential claims by subcontractors and the cost of meeting other contractual obligations to the customers. Effects of any revision to these estimates are reflected in the period in which the estimates are revised. When the expected contract costs exceeds the total anticipated contract revenue, the total expected loss is recognised immediately, as soon as foreseen, whether or not work has commenced on these contracts. The Group uses its commercial team to estimate the costs to complete of construction contracts. Factors such as delays in expected completion date, changes in the scope of work, changes in material prices, labour costs and other costs are included in the construction cost estimates based on best estimates updated on a regular basis.

(b) Contract variations and claims

Variation orders will have to be accounted for prospectively or as new contracts based on the nature and price of additional products and services requested through these variation orders. The Group includes variable consideration (including claims, re-measurable contract values and discounts) in the transaction price to which it expects to be entitled from the inception of the contract. The amount of variable consideration will have to be restricted to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

## Drake and Scull International PJSC & its subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

#### 3 USE OF ESTIMATES AND JUDGMENTS (continued)

##### 3.1 Critical accounting estimates and assumptions (continued)

###### (c) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

###### (d) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. 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.

###### (e) Provision for expected credit losses on trade and other receivables

The Group uses a provision matrix to calculate ECLs for trade and other receivables including prepayments and amounts due from customers on contracts. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade and other receivables is disclosed in Note 10.

As at the date of the consolidated statement of financial position, gross trade and other receivables including prepayments and amount due from customers on contracts were AED 1,011,290 thousand (2020: AED 1,066,025 thousand) and allowance against impairment was AED 772,436 thousand (2020: AED 769,091 thousand). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated income statement.

###### (f) Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available. The Group estimates the IBR using observable inputs such as the average interest rate on the bank overdraft i.e. 4.6% p.a.

###### (g) Useful lives of property and equipment

The Group's management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

### 3 USE OF ESTIMATES AND JUDGMENTS (continued)

#### 3.1 Critical accounting estimates and assumptions (continued)

(h) Provision for slow moving 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 anticipated selling prices. Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the consolidated income statement.

As of the date of consolidated statement of financial position, the Group has not recognised any provision for slow moving inventories (2020: AED 502 thousand).

#### Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

*Determining the lease term of contracts with renewal and termination options – Group as lessee*

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows exceeding the lease term have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the year ended 31 December 2021, no significant events or significant change in circumstances occurred that caused the management to reassess the lease term.

*Classification of property*

The Group determines whether a property is classified as an investment property or property and equipment:

- Investment properties comprise properties that are held for long-term rental yields or capital appreciation or both, and that is not occupied by the Group;
- Property and equipment comprise properties that are held for administrative purposes or supply of services.

*Assets held for sale*

In 2018, Drake & Scull International Oman went into liquidation. Operations of Drake & Scull International Oman are classified as a disposal group held for sale. The Board considered the subsidiary to meet the criteria to be classified as held for sale since the actions to complete the liquidation were initiated.

### 4 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 as Engineering (Mechanical, Electrical and Plumbing) and Others.

The Engineering segment carries out contracting work relating to the construction industry, such as mechanical, electrical, plumbing and sanitation work and contracting work relating to the construction industry, such as infrastructure, water treatment plants, district cooling plants and power plants.

**4 SEGMENT REPORTING (continued)**

**Business segments (continued)**

Others segment represents a subsidiary carrying out contracting work in energy and environment industry and the 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.

**Geographical segments**

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

Finance cost, finance income, other income are not allocated to individual segment as the underlying instruments are managed by the Group.

Drake and Scull International PJSC & its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

**4 SEGMENT REPORTING (continued)**

**Information about business segments**

All figures in AED'000

	<i>For the year ended 31 December 2021</i>				<i>For the year ended 31 December 2020</i>			
	<i>Engineering</i>	<i>Others</i>	<i>Inter segment elimination</i>	<i>Total</i>	<i>Engineering</i>	<i>Others</i>	<i>Inter segment elimination</i>	<i>Total</i>
Revenue								
External customers *	<b>60,138</b>	<b>90,209</b>	-	<b>150,347</b>	62,889	119,268	-	182,157
Segment (loss)/profit	<b>105,617</b>	<b>(78,057)</b>	-	<b>27,560</b>	(31,008)	144,622	-	113,614
Depreciation and amortisation	<b>381</b>	<b>7,316</b>	-	<b>7,697</b>	355	7,367	-	7,722
Capital expenditure	<b>292</b>	<b>468</b>	-	<b>760</b>	76	133	-	209
	<i>At 31 December 2021</i>				<i>At 31 December 2020</i>			
Segment total assets	<b>403,749</b>	<b>764,012</b>	<b>(686,664)</b>	<b>481,097</b>	407,587	1,016,091	(844,761)	578,917
Segment total liabilities	<b>1,451,295</b>	<b>2,033,974</b>	<b>715,500</b>	<b>4,200,769</b>	2,016,745	2,172,057	131,859	4,320,661

\*The Group has recognised its entire revenue over a period of time.

Drake and Scull International PJSC & its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

4 SEGMENT REPORTING (continued)

Information about geographical segments

All figures in AED'000

	<i>UAE</i>	<i>Others</i>	<i>Inter segment elimination</i>	<i>Total</i>
<i>For the year ended 31 December 2021</i>				
Revenue from external customers	<u>46,277</u>	<u>104,070</u>	<u>-</u>	<u>150,347</u>
<i>For the year ended 31 December 2020</i>				
Revenue from external customers	<u>66,812</u>	<u>115,345</u>	<u>-</u>	<u>182,157</u>
Reconciliation of assets:				
			<i>2021 AED'000</i>	<i>2020 AED'000</i>
Segment assets			<u>481,097</u>	578,917
Assets held for sale (Note 30)			<u>2,914</u>	2,585
			<u>484,011</u>	<u>581,502</u>
Reconciliation of liabilities:				
Segment liabilities			<u>4,200,769</u>	4,320,661
Liabilities associated with discontinued operations (Note 30)			<u>163,469</u>	163,453
			<u>4,364,238</u>	<u>4,484,114</u>

Drake and Scull International PJSC & its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

5 PROPERTY AND EQUIPMENT

31 December 2021

	<i>Land and buildings AED'000</i>	<i>Machinery AED'000</i>	<i>Furniture, fixtures and office equipment AED'000</i>	<i>Motor vehicles AED'000</i>	<i>Capital work-in- progress AED'000</i>	<i>Total AED'000</i>
<b>Cost:</b>						
At 1 January 2021	61,250	28,331	50,131	4,356	-	144,068
Additions		122	304	143	191	760
Disposals	(8,995)	(9,643)	(1,571)	-	-	(20,209)
Impairment loss *	(1,031)	-	-	-	-	(1,031)
Currency translation differences	(2)	(347)	(213)	(85)	-	(647)
<b>At 31 December 2021</b>	<b>51,222</b>	<b>18,463</b>	<b>48,651</b>	<b>4,414</b>	<b>191</b>	<b>122,941</b>
<b>Depreciation:</b>						
At 1 January 2021	21,578	26,582	49,799	1,214	-	99,173
Charge for the year	4	289	227	9	-	529
Disposals	(26)	(9,634)	(1,389)	-	-	(11,049)
Currency translation differences	(3)	(362)	(188)	(61)	-	(614)
<b>At 31 December 2021</b>	<b>21,553</b>	<b>16,875</b>	<b>48,449</b>	<b>1,162</b>	<b>-</b>	<b>88,039</b>
<b>Net carrying amount: At 31 December 2021</b>	<b>29,669</b>	<b>1,588</b>	<b>202</b>	<b>3,252</b>	<b>191</b>	<b>34,902</b>

31 December 2020

	<i>Land and buildings AED'000</i>	<i>Machinery AED'000</i>	<i>Furniture, fixtures and office equipment AED'000</i>	<i>Motor vehicles AED'000</i>	<i>Capital work-in- progress AED'000</i>	<i>Total AED'000</i>
<b>Cost:</b>						
At 1 January 2020	61,248	34,040	44,846	4,392	1,367	145,893
Additions	-	11	143	55	-	209
Disposals	-	(89)	(1,385)	(159)	(1,367)	(3,000)
Transfers	-	(5,919)	5,919	-	-	-
Currency translation differences	2	288	608	68	-	966
<b>At 31 December 2020</b>	<b>61,250</b>	<b>28,331</b>	<b>50,131</b>	<b>4,356</b>	<b>-</b>	<b>144,068</b>
<b>Depreciation:</b>						
At 1 January 2020	21,564	31,975	44,430	1,260	1,205	100,434
Charge for the year	13	236	308	(84)	-	473
Disposals	-	(81)	(1,379)	(30)	(1,205)	(2,695)
Transfers	-	(5,832)	5,832	-	-	-
Currency translation differences	1	284	608	68	-	961
<b>At 31 December 2020</b>	<b>21,578</b>	<b>26,582</b>	<b>49,799</b>	<b>1,214</b>	<b>-</b>	<b>99,173</b>
<b>Net carrying amount: At 31 December 2020</b>	<b>39,672</b>	<b>1,749</b>	<b>332</b>	<b>3,142</b>	<b>-</b>	<b>44,895</b>

Drake and Scull International PJSC & its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

**5 PROPERTY AND EQUIPMENT (continued)**

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

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
Cost of sales (Note 21)	110	97
General and administrative expenses (Note 24)	419	376
	<u>529</u>	<u>473</u>

\* Impairment loss represents decrease in value of land and buildings held by the Group (refer Note 24).

**6 INVESTMENT PROPERTY**

Movement in investment property during the year is as follows:

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
Cost:		
At 1 January	<u>100,000</u>	<u>100,000</u>
Depreciation:		
At 1 January	(5,646)	-
Depreciation charge for the year (Note 21)	(5,630)	(5,646)
At 31 December	<u>(11,276)</u>	<u>(5,646)</u>
<b>Net carrying amount at 31 December</b>	<u><b>88,724</b></u>	<u><b>94,354</b></u>

Investment property represents the Group's investment in Campco's labour camp building located in Abu Dhabi, UAE.

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

*Profit arising from investment properties carried at cost as follows:*

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
Rental income derived from investment properties	6,479	20,132
Direct operating expenses (including repairs and maintenance) generating rental income	(5,751)	(17,663)
Depreciation on investment properties (Note 21)	(5,630)	(5,646)
Profit arising from investment properties	<u>(4,902)</u>	<u>(3,177)</u>

## Drake and Scull International PJSC & its subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

#### 6 INVESTMENT PROPERTY (continued)

##### Fair value of investment property

The fair value is based on valuation performed by an accredited independent valuer. The valuation is prepared in accordance with The Royal Institute of Chartered Surveyors (RICS) Valuation -Professional Standards 2014 (the 'Red Book') as published by the Royal Institution of Chartered Surveyors ("RICS") which incorporate the International Valuation Standards Council's International Valuation Standards.

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
Carrying amount	<u>88,724</u>	<u>94,354</u>
Fair value	<u>92,500</u>	<u>104,500</u>

##### Description of valuation techniques used and key inputs to valuation of investment property:

Significant unobservable inputs:	<i>2021</i>	<i>2020</i>
Valuation technique	<b>Capitalisation method</b>	Capitalisation Method
- Vacancy rate	<b>20%</b>	20%
- Operational expenses	<b>53.14%</b>	53.41%
- Discount rate	<b>12.5%</b>	12.5%
- Estimated market rent	<b>AED 11,560,341</b>	AED 11,046,720
- Ground rent per annum	<b>AED 475,339</b>	AED 475,339

#### 7 LEASES

##### Group as a lessee

The Group has lease contracts in relation to land, office premises and cars used in its operations. The Group's obligation under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased asset.

The Group also has leases of other assets with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for those leases.

Below are the carrying amounts of the right-of-use assets recognized and movements during the year:

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
At 1 January	<b>6,186</b>	7,453
Additions during the year	<b>2,573</b>	118
Modification of leases	<b>164</b>	-
Depreciation charge for the year *	<b>(1,538)</b>	(1,603)
Exchange difference	<b>(143)</b>	218
<b>At 31 December</b>	<u><b>7,242</b></u>	<u>6,186</u>

Drake and Scull International PJSC & its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

7 LEASES (continued)

*Group as a lessee (continued)*

\* Depreciation on right-of-use asset is allocated in the statement of comprehensive income as follows:

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
Direct cost (Note 21)	214	176
Selling, general and administrative expenses (Note 24)	1,324	1,427
	<u>1,538</u>	<u>1,603</u>

Set out below is the carrying amount of lease liabilities and the movement during the year:

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
At 1 January	6,500	7,207
Additions during the year	2,573	118
Modification of leases	164	-
Accretion of interest	489	494
Lease payments	(2,043)	(1,522)
Exchange difference	(153)	203
<b>At 31 December</b>	<u>7,530</u>	<u>6,500</u>
Current	1,052	1,213
Non-current	6,478	5,287
	<u>7,530</u>	<u>6,500</u>

Maturity analysis of lease liabilities are disclosed in Note 28.

The following are the amounts recognised in the consolidated income statement:

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
Depreciation expense of right-of-use-assets	1,538	1,603
Interest expense on lease liabilities (Note 25)	489	494
Expense relating to short-term leases (Note 24)	975	978
<b>Total amount recognised in consolidated income statement</b>	<u>3,002</u>	<u>3,075</u>

The Group had total cash outflows for leases of AED 2,043 thousand during the year (2020: AED 1,522 thousand). There are no leases that have not yet commenced at the reporting date.

The Group does not have leases that contains variable payments.

The Group has no lease contracts that include extension and termination options.

## Drake and Scull International PJSC & its subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

#### 8 INCOME TAX

The major components of income tax expense are:

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
<i>Current income tax expense:</i>		
Current income tax	<u>859</u>	<u>1,005</u>
	<u><u>859</u></u>	<u><u>1,005</u></u>

The gross movement on the deferred income tax assets is as follows:

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
<i>Deferred income tax assets:</i>		
At 1 January	16,543	15,106
Exchange differences	<u>(1,243)</u>	<u>1,437</u>
At 31 December	<u><u>15,300</u></u>	<u><u>16,543</u></u>

Reconciliation of effective tax rate:

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
<b>Effective tax rate from taxable operations</b>		
Taxable profit for the year	3,134	4,524
Profit before tax from operations which are non-taxable	<u>25,718</u>	<u>73,395</u>
<b>Profit before tax</b>	<u><u>28,852</u></u>	<u><u>77,919</u></u>
<b>Total income tax expense during the year</b>	<u><u>859</u></u>	<u><u>1,005</u></u>
Effective tax rate on profit from operations which are taxable	<u><u>27%</u></u>	<u><u>22%</u></u>

#### 9 EQUITY ACCOUNTED INVESTMENTS

*Interest in a Joint-Venture:*

The Group had a participating interest of 33.33% in MEP Joint Venture, a joint-venture for mechanical, electrical and plumbing work for a particular project (the "Project"). The Group's interest in the Joint Venture was accounted for using equity method of accounting in these consolidated financial statements as the Group was entitled to 90% of the economic benefits (profits) in this joint venture. In the event of any losses, the same will be shared by the joint venture partners in their participating interest.

During the year ended 31 December 2020, the Group entered into a Subcontract and JV termination agreement with co-venturer to dissolve the joint venture.

Drake and Scull International PJSC & its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

**9 EQUITY ACCOUNTED INVESTMENTS (continued)**

Movements in equity accounted investment is as follows:

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
At 1 January	-	6,251
Share of results for the period	-	5,412
Transfer to trade receivable and retention on dissolution *	-	(11,663)
	<hr/>	<hr/>
At 31 December	-	-
	<hr/> <hr/>	<hr/> <hr/>

\* The consideration on dissolution of JV is retained by co-venturer and will be received as per the terms of the Subcontract and JV termination agreement.

The joint venture had no contingent liabilities or commitments as at 31 December 2020.

**10 TRADE AND OTHER RECEIVABLES**

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
<b>Non-current</b>		
Trade receivables and retentions *	<b>26,646</b>	43,126
Less: fair value adjustment *	<b>(3,090)</b>	(5,306)
	<hr/>	<hr/>
	<b>23,556</b>	37,820
	<hr/> <hr/>	<hr/> <hr/>
	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
<b>Current</b>		
Trade receivables and retentions *	<b>623,742</b>	653,528
Prepayments and other receivables #	<b>89,443</b>	102,772
Amount due from customers on contracts	<b>271,459</b>	266,599
	<hr/>	<hr/>
	<b>984,644</b>	1,022,899
Less: Allowance for expected credit loss on:		
- Trade receivables and retentions	<b>(520,887)</b>	(521,713)
- Prepayments and other receivables	<b>(6,268)</b>	-
- Amount due from customers on contracts	<b>(242,191)</b>	(242,072)
	<hr/>	<hr/>
	<b>215,298</b>	259,114
	<hr/> <hr/>	<hr/> <hr/>

# Drake and Scull International PJSC & its subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

### 10 TRADE AND OTHER RECEIVABLES (continued)

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
<u>Amount due from customers on contracts comprise:</u>		
Total costs incurred to date	<b>2,928,096</b>	3,029,168
Attributable profits less anticipated losses	<b>(97,663)</b>	(171,026)
	<b>2,830,433</b>	2,858,142
Less: Progress billings	<b>(2,558,974)</b>	(2,591,543)
Less: Allowance for expected credit loss on due from customers on contracts	<b>(242,191)</b>	(242,072)
	<b>29,268</b>	24,527

\* Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value. For the non-current trade receivables and retentions, the fair values were calculated based on cash flows discounted at discount rate of 4.6% (2020: 7%) per annum. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk.

# Other receivables include an amount of AED 4,414 thousand deposited with an external party (2020: Nil).

The following table shows the movement in lifetime expected credit loss (“ECL”) that has been recognised for trade receivables and retentions in accordance with the simplified approach set out in IFRS 9. During the year, the Group has written off AED Nil (2020: AED 5,240 thousand) from trade and other receivables (refer Note 24).

#### *Movement lifetime ECL of trade receivables and retentions:*

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
At 1 January	<b>521,713</b>	471,257
Provision for expected credit loss	<b>1,020</b>	50,456
Reversal of provision (Note 23)	<b>(3,557)</b>	-
Reclassified from non-current	<b>2,216</b>	-
Exchange rate difference	<b>(505)</b>	-
At 31 December	<b>520,887</b>	521,713

#### *Movement lifetime ECL of prepayments and other receivables:*

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
At 1 January	-	-
Provision for expected credit loss	<b>6,268</b>	-
At 31 December	<b>6,268</b>	-

#### *Movement lifetime ECL of amounts due from customers on contract:*

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
At 1 January	<b>242,072</b>	241,245
Exchange rate difference	<b>119</b>	827
At 31 December	<b>242,191</b>	242,072

## Drake and Scull International PJSC & its subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

#### 10 TRADE AND OTHER RECEIVABLES (continued)

As at 31 December, the ageing of unimpaired trade receivables is as follows:

	<i>Total</i> <i>AED'000</i>	<i>Neither past due nor impaired</i> <i>AED'000</i>	<i>Past due but not impaired</i>				
			<i>&lt;30 days</i> <i>AED'000</i>	<i>31-60 days</i> <i>AED'000</i>	<i>61-90 days</i> <i>AED'000</i>	<i>91-120 days</i> <i>AED'000</i>	<i>&gt;120 days</i> <i>AED'000</i>
<b>2021</b>	<b>126,411</b>	<b>94,425</b>	<b>7,415</b>	<b>4,657</b>	<b>116</b>	<b>-</b>	<b>19,798</b>
2020	169,635	118,554	11,506	2,864	5,301	22,333	9,077

The Group's credit period is 90 to 120 days after which trade receivables are considered to be past due. Unimpaired trade 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 trade receivables.

#### 11 RELATED PARTY TRANSACTIONS

Related parties include shareholders, key management personnel, joint venture partners, directors and businesses which are controlled directly or indirectly by the major 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.

