

**Drake and Scull International (P.J.S.C.)
and its subsidiaries**

Consolidated Financial Statements
For the year ended December 31, 2025

Drake and Scull International (P.J.S.C.) and its subsidiaries
Consolidated Financial Statements
For the year ended December 31, 2025

Table of contents

	Page(s)
Board of Directors' Report	1
Independent Auditor's Report	2 - 6
Consolidated statement of financial position	7
Consolidated statement of profit or loss	8
Consolidated statement of other comprehensive income	9
Consolidated statement of changes in equity	10
Consolidated statement of cash flows	11
Notes to the consolidated financial statements	12 - 55



REPORT OF THE BOARD OF DIRECTORS

The Board of Directors present their report and the consolidated financial statements for the year ended 31 December 2025.

PRINCIPAL ACTIVITIES

Drake and Scull International PJSC is primarily engaged in carrying out contracting work within the construction industry which mainly includes infrastructure and real estate development work, electrical, plumbing, oil and gas, air conditioning, water & waste-water treatment works.

RESULTS

For the year ended 31 December 2025, the Group recorded revenue of AED 224 million (2024: AED 104 million) and net profit of AED 47 million (2024: net profit AED 3,759 million).

The Group equity improved to AED 195 million as at 31 December 2025 compared to equity of AED 152 million in 2024.

AUDITORS

Recommendation to recruit external auditor for the year 2026 at the Annual General Meeting.

For and on Behalf of the Board of Directors

Chairman
March 16, 2026
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*****Qualified Opinion***

We have audited the consolidated financial statements of Drake and Scull (P.J.S.C.) (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at December 31, 2025, and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, except for the possible effects of the matters described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by International Accounting Standards Board (IASB).

Basis for Qualified Opinion***i. Bank confirmations***

We have requested but not received confirmations from several banks with which the Group holds bank balances with a gross carrying amount of AED 10,402 thousand as at December 31, 2025 and AED 12,683 thousand as at December 31, 2024 and guarantees and bonds of AED 143,255 thousand as at December 31, 2025 and AED 453,330 thousand as at December 31, 2024. We were unable to satisfy ourselves by alternative means with regards to the completeness and accuracy of these bank balances, the accuracy of the related expected credit loss of AED 10,981 thousand, the accuracy and completeness of guarantees and bonds, and the existence and completeness of any special arrangements or restrictions arising from the relationships with these banks, commitments held with these banks, and any additional obligations or liabilities to these banks as at December 31, 2025 and 2024. Our opinion on the Group's consolidated financial statements as at and for the year ended December 31, 2024 was also modified in respect of this matter.

ii. Discontinued operations

As disclosed in Note 34 to the consolidated financial statements, the Group has operations in various geographical locations that have been classified as discontinued operations and the related assets and liabilities with a carrying amount of AED 46,703 thousand (2024: AED 46,975) and AED 82,898 thousand (2024: AED 233,242), respectively, have been classified as held-for-sale on the consolidated statement of financial position. We were unable to obtain sufficient appropriate audit evidence with regards to the existence, accuracy and completeness of these balances and the completeness of any contingencies that may arise as a result of the liquidation of these operations due to lack of accounting records and lack of access to these locations. Consequently, we were unable to determine whether any adjustments were necessary to these balances and whether there were any unrecorded liabilities and undisclosed contingencies related to these discontinued operations. Our opinion on the Group's consolidated financial statements as at and for the year ended December 31, 2024 was also modified in respect of this matter.



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 (continued)
Basis for Qualified Opinion (continued)

iii. Legal Confirmations

We have requested but not received register of legal cases obtained from local courts in foreign jurisdictions where the Group operates. We were unable to satisfy ourselves by alternative means with regards to the completeness of provisions and contingent liabilities related to legal cases. Accordingly, we were unable to determine whether any adjustments were necessary with regards to the provision for legal cases and to verify the completeness of contingent liabilities disclosed in Note 23 to the consolidated financial statements. Our opinion on the Group’s consolidated financial statements as at and for the year ended December 31, 2024 was also modified in respect of this matter.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ *International Code of Ethics for Professional Accountants (including International Independence Standards)* (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 3.3 to the consolidated financial statements, which indicates that, as at December 31, 2025, the Group’s accumulated losses exceeded 50% of the share capital along with other factors, which gives rise to the existence of material uncertainty that may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not further modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the *Basis for Qualified Opinion* section we have determined the matter described below to be the key audit matter to be communicated in our report.

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p>Revenue from contracts with customers</p> <p>Refer to Note 25 to the consolidated financial statements. The Group recognises revenue from construction, infrastructure and water and wastewater treatment projects over time in accordance with IFRS 15 “<i>Revenue from Contracts with Customers</i>”.</p> <p>Revenue from the contracts is recognised over time in accordance with IFRS 15 using an input-based measure of progress (percentage of completion).</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> • Obtained an understanding of the Group’s revenue recognition policies, processes and controls over contract budgeting, forecasting and revenue recognition and assessed their conformity with IFRS 15 “<i>Revenue from Contracts with Customers</i>”. • Evaluated the design and implementation of key controls involved in the revenue recognition process.

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 (continued)
Key Audit Matters (continued)

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p>Revenue from contracts with customers (continued)</p> <p>During the year, the Group recognised consolidated revenue of AED 223,780 thousand from long-term construction contracts which is accounted for over time.</p> <p>Revenue has been identified as a key audit matter due to its significance to the consolidated financial statements, the inherent risk associated with revenue recognition and accuracy, and the involvement of estimates and judgment applied by management in the revenue recognition process.</p>	<ul style="list-style-type: none"> • Inspected a sample of contracts to evaluate whether criteria for recognising revenue over time under IFRS 15 were met, and assessed whether the method of measuring progress was appropriate. • Assessed management's determination of stage of completion by reviewing computations. • Recalculated the percentage of completion for the selected contracts using the cost-to-cost method and agreed total estimated cost and costs incurred to supporting documentation on a sample basis. • Evaluated the adequacy of the disclosures included in the consolidated financial statements.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Board of Directors' Report.

Our opinion on the consolidated financial statements does not cover the other information except for the financial information given in the Board of Directors' Report, and accordingly, we do not express any form of assurance or conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We conclude that the other information is materially misstated as a result of the matters described in the *Basis for Qualified Opinion* section of our report.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

The management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as issued by the IASB, and the applicable provisions of the Company's Articles of Association and the UAE Federal Decree-Law No. (32) of 2021 (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, the 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.



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 (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the Group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the Group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



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 (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Decree-Law No. (32) of 2021 (as amended), except for the matters described in the *Basis for Qualified Opinion* section of our report, we report that, for the year ended December 31, 2025:

- The Company has maintained proper books of account;
- We have obtained all the information we considered necessary for the purposes of our audit;
- The consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the Company's Articles of Association and the UAE Federal Decree-Law No. (32) of 2021 (as amended);
- The financial information included in the Board of Directors' report is consistent with the books of account of the Company;
- There were no investments in shares and stocks during the year ended December 31, 2025;
- Note 22 reflects material related party transactions and the terms under which they were conducted;
- Based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the year ended December 31, 2025, any of the applicable provisions of the UAE Federal Decree-Law No. (32) of 2021 (as amended) or of its Articles of Association which would have a material impact on its activities or its consolidated financial position as at December 31, 2025; and
- There were no social contributions made during the year ended December 31, 2025.