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

##### Due from related parties:

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
Affiliates	<b>6,100</b>	19,985

##### Due to related parties:

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
Joint arrangements	<b>24,909</b>	24,674
Affiliates	<b>43,693</b>	43,597
Related to assets held as discontinued operations (Note 30)	<b>(27,378)</b>	(27,282)
	<b>41,224</b>	40,989

Amount due from affiliates include AED 6,085 thousand relating to consideration received on sale of an investment in associate (2020: AED 18,993 thousand) which is used to meet working capital requirements.

## Drake and Scull International PJSC & its subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

#### 11 RELATED PARTY TRANSACTIONS (continued)

##### Significant related party transactions:

There were no significant related party transactions during the year with affiliates (2020: Nil).

The remuneration of key members of the management are as follows:

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
Short term benefits	1,947	1,251
Employees' end of service benefits	64	46
	<u>2,011</u>	<u>1,297</u>

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expenses have been recognised during the year for bad or doubtful debts against outstanding balances from related parties.

During the year, the Group has not provided for amounts due from related parties (2020: Nil).

#### 12 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
Investment in a real estate fund	<u>974</u>	<u>1,058</u>

The fair value of the fund is based on net asset value provided by the fund manager. It represents the liquidation/redemption value assessed by the fund manager based on observable market data.

During the year, the Group has recognised loss AED 84 thousand on financial assets at fair value through profit or loss (2020: nil) (refer Note 24).

#### 13 CASH AND BANK BALANCES

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
Cash on hand	483	581
Cash at bank	37,609	48,583
Term deposits	50,909	49,798
Cash and bank balances	<u>89,001</u>	<u>98,962</u>

Term deposits carry an average interest rate of 1% to 3% (2020: 1% to 3%) per annum.

##### Cash and cash equivalent

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
Cash and bank balances	89,001	98,962
Less: Term deposits under lien	(50,909)	(49,798)
Bank overdrafts (Note 16)	(579,234)	(581,588)
Cash and cash equivalent related to discontinued operations (Note 30)	(89,727)	(90,055)
Cash and cash equivalents	<u>(630,869)</u>	<u>(622,479)</u>

## Drake and Scull International PJSC & its subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

#### 14 SHARE CAPITAL

	2021 AED'000	2020 AED'000
<i>Authorised, issued and paid up</i>		
1,070,987,748 ordinary shares of AED 1 each		
(2020: 1,070,987,748 ordinary shares of AED 1 each) paid in cash	<b>1,070,988</b>	1,070,988

- (i) Assets and liabilities of Drake and Scull International (LLC) and its subsidiaries, were transferred to Drake and Scull International PJSC as in-kind contribution for a 45% shareholding in the Company.
- (ii) During the year ended 31 December 2009, the Company obtained the 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 0.8834 per share amounting to AED 28,622 thousand. During the year ended 31 December 2013, these shares were re-issued at an average price of AED 0.977 per share amounting to AED 31,648 thousand, recognising a share premium of AED 3,026 thousand.

#### 15 STATUTORY RESERVE

In accordance with the Group's Articles of Association and the UAE Federal Law No. (2) of 2015, 10% of the net profit for year is required to be transferred to a statutory reserve. Such transfers may be ceased when the statutory reserve equals half of the paid-up share capital of the applicable entities. This reserve is non-distributable except in certain circumstances stipulated by the law. The consolidated statutory reserve reflects transfers made post-acquisition for subsidiary companies together with transfers made by the parent Group. No transfers are made to the statutory reserve during the year (2020: Nil).

#### 16 BANK BORROWINGS

The Group has obtained bank borrowings (including bank overdrafts) from several commercial banks, mainly to fund working capital and project requirements.

	2021 AED'000	2020 AED'000
<b>Current</b>		
Term loan	<b>1,272,149</b>	1,218,571
Trust receipts and other borrowings	<b>145,593</b>	108,614
Bank overdrafts (Note 13)	<b>579,234</b>	581,588
	<b>1,996,976</b>	1,908,773

Changes in liabilities arising from financing activities:

##### 31 December 2021

	1 January 2021 AED'000	Cash flows AED'000	Relating to disposal AED'000	Others AED'000	31 December 2021 AED'000
Term loans, trust receipts and other borrowings	1,327,185	-	-	90,557	1,417,742

##### 31 December 2020

	1 January 2020 AED'000	Cash flows AED'000	Relating to disposal AED'000	Others AED'000	31 December 2020 AED'000
Term loans, trust receipts and other borrowings	1,670,907	-	-	(343,722)	1,327,185

For movement in lease liabilities, refer Note 7.

## Drake and Scull International PJSC & its subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

#### 16 BANK BORROWINGS (continued)

Interest rates on the term loans were at variable rates and ranging between 2% to 8% (2020: 2% to 8%) 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;
- Mortgage over certain property and equipment;
- Pledge of assets acquired through utilisation of credit facilities; and
- Term deposits of AED 50,909 thousand (2020: AED 49,798 thousand).

The carrying amount of current borrowings approximates their fair value at the reporting 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 reporting date.

The Group was in breach of the financial covenants in relation to the syndicated Sukuk facility and certain other borrowing facilities. These breaches have rendered the loans to be technically payable on demand and consequently these are classified as current liabilities in these consolidated financial statements.

#### 17 EMPLOYEES' END OF SERVICE BENEFITS

The movements in the provision were as follows:

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
At 1 January	<b>30,577</b>	69,320
Provided during the year	<b>1,807</b>	2,330
Transferred to trade payables and accruals (a)	<b>(6,850)</b>	(21,033)
Write back	-	(15,920)
Payments made during the year	<b>(1,591)</b>	(4,120)
At 31 December	<b>23,943</b>	30,577

(a) During the year, Group has reclassified EOSB liabilities pertaining to employees who have left the Group to trade payable and accruals.

Employees end of service benefits' charge has been allocated in the consolidated statement of income as follows:

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
Contract costs (Note 21)	<b>969</b>	855
General and administrative expenses (Note 24)	<b>838</b>	1,475
	<b>1,807</b>	2,330

## Drake and Scull International PJSC & its subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

#### 18 TRADE AND OTHER PAYABLES

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
Trade payables and accruals	616,700	721,967
Amount due to customers on contracts	31,662	74,154
Advances from customers	47,120	70,216
	<u>695,482</u>	<u>866,337</u>
Provision for legal cases	104,172	136,277
Provision against bond encashments	22,450	22,049
Provision for additional cost relating to disposal of subsidiaries	9,928	10,000
	<u>832,032</u>	<u>1,034,663</u>
	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
Amounts due to customers on contracts comprise:		
Progress billings	1,186,501	1,655,880
Less: Cost incurred to date	(1,069,867)	(1,530,918)
Less: Recognised loss/(profits)	(84,972)	(50,808)
	<u>31,662</u>	<u>74,154</u>

#### 19 PROVISION FOR BANK LIABILITIES OF SUBSIDIARIES

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
Provision for bank liabilities relating to disposed off subsidiaries *	1,007,804	1,007,440
Provision for bond encashment relating to disposed off subsidiaries	168,632	168,670
Provision for bank liabilities of discontinued operations *	99,160	99,175
	<u>1,275,596</u>	<u>1,275,285</u>

These represents provisions created against corporate guarantees and bonds reflected in the books of various entities disposed off in earlier years, which are guaranteed by the Group.

\* Interest rates on these loans were at a variable rate between 3% to 18% (2020: 2% to 8%) per annum.

#### 20 REVENUE

The Group has recognised its entire revenue over a period of time. disaggregated revenue information:

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
<b>Type of revenue from contract with customers</b>		
Engineering	58,286	62,889
Others	83,735	99,136
	<u>142,021</u>	<u>162,025</u>
<b>Other operating income</b>		
Rental income	8,326	20,132
	<u>150,347</u>	<u>182,157</u>

Drake and Scull International PJSC & its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

**20 REVENUE (continued)**

Set out below is the amount of revenue recognised from:

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
Amounts included in contract liabilities at the beginning of the year	<u>19,240</u>	<u>19,234</u>

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are, as follows:

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
Within one year	235,097	303,140
More than one year	163,191	95,233
	<u>398,288</u>	<u>398,373</u>

**21 COST OF REVENUE**

*Cost of revenue*

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
Labour and staff costs (Note 22)	56,377	44,409
Sub-contracting costs	27,262	57,342
Material costs	26,442	41,145
Depreciation	5,954	5,956
Finance cost (Note 25)	3,303	4,387
Employees' end of service benefits (Note 17)	969	855
Other costs	10,963	10,684
	<u>131,270</u>	<u>164,778</u>

**22 STAFF COSTS**

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
Cost of revenue (Note 21)	56,377	44,409
General and administrative expenses (Note 24)	24,007	26,754
	<u>80,384</u>	<u>71,163</u>

## Drake and Scull International PJSC & its subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

#### 23 OTHER INCOME

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
Write back of liabilities (a)	167,296	58,840
Sale of scrap	1,948	2,057
Recovery of balances written off (b)	1,629	4,489
Reversal of provision for expected credit loss on trade receivables (Note 10)	3,557	-
Others	4,584	3,153
	<u>179,014</u>	<u>68,539</u>

- (a) The Group assessed during the year that certain trade payables and accruals, amounts due to customers on contracts, and advances from customers recorded in earlier periods were no longer payable and has, accordingly, written back such amounts under other income.
- (b) Recovery of balances written off include amount received from a project in a subsidiary disposed off in previous year. (2020: AED 2,412 thousand).

#### 24 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
Staff costs (Note 22)	24,007	26,754
Business development, legal and professional fees	14,333	15,480
Restructuring cost	11,486	5,913
Repair and maintenance	1,772	1,035
Utilities	1,541	993
Bank charges	1,531	2,087
Depreciation on right-of-use assets (Note 7)	1,324	1,427
Impairment of property and equipment (Note 5)	1,031	-
Expenses related to lease of short term and low value assets (Note 7)	975	978
Employees' end of service benefits (Note 17)	838	1,475
Depreciation on property and equipment (Note 5)	419	376
Fair value loss on financial assets at fair value through profit or loss (Note 12)	84	-
Write off of trade and other receivables (Note 10)	-	5,240
Other expenses	1,070	7,149
	<u>60,411</u>	<u>68,907</u>

#### 25 FINANCE COSTS

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
Finance costs	82,960	111,847
Interest on lease liabilities (Note 7)	489	494
	<u>83,449</u>	<u>112,341</u>
Charged to cost of sales (Note 21)	(3,303)	(4,387)
	<u>80,146</u>	<u>107,954</u>

## Drake and Scull International PJSC & its subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

#### 26 EARNINGS PER SHARE

##### (a) Basic

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

	2021 AED'000	2020 AED'000
<b>Profit</b>		
Profit for the purposes of basic earnings per share being profit for the year attributable to owners of the Parent	<u>27,781</u>	<u>94,898</u>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u>1,070,987,748</u>	<u>1,070,987,748</u>
Basic and diluted profit per share (AED)	<u><u>0.03</u></u>	<u><u>0.09</u></u>

##### (b) Diluted

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

#### 27 GUARANTEES, COMMITMENTS, AND CONTINGENCIES

	2021 AED'000	2020 AED'000
Performance bonds	519,562	644,592
Letter of guarantees	474,907	557,116
	<u><u>994,469</u></u>	<u><u>1,201,708</u></u>

The various bank guarantees disclosed above were issued by the Group's bankers in the ordinary course of business.

Group has also provided corporate guarantees on behalf of subsidiaries disposed in prior years. Group has recognised provision against these guarantees. Refer Note 19.

##### Commitments

	2021 AED'000	2020 AED'000
Letters of credit for purchase of materials and operating equipment	<u><u>1,083</u></u>	<u><u>18,334</u></u>

##### Legal contingencies

During 2018, the Group informed DFM that there were material financial violations by the previous management of the Group which are under investigation by the designated authorities in the UAE. The Company is now engaged in civil and criminal cases against the ex-major shareholder, former CEO and Vice Chairman and others. Criminal complaints were filed against family members of the former CEO and Vice Chairman and other former executive managers with the Abu Dhabi Public Funds Prosecutor's office, which is investigating the matter. The Abu Dhabi Public Funds Prosecutor has accused the former CEO and Vice Chairman for misappropriation, fraud, embezzlement, intentional damage to public funds, profiteering others and forgery.

Further, due to severe liquidity issues, the Group is facing multiple civil cases from ex-employees mainly related to non-payment of their dues and similarly, the Group is also facing many civil legal cases with suppliers and subcontractors for non-payment of their dues.

Management has assessed and concluded that in respect of above, sufficient provisions are considered in these consolidated financial statements.

## Drake and Scull International PJSC & its subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

#### 28 RISK MANAGEMENT

The main risks arising from the Group's financial instruments are interest rate risk, price risk, credit risk, liquidity risk and currency risk. Management of the Group reviews and agrees policies for managing each of these risks which are summarised below:

##### Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair value of financial instruments.

During the year ended 31 December 2021, if interest rates on deposits had been 0.5% higher/lower, the finance income would have been higher/lower by AED 255 thousand (31 December 2020: AED 249 thousand).

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates.

	<i>Increase/ (decrease) in basis points</i>	<i>Effect on profit for the year AED '000</i>
Bank borrowings:		
<b>2021</b>	<b>+50</b>	<b>(9,985)</b>
	<b>-50</b>	<b>9,985</b>
2020	+50	(9,544)
	-50	9,544
Provision for bank liabilities of subsidiaries:		
<b>2021</b>	<b>+50</b>	<b>(6,378)</b>
	<b>-50</b>	<b>6,378</b>
2020	+50	(6,376)
	-50	6,376

##### Market risk

Equity price risk is the risk that the fair values of equity decreases as the result of changes in the levels of equity indices and the value of individual stocks. The non-trading equity price risk exposure arises from the Group's equity investment portfolio.

The effect on quoted equity due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

	<i>Change in equity price 2021 %</i>	<i>Effect on equity 2021 AED '000</i>	<i>Change in equity price 2020 %</i>	<i>Effect on equity 2020 AED '000</i>
Dubai Financial Market	+/-10%	97	+/- 10%	106

##### Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group is exposed to credit risk on its bank balances, trade receivables and due from customers on contracts.

##### Bank balances

The Group is exposed to credit risk on its bank balances. The Group seeks to limit its credit risk with respect to bank balances by dealing only with reputable banks.

## Drake and Scull International PJSC & its subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

#### 28 RISK MANAGEMENT (continued)

##### Credit risk (continued)

###### *Trade receivables and due from customers on contract*

The amounts of trade receivables and due from customers on contracts are related to significant projects of the Group and are mainly due from government entities and other regional companies with high net worth which maintains high credit worthiness and no history of debt defaults.

The Group has a formal procedure of monitoring and follow-up of customers for outstanding trade receivables. The Group assesses internally the credit quality of each customer, taking into account its financial position, past experience and other factors.

At 31 December 2021, the Group's ten customers (31 December 2020: ten customers) accounts for 76% of the trade receivables (31 December 2020: 71%). Management believes that this concentration of credit risk is mitigated as the Group has long-standing relationships with these customers.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

##### 31 December 2021

	<i>Trade receivables</i>							
	<i>Contract assets</i>	<i>Total</i>	<i>Not due</i>	<i>Days past due</i>				
				<i>&lt; 30 days</i>	<i>31 – 60 days</i>	<i>61-90 days</i>	<i>91-120 days</i>	<i>&gt;120 days</i>
<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Gross amount at default	271,459	650,388	357,827	7,415	4,657	154	42	280,293
Expected credit loss	242,191	523,977	263,402	-	-	38	42	260,495
Net amount	29,268	126,411	94,425	7,415	4,657	116	-	19,798
Expected credit loss rate	89%	81%	74%	-	-	25%	100%	93%

##### 31 December 2020

	<i>Trade receivables</i>							
	<i>Contract assets</i>	<i>Total</i>	<i>Not due</i>	<i>Days past due</i>				
				<i>&lt; 30 days</i>	<i>31 – 60 days</i>	<i>61-90 days</i>	<i>91-120 days</i>	<i>&gt;120 days</i>
<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Gross amount at default	266,599	696,654	449,600	11,506	2,864	5,301	22,333	205,050
Expected credit loss	242,072	527,019	331,046	-	-	-	-	195,973
Net amount	24,527	169,635	118,554	11,506	2,864	5,301	22,333	9,077
Expected credit loss rate	90%	76%	74%	-	-	-	-	96%

The other categories of financial assets do not result in significant credit risk.

## Drake and Scull International PJSC & its subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

#### 28 RISK MANAGEMENT (continued)

##### Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments.

The Group limits its liquidity risk by retaining funds from operation and when it is 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 2021

	<i>Less than 1 year AED'000</i>	<i>Between 1 year and 5 years AED'000</i>	<i>Above 5 years AED'000</i>	<i>Total AED'000</i>
Trade and other payables (excluding advance)	784,912	-	-	784,912
Bank borrowings	2,156,733	-	-	2,156,733
Due to related parties	41,224	-	-	41,224
Lease liabilities	1,539	4,127	5,585	11,251
Provision for bank liabilities of subsidiaries	1,377,644	-	-	1,377,644
Total	<u>4,362,052</u>	<u>4,127</u>	<u>5,585</u>	<u>4,371,764</u>

##### 31 December 2020

	<i>Less than 1 year AED'000</i>	<i>Between 1 year and 5 years AED'000</i>	<i>Above 5 years AED'000</i>	<i>Total AED'000</i>
Trade and other payables (excluding advance)	964,447	-	-	964,447
Bank borrowings	2,061,475	-	-	2,061,475
Due to related parties	40,989	-	-	40,989
Lease liabilities	1,736	3,683	4,527	9,946
Provision for bank liabilities of subsidiaries	1,377,308	-	-	1,377,308
Total	<u>4,445,955</u>	<u>3,683</u>	<u>4,527</u>	<u>4,454,165</u>

##### Currency risk

Currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities.

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

The Group's foreign currency monetary assets and liabilities are denominated mainly in Saudi Arabian Riyals, Qatari Riyals, Euro, Kuwaiti Dinars, Omani Riyal, Egyptian Pounds, Indian Rupee, Jordanian Dinar, Iraqi Dinar and Algerian Dinar.

## Drake and Scull International PJSC & its subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

#### 28 RISK MANAGEMENT (continued)

##### Currency risk (continued)

As Saudi Arabian Riyals, Qatari Riyals, Omani Riyals and United Arab Emirates Dirhams (AED) are pegged to US Dollars, the sensitivity considers the effect of a reasonably possible movement of the AED currency rate against the Euro, Kuwaiti Dinars, Indian Rupee, Algerian Dinars, Egyptian Pounds, Iraqi Dinar, Jordanian Dinars with all other variables held constant, on the consolidated statement of income (due to the fair value of currency sensitive monetary assets and liabilities).

At 31 December 2021, if these currencies had weakened/strengthened by 5% against the AED, the losses for the year would have been lower/higher by AED 59 million (31 December 2020: AED 37 million).

##### Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders' value

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the year ended 31 December 2021. Capital comprises share capital, share premium, statutory reserve, accumulated losses, foreign currency translation reserve and non-controlling interests and is measured at deficiency of assets of AED 3,880,227 thousand as at 31 December 2021 (2020: deficiency of assets of AED 3,902,612 thousand).

#### 29 FAIR VALUES

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash and bank balances, trade receivables, due from customers on contracts, other financial assets and due from related parties. Financial liabilities consist of bank borrowings, trade and other payables 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 considered 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:

- Cash and bank balances, trade receivables, other financial assets, due from related parties, bank borrowings, trade and other payables and due to related parties and income tax payable approximate their carrying amounts, largely due to the short-term maturities of these instruments.
- Long term receivables and borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors, and individual credit worthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, provisions are taken to account for the expected losses of these receivables. As at 31 December 2021, the carrying amounts of such receivables, net of provisions, are not materially different from their fair values.
- Fair value of non-current receivable, lease liabilities, bank borrowings and other financial liabilities as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debts on similar items, credit risk and remaining maturities.

##### Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of assets and liabilities 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.

## Drake and Scull International PJSC & its subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

#### 29 FAIR VALUES (continued)

##### Fair value hierarchy (continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2021:

	<i>Level 1</i> <i>AED'000</i>	<i>Level 2</i> <i>AED'000</i>	<i>Level 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
<b>Asset</b>				
Financial assets at fair value through profit or loss	-	974	-	974
<b>Total assets</b>	<u>-</u>	<u>974</u>	<u>-</u>	<u>974</u>

The following table presents the Group's assets and liabilities that are measured at fair value as at 31 December 2020.

	<i>Level 1</i> <i>AED'000</i>	<i>Level 2</i> <i>AED'000</i>	<i>Level 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
<b>Asset</b>				
Financial assets at fair value through profit or loss	-	1,058	-	1,058
<b>Total assets</b>	<u>-</u>	<u>1,058</u>	<u>-</u>	<u>1,058</u>

Level 3 fair value disclosures for investment property is in Note 6, along with its valuation techniques and assumptions.

The Group has no liabilities measured at fair value as at 31 December 2021 (2020: Nil).

There were no transfers between Levels 1, 2 and 3 during the year.

##### (a) Valuation techniques used to derive Level 2 fair values

###### (i) Investments carried at fair value through profit or loss

Level 2 investments carried at fair value through profit or loss comprise of investments in fund for which fair value is estimated using net assets value approach. Fair values of investments in fund are determined using the net assets value provided by the fund managers based on the observable market prices of the assets managed by the fund.

At 31 December 2020 and 31 December 2021, the fair values of all other financial assets and liabilities, which are measured at amortised cost approximate their carrying values.

##### (b) Group's valuation processes

Changes in Level 2 and 3 fair values are analysed at each reporting date. As part of this discussion, the team presents a report that explains the reasons for the fair value movements.

There were no changes in the valuation techniques during the year.

## Drake and Scull International PJSC & its subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

#### 30 DISCONTINUED OPERATIONS

During 2018, two subsidiaries of the Group namely Drake & Scull International Oman & DSWE India went into liquidation. The liquidation of these entities was expected to be completed within a year from the reporting date.

During 2020, the Group changed its position with regards to the disposal of DSWE India and has made a bid to acquire the entity. The bid is still pending approval by the relevant authorities as of the date of authorization of these consolidated financial statements. DSWE India is currently under liquidation whereby the proceedings are managed, supervised, and controlled by the relevant regulator in India. Accordingly, the investment has been classified under loss of control over subsidiary under Note 31.

Balances relating to the Group's investment in Drake & Scull International Oman under liquidation is as follows:

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
<b>Income statement</b>		
Other income	721	1,397
General and administrative expenses	(288)	(38,097)
<b>Profit /(loss) from discontinued operations</b>	<b>433</b>	<b>(36,700)</b>
<b>Financial position</b>		
<b>ASSETS</b>		
Property and equipment	248	248
Cash and bank balances	2,666	2,337
	<b>2,914</b>	<b>2,585</b>
<b>LIABILITIES</b>		
Other payables	2,476	2,581
Trade and other payables	38,344	38,343
Bank borrowings	95,271	95,247
Due to related parties (Note 11)	27,378	27,282
	<b>163,469</b>	<b>163,453</b>
Cash and cash equivalent related to discontinued operations:		
	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
Cash and bank balances	2,666	2,337
(Less) bank overdrafts	(92,393)	(92,392)
	<b>(89,727)</b>	<b>(90,055)</b>
<b>Cash flows from discontinued operations</b>		
Operating	(101)	317
Investing	-	-
Financing	-	(49,600)
Exchange difference	(227)	48
	<b>(328)</b>	<b>(49,235)</b>

## Drake and Scull International PJSC & its subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

#### 31 PROVISION FOR LOSS OF CONTROL OVER SUBSIDIARIES

The Group administratively and operationally lost control over its subsidiaries, Drake & Scull International WLL Qatar (DSI WLL) during 2018 and DSWE India during 2020. Accordingly, investments in these subsidiaries were classified as investment carried at fair value through profit or loss.

Management has determined that the investments' fair values were deemed to be nil due to their operating and financial conditions. Notwithstanding, provisions equivalent to the net liabilities of the investments at the time of loss of control were retained until such time when further information is available or until further developments take place.

Amounts recognised in the consolidated financial statements of the Group are as follows:

	<i>31 December 2021</i> <i>AED'000</i>
	<i>DSWE, India</i>
At 1 January 2021	23,874
Reversal of provision during the year	(951)
Fair value gain	545
At 31 December 2021	<u>23,468</u>

	<i>31 December 2020</i> <i>AED'000</i>		
	<i>DSI WLL, Qatar</i>	<i>DSWE, India</i>	<i>Total</i>
At 1 January 2020	789,069	24,338	813,407
Additional provision during the year	-	1,568	1,568
Fair value loss	447	-	447
Disposal*	(789,516)	-	(789,516)
Others	-	(2,032)	(2,032)
At 31 December 2020	<u>-</u>	<u>23,874</u>	<u>23,874</u>

Management is of the opinion that the above would be resolved within 12 months from the date of authorisation of these consolidated financial statements.

\* The Group entered into a Sale and Purchase Agreement to dispose of its entire stake in Drake & Scull International (Qatar) WLL. In accordance with the terms of the agreement, the date of actual transfer of control over the entities' operating and financial activities was 30 June 2020. Further as per SPA, the agreement is irrevocable by either parties and is legally binding and effective in the local jurisdictions in which the subject entity is legally domiciled.

Drake and Scull International PJSC & its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

**31 PROVISION FOR LOSS OF CONTROL OVER SUBSIDIARIES (continued)**

*Effect of disposal of subsidiary on the consolidated financial statement of the Group as of 31 December 2020:*

	<i>AED'000</i>
Provision for loss of control over subsidiary as at 31 December 2019	789,069
Fair value loss (exchange difference)	447
	<hr/>
Provision for loss of control over subsidiary as at the date of disposal	789,516
Provision for additional cost relating to disposal	(5,000)
Provision for bond encashed and bank liabilities guaranteed by the Parent	(493,562)
	<hr/>
Net gain on disposal of subsidiary	<u>290,954</u>

**32 DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTEREST**

Financial information of subsidiaries that have material non-controlling interests is set out below:

**a) Proportion of equity interest held by the non-controlling interests:**

<i>Subsidiaries</i>	<i>Country of incorporation</i>	<i>2021 %</i>	<i>2020 %</i>
Drake and Scull International LLC (Oman) (DSI Oman)	Oman	49%	49%

**b) Accumulated balances of material non-controlling interests:**

	<i>2021 AED'000</i>	<i>2020 AED'000</i>
Drake and Scull International LLC (Oman)	<u>(141,442)</u>	<u>(141,632)</u>

**c) Profit / (Loss) allocated to material non-controlling interests:**

	<i>2021 AED'000</i>	<i>2020 AED'000</i>
Drake and Scull International LLC (Oman)	<u>212</u>	<u>(17,984)</u>

## Drake and Scull International PJSC & its subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

#### 32 DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTEREST (continued)

The summarised financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

##### d) Summarised income statement

31 December 2021

	<i>DSI Oman</i> <i>AED'000</i>
Other income	721
General and administrative expenses	(288)
	<u>433</u>

31 December 2020

	<i>DSI Oman</i> <i>AED'000</i>
Other income	1,397
General and administrative expenses	(38,097)
	<u>(36,700)</u>

##### e) Summarised statement of financial position for DSI Oman

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
Total assets	2,914	2,585
Total liabilities	163,469	163,453

#### 33 COVID-19 ASSESSEMENT

On 11 March 2020, the World Health Organization made an assessment that the outbreak of a coronavirus (COVID-19) can be characterized as a pandemic. As a result, businesses have subsequently seen reduced customer traffic and, where governments mandated, temporary suspension of travel and closure of recreation and public facilities.

To alleviate the negative impact of the COVID-19 pandemic, the UAE Government, Central Bank and other independent jurisdictions and regulators have taken measures and issued directives to support businesses and the UAE economy at large, including extensions of deadlines, facilitating continued business through social-distancing and easing pressure on credit and liquidity in the UAE.

The situation, including the government and public response to the challenges, continue to progress and rapidly evolve. Therefore, the extent and duration of the impact of these conditions remain uncertain and depend on future developments that cannot be accurately predicted at this stage, and a reliable estimate of such an impact cannot be made at the date of authorisation of these financial statements. Notwithstanding, these developments could impact our future financial results, cash flows and financial position.



Drake & Scull International PJSC  
**Sustainability Report**  
2021



A New Start Towards A  
Sustainable Future

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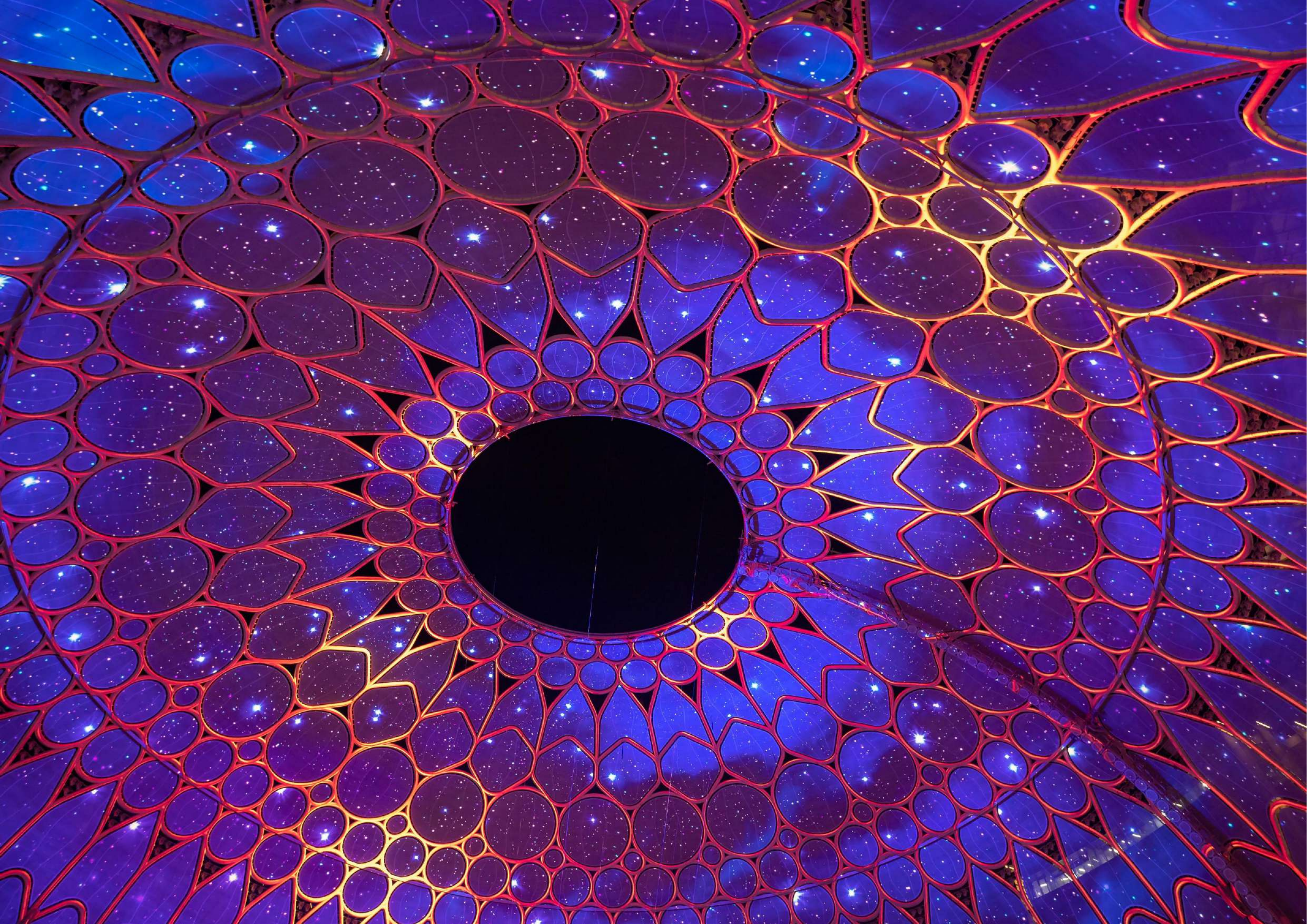
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## MESSAGE FROM OUR Chairman

As we work to bring our restructuring to a successful conclusion, Drake & Scull International PJSC (DSI) is already looking forward to reinstating our core expertise across the region and internationally with a strategic focus on Engineering (MEP), Water & Environment, and Energy. In the coming months, we will leverage our outstanding track record, local knowledge, and existing relationships to revive the company's standing within the industry.

In doing so, we will put the company on a more sustainable footing by considering the needs of all our stakeholders and working towards creating value for all. Engaging closely with our partners, suppliers, and others will be a critical part of the process of embedding sustainable practices across our full value chain.

With that in mind, I am pleased to present DSI's 2<sup>nd</sup> Sustainability Report, which sets out a clear vision for how the company plans to manage its Environmental, Social, Governance (ESG)-related risks and opportunities. The report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards (Core option) and in alignment with Dubai Financial Market's ESG reporting guide as well as with those United Nations Sustainable Development Goals (SDGs) we have identified as most material to our business.

This report marks the start of annual reporting on sustainability journey. It will be a vital tool to enable us to constantly assess our progress and make incremental improvements. We will endeavour to continuously expand and enhance its content while remaining focused on those ESG topics that are material to our industry and our core offering.

As a construction company, we recognise that we have a responsibility to play our part in building a more sustainable world. Buildings are currently responsible for 39% of global energy-related carbon emissions, according to the World Green Building Council (WGBC). Of this, 28% stems from operational emissions (electricity and heating/cooling) and 11% from materials and construction. With global building stocks expected to almost double in the next 30 years, it is imperative that we act now to have a chance of reaching a net zero world by 2050.

We are proud to say that we are already helping to address environmental challenges through our subsidiary, Passavant Energy & Environment (PE&E). With a focus on developing water treatment plants for municipalities and industrial clients, PE&E recycles water supply for urban communities while preventing pollution of the local environment. Water scarcity is a growing threat which is expected to affect two-thirds of the world's population in years to come, so conserving the world's most precious resource is crucial for the transition to a sustainable world. Developing solutions to this problem demands continuous innovation and investments in R&D, strengths which Passavant can demonstrate through the proprietary technology which it has already deployed in many projects around the world.

Embedding ESG principles into our business model begins with assessing our impact on ESG factors while also considering how these factors impact our business. Understanding this double materiality will allow us to mitigate ESG risks while benefiting from ESG-related opportunities. Gathering and processing relevant data play a crucial role in developing this understanding for, as the saying goes, you cannot manage what you cannot measure.

At the dawn of a new era for DSI, we are striving to embed sustainability as part of our corporate governance and are committed to following global best practices to improve our ESG performance with accountability and transparency. With renewed optimism, we look forward to a more sustainable future for our business as well as for the planet.

**Eng. Shafiq Abdulhamid**  
Chairman



# ABOUT THIS REPORT

## REPORTING SCOPE

We are pleased to share with you our Sustainability Report for the fiscal year 2021, which forms the foundation of Drake & Scull International PJSC's (hereinafter referred to as "DSI") sustainability journey and our transition into a brighter future.

For all subsequent reports, it is expected that the issuance date will be within 90 days after the end of our fiscal year (which would fall on March 31) or before our Annual General Meeting, whichever comes first.

This report covers the activities of DSI from January 1, 2021, to December 31, 2021, unless stated otherwise. Data for the past three years (2019, 2020 and 2021) is provided for most of the quantitative information, to allow for comparison and sound assessment.

This report has been prepared in accordance with the GRI Standards: Core option.

Furthermore, and in line with best practices, the report content includes our alignment with the SDGs and Dubai Financial Market's (DFM) ESG Disclosure Guidance. References to the GRI Standards and DFM ESG disclosures are included in each section.

The GRI content index, prepared in accordance with the GRI Standards, and inclusive of DFM's ESG disclosures, can be found at the end of this report.

## REPORTING BOUNDARY

Headquartered in Dubai, DSI operates across various regions through its wholly-owned subsidiaries. In accordance with our consolidated financial statements, the below listed active subsidiaries and their branches fall within the scope of this report.

Major Subsidiaries	Principal Activities	Shareholding Percentage	Country of Incorporation
Drake & Scull International LLC (Abu Dhabi)	Contracting work related to mechanical, electrical, and sanitary engineering	100%	UAE
Drake & Scull Engineering formerly Drake & Scull Water and Power LLC	Engineering, procurement, and construction of water and power infrastructure projects	100%	UAE
Drake & Scull For Contracting Oil & Gas Fields Facilities L.L.C.	Oil and natural gas pipelines construction contracting, oil and gas fields building contracting and onshore/offshore oil and gas fields and facilities services	100%	UAE
Passavant Energy & Environment and its subsidiaries	Developing wastewater, water and sludge treatment plants	100%	Germany
Drake & Scull International for Electrical Contracting WLL	Mechanical, electrical, contracting and repairing work relating to the construction industry	100%	Kuwait

## EXTERNAL ASSURANCE

All financial data presented in this report and extracted from our audited financial statements has been independently audited by one of the 'Big 4' recognised international audit firms. Detailed information about our financial performance can be found in our 2021 Consolidated Financial Statements.

As for the remaining content of the Sustainability Report, it has been reviewed internally by our executive team. For future reports, data will be validated by our executive and marketing team initially, however, in time we will move towards external independent assurance so as to give greater credibility to the report.

## FORWARD-LOOKING STATEMENTS

Forward-looking statements involve uncertainty given the many external factors that could impact the environment in which the company is operating. To that end, the company holds no obligation to publicly update or revise its forward looking statements throughout the coming fiscal year except as required by applicable laws and regulations.

## FEEDBACK

Readers are invited to share their feedback and comments with us:

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**Phone:** +971 4 5283444

# OUR CORE

## OUR HISTORY

### Foundations

The Drake & Scull Company was born in 1964 from the union of two great engineering firms founded in Victorian England. Bernard Drake and Marshall Gorham formed Drake & Gorham in 1886, to support the electrification of Great Britain. By the early 1960s, the company had successfully established itself in the UK and overseas. Seeking to continue its expansion and with the ambition of becoming a multi-service contracting company, Drake & Gorham joined forces with Arthur Scull & Son, plumbing, heating and ventilation specialist founded in 1881, and a company it had previously collaborated with on numerous projects. It was the perfect fit.

The newly-formed company embarked on a global expansion drive, absorbing a number of other companies along the way, and by the end of the 1960s, Drake & Scull employed over 10,000 workers in the UK alone. It began work on major projects in territories around the world and in 1966 the company established its first operational base outside the UK, in Abu Dhabi, UAE, followed in 1977 by offices in the Kingdom of Saudi Arabia and Dubai, UAE. In the 1990s, the company shifted its headquarters permanently to the Middle East.