GRANT THORNTON UAE

Dr. Osama El Bakry
Registration No. 935
Dubai, United Arab Emirates

March 16, 2026

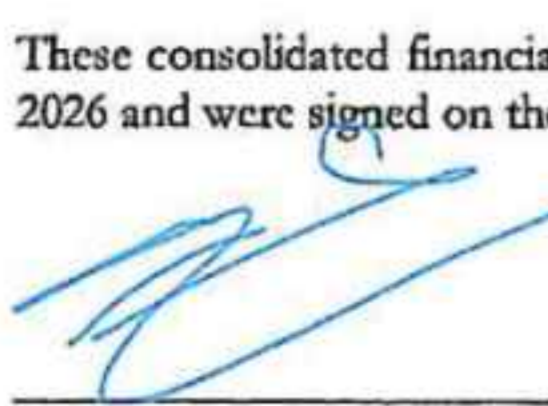
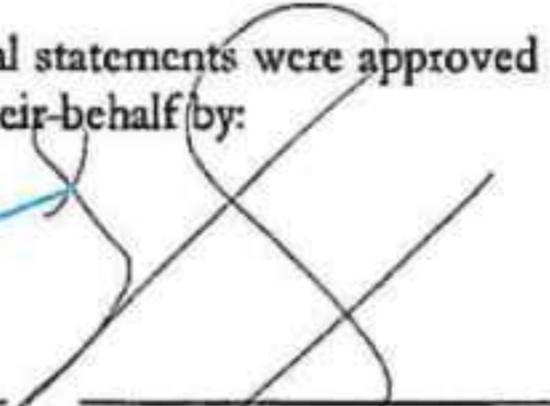
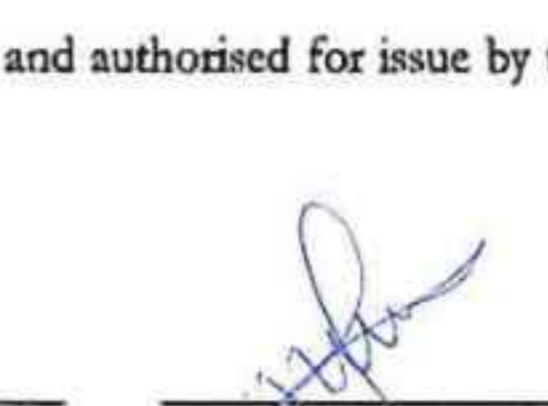
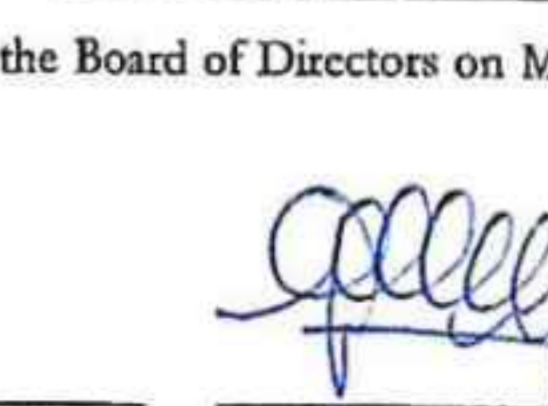


Drake and Scull International (P.J.S.C.) and its subsidiaries
Consolidated Financial Statements

Consolidated statement of financial position
As at December 31, 2025

	Notes	2025 AED'000	2024 AED'000
ASSETS			
Non-current assets			
Property and equipment	6	2,756	582
Development property	7	24,863	-
Right-of-use assets	8	7,968	6,433
Deferred tax assets	32	17,543	17,324
Trade receivables	11	22,875	-
Retentions receivable	11	13,119	7,386
		<u>89,124</u>	<u>31,725</u>
Current assets			
Trade and other receivables	11	178,681	108,481
Contract assets	25	35,497	14,718
Due from a related party	22	25,068	53,247
Financial assets at fair value through profit or loss	12	644	1,351
Cash and bank balances	13	235,092	390,529
		<u>474,982</u>	<u>568,326</u>
Assets held-for-sale	34	46,703	46,975
		<u>521,685</u>	<u>615,301</u>
TOTAL ASSETS		<u>610,809</u>	<u>647,026</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	14	2,886,697	2,886,697
Share discount		(1,358,069)	(1,356,204)
Treasury shares	15	(4,094)	(433)
Statutory reserve	16	-	479,454
Mandatory Convertible Sukuks	17	370,470	368,130
Foreign currency translation reserve		(23,538)	(23,378)
Accumulated losses		(1,676,028)	(2,079,873)
Total equity attributable to equity holders of the Parent		<u>195,438</u>	<u>274,393</u>
Non-controlling interest		-	(122,658)
Total equity		<u>195,438</u>	<u>151,735</u>
Non-current liabilities			
Employees' end of service benefits	18	7,868	9,129
Lease liabilities	8	6,947	5,164
		<u>14,815</u>	<u>14,293</u>
Current liabilities			
Provisions	19	108,408	47,902
Lease liabilities	8	1,342	1,323
Bank borrowings	20	9,859	8,732
Trade and other payables	21	137,821	150,504
Contract liabilities	25	59,793	36,093
Income tax payable	32	435	3,202
		<u>317,658</u>	<u>247,756</u>
Liabilities directly associated with the assets held-for-sale	34	82,898	233,242
		<u>400,556</u>	<u>480,998</u>
Total liabilities		<u>415,371</u>	<u>495,291</u>
TOTAL EQUITY AND LIABILITIES		<u>610,809</u>	<u>647,026</u>

These consolidated financial statements were approved and authorised for issue by the Board of Directors on March 16, 2026 and were signed on their behalf by:

			
Dr. Abdul Rahman Mahmoud Al Afifi Board Member	Khaled Owaidat Board Member	Muin El-Saleh Chief Executive Officer	Khalid Sukhan Chief Financial Officer

The accompanying notes from 1 to 39 form an integral part of these consolidated financial statements.

Drake and Scull International (P.J.S.C.) and its subsidiaries
Consolidated Financial Statements

Consolidated statement of profit or loss
For the year ended December 31, 2025

	Notes	2025 AED'000	2024 AED'000
Continuing operations:			
Revenue from contracts with customers	25	223,780	103,672
Cost of revenue	27	(207,015)	(98,394)
GROSS PROFIT		16,765	5,278
Provisions	28	(70,772)	(28,651)
General and administrative expenses	29	(46,861)	(39,750)
Allowance for expected credit losses	11&22	(37,624)	(15,971)
Impact of discounting on trade and retentions receivable		(5,360)	-
Restructuring costs		(4,746)	(41,915)
(Loss)/gain resulting from approved restructuring settlement plan	38	(2,340)	3,792,884
Other income	30	36,622	60,654
Finance income	31	13,615	12,598
Finance cost	31	(394)	(3,364)
(LOSS)/PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		(101,095)	3,741,763
Income tax expense	32	(1,255)	(709)
(LOSS)/PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		(102,350)	3,741,054
Discontinued operations:			
(Loss)/profit from discontinued operations		(1,283)	17,532
Gain resulting from winding up of partly owned subsidiary		150,682	-
PROFIT FOR THE YEAR		47,049	3,758,586
Attributable to:			
Equity holders of the Parent:			
(Loss)/profit from continuing operations		(102,350)	3,741,054
Profit from discontinued operations		26,741	13,727
		(75,609)	3,754,781
Non-controlling interest:			
Profit from discontinued operations		122,658	3,805
Earnings per share:			
Basic earnings per share (AED)	33	(0.027)	1.685
Diluted earnings per share (AED)	33	(0.017)	0.993

The accompanying notes from 1 to 39 form an integral part of these consolidated financial statements.

Drake and Scull International (P.J.S.C.) and its subsidiaries
Consolidated Financial Statements

Consolidated statement of other comprehensive income
For the year ended December 31, 2025

	2025 AED'000	2024 AED'000
PROFIT FOR THE YEAR	<u>47,049</u>	<u>3,758,586</u>
<i>Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of continuing foreign operations	(674)	1,081
Exchange differences on translation of discontinued foreign operations	514	(5)
Other comprehensive (loss)/income for the year	<u>(160)</u>	<u>1,076</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	46,889	3,759,662
Attributable to:		
Equity holders of the Parent	(75,769)	3,755,862
Non-controlling interest	<u>122,658</u>	<u>3,800</u>
	<u>46,889</u>	<u>3,759,662</u>

The accompanying notes from 1 to 39 form an integral part of these consolidated financial statements.

Drake and Scull International (P.J.S.C.) and its subsidiaries
Consolidated Financial Statements

Consolidated statement of changes in equity
For the year ended December 31, 2025

	Attributable to equity holders of the Parent										
	Share capital AED'000	Share discount AED'000	Share AED'000	Treasury shares AED'000	Statutory reserve AED'000	Mandatory convertible Sukuks AED'000	Foreign currency translation reserve AED'000	Accumulated losses AED'000	Total AED'000	Non-controlling interest AED'000	Total equity AED'000
At January 1, 2024	1,070,988	3,026	-	-	125,760	-	(24,459)	(5,480,960)	(4,305,645)	(126,458)	(4,432,103)
Profit for the year	-	-	-	-	-	-	-	3,754,781	3,754,781	3,805	3,758,586
Other comprehensive income/(loss)	-	-	-	-	-	-	1,081	-	1,081	(5)	1,076
Total comprehensive income	-	-	-	-	-	-	1,081	3,754,781	3,755,862	3,800	3,759,662
Issuance of Mandatory Convertible Sukuks (Note 17)	-	-	-	-	-	368,130	-	-	368,130	-	368,130
Treasury shares (Note 15)	-	2,552	-	(433)	-	-	-	-	2,119	-	2,119
Transfer to statutory reserve (Note 16)	-	-	-	-	353,694	-	-	(353,694)	-	-	-
Issuance of share capital (Note 14)	1,815,709	(1,361,782)	-	-	-	-	-	-	453,927	-	453,927
At December 31, 2024	2,886,697	(1,356,204)	(433)	(433)	479,454	368,130	(23,378)	(2,079,873)	274,393	(122,658)	151,735
(Loss)/profit for the year	-	-	-	-	-	-	-	(75,609)	(75,609)	122,658	47,049
Other comprehensive loss	-	-	-	-	-	-	(160)	-	(160)	-	(160)
Total comprehensive (loss)/income	-	-	-	-	-	-	(160)	(75,609)	(75,769)	122,658	46,889
Issuance of Mandatory Convertible Sukuks (Note 17)	-	-	-	-	-	2,340	-	-	2,340	-	2,340
Absorption of accumulated losses (Note 16)	-	-	-	-	(479,454)	-	-	479,454	-	-	-
Treasury shares (Note 15)	-	(1,865)	-	(3,661)	-	-	-	-	(5,526)	-	(5,526)
At December 31, 2025	2,886,697	(1,358,069)	(4,094)	(4,094)	-	370,470	(23,538)	(1,676,028)	195,438	-	195,438

The accompanying notes from 1 to 39 form an integral part of these consolidated financial statements.

Drake and Scull International (P.J.S.C.) and its subsidiaries
Consolidated Financial Statements

Consolidated statement of cash flows
For the year ended December 31, 2025

	Notes	2025 AED'000	2024 AED'000
OPERATING ACTIVITIES			
(Loss)/profit before tax from continuing operations		(101,095)	3,741,763
Profit before tax from discontinued operations		149,399	17,532
Profit before tax		48,304	3,759,295
<i>Adjustments for:</i>			
Gain resulting from winding up of partly owned subsidiary		(149,399)	-
Write-back of liabilities	30	(26,352)	(54,455)
Finance income	31	(13,615)	(12,598)
Writeback of provision for legal cases	30	(3,954)	-
Dividend income		(1,831)	-
Gain on sale of property and equipment		(28)	-
Provision for employees' end of service benefits	18	388	758
Finance cost	31	394	3,364
Depreciation of property and equipment	6	647	252
Change in fair value of financial assets at FVTPL	30	707	(365)
Depreciation of right-of-use assets	8	1,494	579
Impact resulting from approved restructuring settlement plan		2,340	(3,792,884)
Impact of discounting of trade receivables		5,360	-
Allowance for expected credit losses		35,426	397
Provisions	28	70,772	28,651
		(29,347)	(67,006)
<i>Changes in working capital:</i>			
Trade and other receivables		(133,568)	(24,842)
Due from a related party		(543)	14,509
Trade and other payables		27,900	(47,967)
Cash used in operations		(135,558)	(125,306)
Income tax paid		(2,422)	-
Payment of employees' end of service benefits	18	(2,182)	(1,579)
Net cash flows used in operating activities		(140,162)	(126,885)
INVESTING ACTIVITIES			
Purchase of property and equipment		(2,456)	(277)
Purchase of development property		(24,863)	-
Proceeds from disposal of property and equipment		39	-
Proceeds/(placement) of fixed deposits		140,030	(180,030)
Dividend received		1,831	-
Interest income received		9,868	10,435
Net cash flows from/(used in) investing activities		124,449	(169,872)
FINANCING ACTIVITIES			
Issuance of share capital		-	453,927
Repayment of bank borrowings		-	(404)
Acquisition of treasury shares, net		-	(433)
Payment of lease liabilities	8	(1,530)	(781)
Finance cost paid		(115)	(58)
Net cash flows (used in)/from financing activities		(1,645)	452,251
Net change in cash and cash equivalents		(17,358)	155,494
Net foreign exchange difference on translation of monetary items		(2,244)	557
Write-back of bank overdrafts		-	465,095
Cash and cash equivalents at the beginning of the year		171,555	(449,591)
Cash and cash equivalents at the end of the year	13	151,953	171,555

The accompanying notes from 1 to 39 form an integral part of these consolidated financial statements.

Drake and Scull International (P.J.S.C.) and its subsidiaries
Consolidated Financial Statements

Notes to the consolidated financial statements
For the year ended December 31, 2025

1 Legal status and principal activities

Drake and Scull International P.J.S.C (the “Company” or the “Parent”) was incorporated on November 16, 2008 and registered on January 21, 2009 as a Public Joint Stock Company. The Company is listed on the Dubai Financial Market. The registered address of the Company is P.O Box 65794, Dubai, United Arab Emirates. The Company together with its subsidiaries, as listed below, are referred to as the “Group”.

The Group is engaged in carrying out contracting work within the construction industry which mainly includes infrastructure and real estate development work, electrical, plumbing, oil and gas, air conditioning, water & waste-water treatment works.

These consolidated financial statements as at December 31, 2025 and December 31, 2024 include the financial performance and position of the Company and its subsidiaries.

The details of the subsidiaries held by the Group as at year end are as follows:

Component name	Principal activity	Ownership (%)		Country of incorporation
		December 31, 2025	December 31, 2024	
Passavant Energy and Environment GmbH (“Passavant”)* Drake and Scull Cayman Island Limited	Contracting for wastewater, water and sludge treatment plants	100%	100%	Federal Republic of Germany
Effective International Investment LLC	Investment in commercial enterprise and management	100%	100%	British Overseas Territory
1996 Advanced Investments LLC	Investment in commercial, agricultural or industrial enterprises & management	100%	100%	United Arab Emirates
Emirates Utility Company LLC	Investment in commercial, agricultural or industrial enterprises & management	100%	100%	United Arab Emirates
1881 Advanced Investments LLC	Investment in commercial, agricultural or industrial enterprises & management	100%	100%	United Arab Emirates
Drake and Scull Engineering LLC (DSE DXB)	Engineering, procurement and construction of Water and Power Infrastructure projects	100%	100%	United Arab Emirates
Drake and Scull Engineering LLC (Abu Dhabi branch)	Engineering, procurement and construction of Water and Power Infrastructure projects	100%	100%	United Arab Emirates
Drake & Scull International LLC (Abu Dhabi)	Contracting work related to mechanical, electrical and sanitary engineering	100%	100%	United Arab Emirates
Drake and Scull for Contracting Oil and Gas Fields Facilities LLC	Oil & Gas Contracting	70%	70%	United Arab Emirates
Drake and Scull Real Estate Development L.L.C (a)	Real estate development	100%	-	United Arab Emirates

Drake and Scull International (P.J.S.C.) and its subsidiaries
Consolidated Financial Statements

Notes to the consolidated financial statements (continued)
For the year ended December 31, 2025

1 Legal status and principal activities (continued)

Component name	Principal activity	Ownership (%)		Country of incorporation
		December 31, 2025	December 31, 2024	
Drake and Scull Building Contracting L.L.C (b)	3D printing building construction contracting and building contracting	100%	-	United Arab Emirates
Passavant Engineering Limited-British Virgin Islands	Engineering, procurement and construction	100%	100%	Virgin Island (British)
Passavant Energy and Environment Contracting L.L.C (c)	Construction and demolition waste recycling, organic and garbage treatment, sewage and drainage contracting, water pipelines and stations contracting and recycling of waste electrical and electronic	100%	-	United Arab Emirates

The Company has a branch in Iraq under the name of "Drake and Scull International PJSC-Iraq Branch". The Group has investments in various other subsidiaries which are classified as discontinued operations (Note 34).