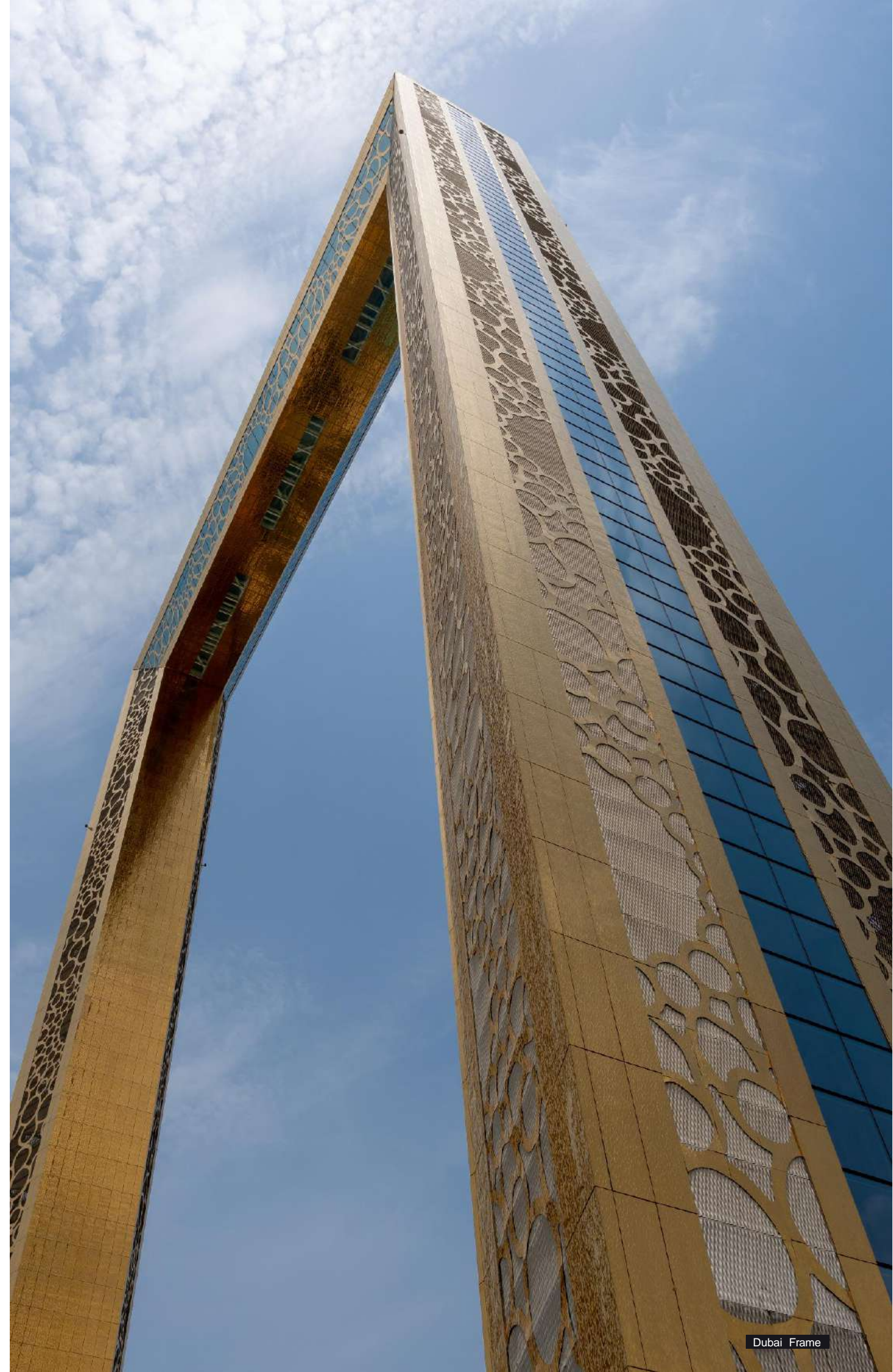
### DSI Goes Public and Expands its Reach

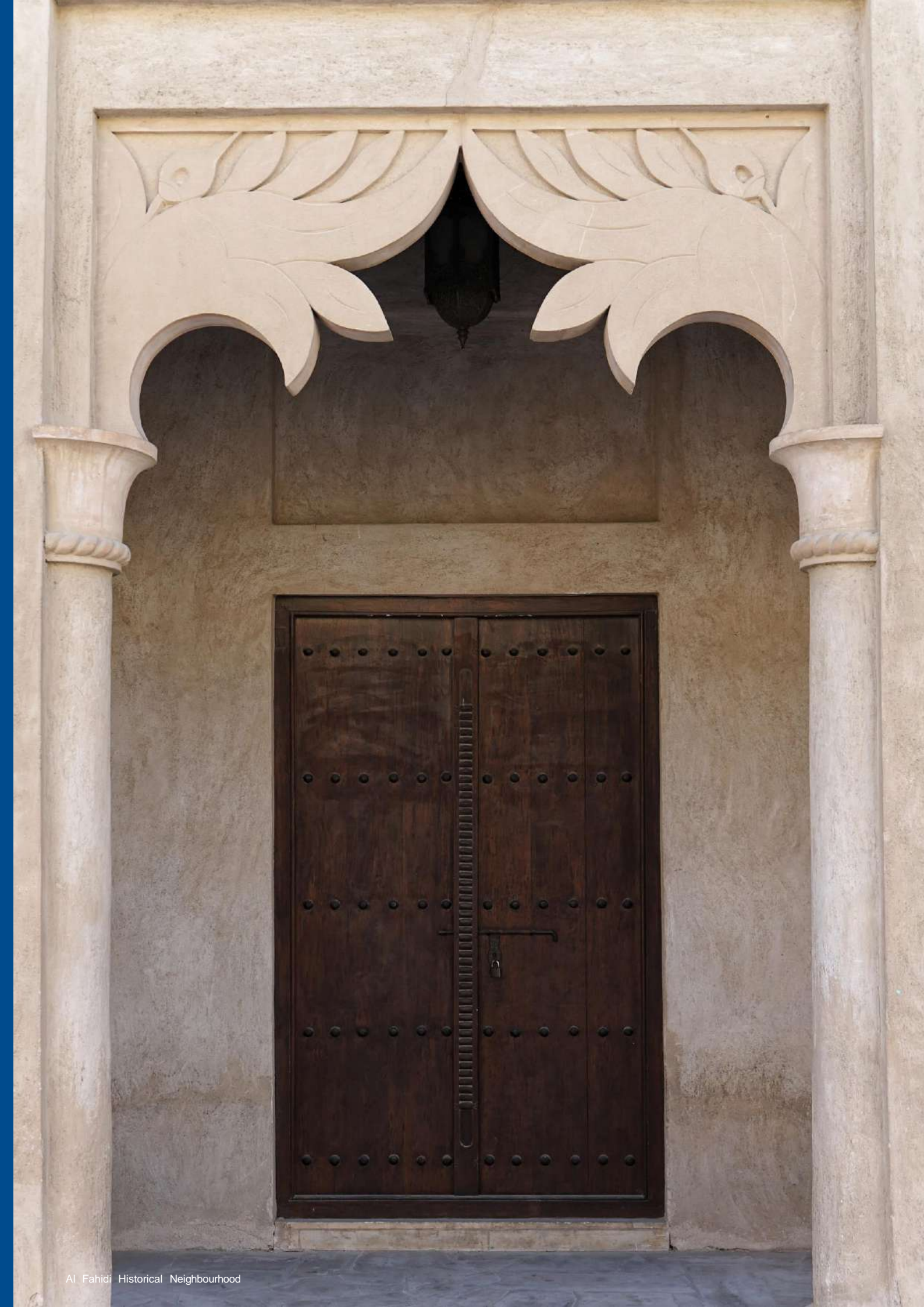
In 2008, the renamed Drake & Scull International (DSI) offered 55% of its shares in a highly successful Initial Public Offering (IPO) on the DFM. The IPO was oversubscribed 101 times and was ranked by Ernst & Young among the top 20 globally in 2008.

The company expanded throughout the MENASA region, opening offices in Kuwait, Oman, Qatar, Egypt, Jordan, Algeria, and India amongst others. It consolidated its leading position within the Middle East construction space with the launch of a number of new verticals, including Drake & Scull Engineering, Drake & Scull Construction, Drake & Scull Rail & Infrastructure, Drake & Scull Oil & Gas, and Drake & Scull Development. DSI also expanded through the acquisitions of Germany-based Passavant Energy and Environment, Gulf Technical Construction Company and the International Centre for Contracting Company.

### Unrivalled Experience

To date, DSI has completed work on more than 700 projects around the world, many of which have become local landmarks, and has won a number of prestigious awards along the way. As a result, DSI holds unrivalled experience across multiple sectors, including aviation, rail, petrochemicals, power and water, district cooling, renewable energy, data centres, as well as residential, commercial, hospitality, healthcare, government, and leisure real estate projects. Moving forward, DSI will continue to lead the market through its people, passion, and innovation and the expertise acquired over more than 135 years.





### LOCAL EXPERIENCE

- Louvre Abu Dhabi
- Baynunah Tower (Abu Dhabi)
- Dubai Chamber of Commerce and Industry
- Jumeirah Beach Hotel (Dubai)
- Dubai Festival City
- Jumeirah Beach Residence District Cooling (Dubai)
- Presidential Palace (Abu Dhabi)
- Nad Al Sheba District Cooling (Dubai)
- The Royal Amwaj Resorts & Spa (Dubai)
- Movenpick Hotel & Oceana Residences (Dubai)
- Shangri-La Abu Dhabi Hotel



### GULF AREA

- King Abdullah University of Science & Technology (KAUST) (KSA)
- King Abdullah Petroleum Studies and Research Centre (KAPSARCa) (KSA)
- Lamar Towers (KSA)
- Kuwait State Audit Bureau headquarters
- Sultan Qaboos Grand Mosque (Oman)
- The Four Seasons Hotel (Qatar)
- DohaLand (Qatar)
- College of Arts (Kuwait)



### GLOBAL REACH

- Hong Kong Air Cargo Terminals Limited (HACTL) Super-terminal
- Castle Peak Power Station (Hong Kong)
- Dar es Salaam International Airport (Tanzania)
- The Promenade complex (Singapore)
- Ducat Place (Moscow)
- Shenzhen International Trade Center (China)
- Nitrogen Generation Plant (Germany)
- Dupont Nomex Expansion Project (Spain)
- Holiday Inn Hotel (Grenada)
- Queen Victoria Hospital (Barbados)



### OUR RECENT AWARDS

- 2018: Drake & Scull Oil & Gas was conferred the ENI Safety award, under the Best Performer in the Construction Upstream category, for its exceptional QHSE commitment and track record.
- 2017: DSI's IT Department won Collaboration Project of the Year under Project Enterprise transformation in the End User category at the Network World Middle East Awards by CNME.
- DSI won the Best CSR Campaign award at the 2017 Construction Business News Awards in Dubai, for its Because We Care HSE initiative, focusing on physical and mental health awareness.
- British High Commission Residence & Chancery (Pakistan)

## DSI TODAY

Headquartered in Dubai, DSI is a regional market leader in world-class integrated design, engineering, and construction projects. DSI's main business streams include engineering (MEP), construction, oil & gas, and water & wastewater. The Company operates across the GCC and the rest of the Middle East as well as Europe.

Today, DSI has 26 live projects in the MEP and Energy & Environment business streams. These business streams, along with the Oil and Gas unit, will form the strategic core focus of the company's plan moving forward. Please refer to the "Restructuring and Outlook" section for more details.

### Mission, Vision and Corporate Values

DSI was founded on corporate values that have sustained the company on its global journey over more than a century.

#### OUR MISSION

Our aim is to safely deliver world-class projects providing integrated design and engineering in procurement, construction, and commissioning to achieve customer recognition and satisfaction by committing to the highest level of performance with integrity, creativity, and a passion for results.

#### OUR VISION

By capitalising on our heritage and brand values, we will invest in growing organically and inorganically to become a global market leader, providing engineering excellence to clients, while achieving optimum shareholder value through a commitment to best practices in corporate governance and transparency.

#### OUR VALUES

We are proud to be a company driven by vision and fuelled by our passion. Core to our success is our people, and the four values at the heart of our business:

### Our Certifications

As a market leader in the construction sector, we are committed to achieving the highest standards of quality, health & safety, and environment (QHSE) outcomes across all of our projects at all times. Our ISO certifications enable us to deliver on that promise. Below is a list of our current certifications for the following registered entities: Drake & Scull International (PJSC), Drake & Scull International LLC (Abu Dhabi), Drake & Scull Engineering LLC and Passavant Energy and Environment.

- **ISO 45001: 2018 Occupational Health and Safety Management system**  
To enable our organisation to provide a safe and healthy workplace by preventing work-related injury and ill health, as well as by proactively improving our OH&S performance.
- **ISO 14001: 2015 Environmental Management Systems**  
To enhance our environmental performance and manage our environmental responsibilities in an efficient and impactful manner.
- **ISO 9001: 2015 Quality Management Systems**  
To set the standards for quality and strong customer focus and continually seek improvement, ensuring that our customers get consistent, good-quality products and services.



**PEOPLE** We recognise that our people are the heart of our organisation. We strive to provide an environment that attracts, motivates, and develops individuals. We encourage cooperative efforts at every level and across all activities within the company. We create and implement a succession/career- progression planning programme that articulates corporate expectations clearly, while charting a well-defined course for employee development.



**INNOVATION** We encourage innovation in order to cultivate originality and pursue new ideas and technologies, while introducing the right processes and models to put this to work safely, quickly, and efficiently, in order to improve the standards and diversity of our services continuously, all for the common benefit of our stakeholders.



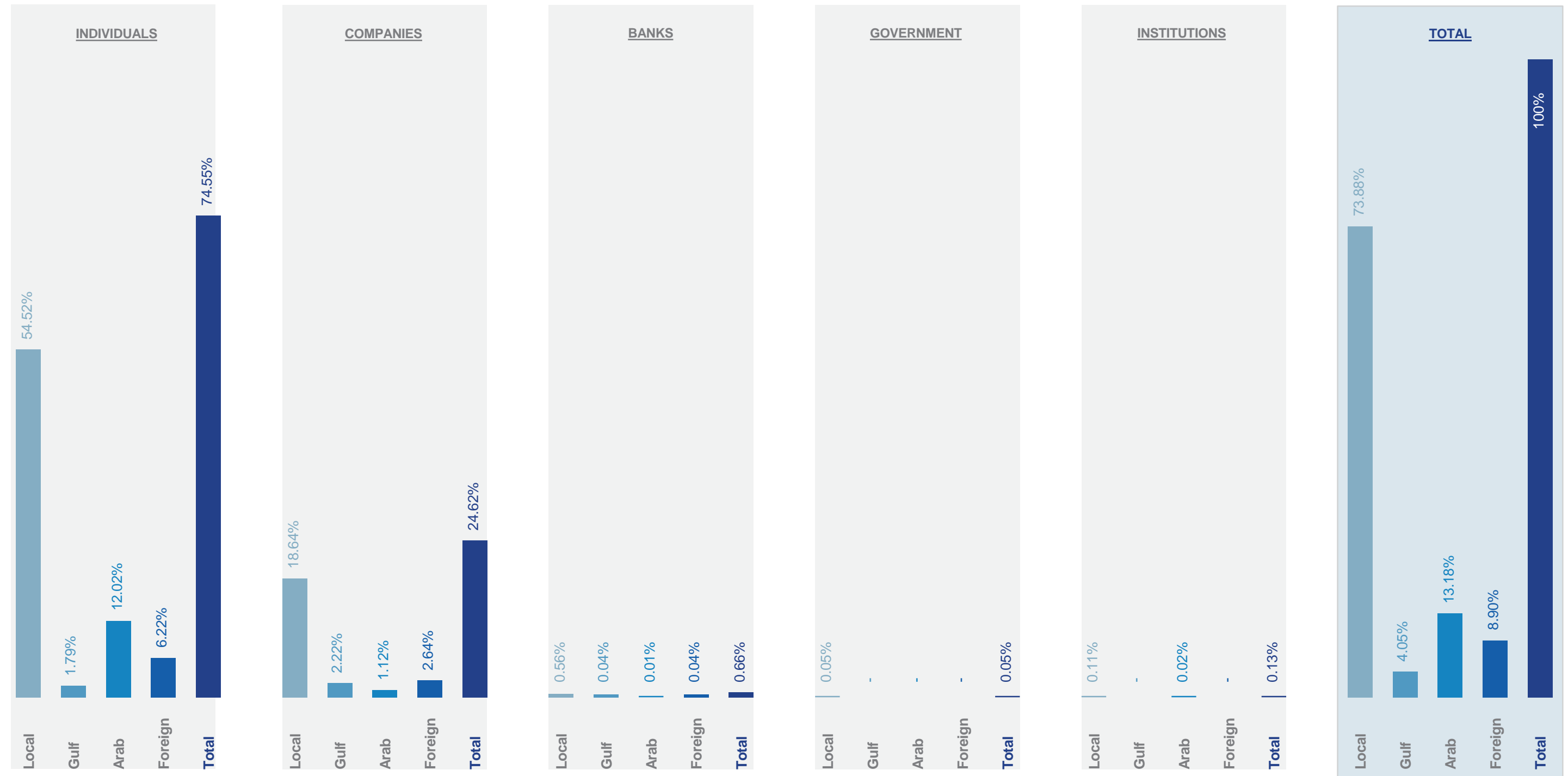
**PASSION** We believe that great success requires heart and dedication. We embrace and foster passion in every aspect of our business, from innovation and learning, to management and client satisfaction, to employee and skills development.



**INTEGRITY** We are committed to promoting and enforcing the highest standards of ethical behaviour, and require all of our employees, suppliers, and business partners to act in accordance with our ethical principles. All forms of bribery, corruption, misleading information and similar unethical behaviour and activities are not tolerated.

### Our Ownership Structure

Our current ownership structure, based on DSI's 2021 Corporate Governance Report, includes:



Ajman Bank, with 13,06% of our shares, constitutes our largest shareholder.

### Our Priorities During the COVID-19 Pandemic

Recognising our people as our most valuable resource, the well-being of our employees is always our highest priority. During the COVID-19 pandemic, we ensured that all workers could operate in a safe and healthy working environment while delivering business continuity.

DSI strictly adhered to all government issued health and safety protocols at our offices, labour accommodation, and project sites at all times. The company also introduced a number of additional measures across its facilities. We enabled remote working procedures for those employees who could work from home and re-arranged work schedules and shifts to ensure social distancing.

Other preventive measures include: enforcing the wearing of hygienic masks at all times; ensuring physical distancing; enforcing regular hand washing and distributing hand sanitiser at appropriate locations throughout facilities; carrying out temperature checks before allowing entry to buildings; using thermal cameras to screen employees for high temperatures; and regular sanitisation of all areas. In addition, access to facilities was only granted through specially-installed contactless facial recognition systems. The company also provided dedicated areas to isolate workers showing early symptoms of infection.

Lastly, DSI has supported its workforce to take regular PCR tests and to get vaccinated. Today, 100% of DSI's office-based employees and 95% of labourers are vaccinated.



## RESTRUCTURING AND OUTLOOK

### Financial Restructuring

Due to financial mismanagement by previous directors that resulted in accumulated losses higher than the company's share capital, shares in DSI were suspended from trading on DFM in 2018 pending the outcome of a financial restructuring which is key to reviving the company's fortunes and ensuring sustainable future operations.

Since then, DSI has slowed down its operations to focus on completing existing projects while it continues its efforts towards a successful restructuring. During this transition, we gradually wound down some of our international activities. Our operations in Vietnam, Thailand and Syria were discontinued by the end of 2018 while operations in Saudi Arabia, Qatar and Oman were closed and disposed of between 2018 and 2019.

The restructuring plan has three critical interconnected work streams: (i) Creditor Voting on the plan, (ii) the Court Process, and finally (iii) the Rights Issue to the existing Shareholders to recapitalise the company.

Under the plan, 90% of existing debt will be written off with the remaining 10% returned to creditors in the form of Sukuk (Islamic bonds) convertible to equity after five years. This can only take place following the completion of a positive vote (two-thirds majority by value) on the plan by creditors in addition to securing approvals from Dubai Court and other regulatory entities.

Voting began in July 2021 and at the time of writing the company is within reach of this threshold and expects the plan to proceed. Once the Creditors' vote is completed, it will allow the Court to issue its verdict in accepting the company's application and declaring the success of the financial restructuring and dismissing all legal cases against DSI and lifting all bank bans. DSI can then proceed with a Rights Issue that would see existing shareholders inject capital of AED 300mn into the company. At this point, trading in DSI shares can resume on the DFM and the company can begin bidding for new projects.

### Outlook

Post-completion of the restructuring plan, DSI will kick-start the implementation of an ambitious business plan that will return the company to a market-leading position within its areas of focus. DSI will look to leverage its industry expertise and existing relationships and generate value by focusing on its core strengths and capabilities. These would include:

#### 1. Mechanical, Electrical and Plumbing (MEP)

MEP works for large-scale projects, including turnkey, design and build. Construction management as well as post-handover operations and maintenance. The target markets include the UAE, Kuwait, and North Africa.