- (a) Drake and Scull Real Estate Development L.L.C was incorporated as a Limited Liability Company under license number 1456884 issued by the Department of Economic Development, Government of Dubai, United Arab Emirates (UAE) on January 16, 2025. The activity of the Company is real estate development. The address of Company's registered office is office 2002, Nasima Tower, Trade Centre 1, Dubai, UAE.
- (b) Drake and Scull Building Contracting L.L.C was incorporated as a Limited Liability Company under license number 1478570 issued by the Department of Economic Development, Government of Dubai, United Arab Emirates (UAE) on May 5, 2025. The activities of the Company are 3D printing building construction contracting and building contracting. The address of Company's registered office is office 2002, Nasima Tower, Trade Centre 1, Dubai, UAE.
- (c) Passavant Energy and Environment Contracting L.L.C was incorporated as a Limited Liability Company under license number 1492839 issued by the Department of Economic Development, Government of Dubai, United Arab Emirates (UAE) on May 20, 2025. The activities of the Company are Construction and demolition waste recycling, organic and garbage treatment, sewage and drainage contracting, water pipelines and stations contracting and recycling of waste electrical and electronic. The address of Company's registered office is office 2002, Nasima Tower, Trade Centre 1, Dubai, UAE.

* Passavant has following subsidiaries:

Component name	Principal activity	Ownership (%)		Country of incorporation
		December 31, 2025	December 31, 2024	
Passavant Energy and Environment India Private Limited	Engineering, procurement and construction	100%	100%	Republic of India
Balkanstek SRL former Passavant Energy & Environment SRL	Engineering, procurement and construction	100%	100%	Romania

Drake and Scull International (P.J.S.C.) and its subsidiaries
Consolidated Financial Statements

Notes to the consolidated financial statements (continued)
For the year ended December 31, 2025

1 Legal status and principal activities (continued)

* Passavant has the following subsidiaries (continued):

Component name	Principal activity	Ownership (%)		Country of incorporation
		December 31, 2025	December 31, 2024	
Passavant Energy & Environment FZE	Engineering, procurement and construction	100%	100%	United Arab Emirates
Passavant Roediger Bulgaria EOOD	Engineering, procurement and construction	100%	100%	The Republic of Bulgaria
Passavant Engineering SRL	Engineering, procurement and construction	100%	100%	Romania
Passavant Engineering North Africa	Engineering, procurement and construction	100%	100%	The Republic of Tunisia
DSWE	Engineering, procurement and construction	100%	100%	Republic of India
Passavant Engineering Specialist Solutions GmbH	Supply of water treatment plants	100%	100%	Federal Republic of Germany

As at December 31, 2025 and December 31, 2024, Passavant has the following Joint Ventures and branches:

Joint Ventures:

- JV - Passavant Roediger & Sec Yapi Consortium – *Turkey*
- JV Passavant Energy & Environment GmbH, Equipment Sales and Service Company, Hinnawi Contracting Company - *Palestine*
- Acciona Agua Sau Passavant Roediger GmbH Ute (EUR) Joint Venture Egypt (EGP) - *Egypt*
- Consortium Passavant Energy and Environment GmbH and Arab Towers Contracting Company - *Jordan*
- The Consortium of Passavant Energy & Environmental GmbH and Masoud & Ali Partners Contracting – *Palestine*
- Consortium of Passavant Energy & Environmental GmbH & Hussein Atieh & Sons Co LLC – *Jordan*
- JV of Larsen & Toubro - Passavant Energy & Environment – *India*
- Consortium Passavant Energy and Environment GmbH & Ludwig Pfeiffer Hoch- und Tiefbau GmbH - *Moldova*
- Consortium 815129 STP, Tukucha Khola - *Nepal*

Branches:

- Passavant Energy & Environment Sucursala Bucuresti - *Romania*
- Passavant Energy & Environment - *Kosovo*
- Passavant Energy & Environment - *Egypt*
- Passavant Energy & Environment GmbH - *Moldova*
- Project office of Passavant Energy & Environment GmbH (Nathdwara & Allahabad) - *India*
- Passavant Energy & Environment GmbH - *Palestine*
- Passavant Energy & Environment - *Turkey*
- Passavant Energy & Environment GmbH – *Jordan*
- Passavant Energy & Environment – *Algeria*
- Passavant Energy & Environment GmbH - *Bulgaria*
- Passavant Engineering – *Tunisia*
- Passavant Energy & Environment Limited - *Kingdom of Saudi Arabia*

Drake and Scull International (P.J.S.C.) and its subsidiaries
Consolidated Financial Statements

Notes to the consolidated financial statements (continued)
For the year ended December 31, 2025

2 New or revised Standards or Interpretations

2.1 New Standards adopted as at January 1, 2025

Accounting pronouncement listed below, has become effective from January 1, 2025 and has therefore been adopted by the Group, but does not have any significant impact on the Group's financial results or position.

- Lack of Exchangeability (Amendments to IAS 21)

2.2 Standards, amendments and Interpretations to existing Standards that are not yet effective

The new and amended standards and interpretations that have been 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 18 Presentation and Disclosure in Financial Statements
- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and 7)
- Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7)
- Annual Improvements to IFRS Accounting Standards—Volume 11
- IFRS 19 'Subsidiaries without Public Accountability: Disclosures'
- Amendments to IFRS 19 'Subsidiaries without Public Accountability: Disclosures'

The adoption of IFRS 18 'Presentation and Disclosure in Financial Statements', effective for periods commencing on or after 1 January 2027, is expected to have a material impact on the presentation of these consolidated financial statements. The management is still in the process of identifying the possible impact of IFRS 18.

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 'Presentation of Financial Statements'. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

The standard requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and it also includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes.

In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest.

The publication of IFRS 18 also results in consequential amendments to other IFRS Accounting Standards, including IAS 7.

IFRS 18 is effective for annual periods beginning on or after 1 January 2027, with earlier application permitted. IFRS 18 will be applied retrospectively with specific transitional provisions.

The Group is currently working to identify all of the impacts that IFRS 18 will have on the primary consolidated financial statements and notes to the consolidated financial statements.

Other new Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Group's consolidated financial statements. Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement.

Drake and Scull International (P.J.S.C.) and its subsidiaries Consolidated Financial Statements

Notes to the consolidated financial statements (continued) For the year ended December 31, 2025

3 Statement of compliance and basis of preparation

3.1 Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB). They have been prepared under the assumption the Group operates on a going concern basis.

The consolidated financial statements have been prepared in accordance with the requirements of the applicable laws and regulations, including UAE Federal Decree-Law No. (32) of 2021 (as amended).

3.2 Basis of preparation

The Group's consolidated financial statements have been prepared on an accruals basis and under the historical cost convention, except for financial assets at fair value through profit or loss (FVTPL) that have been measured at fair value.

3.3 Going concern

As of December 31, 2025, the Group's accumulated losses exceeded 50% of the Company's share capital and the Group reported negative cashflows from its operating activities of AED 140,162 thousand (2024: AED 126,885 thousand). These events or conditions indicate a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and realise its assets and discharge its liabilities in the normal course of business. Notwithstanding, the consolidated financial statements of the Group have been prepared on a going concern basis taking into consideration several factors as further disclosed below:

The Group's management and the Board of Directors have reassessed the Group's ability to continue as a going concern. The reassessment was based on the following factors:

- Availability of liquidity in the form of a sufficient bank balance to service its operating activities and debt; and
- Projected inflows from projects in pipeline expected to be realised during the year.

Furthermore, management and the Board of Directors are not aware of any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. Based on the above, the consolidated financial statements have been prepared on a going concern basis.

3.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries and sub-subsidiaries as at December 31, 2025. 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 results in control.

Drake and Scull International (P.J.S.C.) and its subsidiaries Consolidated Financial Statements

Notes to the consolidated financial statements (continued) For the year ended December 31, 2025

3 Statement of compliance and basis of preparation (continued)

3.4 Basis of consolidation (continued)

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(s) 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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in 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.

Profit or loss and each component of OCI are attributed to the equity holders of the Company and to the non-controlling interest, even if this results in the non-controlling interest having a deficit balance.

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.

4 Material accounting policies

4.1 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 current when it is:

- Expected to be realised or intended to be sold or consumed in the 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.

A liability is current when:

- It is expected to be settled in the 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 Group classifies all other liabilities as non-current.

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.

Drake and Scull International (P.J.S.C.) and its subsidiaries Consolidated Financial Statements

Notes to the consolidated financial statements (continued) For the year ended December 31, 2025

4 Material accounting policies(continued)

4.2 Fair value measurement

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.

The Group measures its financial assets at fair value through profit or loss, at fair value at each reporting date.

Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability

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.

4.3 Foreign currency translation

Functional and presentation currency

The Group's consolidated financial statements are presented in Arab Emirati Dirham ("AED"), which is also the Company's functional currency. All values are rounded to the nearest thousand (AED "000") except when otherwise indicated.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the Company, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at period-end exchange rates are recognised in profit or loss, except for 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 are not retranslated at the period-end. They are measured at historical cost (translated using the exchange rates at the transaction date).

Drake and Scull International (P.J.S.C.) and its subsidiaries
Consolidated Financial Statements

Notes to the consolidated financial statements (continued)
For the year ended December 31, 2025

4 Material accounting policies(continued)

4.3 Foreign currency translation (continued)

Foreign operations

In the Group's consolidated financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the AED are translated into AED upon consolidation. The functional currencies of entities within the Group have remained unchanged during the reporting period.

On consolidation, assets and liabilities of foreign operations have been translated into AED at the closing rate at the reporting date. Income and expenses have been translated into AED at the average rate over the reporting period. Exchange differences on the Group's net investment in a foreign operation are charged to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to profit or loss and are recognised as part of the gain or loss on disposal.

4.4 Property and equipment

Property and equipment are initially recognised at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management. Property and equipment are subsequently measured at cost less accumulated depreciation and impairment losses, if any.

Acquisition includes the cost of replacing part of the property and equipment. 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 property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Land is not depreciated. Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of property and equipment. The following useful lives are applied:

- | | |
|-------------------------------------|---------------|
| • Buildings | 5 to 10 years |
| • Machinery | 2 to 5 years |
| • Furniture, fixtures and equipment | 2 to 5 years |
| • Motor vehicles | 3 to 5 years |

Capital work-in-progress is not depreciated.

An item of property and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss either within other income or other expenses.

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

4.5 Development and investment property

Development property

Development property is carried at the lower of cost or net realisable value. The cost of development property includes the cost of land and other directly attributable costs, which are capitalised when activities necessary to bring the property to a condition ready for sale are in progress.

Investment property

Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is carried at historical cost less accumulated depreciation and impairment, if any.

Drake and Scull International (P.J.S.C.) and its subsidiaries
Consolidated Financial Statements

Notes to the consolidated financial statements (continued)
For the year ended December 31, 2025

4 Material accounting policies (continued)

4.5 Development and investment property (continued)

Investment property (continued)

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.

Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of investment property. Investment property is depreciated over a period of 15 years.

Investment property is derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when it is 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 the consolidated statement of 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.

4.6 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. 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.

An impairment loss is recognised for the amount by which the asset's (or cash-generating unit's) carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. 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.

The data used for impairment testing procedures is directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect current market assessments of the time value of money and asset-specific risk factors. 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 statement of profit or loss in expense categories consistent with the function of the impaired asset,

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 statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Drake and Scull International (P.J.S.C.) and its subsidiaries
Consolidated Financial Statements

Notes to the consolidated financial statements (continued)
For the year ended December 31, 2025

4 Material accounting policies (continued)

4.7 Leases

The Group as a lessee

The Group assesses whether a contract is or contains a lease at inception of the contract. A lease conveys the right to direct the use and obtain substantially all of the economic benefits of an identified asset for a period of time in exchange for consideration.

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, if any, 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.

The Group depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term as follows:

- Offices space 3 years
- Land 18 years
- Vehicles 3 years

The Group also assesses the right-of-use asset for impairment when such indicators exist.

Lease liabilities

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the Group's incremental borrowing rate because as the lease contracts are negotiated with third parties it is not possible to determine the interest rate that is implicit in the lease.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised, as applicable.

Subsequent to initial measurement, the liability will be reduced by lease payments that are allocated between repayments of principal and finance costs. The finance cost is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

The lease liability is reassessed when there is a change in the lease payments. Changes in lease payments arising from a change in the lease term or a change in the assessment of an option to purchase a leased asset. The revised lease payments are discounted using the Group's incremental borrowing rate at the date of reassessment when the rate implicit in the lease cannot be readily determined. The amount of the remeasurement of the lease liability is reflected as an adjustment to the carrying amount of the right-of-use asset. The exception being when the carrying amount of the right-of-use asset has been reduced to zero then any excess is recognised in profit or loss.

Payments under leases can also change when there is either a change in the amounts expected to be paid under residual value guarantees or when future payments change through an index or a rate used to determine those payments, including changes in market rental rates following a market rent review. The lease liability is remeasured only when the adjustment to lease payments takes effect and the revised contractual payments for the remainder of the lease term are discounted using an unchanged discount rate. Except for where the change in lease payments results from a change in floating interest rates, in which case the discount rate is amended to reflect the change in interest rates.

Drake and Scull International (P.J.S.C.) and its subsidiaries
Consolidated Financial Statements

Notes to the consolidated financial statements (continued)
For the year ended December 31, 2025

4 Material accounting policies (continued)

4.7 Leases (continued)

The Group as a lessee (continued)

Lease liabilities (continued)

The remeasurement of the lease liability is dealt with by a reduction in the carrying amount of the right-of-use asset to reflect the full or partial termination of the lease for lease modifications that reduce the scope of the lease. Any gain or loss relating to the partial or full termination of the lease is recognised in profit or loss. The right-of-use asset is adjusted for all other lease modifications.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (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). Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

An operating lease is a lease other than a finance lease. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in other income in the consolidated statement of profit or loss due to its non-operating nature.

Group as a lessor

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the lessee is classified as a finance lease.

An operating lease is a lease other than a finance lease. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in other income in the consolidated statement of profit or loss due to its non-operating nature.

4.8 Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Investments in associates is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment in associate is increased or decreased to recognise the Group's share of the profit or loss of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Group. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

Where the Group's share of losses in investment in associate equals or exceeds its equity accounted interest in the entities, including any other unsecured long-term receivables, the Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the other entity.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associates. 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 associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate.

Drake and Scull International (P.J.S.C.) and its subsidiaries
Consolidated Financial Statements

Notes to the consolidated financial statements (continued)
For the year ended December 31, 2025

4 Material accounting policies (continued)

4.8 Investments in associates (continued)

At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss within "Share of results of associates" in the consolidated statement of profit or loss. Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated statement profit or loss.

4.9 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.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), or 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. Except for trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, 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. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

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. 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.

Subsequent measurement

- Financial assets at amortised cost;
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); or
- Financial assets at fair value through profit or loss

Drake and Scull International (P.J.S.C.) and its subsidiaries
Consolidated Financial Statements

Notes to the consolidated financial statements (continued)
For the year ended December 31, 2025

4 Material accounting policies (continued)

4.9 Financial instruments (continued)

Financial assets (continued)

Subsequent measurement (continued)

Financial assets at amortised cost

This is the category most relevant to the Group. Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include contract assets, retention receivables, trade and other receivables, due from a related party and cash at bank.

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 statement of profit or loss. Dividends from financial assets at fair value through profit or loss investments are recognised as other income in the consolidated statement of profit or loss when the right of payment has been established.

Other categories of financial assets are not applicable to the Group.