#### 2. Water & Environment

Waste/wastewater, drinking water structures, and sewage treatment as well as waste-to-energy plants across multiple geographies.

#### 3. Energy (O&G)

Pipeline solutions including turnkey process plants for the oil & gas sector. DSI is pre-qualified with ADNOC Group to carry out major activities such as mechanical, electrical, HVAC, MEP, EPC onshore pipelines, EPC storage tanks, and oil & gas plants. Target markets include Iraq, the UAE and the wider MENA region.

Diversification will be a strategic priority and will entail operating in high margin segments across its business lines while focusing geographically on the UAE and opportunistically considering other markets depending on capabilities (particularly in relation to Passavant whose operation is currently global).

In addition, DSI will also be focusing on being part of PPP consortiums which would secure stable annuity income and provide overall operational and financial stability.

# OUR SUSTAINABILITY JOURNEY

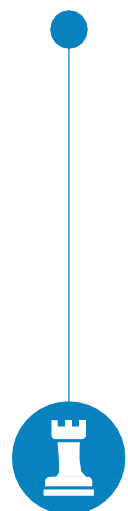
## A DYNAMIC APPROACH TO SUSTAINABILITY

DSI intends to take a dynamic approach to embedding sustainability in its business model and throughout its operations. We will be proactive in embracing sustainable practices and be at the forefront of innovation in our industry, especially where climate change is concerned. We believe that change is inevitable and that early movers will be rewarded with a competitive edge while those that resist risk being left behind. It makes sound business sense to be ahead of the curve, making incremental changes rather than being forced later on into making a sudden, dramatic, and costly shift in business operations.

DSI's roadmap towards a more sustainable future will include:



Continuously enhancing ESG reporting and monitoring the company's carbon footprint across its entire value chain



Developing a sustainability strategy that will address DSI's strategic priorities in relation to People (shareholders, clients, employees, and society), Planet (climate change and biodiversity) and Prosperity (project portfolio will be progressively tilted towards green projects)



While the company plans to revive its O&G services and turnkey solutions, we will endeavour to balance this out with a greater focus on supporting the transition to renewable energy. More specifically, the company will progressively introduce scenario analysis to compute the sensitivity of its financials in different climate scenarios while also shifting its expertise over the medium- to long-term towards renewable energy.

A primary pillar of DSI's sustainability strategy will be to embed sustainability principles in the governance model. This will involve:

- Designating a 'sustainability champion' within DSI in the short-term with a view to eventually appointing a full-time senior sustainability officer
- Forming a sustainability committee that reports directly to the board of directors
- Ensuring that sustainability is on the agenda at each board meeting
- Ensuring that the committee closely oversees the development of a sustainability strategy while monitoring progress on various sustainability goals and KPIs
- Creating companywide ESG/sustainability awareness around DSI's activities and business goals
- Participating in global, private sector sustainability initiatives such as the UN Global Compact
- Enhancing DSI's alignment with the SDGs and integrating the key material goals as part of the company's business model
- Engaging with the communities in which we are active on climate-related matters

## OUR ALIGNMENT WITH THE UN AGENDA 2030

### The UN Sustainable Development Goals

The 2030 Agenda for Sustainable Development (2030 Agenda) and its 17 Sustainable Development Goals (SDGs) were adopted by 193 members of the United Nations in 2015 as a universal call to action to end poverty, protect the planet, and ensure peace and prosperity for all people, leaving no one behind. All stakeholders, including global organisations, governments, businesses, civil society, and academia, must play a critical role in achieving the SDGs, which are integrated and indivisible. The private sector can be a catalyst for the economic, social and environmental transformation called for in the 2030 Agenda by delivering economic prosperity, creating jobs, driving innovation and technological advances, providing investment, and participating in multi-stakeholder partnerships.

### Our Contribution to the Goals

Using the SDGs as a framework and with the guidance of SDG Compass, a tool developed by the Global Reporting Initiative (GRI), the UN Global Compact, and the World Business Council for Sustainable Development (WBCSD), we have determined which goals DSI has the potential to impact the most.

Goals were assessed in terms of materiality, both to our company objectives and business operations. As part of this report, only the most relevant goals were selected – those that are considered as priorities for the construction sector and for DSI's business strategy. Going forward, we will look to strengthen our commitment towards these goals by implementing KPIs and relevant targets to monitor progress. We will also assess and integrate other goals that DSI can potentially impact, but with a medium to lower significance.



## GOAL 6 Clean Water and Sanitisation

**Ensure availability and sustainable management of water and sanitation for all**

DSI contributes to achieving Goal 6 through Passavant Energy & Environment's expertise in developing water and wastewater treatment plants in Europe, the Middle East and Asia. Using Passavant's proprietary filtration technology, the plants recycle 100% of the treated water, which can then be discharged safely into the environment or used for municipal water systems as well as irrigation. Examples include a 60,000 m<sup>3</sup> per day wastewater treatment plant in Gaza that serves around one million inhabitants living in a water-scarce region and a 300,000 m<sup>3</sup> per day plant in Vietnam that makes river water safe enough to drink for a district of Ho Chi Min City.



## GOAL 9 Industry, Innovation and Infrastructure

**Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation**

DSI contributes to Goal 9 in a number of ways. Historically, the company has a long track record of building resilient infrastructure, most recently in the energy sector and water treatment plants. Passavant is an innovative company whose patented filtration technology is deployed in water treatment plants worldwide, some of which are also equipped with technology to convert biogas (a waste product) into clean energy. Today, our plants contribute to resilient infrastructure in many developing countries. Through our expertise in designing and developing efficient MEP systems, DSI also ensures energy efficiency and sustainability in buildings. Moving forward, innovation and digitalisation will be a key focus of DSI's business strategy.



## GOAL 11 Sustainable Cities and Communities

**Make cities and human settlements inclusive, safe, resilient and sustainable**

DSI contributes to sustainable cities through the incorporation of its designs and patented technologies in buildings and infrastructure. MEP systems are optimised to create more sustainable buildings, using energy-saving technologies such as smart lighting and HVAC systems. Water, wastewater and waste treatment systems provide smart solutions to build more sustainable cities and more resilient communities. DSI has the technical knowhow to expand its renewable project portfolio and contribute to solar-power infrastructure.



## GOAL 13 Climate Action

**Take urgent action to combat climate change and its impacts**

Climate Action is a very important underlying goal for DSI and one that will be integral to the company's business model moving forward. SDG 13 is embedded in our strategic decision-making process and filters through to the way we conduct all our operations and engage with our stakeholders.

## WHAT MATTERS THE MOST

DSI initiated its inaugural materiality assessment process in 2020. We used a dual approach to evaluate and select the ESG topics that are most significant to the company:

### a) DSI's Business Model and the Construction Sector

Based on peer benchmarking and an analysis of the construction and engineering sector, our process started by developing a clear understanding of the global trends and sustainability impacts related to our industry. The materiality map of the Sustainability Accounting Standards Board (SASB) allowed us to further incorporate material sustainability topics that are specific to our industry. To that end, we used the SASB 'infrastructure – engineering & construction services' category.

In alignment with our strategic outlook, our post-restructuring priorities, and our operational processes, we then followed a ranking methodology to produce a list of priority topics that are material to DSI's business model and in-line with our industry's main impact on the environment, society, and the economy.

### b) DSI's Stakeholders

Engagement with our stakeholders plays an important part in our materiality assessment and is a core element of our strategic priorities. As we are in the process of completing our restructuring plan, we based our Sustainability Report on internal engagements only while also assessing the Economic and ESG priorities of our external key stakeholders via existing communication channels.

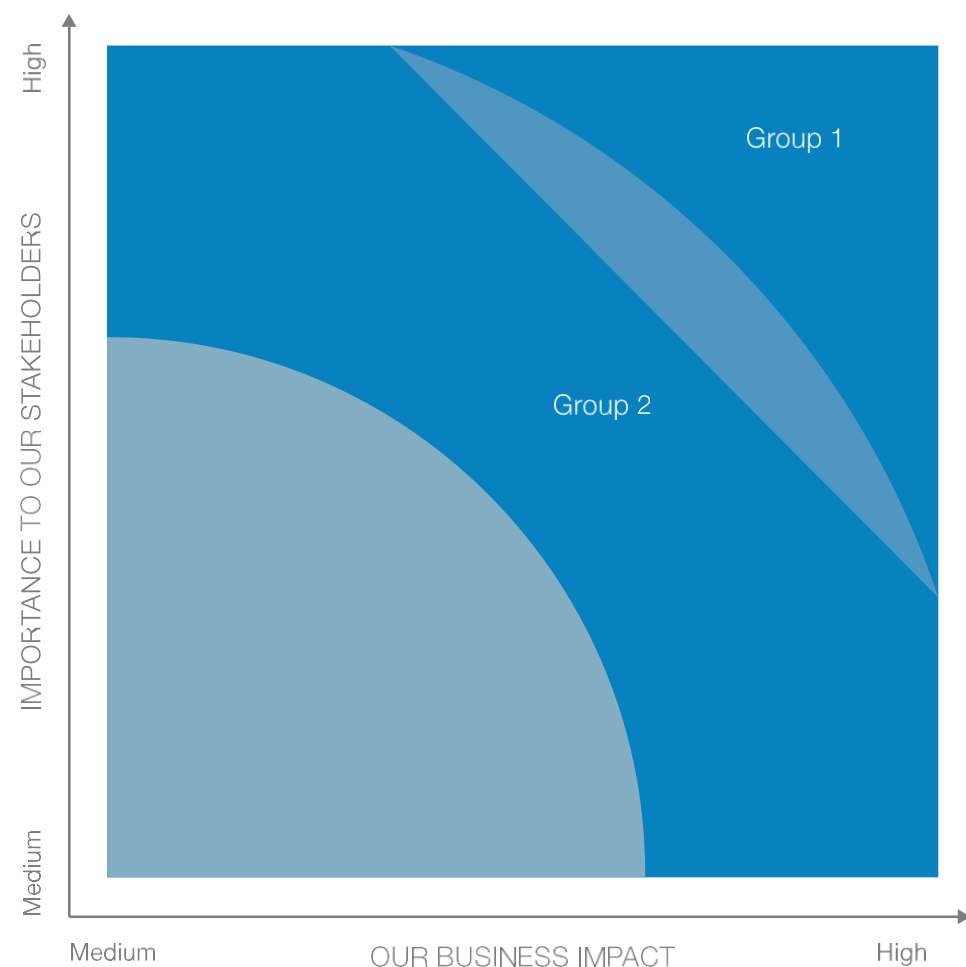
In line with the recommendations of the AA1000 Stakeholder Engagement Standards framework, we applied the criteria of dependency, influence, and interest to identify our key stakeholder groups. The below table lists the key categories along with corresponding existing methods of engagement.

KEY STAKEHOLDER GROUPS	
 <p><b>CUSTOMERS</b> Existing Methods Of Engagement:</p> <ul style="list-style-type: none"> <li>• Customer Satisfaction Surveys</li> <li>• Website, Press Releases and Public Reports</li> <li>• Marketing Material</li> <li>• Online Customer Reviews</li> <li>• Trade Fairs</li> </ul>	 <p><b>GOVERNMENT / REGULATORY AUTHORITIES (SCA, DFM, FRC, Dubai Courts, FTA)</b> Existing Methods Of Engagement:</p> <ul style="list-style-type: none"> <li>• Direct Engagement through emails and meetings</li> <li>• Local Forums</li> <li>• Regular Corporate Regulatory Disclosures</li> </ul>
 <p><b>EMPLOYEES</b> Existing Methods Of Engagement:</p> <ul style="list-style-type: none"> <li>• Employee Satisfaction Surveys</li> <li>• Performance Reviews and Exit Interviews</li> <li>• Intranet</li> <li>• Internal Announcements</li> <li>• Company Events</li> </ul>	 <p><b>COMMUNITY</b> Existing Methods Of Engagement:</p> <ul style="list-style-type: none"> <li>• Local Initiatives and Volunteering Activities</li> </ul>
 <p><b>BOD &amp; SENIOR EXECUTIVES</b> Existing Methods Of Engagement:</p> <ul style="list-style-type: none"> <li>• Regular Meetings, both in Person and via Virtual Platforms, including BOD's meeting and related committees</li> <li>• Regular Executive Meetings</li> <li>• Company Events</li> </ul>	 <p><b>SUPPLIERS/ SUBCONTRACTORS</b> Existing Methods Of Engagement:</p> <ul style="list-style-type: none"> <li>• Supplier Code of Conduct</li> <li>• Contractual Relations</li> <li>• Assessment and Audits</li> </ul>
 <p><b>SHAREHOLDERS</b> Existing Methods Of Engagement:</p> <ul style="list-style-type: none"> <li>• Annual General Assembly</li> <li>• Regular Meetings, Both in Person and via Virtual Platforms</li> <li>• Regular Corporate Regulatory Disclosures</li> </ul>	 <p><b>BANKS &amp; CREDITORS</b> Existing Methods Of Engagement:</p> <ul style="list-style-type: none"> <li>• Highly active communication through emails and meetings due to the current restructuring process</li> </ul>

The analysis of these engagement channels allowed us to better understand what matters most to our stakeholders and include those material topics as part of our assessment.

Based on the duality approach, a final list of nine material topics was identified and categorised into two groups, presented in the below matrix. These constitute the basis of our report. The different key topics have been included along with the alignment with corresponding GRI and DFM disclosures.

Moving forward, and upon the successful completion of our restructuring plan, we intend to enhance our process and ensure that we directly engage with our stakeholders on specific sustainability topics.



Item	Key Material Topic	Corresponding GRI Disclosure	Corresponding DFM Disclosure
<b>GROUP 1: MOST IMPORTANT</b>			
1	Economic Prosperity	GRI 201 Economic Performance	N/A
2	Occupational Health & Safety	GRI 403 Occupational Health and Safety	S7: Injury Rate S8: Global Health & Safety
<b>GROUP 2: VERY IMPORTANT</b>			
3	Business Ethics and Responsible Behaviour	GRI 205 Anti-Corruption	G1: Board Diversity G2: Board Independence G6: Ethics and Anti-Corruption
4	Environmental Impact	GRI 302 Energy GRI 305 Emissions GRI 306 Effluents	E1: GHG Emissions E2: Emissions Intensity E3: Energy Usage E4: Energy Intensity E5: Energy Mix E6: Water Usage E7: Environmental Operations E8: Environmental Oversight E9: Environmental Oversight E10: Climate Risk Mitigation
5	Innovation and Digitalisation	N/A	N/A
6	Data Safety	N/A	G7: Data Privacy
7	Employee Wellbeing, Diversity, and Inclusion	GRI 401 Employment GRI 405 Diversity and Equal Opportunity	S2: Gender Pay Ratio S3: Employee Turnover S4: Gender Diversity S5: Temporary Worker Ratio S6: Non-Discrimination S11: Nationalisation
8	Quality Control	N/A	N/A
9	Procurement	GRI 204 Procurement Practices	G5: Supplier Code of Conduct



# OUR ENVIRONMENTAL PRIORITIES

## OUR IMPACT TODAY

### Our Environmental Focus

At DSI and our subsidiaries, we strive to be an environmentally responsible company and recognise the impact that our activities may have on the environment, people, and communities in which we operate, our customers, our supply chain and broader society. With that comes a responsibility to constantly monitor and assess our environmental impact and to adopt more sustainable solutions and processes wherever possible.

DSI is committed to embedding sustainable development and environmental protection as essential components of our operations and strategy moving forward. Our strategic outlook and business plan will ensure that financial growth is not achieved at the expense of our responsibility towards the environment and society.

DSI is certified ISO 14001:2015, which ensures the organisation has a robust Environmental Management System in place to enhance environmental performance. The system incorporates measurement, monitoring and reporting of environmental impacts and regular audits to ensure compliance and continuous improvement.

Our new Group Sustainability Policy ensures that all of our stakeholders are included in our efforts to minimise our impact on the environment and nearby communities.

In particular, we are committed to:

- Conserving materials and energy by minimising waste production while maximising re-use and recycling
- Avoiding hazardous materials where more eco-friendly alternatives are available
- Minimising the impact of Group activities on surrounding ecosystems

To that end, we have developed relevant policies and implemented appropriate KPIs to help track and guide our progress. Reducing environmental incident occurrence and maintaining high rates of first-time inspection approvals are just two of the many KPIs we have introduced across our projects. We have also started aligning our priorities with relevant SDGs and will start tracking our progress to better integrate sustainability into our everyday activities. Please refer to [page 13](#) for more information on our alignment with the SDGs.

The key focus areas of our Environmental Management System include:



(GRI 302-1, GRI 302-3, GRI 305-1, GRI 305-2, GRI 305-4, GRI 306-1, GRI 306-2, GRI 306-3, E1, E2, E3, E4, E5, E6, E7, E8, E9, E10)

### A Sustainable Workplace

To support our sustainability goals, we have introduced a number of initiatives and programmes in the workplace and are pleased to report significant progress on these:

#### 1. Paperless Environment

We launched an initiative in 2020 to automate the document archiving process to limit the need to print and cut back on paper waste. Processes introduced to achieve this include: reusing single-sided printed paper; using erasable boards; avoiding printing with banners or cover pages; and using electronic signatures.

This initiative resulted in a 65% saving in paper usage between December 2020 and November 2021. The result and impact created during the same period are presented below.



#### RESULTING IMPACT

	<b>7.5*</b> <b>TREES SAVED</b> <small>*The methodology does not include the forest residues left behind during pulpwood harvest in the forests</small>
	<b>ENERGY SAVED WORTH 9.4</b> RESIDENTIAL REFRIGERATORS/ YEAR
	2,527 KG of CO2 EQUIV. SAVED, EQUIVALENT TO <b>0.5</b> CAR/YEAR
	6,680 GALLONS of WATER SAVED, EQUIVALENT TO <b>4.8 CLOTHES WASHERS/YEAR</b>
	165 KG OF SOLID WASTE SAVED, OR <b>83 PEOPLE GENERATING SOLID WASTE/DAY</b>

The initiative has many benefits: (1) Reduce paper consumption at the workplace and hence decrease our environmental impact (2) cost savings from a reduction in the purchasing of paper, printers, and ink (3) creating awareness in the workplace and strengthening our environmental stewardship.

## 2. Energy Reduction Programme

We reduced electricity consumption at our regional office in Iraq by 40% compared to previous years by introducing a series of simple measures. These included: instructing office workers and camp residents to turn off electrical equipment when not in use; setting appliances such as computers, monitors and copiers on sleep mode when not in use; substituting regular incandescent light bulbs with fluorescent tube lights; and setting room temperatures at 25 degrees Celsius.

### Our Carbon Footprint and Energy Management

#### 1. Our Energy Re-Use System

DSI contributes to a more sustainable and cleaner planet through its subsidiary, Passavant Energy & Environment (PE&E) which has developed groundbreaking technologies and processes in municipal wastewater, sludge, water and industrial wastewater treatment. In addition to the environmental benefits of Water Re-Use, Passavant's Energy Re-Use concept captures biogas produced as a by-product of the wastewater treatment process and recycles it into a biogas cogeneration (CHP) plant to produce electricity and heat (hot water or steam).

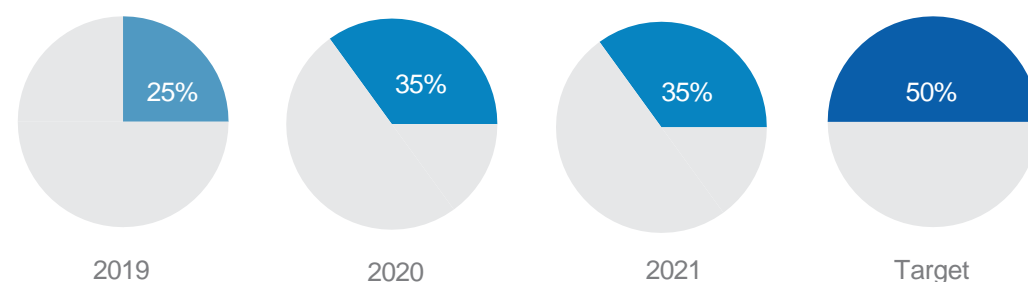
The electricity can be used to power the surrounding equipment or supplied to the national grid, maximising the efficiency of the wastewater treatment plant and producing green energy from the biogas. CHP maximises the fuel and converts it into electricity with 35% efficiency and into heat with 50% efficiency.