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 consolidated statement of 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 rights 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 its 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

IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of the requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

Drake and Scull International (P.J.S.C.) and its subsidiaries
Consolidated Financial Statements

Notes to the consolidated financial statements (continued)
For the year ended December 31, 2025

4 Material accounting policies (continued)

4.9 Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').
- 'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category (i.e. Stage 1) while 'lifetime expected credit losses' are recognised for the second category (i.e. Stage 2).

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

Refer to Note 5.2 for a detailed analysis of how the impairment requirements of IFRS 9 are applied.

The Group considers a financial asset in default when contractual payments are 120 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.

Financial liabilities

Initial recognition and measurement

The Group has classified its financial liabilities, at initial recognition, as bank borrowings, trade and other payables, contract liabilities and lease liabilities as appropriate.

All of the Group's financial liabilities are recognised initially at fair value net of directly attributable transaction costs. The Group's financial liabilities include bank borrowings, trade and other payables, contract liabilities, provisions and lease liabilities.

Subsequent measurement

Subsequently, bank borrowings, trade and other payables, contract liabilities, provisions and lease liabilities are measured at amortised cost using the effective interest method. All interest-related charges are included within finance costs.

Derecognition

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 statement of profit or loss.

Drake and Scull International (P.J.S.C.) and its subsidiaries Consolidated Financial Statements

Notes to the consolidated financial statements (continued)
For the year ended December 31, 2025

4 Material accounting policies (continued)

4.9 Financial instruments (continued)

Financial liabilities (continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

4.10 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at bank and term deposits, together with other short-term, highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are included under liabilities due to their financing nature to the Group.

4.11 Revenue from contracts with customers

Revenue arises mainly from, construction of water, wastewater and sludge treatment plants, and infrastructure development works, and mechanical, electrical and plumbing (MEP) works.

To determine whether to recognise revenue, the Group follows a 5-step process:

- 1 Identifying the contract with a customer
- 2 Identifying the performance obligations
- 3 Determining the transaction price
- 4 Allocating the transaction price to the performance obligations, and then
- 5 Recognising revenue when/as performance obligation(s) are satisfied

The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the services before transferring them to the customer.

Wastewater, water and sludge treatment services

Revenue from contracts for wastewater, water and sludge treatment services is recognised over time using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., delivery of services or warranties etc.). In determining the transaction price, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

MEP and infrastructure development works

Revenue from MEP and construction contracts, including mechanical, electrical and plumbing installations, utilities, infrastructure works, and related civil construction activities is recognised over time using an input method to measure progress towards complete satisfaction of the service. This method reflects the transfer of control to the customer as the Group's performance creates or enhances an asset that the customer controls, and the Group has an enforceable right to payment for work performed to date.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., delivery of services or warranties etc.). In determining the transaction price, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

Drake and Scull International (P.J.S.C.) and its subsidiaries
Consolidated Financial Statements

Notes to the consolidated financial statements (continued)
For the year ended December 31, 2025

4 Material accounting policies (continued)

4.11 Revenue from contracts with customers (continued)

Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Contracts with customers specify that the Group is liable to pay penalty or for liquidated damages if certain conditions specified in the contract are not met for reasons not attributable to the customer. This penalty amount may vary for different contracts and/or customers. When the Group identifies the existence of variable consideration, it will estimate the amount of the consideration at contract inception by using the expected value approach and recognise a liability for the expected future losses.

Contract modifications

Variation orders or modifications to original contracts are common to the Group considering the long-term contracting nature of business. The terms for variation orders are defined in each contract. Generally, variations are priced by reference to the per unit rates agreed in the contract and the revised quantities required for the completion of the contract. In accordance with IFRS 15, the Group will account for a modification through a cumulative catch-up adjustment if the goods or services in the modification are not distinct and are part of a single performance obligation that is only partially satisfied when the contract is modified. Alternatively, the Group will account for a contract modification as a separate contract if the scope of contract increases due to addition of distinct goods or services and price of the contract increases by an amount that reflects the Group's standalone selling prices.

Warranty obligations

The Group provides its customers warranty against defects arising from normal and/or expected usage and maintenance for a period of 1 year from the date of taking over certificates. Management assessed that 1-year warranty for defects are considered as an assurance type warranty as this warranty is necessary to ensure that the delivered products/services are as specified in the contract for a minimum period. There is no separate performance obligation for this warranty.

The extended warranty which is given by the Group for a period longer than required by the normal practice, is usually for the purpose of detecting errors or defects in the work performed and is necessary to provide assurance that the goods or services comply with the agreed upon specifications, and accordingly, such warranties are treated as assurance type warranty. Otherwise, and in rare cases, such warranty will be treated as a service type warranty and thus will be considered as a separate performance obligation.

Where warranty is considered as an assurance type warranty, the Group accrues for the cost of satisfying the warranty liability on the basis of historical experiences in accordance with the provisions of IAS 37.

Contract balances

Contract assets

A contract asset is initially recognised for revenue earned from services because the receipt of consideration is conditional on successful completion of the service. Upon completion of the service 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 in note 4.9 *Financial instruments*.

Drake and Scull International (P.J.S.C.) and its subsidiaries
Consolidated Financial Statements

Notes to the consolidated financial statements (continued)
For the year ended December 31, 2025

4 Material accounting policies (continued)

4.11 Revenue from contracts with customers (continued)

Contract balances (continued)

Trade receivables

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 section in note 4.9 *Financial instruments*.

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).

4.12 Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the goods or services, or as incurred. Expenditure for warranties is recognised when the Group incurs an obligation, which is typically when the related goods are sold.

4.13 Equity and reserves

Share capital represents the nominal (par) value of shares that have been issued.

Share premium includes any premiums received on the issue of share capital while a share discount reflects the amount for which shares are issued below par value. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Share discount is recognized as a reduction of the share premium, or if insufficient premium exists, it is recognized as a separate component of equity. In cases where the issuance costs exceed the share premium, the excess is also treated as a reduction of equity.

Other components of equity include the following:

- Treasury shares – Own equity instruments that the market maker acquires on behalf of the Company. These are classified as treasury shares and are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in the share premium (see Note 15)
- Statutory reserve – comprises annual transfers from the Group's profit (see Note 16)
- Mandatory convertible Sukuks – represent equity, that will be converted into the Company's ordinary shares after a period of 5 years (see Note 17)
- Foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of the financial statements of the Group's foreign entities into AED.
- Retained earnings/(accumulated losses) include all current and prior period retained profits or losses.

4.14 Earnings per share

Basic earnings per share: Basic earnings per share is calculated by dividing the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares, by the weight average number of ordinary shares in issue during the year (excluding ordinary shares purchased by the Group and held as treasury shares).

Diluted earnings per share: Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

Drake and Scull International (P.J.S.C.) and its subsidiaries Consolidated Financial Statements

Notes to the consolidated financial statements (continued)
For the year ended December 31, 2025

4 Material accounting policies (continued)

4.15 Provisions

General

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. The timing or amount of the outflow may still be uncertain. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

Any reimbursement that the Group is virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Provision for legal cases

The Group recognizes a provision for legal cases when it is probable that an outflow of resources embodying economic benefits will be required to settle an obligation resulting from past events, and a reliable estimate can be made of the amount of the obligation.

Provisions are determined based on management's best estimate of the probable outcome of the legal cases, considering legal counsel's advice and past experience. When time value of money is material, the estimates are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the legal obligations. The unwinding of the discount is recognized as a finance cost in the consolidated statement of profit or loss. Changes in the estimated outcome of the legal cases or in the discount rate are recognized in the consolidated statement of profit or loss in the period of the change.

Warranty provisions

The Group provides warranties for general repairs of defects that existed at the time of project handover/post final certification, as required by law. Provisions related to these assurance-type warranties are recognised when the product is sold, or the service is provided to the customer. Initial recognition is based on historical experience. The estimate of warranty-related costs is revised annually.

4.16 Contingent liabilities

No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

4.17 Employees' end of service benefits

The Group provides end of service benefits to its employees in accordance with the applicable laws. The entitlement to these benefits is based upon the employees' salary and length of service, subject to the completion of a minimum service period prescribed in respective jurisdictional laws. The expected costs of these benefits are accrued over the period of employment. The provision for employees' end of service benefits is reported as separate line item under non-current liabilities in the consolidated statement of financial position.

Drake and Scull International (P.J.S.C.) and its subsidiaries
Consolidated Financial Statements

Notes to the consolidated financial statements (continued)
For the year ended December 31, 2025

4 Material accounting policies (continued)

4.18 Disposal groups and non-current assets held-for-sale

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

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

4.19 Discontinued operations

A discontinued operation is a component of the Group that either has been disposed of or is classified as held-for-sale. A discontinued operation represents a separate major line of the business. Profit or loss from discontinued operations comprises the post-tax profit or loss of discontinued operations and the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal group(s) constituting the discontinued operation.

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 profit or loss. All other notes to the consolidated financial statements include amounts for continuing operations, unless indicated otherwise.

4.20 Taxes

Tax expense recognised in consolidated statement of profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

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 statement of profit or loss. 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 assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses to the extent that it is probable that taxable profit will be available to be utilised, except in circumstances where IAS 12 does not permit.

Drake and Scull International (P.J.S.C.) and its subsidiaries Consolidated Financial Statements

Notes to the consolidated financial statements (continued)
For the year ended December 31, 2025

4 Material accounting policies (continued)

4.20 Taxes (continued)

Deferred tax (continued)

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 are recognised to the extent it is probable that the underlying tax loss or deductible temporary difference will be utilised against future taxable income. This is assessed based on the Group's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit.

Deferred tax liabilities are generally recognised in full, although IAS 12 specifies limited exemptions.

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.

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 the same taxable entity.

Value added tax

Expenses and assets are recognised net of the amount of value added tax, except:

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

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated financial statements.

5 Significant judgements and estimation uncertainty

When preparing the Group's consolidated financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, revenue and expenses.

5.1 Significant management judgements

The following are the significant judgements made by management in applying the accounting policies of the Group that have the most significant effect on these consolidated financial statements.

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

Drake and Scull International (P.J.S.C.) and its subsidiaries
Consolidated Financial Statements

Notes to the consolidated financial statements (continued)
For the year ended December 31, 2025

5 Significant judgements and estimation uncertainty (continued)

5.1 Significant management judgements (continued)

Determining the timing of satisfaction of contract revenue

For some of the Group's contracts with customers significant judgement is required to assess whether control of the related performance obligation(s) transfers to the customer over time or at a point in time in accordance with IFRS 15. Specifically, for contracts that involve developing a customer-specific asset with no alternative use to the Group, judgement is needed to determine whether the Group is entitled to payment for its performance throughout the contract period if the customer sought to cancel the contract.

In making this assessment the Group compares the amount it is entitled to collect based on the agreed payment schedule to the estimated level of costs at all stages in the contract.

5.2 Estimation uncertainty

Information about estimates and assumptions that may have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Allowance for expected credit losses of trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

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 are expected to deteriorate over the next year which can lead to an increased number of defaults, 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 receivables and contract assets is disclosed in Note 36.2.

Estimated total contract costs

The Group determines the measurement of estimated total contract cost based on assessment of future activity of the contract. As the contract progresses, the Group reviews and, when necessary, revises the estimates of contract revenue and contract costs based on assessments of the outcome of future events. The estimates are revised as events occur and uncertainties are resolved. Any expected loss on a contract is recognised immediately.

Drake and Scull International (P.J.S.C.) and its subsidiaries
Consolidated Financial Statements

Notes to the consolidated financial statements (continued)
For the year ended December 31, 2025

6 Property and equipment

	Building AED'000	Machinery AED'000	Furniture, fixtures and equipment AED'000	Motor vehicles AED'000	Total AED'000
2025					
Cost					
As at January 1,	172	7,436	6,079	1,020	14,707
Additions	-	-	661	1,821	2,482
Disposal	-	-	(278)	(65)	(343)
Currency translation differences	3	-	789	246	1,038
As at December 31,	175	7,436	7,251	3,022	17,884
Accumulated depreciation					
As at January 1,	114	7,436	6,030	545	14,125
Charge for the year	29	-	172	446	647
Disposals	-	-	(267)	(65)	(332)
Currency translation differences	2	-	551	135	688
As at December 31,	145	7,436	6,486	1,061	15,128
Net carrying amount as at December 31,	30	-	765	1,961	2,756

	Building AED'000	Machinery AED'000	Furniture, fixtures and equipment AED'000	Motor vehicles AED'000	Total AED'000
2024					
Cost					
As at January 1,	140	7,534	6,175	1,100	14,949
Additions	38	-	76	163	277
Currency translation differences	(6)	(98)	(172)	(243)	(519)
As at December 31,	172	7,436	6,079	1,020	14,707
Accumulated depreciation					
As at January 1,	79	7,534	6,050	515	14,178
Charge for the year	16	-	209	27	252
Disposals	19	(98)	(229)	3	(305)
As at December 31,	114	7,436	6,030	545	14,125
Net carrying amount as at December 31,	58	-	49	475	582

Depreciation charge for the year has been allocated to the consolidated statement of profit or loss as follows:

	2025 AED'000	2024 AED'000
General and administrative expenses (Note 29)	291	171
Cost of revenue (Note 27)	356	81
	647	252

Drake and Scull International (P.J.S.C.) and its subsidiaries
Consolidated Financial Statements

Notes to the consolidated financial statements (continued)
For the year ended December 31, 2025

7 Development property

Development property amounted to AED 24,863 thousand as at December 31, 2025 (2024: AED Nil), comprising the cost of land located in Majan, Dubai and other development cost. The Group has planned to develop a commercial project on the land. The movement in the development property is as follows:

	2025 AED'000
Land	21,111
Development costs	3,752
At December 31,	<u>24,863</u>

8 Leases

The Group has lease contracts for land, office premises and motor vehicles used in its operations. Set out below are the carrying amounts of right-of-use assets recognized and the movements during the year:

	2025 AED'000	2024 AED'000
As at January 1,	6,433	2,161
Additions*	2,864	4,976
Depreciation (Note 29)	(1,494)	(579)
Currency translation differences	165	(125)
As at December 31,	<u>7,968</u>	<u>6,433</u>

Set out below are the carrying amounts of lease liabilities recognised and the movements during the year:

	2025 AED'000	2024 AED'000
As at January 1,	6,487	2,107
Additions*	2,864	4,976
Accretion of interest (Note 31)	279	142
Payments	(1,530)	(781)
Currency translation differences	189	43
As at December 31,	<u>8,289</u>	<u>6,487</u>

Disclosed in the consolidated statement of financial position at December 31 as follows:

	2025 AED'000	2024 AED'000
Non-current	6,947	5,164
Current	1,342	1,323
	<u>8,289</u>	<u>6,487</u>

Maturity analysis and undiscounted future contractual cash flows of lease liabilities are disclosed in Note 36.3. The following are the amounts recognised in the consolidated statement of profit or loss with relation to leases:

	2025 AED'000	2024 AED'000
Depreciation of right-of-use assets (Note 29)	1,494	579
Interest on lease liabilities (Note 31)	279	142
Expense relating to short-term leases (Note 29)	452	1,809
	<u>2,225</u>	<u>2,530</u>

*Represents impact resulting from reassessment of lease due to increase in lease term without change in the scope.

Drake and Scull International (P.J.S.C.) and its subsidiaries
Consolidated Financial Statements

Notes to the consolidated financial statements (continued)
For the year ended December 31, 2025

8 Leases (continued)

The Group does not have lease contracts that contain variable payments. The Group's lease contracts contain extension and termination options, which have not been included in lease liabilities. The Group had total cash outflows for leases of AED 1,530 thousand in 2025 (2024: AED 781 thousand). The Group also had non-cash additions to right-of-use assets and lease liabilities of AED 2,864 thousand in 2025 (2024: AED 4,976 thousand).