Additional benefits include:

- No external heat supply needed
- Protection of natural resources by utilisation of the produced biogas
- Reduction of CO<sup>2</sup> emissions
- Production of valuable, homogenous, nutrient rich fertiliser
- Reduction of waste to landfill
- Rendering of waste gas as harmless

The share of Passavant's projects using the Energy Re-Use technology increased from 25% in 2019 to 35% in 2021 with a target of eventually reaching 50%.

**Percentage of Projects applying Energy Re-Use System**



## 2. GHG Emissions and Energy Consumption

Our 2020 Sustainability Report inaugurates our GHG emissions calculation, which is now an integral part of our reporting process and will be regularly monitored and managed.

The GHG emissions calculation has been done in accordance with the GHG Protocol (Corporate Standard). The organisational boundary has been set in agreement with the "control approach", through which 100% of the GHG emissions from operations over which we have full control are accounted for.

As per our reporting boundary, the data of all our active subsidiaries and their respective branches has been accounted for. Emissions since 2019 have been included.

While our process accounts solely for Scope 1 and Scope 2 emissions, we aim to gradually provide elements of our Scope 3 moving forward.

### Total Energy Consumption (DSI and all subsidiaries, incl. PE&E)

Energy Consumption (TJ)		2019	2020	2021	
Energy Consumption	Fuel Consumption	Petrol	2.15	1.74	1.79
		Diesel	1.04	0.55	0.29
	Electricity Consumption	12.79	71.77	4.70	
Total Fuel Consumption		3.19	2.29	2.08	
Total Electricity Consumption		12.79	71.77	4.70	
Total Energy Consumption		15.98	73.46	6.78	

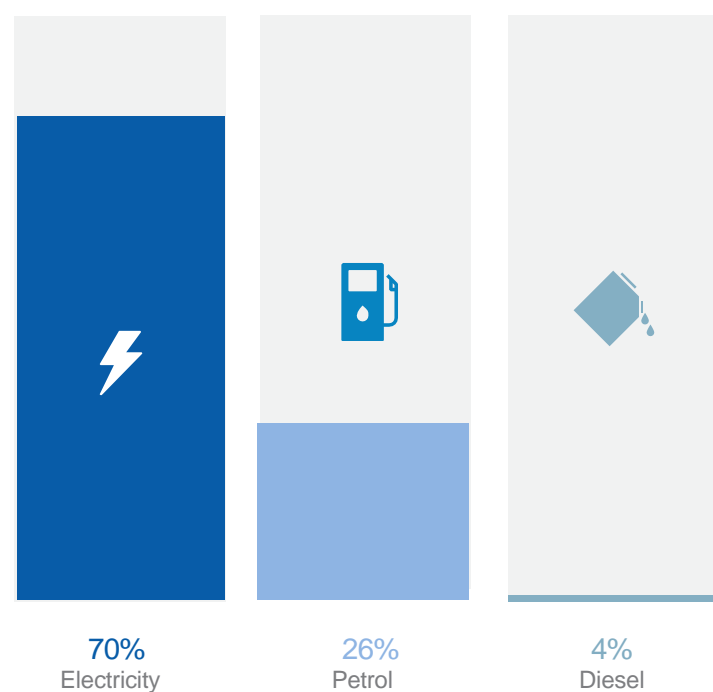
Energy Intensity Against Revenue (MJ/AED Thousand)	2019	2020	2021
Direct Energy Intensity	4.68	12.57	14.35
Indirect Energy Intensity	18.77	390.71	32.43
Total Energy Intensity	23.45	403.28	46.78

**GHG Emissions (DSI and all subsidiaries, incl. PE&E)**

GHG Emissions (MT CO2 e)	2019	2020	2021
Direct (Scope 1)	212.35	149.36	127.46
Indirect (Scope 2)	1,512.58	18,54.92	748.70
<b>Total</b>	<b>1,724.93</b>	<b>18,697.28</b>	<b>876.16</b>

GHG Emissions Intensity Against Revenue (Kg Co2e/AED Thousand)	2019	2020	2021
Direct Emissions Intensity (Scope 1)	0.31	0.82	0.88
Indirect Emissions Intensity (Scope 2)	2.22	101.82	5.167
<b>Total</b>	<b>2.53</b>	<b>102.64</b>	<b>6.047</b>

**2021 Energy Mix (DSI and all subsidiaries, incl. PE&E)**



**Waste Management**

Effective waste management forms an integral part of our Environmental Management System and is essential to our business operations. In alignment with ISO 14001 requirements, current legislation and company policies, we have developed the necessary procedures and policies to achieve efficient waste management across all our project sites.

The HSE management team is responsible for implementing our Waste Management Procedure and monitoring construction activities to ensure compliance. The procedure is applicable to all DSI employees and sub-contractors.

In accordance with best environmental operating practices, our waste management process follows a four-step approach:

- 1.Reduction:** Waste generation shall be reduced primarily at source through suitable operating practices rather than managing at later stages
- 2.Reuse, Recycle and Recovery:** Where waste generation is unavoidable, attempts are made to reuse, recycle or recover as much of it as possible
- 3. Treatment:** Treatment shall only be considered after all reuse, recycle and recovery options have been exhausted
- 4. Disposal:** Disposal is a last resort and should be confined to designated and approved areas

Prior to the disposal of any waste material, waste segregation shall be practiced in accordance with the type of waste and hazard classification.

All personnel shall be briefed on the contents of our Waste Management Procedure through HSE awareness meetings and site induction.

The table below shows the total amount of waste generated from our MEP operations and the main types of waste produced at our sites. The significant reductions witnessed in 2019 and 2020 are mainly due to a slowdown in operations caused by the ongoing restructuring. However, once this process is complete, we will ensure that proper KPIs and targets are in place and will strive to reduce our environmental impact.

	Total Weight of Waste Generated, exc   Passavant (approx. in MT)	
	Non-Hazardous Weight	Hazardous Weight
2019	8,460.00	4.24
2020	4,750.00	2.33
2021	7,167.00	1.84

	Paper/Cardboard	Aluminum	Used Filters and Oily Waste
2019	12 bin	6 bin	9 bin
2020	8 bin	4 bin	5 bin
2021	6.58 bin	0.310 bin	1.72 bin

## Water Usage

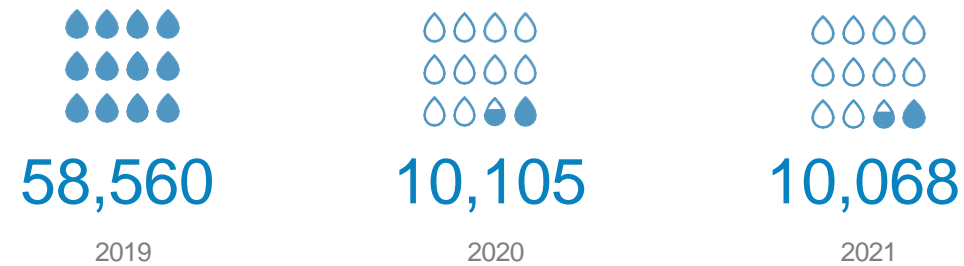
As an engineering and construction company that often operates in water-scarce regions of the world, we have a responsibility to limit water stress through effective and sustainable water management systems.

### 1. Water Consumption

Responsible water consumption is a key part of this process. We strive to raise awareness among our staff of the importance of water conservation at our offices and on site. We will look into integrating efficient water management as part of our environmental strategy through the introduction of KPIs and targets to ensure monitoring and reduction of water usage. Compared to 2019, our water consumption was reduced by 83% in 2021. However, this was mainly caused by the COVID-19 pandemic and a slowdown in our operations.

#### Water Consumption (DSI and all subsidiaries, incl. PE&E)

Total Water Consumption in m<sup>3</sup>



Water Consumption per Revenue in m<sup>3</sup>/AED million



### 2. Water Re-Use Technologies

Today, water scarcity is a growing concern in many parts of the world and the challenge is being exacerbated by climate change. Scarcity may be caused by physical shortages or by inadequate infrastructure. Through Passavant Energy & Environment's Water Re-Use technologies, we play a crucial role in finding solutions to water challenges in countries experiencing scarcity or difficult access to water.

To minimise water consumption at an industrial site, for example, 100% reuse of the treated wastewater can be achieved by building a "Zero Liquid Discharge" (ZLD) wastewater treatment plant where 40% of the treated wastewater can be recycled back to the processing facilities for reuse and 60% of the treated wastewater is used for irrigation of green areas. The addition of a rainwater harvesting system boosts the capacity of the site to retain and absorb rainwater.

Advanced technologies, including Membranes and Tertiary Treatment, can also lead to substantial water re-use. Passavant has not only incorporated tertiary treatment systems in its solutions, but worked with technology providers to enhance and optimise performance.

Benefits include:

- Zero Liquid Discharge as a solution for projects in countries with water scarcity
- Wastewater reuse reduces water pollution discharges and protects water resources
- Expensive seawater desalination can be avoided by re-introducing treated wastewater into the system
- Wastewater can be treated and re-used for irrigation or sanitary facilities
- Protecting water, a valuable resource



## Passavant Case Studies

### a) Solving Gaza's Water Crisis

The population of Gaza in Palestine depends almost exclusively on groundwater reserves for drinking water supply that is under severe pressure due to a combination of overuse and falling precipitation levels due to climate change.

Until recently, almost 100,000 m<sup>3</sup> per day of untreated wastewater flowed into the ground or the sea, polluting the environment and the groundwater. Gaza was in urgent need of a new wastewater treatment plant to help address the twin problems of water scarcity and prevent pollution.

In April 2021, a new wastewater treatment plant in the town of Bureij began treating the wastewater produced by 11 communities with around one million inhabitants, significantly improving resource protection and water supply. The 60,000 m<sup>3</sup> per day Bureij WWTP is also self-sufficient in energy thanks to a biogas plant and a solar power plant that were built on the site. In fact, the biogas and solar power plant produce more energy than the treatment plant requires, resulting in a surplus of 5.301 kWh/d, providing critical energy for the local population.

Passavant Energy & Environment was responsible for the process design, procurement and transport of process related electro-mechanical equipment, supervision of installation, commissioning and operation of the plant for 2 years.

### b) Providing Drinking Water for a City of 9 Million

The Thu Duc Water Supply Plant – Phase III, with a capacity to produce 300,000 m<sup>3</sup> per day of clean water, supports the huge demand for drinking water in Ho Chi Minh City, Vietnam's largest urban area with a population of 9 million.

Passavant Energy & Environment was contracted to provide turnkey design, construction, mechanical and electrical works including commissioning and trial operation of the water treatment plant and also provided its patented Turbo-LME technology for the facility.

The plant treats water from the Dong Nai river and provides potable quality water to the people living in the district. Passavant also constructed a river water intake pumping station and pressure main pipes to supply feed water to the facility which became operational in 2017.



Wastewater Treatment Plant in Gaza



Commissioning of the plant in December 2020



## WHAT'S NEXT

Moving forward, environmental stewardship will be an integral part of the company's strategy and will be incorporated in everything we do post-restructuring. The focus areas will be:

- To further enhance our GHG computation to include Scope 3 emissions
- Develop a clear environmental strategy and implementation plan with KPIs and targets to monitor progress

Type of activities under consideration include:

- Take further steps to optimise energy usage and initiate a step-by-step plan to reduce emissions
- Further explore how we can develop innovative solutions to global challenges, in particular, water supply and energy reuse
- Expand our renewable project portfolio, particularly solar-related projects, and use our engineering expertise to contribute to a more sustainable world
- Optimise our waste management system and strive for increased circularity to fully minimise discharges and waste generated by our activities
- Integrate effective and smarter designs to provide a more accurate and efficient assessment of the resources needed to reduce our impact on the environment

# OUR PEOPLE

## EMPLOYEE WELLBEING

As a market leader operating in a labour-intensive, skills-based industry, we recognise human capital as the essence of our business. Managing the wellbeing of all of our employees is always at the forefront of our thinking and will be essential to ensuring the long-term success of the company as we look to emerge from restructuring as a stronger, more resilient business. Recruiting people with the right blend of experience and skills in an industry where competition for qualified workers is stiff, will also be key to driving growth. The rebirth of DSI will come with a robust framework for people management, that prioritises employee engagement, inclusion, training and development.

### Employment

Working conditions in the jurisdictions in which we mainly operate can often be challenging for construction workers due to the physical nature of the work combined with high average daily temperatures during much of the year. It is our duty to ensure we make life as comfortable as possible for workers by managing workloads, providing quality equipment, and monitoring hydration levels.

The nature of the construction sector means DSI often hires workers on a project-basis. In 2021, 2% of our total workforce, were hired on temporary contracts while 1% were also employed on a part-time basis. We are committed to providing the same working conditions to all our employees, whether full-time, temporary, or part-time.

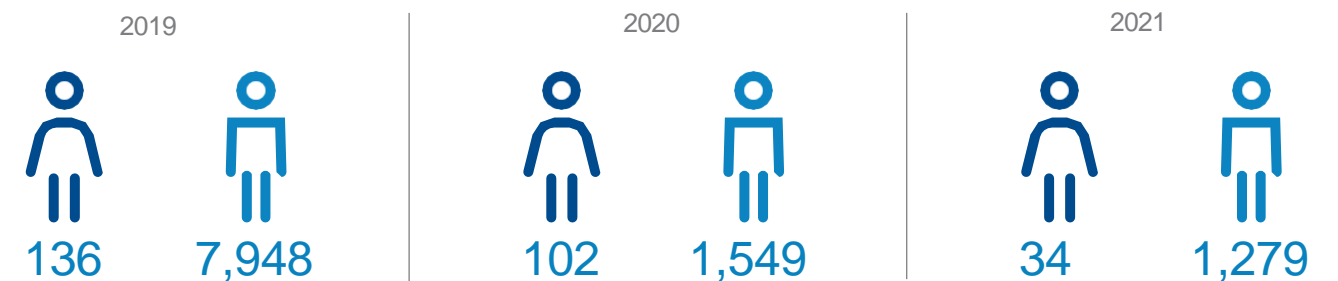
Our workforce has shrunk considerably since we scaled back our civil activities, disposed of important entities, and entered the restructuring phase in 2018 while COVID-19 has also contributed to a number of employees leaving the company. Nevertheless, during this period we made a series of important new hires in order to ensure we fulfilled all of our obligations. In 2021, a total of 16 employees joined the company, of which 75% were between the ages of 30 to 50 years old.

Post-restructuring, we expect to carry out a recruitment drive to build a team capable of taking advantage of opportunities in the market and moving the company forward. We will implement a robust employment strategy with (1) the processes in place to hire and retain the best talent, (2) a competitive and attractive compensation scheme, and (3) continuous training and development opportunities for all our employees.

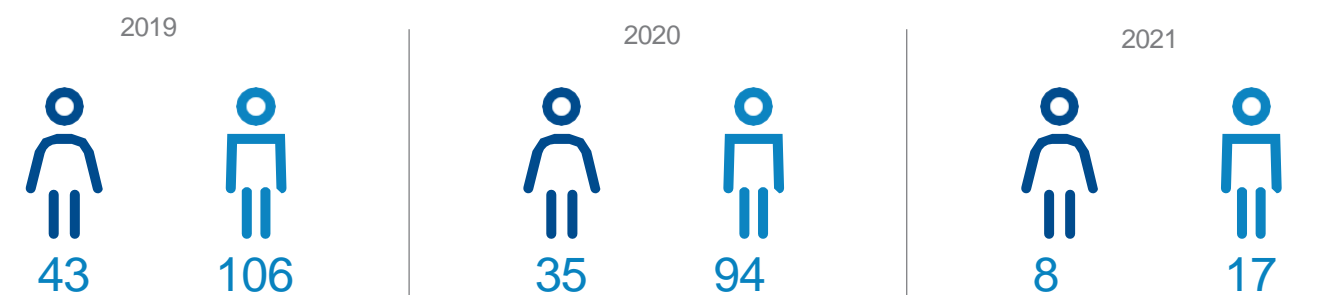
We will revive employee satisfaction procedures and put in place KPIs and targets to monitor progress. One important KPI will be the turnover rate. Today, a range of benefits and incentives are offered to both permanent and temporary employees including, but not limited to, healthcare coverage, parental leave, retirement provision (for UAE nationals) and stock ownership.

Year	DSI Abu Dhabi	DSI Kuwait	DSI Engineering	Passavant	TOTAL
2019	2,051	315	2,156	383	4,905
2020	702	124	643	310	1,779
2021	601	61	517	151	1,330

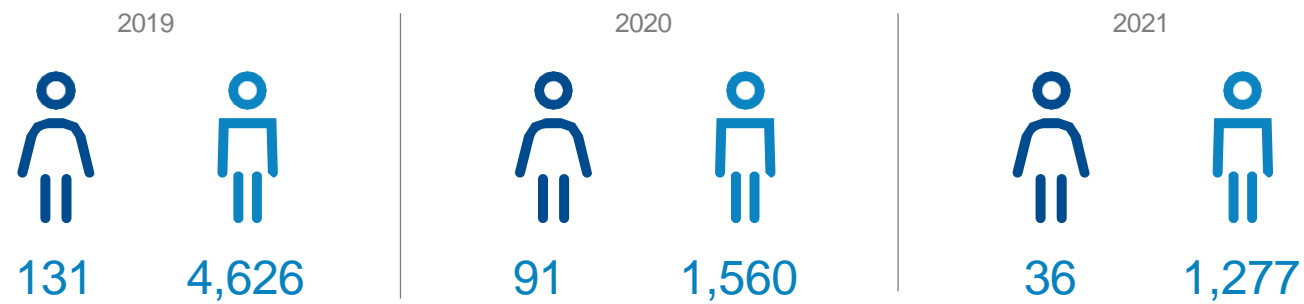
### Permanent Contract



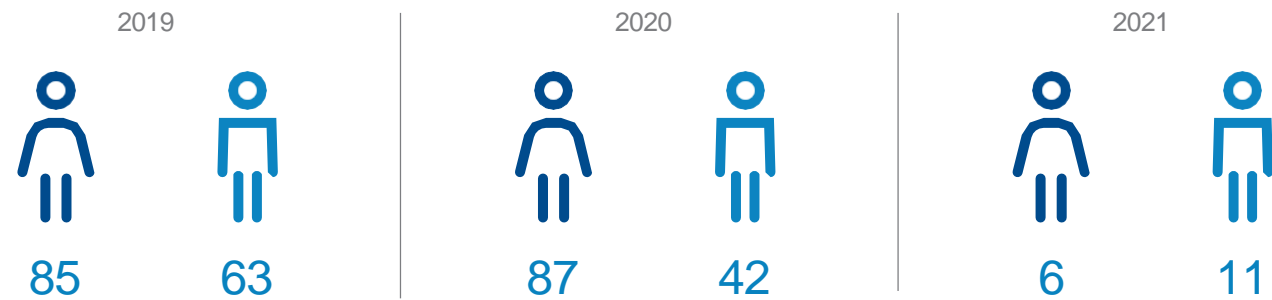
### Temporary Contract



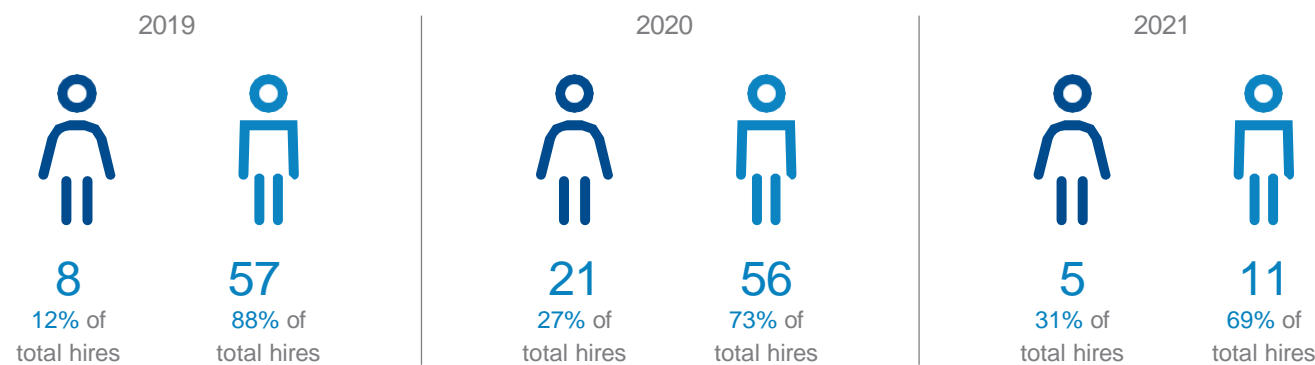
Full-Time



Part-Time



Total New Hires

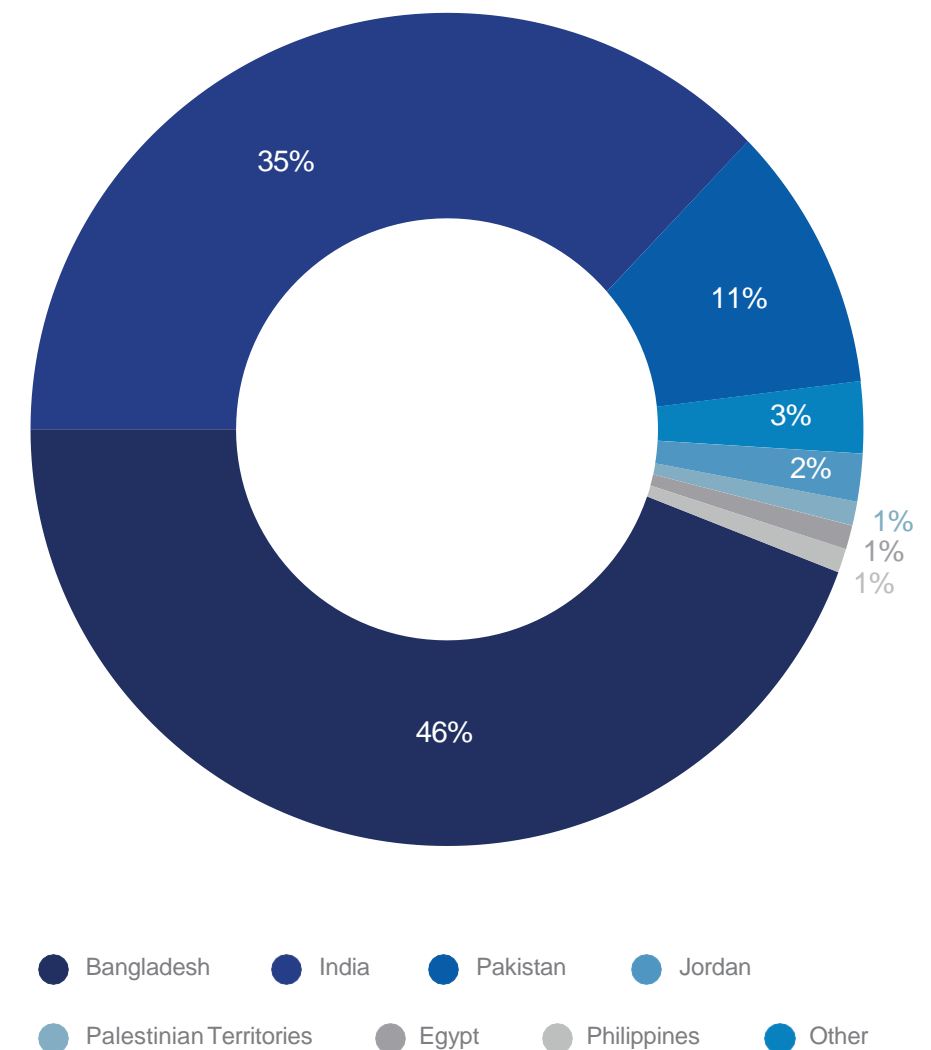


Diversity and Inclusion

With activities spanning a wide geographical area, and with over 25 nationalities currently employed by the company, our workforce comprises a diverse mix of cultures. We believe that embracing and fostering an inclusive and harmonious working environment is key to successful business operations.

**25 Nationalities** in our UAE and Kuwait subsidiaries  **14 Nationalities** in Passavant Energy & Environment

Workforce Overview in our UAE and Kuwait subsidiaries in 2021



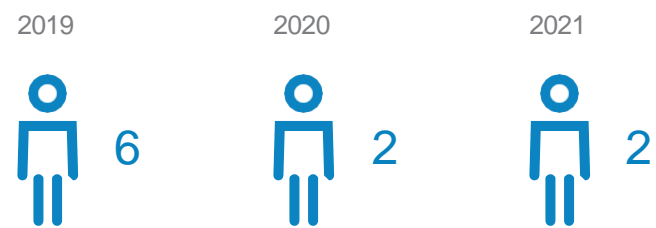
Year	Below 30 years old		Between 30-50 years old		Over 50 years old	
	Total Number	Total Percentage	Total Number	Total Percentage	Total Number	Total Percentage
2019	12	18%	43	66%	10	15%
2020	17	22%	49	64%	11	14%
2021	2	12.5%	12	75%	2	12.5%

Due to the nature of the construction sector, DSI's workforce is predominantly male, especially labourers, which constitute by far the largest category of employees. We strive to promote female representation across all workforce categories and encourage women to apply to all open positions. However, we have had more success attracting women to mid-level positions. In 2021, 31% of open mid-level positions were filled by female workers.



Though there are currently no women serving on the Governance body, which which comprises the board of directors, and all committees directly reporting to the board, the company plans to redress this imbalance post-restructuring by having at least one female representative.

#### Governance Body



The Code of Business Conduct and Ethics represents the company's core values and ensures an inclusive, non-discriminatory environment for all employees. Once the restructuring is complete, we will organise awareness sessions to promote greater female participation in the construction sector, especially amongst engineers, and introduce KPIs and targets to ensure we are monitoring progress and improving performance in this area.

#### Emiratisation

Currently, the company employs six Emiratis, all in mid-level positions which represent 3% of all mid-level positions. Post-restructuring, there will be a clear strategy in place to expand the Emirati workforce in line with the requirements of the UAE Ministry of Human Resources & Emiratisation (MOHRE).



Year	Mid-Level	% of total mid-level positions	Senior-to-Executive Level	% of total senior-to-executive level positions
2019	12	3%	0	0%
2020	6	3%	0	0%
2021	2	3%	0	0%

## SAFETY FOR ALL

Managing the inherent health and safety risks of on-site operations is critical to the success and reputation of any company operating in the construction sector. DSI operates according to the highest standards of occupational health and safety. We are committed to eliminating workplace injury and illness to the greatest extent possible and to ensuring that our employees, sub-contractors and suppliers can go to work each day feeling confident they are safe.

Our risk management procedures ensure the right processes are in place to identify and manage work-related hazards and in turn minimise incidents, damage and losses. A hierarchy of control approach is implemented for the elimination and reduction of all work-related risks.

Each and every task is completed in compliance with strict protocols enforced by the QHSE department, which is responsible for keeping up to date with regulations and applicable international ISO certifications. DSI is ISO 45001 certified. As part of our Integrated Management System Manual, and in compliance with the requirements of our ISO certifications, we have developed the necessary QHSE procedures and processes to guide employees and instill a strong safety culture throughout the company.

The DSI Safety, Health & Environmental Policy provides the foundation that underpins all our on-site activities. We conduct regular audits and routine inspections to ensure compliance and we constantly review and improve our procedures. We encourage employees to participate in the development, implementation and evaluation of the OH&S management system, taking all suggestions for improvement into consideration.

Mandatory induction and training sessions are routinely conducted for all employees, supervisors, visitors, and sub-contractors on site. These ensure that employees are able to carry out their responsibilities effectively, efficiently and competently.

Different training course plans are offered:

- Induction training: Every person, without exception, visiting or working on site must attend an induction training which covers the basic HSE rules of being on site.
- Tool box talks: Tool box talks are delivered at least once per week throughout the project lifecycle covering HSE information relevant to specific on-site activities.
- Basic Training: Personnel working permanently on site and “in the field” (as opposed to office workers) receive Basic Training to ensure they can competently carry out their duties.
- Position Training: Position Training is provided to personnel identified as needing to carry out special tasks.
- Specialised Task Specific OSH Training: Specialised training covering a wide range of subject areas such as ESG risks and controls.
- Refresher Training: HSE/Training staff identify the types of refresher training. It will be the responsibility of the HSE Trainer/Auditor to develop a schedule for all field personnel.

Recent training sessions have covered excavation safety procedures, lifting/rigging safety procedures, firefighting and emergency response.

Post-restructuring, we will continue to comply with the latest standards and regulations while constantly seeking to strengthen our systems and procedures to ensure consistency and reliability across all project sites.

### QHSE Data for all Employees (DSI and all subsidiaries, excl. PE&E)

Year	Number of Fatalities	Number of Lost Time Injuries	Number of Work Days Lost Due to Injury	Number of Other Occupational Injuries	Number of High Potential Incidents	Number of Near Miss Incidents	Number of Hours Worked
2019	0	8	0	0	0	0	7,067,627
2020	0	3	0	0	0	0	6,607,568
2021	0	1	0	0	0	0	1,419,750

### QHSE Data for all Employees (PE&E)

Year	Number of Fatalities	Loss of Incident > 3 days	First Aid Cases	Medical Treatment Non Accident Cases	Number of High Potential Incidents	Number of Near Miss Incidents	Number of Hours Worked
2019	0	0	1	1	0	5	613,429
2020	0	1	1	1	0	0	555,475
2021	0	0	0	0	0	0	579,420



# A PROSPEROUS AND SMART FUTURE

## ECONOMIC PROSPERITY

(GRI 201-1)

Sustainable development calls for the creation of economic prosperity in a way that does not compromise the ability of future generations to meet their own needs. Sustainability means doing away with short-term thinking and laying the foundations for a fairer and more inclusive global economy that delivers benefits for people and the planet. Only when economic growth takes place in harmony with responsible environmental stewardship can it be truly sustainable over the longer term and result in healthier societies.

The GRI's Economic Performance Standard (GRI 201) underlines how a company generates economic value both for itself as well as its various stakeholders. The company generates economic value through its revenues and distributes some of that value to stakeholders in the form of operating costs, employee wages & benefits, payments to providers of capital, and payment to government and community investments. What's left over after distribution is the value retained by the company.

Looking beyond the company's financial restructuring, DSI plans to deliver sustainable growth by focusing on core sectors to generate consistent revenue streams while managing its ESG risks, allowing for sustainable prosperity and the creation of stakeholder value.

This approach is in line with the general shift in recent years towards a focus on creating long-term value for all stakeholders, and society at large, rather than purely generating short-term profit for shareholders. Moving forward, DSI intends to adopt this mindset and align itself more closely with the interests of all stakeholders for the wider benefit of the economy.

## OUR COMMITMENT TO QUALITY

(GRI 102-9, GRI 102-11, GRI 204-1, G5)

### Quality Management System

Quality management is a top priority at DSI where we strive to always deliver over and above our client's expectations. Consistent execution of projects to the highest standards of quality is crucial to safeguarding our reputation in the market and maintaining the trust of our clients. This will be a particular priority as we emerge from the restructuring process and re-enter the market to bid for new contracts. We believe the long-term wellbeing of the company depends not only on meeting our contractual obligations but also on the implied needs of our clients. To this end, a dedicated team of engineers, managers, and inspectors oversees and monitors quality assurance and control of all activities.

It is vital to maintain frequent communication with clients, which can be done through a number of channels. Conducting regular customer satisfaction surveys, for example, enables us to obtain valuable feedback which is shared with the Quality team and all relevant internal departments. This important practice ensures we continuously assess our performance, can improve our service when needed, and execute projects more efficiently and effectively.

Delivering consistent performance depends on having the right blend of quality assurance policies, processes, and procedures in place. DSI is ISO 9001: 2015 certified, which sets out the company's criteria for a Quality Management System that details the processes and procedures required for delivering the best customer service.

The company's QHSE Policy Statement ensures the commitment of all subsidiaries and employees to the highest quality standards. More specifically, we are committed to:

- Design, develop, build and maintain projects of the highest standards of quality for our clients
- Train, develop and equip all staff with the tools and skills needed to perform to the highest level
- Continually improve processes and systems to deliver optimum results

DSI's Integrated Management System Manual outlines the company's quality control processes and ensures their consistent application throughout the organisation. Strict criteria and methods governing effective operation and control of these procedures are included in the manual. An example of this is the mandatory Inspection Test Plan (ITP) which is conducted after each and every main task in order to maintain quality control across all ongoing projects. Procedures to achieve planned outcomes and make continual improvements are also included. The resources required to implement and maintain the effectiveness of the IMS and enhance customer satisfaction are:

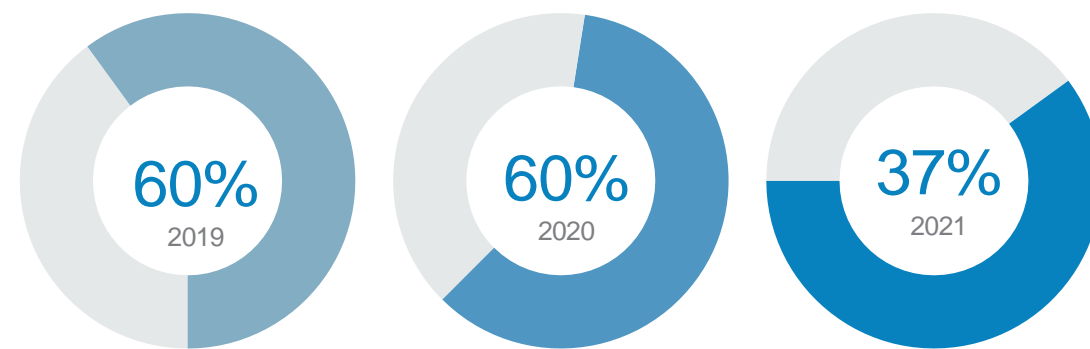
- People: DSI Management is responsible for ensuring that the workforce is competent, well-trained and skilled enough to perform their tasks.
- Infrastructure: Management is also responsible for providing the following infrastructure to achieve quality:
  - Buildings, workspaces and associated assets
  - Tools, process equipment, hardware and information systems (software) and Enterprise Resource Planning (ERP)
  - Support services such as transportation and communication channels

Documented procedures ensure that all departments and project sites are regularly audited and that the requirements of the IMS manual are being met. Post-restructuring, we will also re-establish IMS audits by independent and training auditors.

### Procurement Practices

DSI strives to build strong, long-term partnerships with all its suppliers. As a responsible and sustainable company, we prioritise partnerships with local suppliers wherever possible, allowing us to support local economic development, resilience, and value creation. In 2021, 32% of our suppliers were local. Despite the slow-down in operations and focus on the restructuring plan, 37% of total procurement spending created value for local suppliers.

#### Percentage of Procurement Budget Spent on Local Suppliers



Our supplier management system follows best practices and contains relevant processes and procedures to ensure transparent and effective procurement. We consider cost, technical expertise, quality, and safety performance as the main criteria for selecting local suppliers.

Responsible procurement practices dictate that all major suppliers must sign the Supplier's Code of Conduct, committing them to adhere by DSI's code of conduct and HSE standards. Induction and training are delivered to ensure alignment from the beginning.

Finally, we conduct frequent assessments and audits to monitor and evaluate the performance of suppliers. The Supplier/Subcontractors selection & Evaluation procedure guides the selection, evaluation, approval and monitoring of suppliers and subcontractors at DSI and all its subsidiaries.

## INNOVATION & DIGITALISATION

(G7)

The world is in the midst of a technological revolution that is having a profound effect on every aspect of life and work. Innovation and digitalisation are at the heart of this rapid change. DSI is exploring ways to harness digital technologies to transform our business, particularly around the gathering and processing of data to enhance business operations and improve customer service. We are also considering how new technologies could enable the company to build on its existing expertise and diversify into new sectors in the future.

The IT department plays a key role in equipping the company with the technology to meet current as well as future challenges and opportunities. We have allocated a budget to upgrade IT systems post-restructuring, starting with a fully integrated Enterprise Resource Planning (ERP) system to manage business processes and ensure coordination between departments. We have partnered with an industry intelligence platform to support decision-making by ensuring we are always up-to-date with the latest developments in the market. We are upgrading our intranet, which supports communication with and between employees across all geographies, to integrate more advanced tools and to include all the company's policies and procedures.

Security of both physical and digital assets is a top priority for DSI and the company has robust IT systems and data protection policies in place to manage this. We will renew our ISO 27001 (Information Security Management) certification once the restructuring is complete. In the meantime, our internal audit system ensures that relevant policies and procedures are in place and enforced consistently. Processes ensure on-site protection of all files and documents with back-up systems to prevent data loss. This includes shadow copying (back-up of all data after working hours), back-up on both on-site servers and on the cloud, in addition to disaster recovery in a separate location. A sonic firewall monitors and filters incoming and outgoing online data traffic.

Other innovations and initiatives by the IT department include:

- Physical data storage areas are monitored with CCTV cameras connected via mobile phones to the relevant department.
- Facial recognition technology manages access to office buildings and monitors the attendance of employees.
- IT systems are key to the company's initiative to go paperless (please refer to [page 18](#) to view the impact of this initiative and the results achieved).

The IT department is exploring how Integrated Management software can enhance their ERP to better integrate business processes in real-time and across offices, project sites and regions.

# ETHICAL RESPONSIBILITY

## OUR CORPORATE GOVERNANCE

Corporate governance is a shared stakeholder responsibility. It is a system by which companies are effectively controlled and one that is responsible for embedding accountability and transparency across the organisation.

The principal role of shareholders in the corporate governance process is to elect the company's directors and auditors. The Board of Directors is then responsible for applying governance and for directing management to carry out their duties.

A sustainable business must have a robust corporate governance system which provides assurance that accountability and transparency are integral to the corporate culture. The board must ensure that the company is engaging with all stakeholders and that key stakeholder value creation is at the heart of the company's purpose.

DSI is committed to the highest standards of corporate governance which integrates ethics, corporate integrity, and best practices. Transparency, fairness, disclosure, and accountability are values that are central to the ethos of the company, Board of Directors, senior management, and employees.

The corporate governance framework follows the guidelines set by the Securities & Commodities Authority (SCA), DFM, and the Commercial Companies Law No 2 of 2015 and its amendments related to commercial companies. In addition, DSI is committed to implementing the decision of the Chairman of the Securities & Commodities Authority No. (3/RM) of 2020.

In tandem with the restructuring plan, we have prioritised the development of a robust corporate governance structure. The current board is comprised of six experienced, independent individuals, who are qualified to lead the company through its restructuring plan and onwards to revive its core business segments.

There are currently three committees that report to the board, and these are the Audit Committee, the Nomination & Remuneration committee, and the Restructuring Committee. Upon completion of the restructuring plan, and once the company's shares are again being traded on the DFM, we will establish a follow-up committee of insiders' transactions.

While there is presently one female presence at the board or committee levels, The table below lists the number of board and committee meetings held and the level of attendance.

Corporate Governance Body	Number of Meetings 2021	Level of Attendance by Committee/Board Members
Board of Directors	7	100%
Audit Committee	5	100%
Nomination & Remuneration Committee	1	100%

2 Board Members, 2 Legal Advisory Firms,

More details about DSI's corporate governance structure are available in the company's [2021 Corporate Governance Report](#).



## RISK MANAGEMENT AND INTERNAL CONTROL

DSI is committed to the highest standards of business ethics, professionalism, and corporate integrity and to acting in strict compliance with applicable laws at all times. Transparency, fairness, disclosure, and accountability are central to the ethos of the company.

Our Code of Business Conduct and Ethics includes policies and procedures governing ethical conduct which apply to all employees. Such policies and practices cover “Conflict of Interest”, “Acceptance of Gifts and Entertainment”, and “Corporate Opportunities”, among other important topics. The Code applies to all employees, including officers and directors of DSI as well as all subsidiaries, divisions, and businesses wholly or substantially owned or controlled by DSI, including, but not limited to, joint ventures.

Enforcing the Code of Business Conduct and Ethics is something the company takes extremely seriously in light of the accusations of financial impropriety against the previous management, and which are currently being investigated by the designated UAE authorities. The company is engaged in civil and criminal cases against the ex-major shareholder, former CEO and vice-chairman, and others.

The current Board of Directors and senior management acknowledge their responsibility to instill ethics, accountability, and compliance at the core of the company and to re-establish a culture of honesty and trust. To that end, DSI will ensure that all current and future employees (post-restructuring), including the CEO and senior management are carefully interviewed and undergo detailed background checks before being hired. Upon joining they will also be required to sign the Code of Business Conduct and Ethics to ensure they fully understand their responsibilities and commitment. We intend to update all policies and procedures related to business ethics and compliance.

DSI will maintain an open-door policy and encourage employees to report suspected violations of the Code. The company has put in place a hotline and an email address for any person who wants to report anonymously and in strict confidence.

## ETHICS AND COMPLIANCE

New global challenges and macro-trends impacting the construction and engineering sector have given rise to new risks and opportunities. Moving forward, DSI will equip itself with a strong Risk Management Framework to grow the business while managing challenges and mitigating risks in a structured and controlled manner.

Amid the ongoing restructuring process, the Board of Directors acknowledges its responsibility to re-establish an effective and robust Internal Control System to ensure efficient and effective risk management. The Board anticipates strengthening the team with new recruits as soon as possible upon completion of the restructuring.

The Board is committed to deploying the best risk management practices and internal control mechanisms to achieve the company's objectives. The Risk Management Framework will address risk management both at the project and enterprise level and will include procedures for business continuity management.

# APPENDIX

# SUSTAINABILITY DATA SHEET

## ENVIRONMENTAL DATA

DSI PJSC and Subsidiaries, excl. PE&E

### Energy Consumption (TJ)

		2019	2020	2021	
Energy Consumption	Fuel Consumption	Petrol	2.15	1.74	1.79
		Diesel	0.99	0.53	0.29
	Electricity Consumption	12.10	6.40	4.56	
Total Fuel Consumption		3.14	2.27	2.08	
Total Electricity Consumption		12.10	6.40	4.56	
Total Energy Consumption		15.24	8.67	6.64	

### Energy Intensity Against Revenue (MJ/AED Thousand)

	2019	2020	2021
Direct Energy Intensity	6.00	27.34	32.11
Indirect Energy Intensity	23.13	77.09	70.41
Total Energy Intensity	29.13	104.43	102.52

### GHG Emissions (MT CO<sub>2</sub>e)

	2019	2020	2021
Direct (Scope 1)	209.14	148.16	127.32
Indirect (Scope 2)	1,378.02	728.38	714.67
Total	1,587.17	876.55	841.99

GHG Emissions Intensity Against Revenue (kg Co2e/ AED Thousand)

	2019	2020	2021
Direct Emissions Intensity (Scope 1)	0.40	1.78	1.96
Indirect Emissions Intensity (Scope 2)	2.63	8.77	11.03
<b>Total</b>	<b>3.03</b>	<b>10.56</b>	<b>12.99</b>

Water Consumption

	2019	2020	2021
Total Water Consumption in m3	58,257	9,847	9,868
Water Consumption per Revenue in m3/AED million	111.00	119.00	152.38

Waste Generation (MT)

	Non-Hazardous Weight	Hazardous Weight
2019	8,460.00	4.24
2020	4,750.00	2.33
2021	1,878.00	1.84

	Paper/Cardboard	Aluminum	Used Filters and Oily Waste
2019	1.152	0.576	3.823
2020	0.768	0.384	2.124
2021	0.580	0.310	1.720

## Passavant Energy &amp; Environment (PE&amp;E)

Energy Consumption (GJ)

		2019	2020	2021	
Energy Consumption	Fuel Consumption	Petrol	-	-	-
		Diesel	47.40	18.07	1.97
	Electricity Consumption	685.95	64,777.52	142.93	
Total Fuel Consumption		47.40	18.07	1.97	
Total Electricity Consumption		685.95	64,777.52	142.93	
Total Energy Consumption		733.35	64,795.59	144.9	

Energy Intensity Against Revenue (MJ/AED Thousand)

	2019	2020	2021
Direct Energy Intensity	0.29	0.18	0.02
Indirect Energy Intensity	4.19	646.04	1.78
Total Energy Intensity	4.48	646.22	1.80

GHG Emissions in MT CO<sub>2</sub>e

	2019	2020	2021
Direct (Scope 1)	3.21	1.20	0.14
Indirect (Scope 2)	134.56	17,819.53	34.03
Total	137.77	17,820.73	34.17

GHG Emissions Intensity Against Revenue (kg Co2e/ AED Thousand)

	2019	2020	2021
Direct Emissions Intensity (Scope 1)	0.02	0.01	0.001
Indirect Emissions Intensity (Scope 2)	0.82	177.72	0.43
<b>Total</b>	<b>0.84</b>	<b>177.73</b>	<b>0.431</b>

Water Consumption

	2019	2020	2021
Total Water Consumption in m3	303	258	200
Water Consumption per Revenue in m3/AED million	2.00	3.00	2.50

## DSI PJSC and Subsidiaries

Energy Consumption (TJ)

			2019	2020	2021
Energy Consumption	Fuel Consumption	Petrol	2.15	1.74	1.79
		Diesel	1.04	0.55	0.29
	Electricity Consumption		12.79	71.17	4.70
<b>Total Fuel Consumption</b>			<b>3.19</b>	<b>2.29</b>	<b>2.08</b>
<b>Total Electricity Consumption</b>			<b>12.79</b>	<b>71.17</b>	<b>4.70</b>
<b>Total Energy Consumption</b>			<b>15.98</b>	<b>73.46</b>	<b>6.78</b>

Energy Intensity Against Revenue (MJ/AED Thousand)

	2019	2020	2021
Direct Energy Intensity	4.68	12.57	14.35
Indirect Energy Intensity	18.77	390.71	32.43
Total Energy Intensity	23.45	403.28	46.78

GHG Emissions in MT CO2e

	2019	2020	2021
Direct (Scope 1)	212.35	149.36	127.46
Indirect (Scope 2)	1,512.58	18,547.92	748.7
Total	1,724.93	18,697.28	876.16

GHG Emissions Intensity Against Revenue (kg Co2e/ AED Thousand)

	2019	2020	2021
Direct Emissions Intensity (Scope 1)	0.31	0.82	0.88
Indirect Emissions Intensity (Scope 2)	2.22	101.82	5.167
Total	2.53	102.64	6.047

Water Consumption

	2019	2020	2021
Total Water Consumption in m3	58,560	10,105	10,068
Water Consumption per Revenue in m3/AED million	85.28	55.13	69.48

## HR DATA

DSI PJSC and Subsidiaries, excl. PE&amp;E

Total Workforce

	DSI Abu Dhabi	DSI Kuwait	DSI Engineering	Total
2019	2,051	315	2,156	4522
2020	702	124	643	1469
2021	601	61	517	1179

	Permanent Contract		Temporary Contract	
	Female	Male	Female	Male
2019	51	4,450	0	21
2020	33	1,411	0	25
2021	21	1,150	0	8

	Permanent Contract		Temporary Contract	
	UAE	Kuwait	UAE	Kuwait
2019	4,207	294	0	21
2020	1,345	99	0	25
2021	1,118	53	0	8

	Full-Time		Part-Time	
	Female	Male	Female	Male
2019	51	4,450	0	21
2020	33	1,411	0	25
2021	21	1,150	0	8

Diversity & Inclusion

Governance Body

	Female	Male
2019	0%	100%
2020	0%	100%
2021	14%	86%

Governance Body

	Below 30 years old	Between 30-50 years old	Over 50 years old
2019	0%	50%	50%
2020	0%	50%	50%
2021	0%	50%	50%

Total Employees By Job Category And By Gender

	Labor		Entry-Level		Mid-Level		Senior-to-Executive Level	
	Male	Female	Male	Female	Male	Female	Male	Female
2019	100%	0%	98%	2%	90%	10%	95%	5%
2020	100%	0%	98%	2%	87%	13%	89%	11%
2021	100%	0%	91%	9%	89%	11%	14%	0%

Total Employees By Job Category And By Gender

	Labor			Entry-Level			Mid-Level			Senior-to-Executive Level		
	Below 30 years old	Between 30-50 years old	Over 50 years old	Below 30 years old	Between 30-50 years old	Over 50 years old	Below 30 years old	Between 30-50 years old	Over 50 years old	Below 30 years old	Between 30-50 years old	Over 50 years old
2019	14%	81%	5%	2%	69%	29%	5%	82%	13%	0%	37%	63%
2020	6%	85%	9%	2%	76%	21%	6%	81%	14%	0%	53%	47%
2021	6%	84%	10%	0%	75%	25%	7%	81%	12%	0%	36%	64%

**Employment**

**Total New Hires by Gender**

	Female (#)	Female (%)	Male (#)	Male (%)
2019	8	17%	39	83%
2020	8	13%	53	87%
2021	5	31%	11	69%

**Total New Hires by Age Group**

	Below 30 years old		Below 30- 50 years old		Over 50 years old	
	Total Number	Total Percentage	Total Number	Total Percentage	Total Number	Total Percentage
2019	5	11%	34	72%	8	17%
2020	10	16%	43	70%	8	13%
2021	2	12.5%	12	75%	2	12.5%

**Total Employees that Left by Gender**

	Female (#)	Female (%)	Male (#)	Male (%)
2019	28	1%	3,059	99%
2020	15	4%	324	98%
2021	9	1.5%	605	98.5%

**Total Employees that Left by Age Group**

	Below 30 years old		Between 30-50 years old		Over 50 years old	
	Total Number	Total Percentage	Total Number	Total Percentage	Total Number	Total Percentage
2019	479	16%	2,394	78%	214	7%
2020	24	7%	277	82%	38	11%
2021	35	6%	515	84%	64	10%

**Turnover Rate (%)**

2019	68%
2020	23%
2021	52%

Passavant Energy & Environment (PE&E)

Total Workforce

**Total**

2019	383
2020	310
2021	151

**Permanent Contract**

**Temporary Contract**

	Female	Male	Female	Male
2019	85	170	43	85
2020	69	138	35	69
2021	13	121	8	9

**Permanent Contract**

**Temporary Contract**

2019	255	128
2020	207	104
2021	134	17

**Full-Time**

**Part-Time**

	Female	Male	Female	Male
2019	80	176	85	42
2020	58	149	87	17
2021	15	127	6	3

**Diversity & Inclusion**

**Governance Body**

	Female	Male
2019	0%	100%
2020	0%	100%
2021	0%	100%

**Governance Body**

	Below 30 years old	Between 30-50 years old	Over 50 years old
2019	0%	100%	0%
2020	0%	100%	0%
2021	0%	100%	0%

**Total Employees By Job Category And By Gender**

	Entry-Level		Mid-Level		Senior-to-Executive Level	
	Male	Female	Male	Female	Male	Female
2019	92%	8%	91%	9%	91%	9%
2020	95%	5%	89%	11%	97%	3%
2021	91%	9%	84%	16%	85%	15%

**Total Employees By Job Category And By Gender**

	Entry-Level			Mid-Level			Senior-to-Executive Level		
	Below 31 years old	Between 30-51 years old	Over 51 years old	Below 31 years old	Between 30-51 years old	Over 51 years old	Below 31 years old	Between 30-51 years old	Over 51 years old
2019	100%	0%	0%	29%	71%	0%	0%	68%	32%
2020	100%	0%	0%	28%	72%	0%	0%	69%	31%
2021	100%	0%	0%	32%	68%	0%	0%	60%	40%

**Employment**

**Total New Hires by Gender**

	Female (#)	Female (%)	Male (#)	Male (%)
2019	0	0%	18	100%
2020	13	81%	3	19%
2021	1	12%	7	88%

**Total New Hires by Age Group**

	Below 30 years old		Between 30-50 years old		Over 50 years old	
	Total Number	Total Percentage	Total Number	Total Percentage	Total Number	Total Percentage
2019	7	39%	9	50%	2	11%
2020	7	44%	6	38%	3	19%
2021	3	37.5%	3	37.5%	2	25%

**Total Employees that Left by Gender**

	Female (#)	Female (%)	Male (#)	Male (%)
2019	5	10%	47	90%
2020	32	91%	3	9%
2021	15	9%	152	91%

**Total Employees that Left by Age Group**

	Below 30 years old		Between 30-50 years old		Over 50 years old	
	Total Number	Total Percentage	Total Number	Total Percentage	Total Number	Total Percentage
2019	7	13%	35	67%	10	19%
2020	14	40%	16	46%	5	14%
2021	21	13%	104	62%	42	25%

**Turnover Rate (%)**

2019	14%
2020	11%
2021	111%

## DSI PJSC and Subsidiaries

Total Workforce

	DSI Abu Dhabi	DSI Kuwait	DSI Engineering	Passavant	Total
2019	2,051	315	2,156	383	4,905
2020	702	124	643	310	1,779
2021	601	61	517	151	1,330

	Permanent Contract		Temporary Contract	
	Female	Male	Female	Male
2019	136	4,620	43	106
2020	102	1,549	35	94
2021	34	1,271	8	17

	Permanent Contract			Temporary Contract		
	UAE	Kuwait	Germany	UAE	Kuwait	Germany
2019	4,207	294	255	0	21	128
2020	1,345	99	207	0	25	104
2021	1,118	53	134	0	8	17

	Full-Time		Part-Time	
	Female	Male	Female	Male
2019	131	4,626	85	63
2020	91	1,560	87	42
2021	36	1,277	6	11

**Diversity & Inclusion**

**Governance Body**

	Female	Male
2019	0%	100%
2020	0%	100%
2021	14%	86%

**Governance Body**

	Below 30 years old	Between 30-50 years old	Over 50 years old
2019	0%	63%	38%
2020	0%	75%	25%
2021	0%	75%	25%

	Female (#)	Female (%)	Male (#)	Male (%)
2019	216	4%	4,689	96%
2020	178	10%	1,602	90%
2021	42	3%	1,288	97%

**Employment**

**Total New Hires by Gender**

	Female (#)	Female (%)	Male (#)	Male (%)
2019	8	12%	57	88%
2020	21	27%	56	73%
2021	5	31%	11	69%

**Total New Hires by Age Group**

	Below 30 years old		Between 30-50 years old		Over 50 years old	
	Total Number	Total Percentage	Total Number	Total Percentage	Total Number	Total Percentage
2019	12	18%	43	66%	10	15%
2020	17	22%	49	64%	11	14%
2021	2	12.5%	12	75%	2	12.5%

**Total Employees that Left by Gender**

	Female (#)	Female (%)	Male (#)	Male (%)
2019	33	1%	3,106	99%
2020	47	13%	327	87%
2021	9	1.5%	605	98.5%

**Total Employees that Left by Age Group**

	Below 30 years old		Between 30-50 years old		Over 50 years old	
	Total Number	Total Percentage	Total Number	Total Percentage	Total Number	Total Percentage
2019	486	15%	2,429	77%	224	7%
2020	38	10%	293	78%	43	11%
2021	35	6%	515	84%	64	10%

**Turnover Rate (%)**

2019	64%
2020	21%
2021	46%

## QHSE Data

DSI PJSC and Subsidiaries, excl. PE&E

### All Employees

	Number of Fatalities	Number of Lost Time Injuries	Number of Work Days Lost Due to Injury	Number of Other Occupational Injuries	Number of High Potential Incidents	Number of Near Miss Incidents	Number of Hours Worked
2019	0	8	0	0	0	0	7,067,627
2020	0	3	0	0	0	0	6,607,568
2021	0	1	0	0	0	0	1,419,750

### Sub-Contractors (Iraq Operations)

	Number of Fatalities	Number of Lost Time Injuries	Number of Work Days Lost Due to Injury	Number of Other Occupational Injuries	Number of High Potential Incidents	Number of Near Miss Incidents	Number of Hours Worked
2019	0	0	0	0	0	6	509,627
2020	0	0	0	0	0	0	288,168
2021	0	0	0	0	0	0	17,472

Passavant Energy & Environment (PE&E)

### All Employees, incl. sub-contractors

	Number of Fatalities	Loss of Incident > 3 days	First Aid Cases	Medical Treatment Non Accident Cases	Number of High Potential Incidents	Number of Near Miss Incidents	Number of Hours Worked
2019	0	0	1	1	0	5	613,429
2020	0	1	1	1	0	0	555,475
2021	0	0	0	0	0	0	579,420

# GRI & DFM CONTENT INDEX

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## GRI STANDARDS

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<b>GRI 103 Management Approach</b>				
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103-2	The management approach and its components		13,15,29,30	
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<b>GRI 205: Anti-Corruption 2016</b>				
<b>GRI 103 Management Approach</b>				
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103-2	The management approach and its components		13,31,32	
103-3	Evaluation of the management approach		13,31,32	

GRI STANDARDS				
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103-2	The management approach and its components		13,14,18,19,20,21	
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<b>GRI 305: Emissions 2016</b>				
<b>GRI 103 Management Approach</b>				
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103-2	The management approach and its components		13,14,18,19,20	
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<b>GRI 103 Management Approach</b>				
103-1	Explanation of the material topic and its boundary		13,14,18,20	
103-2	The management approach and its components		13,14,18,20	
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<b>GRI 305 Topic Specific</b>				
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<b>GRI 403: Occupational Health &amp; Safety 2018</b>				
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GRI STANDARDS				
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103-3	Evaluation of the management approach		13,14,15,24,25,26	
<b>GRI 405 Topic Specific</b>				
405-1	Diversity of governance bodies and employees	S2: Gender Pay Ratio	24,25,26,39, 40,41,42,43, 44,45,46,47	
		S4: Gender Diversity		
		S6: Non-Discrimination		
		S11: Nationalisation		

## ADDITIONAL DFM DISCLOSURES

DFM DISCLOSURE	CONTENT	REFERENCE PAGE	NOTES
<b>Environmental</b>			
E10	<b>Climate Risk Mitigation</b>		We will be including this metric in our Environmental Strategy upon successful completion of our restructuring plan
	Total amount invested, annually, in climate-related infrastructure, resilience, and product development	Not Available	
<b>Social</b>			
S1	<b>CEO Pay Ratio</b>		The CEO's salary along with that of the executive team is currently disclosed in our Corporate Governance Report
	Ratio: CEO total compensation to median Full Time Equivalent (FTE) total compensation	Not Available	
	Does your company report this metric in regulatory filings?	Yes	
S9	<b>Child &amp; Forced Labor</b>		We are in full support of combating child and/or forced labor, this risk is less applicable to the insurance sector
	Does your company follow a child and/or forced labor policy?	N/A	
	If yes, does your child and/or forced labor policy also cover suppliers and vendors? Yes/No	N/A	
S9	<b>Human Rights</b>		Our Code of Business Conduct and Ethics include Human Rights clauses
	Does your company follow a human rights policy?	Yes	
	If yes, does your human rights policy also cover suppliers and vendors?	N/A	
S12	<b>Community Investment</b>		Due to the restructuring process, all community investments have been paused and will be reinstated once the process has been successfully completed
	Amount invested in the community, as a percentage of company revenues	Workplace	
<b>Governance</b>			
G3	<b>Incentivized Pay</b>		This will be considered as part of our Sustainability Strategy
	Are executives formally incentivized to perform on sustainability?	No	
G7	<b>Data Privacy</b>		
	Does your company follow a Data Privacy policy?	29	
	Has your company taken steps to comply with GDPR rules?		