9 Investment in an associate

The Group has a 40% interest in Campco Properties LLC classified as investment in an associate and involved in the business of real estate lease and management services. The Group's interest in Campco Properties LLC is accounted for using the equity method in the consolidated financial statements. Summarised financial information of the associate is set out below:

Summarised statement of financial position

	2025 AED'000	2024 AED'000
Non-current assets	70,902	77,341
Current assets	345	327
Non-current liabilities	-	(5,018)
Current liabilities	(95,922)	(96,111)
Net assets	(24,675)	(23,461)
The Group's share in equity of the associate (40%)	-	-

Summarised statement of profit or loss

	2025 AED'000	2024 AED'000
Revenue	5,625	2,769
Cost of revenue	(6,655)	(9,049)
Gross loss	(1,030)	(6,280)
General and administrative expenses	(184)	(1,218)
Other income	-	219
Loss for the year	(1,214)	(7,279)

The Group has reduced the carrying amount of the investment in the associate to nil, and accordingly, has not accounted for any liability related to additional losses on the basis that it does not have any legal or constructive obligations towards such losses.

10 Investment property

Investment property represents the Group's fully depreciated labour camp building located in Dubai Investment Park (DIP), Dubai.

	2025 AED'000	2024 AED'000
Cost	8,548	8,548
Accumulated depreciation	(8,548)	(8,548)
Net carrying amount as at December 31,	-	-

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

Drake and Scull International (P.J.S.C.) and its subsidiaries
Consolidated Financial Statements

Notes to the consolidated financial statements (continued)
For the year ended December 31, 2025

10 Investment property (continued)

The fair value of the investment property as at December 31, 2025 was determined to be AED 9.5 million (December 31, 2024: AED 9.74 million).

The above valuation of the property is determined on the basis of income approach, which reflects the present value of future cash flows expected to be generated from the property. This approach involves capitalising the net maintainable income using market-based capitalisation rates. The key unobservable inputs include the estimated market rental rate and the capitalisation rates applied.

The fair value is based on a valuation performed by an accredited independent valuer. The valuation has been prepared in accordance with the RICS Valuation – Global Standards (the “Red Book”), issued by the Royal Institution of Chartered Surveyors (“RICS”), which incorporate the International Valuation Standards issued by the International Valuation Standards Council.

The property rental income earned by the Group from its investment property, which is leased under operating leases, and the direct operating expenses incurred are as follows:

	2025 AED'000	2024 AED'000
Rental income derived from investment properties (Note 30)	1,332	1,212
Rental expense	(308)	(308)

The lease contracts are non-cancellable after the commencement of the lease. Future minimum lease rentals are as follows:

	Minimum lease income due			Total AED'000
	within 1 year AED'000	1 - 5 years AED'000	More than 5 years AED'000	
December 31, 2025	456	-	-	456
December 31, 2024	1,332	456	-	1,788

11 Trade and other receivables

	2025 AED'000	2024 AED'000
<i>Financial assets at amortised cost:</i>		
Trade receivables, gross	473,438	447,903
Less: allowance for expected credit losses	(424,330)	(422,120)
Trade receivables, net	49,108	25,783
Balance held with a third-party licensed Market Maker (Note 15)	25,380	30,907
Accrued interest	5,910	2,163
Other receivables, gross	32,945	22,084
Less: allowance for expected credit losses on other receivables	(7,773)	-
	105,570	80,937
<i>Non-financial assets at amortised cost:</i>		
Prepayments	1,793	1,473
Advance to suppliers	24,964	8,237
Advance to sub-contractors	37,316	-
VAT receivable	45,032	25,220
	214,675	115,867
Less: non-current portion of trade receivable	(22,875)	-
Less: non-current portion of retentions receivable	(13,119)	(7,386)
Trade and other receivables	178,681	108,481

Drake and Scull International (P.J.S.C.) and its subsidiaries
Consolidated Financial Statements

Notes to the consolidated financial statements (continued)
For the year ended December 31, 2025

11 Trade and other receivables (continued)

The movement in the allowance for expected credit losses on trade receivables during the year is as follows:

	2025 AED'000	2024 AED'000
As at January 1,	422,120	435,040
Charge for the year	1,128	148
Write-offs	-	(13,979)
Currency translation differences	1,082	911
As at December 31,	<u>424,330</u>	<u>422,120</u>

The movement in the allowance for expected credit losses on other receivables during the year is as follows:

	2025 AED'000	2024 AED'000
As at January 1,	-	-
Charge for the year	7,773	-
As at December 31,	<u>7,773</u>	<u>-</u>

Other receivables include a deposit amount of AED 15 million made to a real estate broker for the acquisition of a plot of land located in the city of Al Ain.

12 Financial asset at fair value through profit or loss

	2025 AED'000	2024 AED'000
Investment in a real estate fund	644	1,351

The fair value of the fund is based on the 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 recognised a change in fair value loss of AED 707 thousand on the financial asset at fair value through profit or loss (2024: Gain of AED 365 thousand) (Note 30).

13 Cash and cash equivalents

	2025 AED'000	2024 AED'000
Bank balances	21,451	33,093
Fixed deposits*	227,616	372,409
Cash in hand	544	615
	<u>249,611</u>	<u>406,117</u>
Less: allowance for expected credit losses	(14,519)	(15,588)
Bank balances and deposits	<u>235,092</u>	<u>390,529</u>
Less: bank overdrafts (Note 20)	(7,247)	(6,420)
Less: fixed deposits with original maturity of more than three months	(40,000)	(180,030)
Less: deposits under lien*	(35,892)	(32,524)
Cash and cash equivalents	<u>151,953</u>	<u>171,555</u>

*Fixed deposits include a deposit of AED 88,879 thousand as at December 31, 2025 (2024: AED 108,879 thousand) with a local incorporated financial investment and brokerage entity. These carry an interest ranging between 6% to 6.5% per annum (2024: 6% to 6.5% per annum). During the year, an interest income of AED 5,800 thousand (2024: AED 2,503 thousand) was recorded in the Consolidated statement of profit or loss.

Drake and Scull International (P.J.S.C.) and its subsidiaries
Consolidated Financial Statements

Notes to the consolidated financial statements (continued)
For the year ended December 31, 2025

13 Cash and cash equivalents (continued)

The deposits also include deposits under lien against bank guarantees amounting to AED 35,892 thousand (2024: AED 32,524 thousand) that carry an average interest ranging between 2.25 % to 7.65% per annum (2024: 4.0% to 7.7% per annum).

The movement in the allowance for expected credit losses during the year is as follows:

	2025 AED'000	2024 AED'000
As at January 1,	15,588	-
(Reversal)/charge for the year (Note 30)	(1,069)	15,588
As at December 31,	<u>14,519</u>	<u>15,588</u>

14 Share capital

	2025 AED'000	2024 AED'000
Authorized, issued and fully paid 2,886,697,023 shares of AED 1 each (2024: 2,886,697,023 shares of AED 1 each)	<u>2,886,697</u>	<u>2,886,697</u>

15 Treasury shares

This represents the acquisition cost of the Company's shares traded by the Market Maker. As at December 31, 2025, the Market Maker held 13,939,207 (December 31, 2024: 1,226,412) of the Company's own shares on behalf of the Company. A net cumulative loss on disposal of AED 1,865 thousand for the year ended December 31, 2025 (2024: Gain of AED 2,552 thousand) within share discount. As at December 31, 2025 and December 31, 2024 the Company also held a balance amounting to AED 25,380 thousand (2024: AED 30,907 thousand) with the Market Maker to be utilised for the acquisition of further treasury shares (Note 11).

16 Statutory reserve

In accordance with the UAE Federal Law by Decree No. 32 of 2021 (as amended), 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 Company. This reserve is non-distributable except in certain circumstances stipulated by the law. During the year, the Group absorbed an amount of AED 479,454 thousand from statutory reserve to accumulated losses under the approval from the shareholders obtained in its Annual General Meeting held on April 30, 2025.

17 Mandatory Convertible Sukuks

As at December 31, 2025, the Group has issued 74,094 Mandatory Convertible Sukuks ("MCSs") (2024: 73,626) to its qualified creditors each having carry value of AED 5,000 per MCS. MCSs are convertible into ordinary shares of the Company after a period of 5 years from the date of their issuance.

In accordance with the MCSs agreement, the overall converted shares shall be 35% of the overall issued capital of the Company post conversion. Consequently, any further issuance as a result of acceptance of late claims by the court expert would dilute the holding percentage of the existing MCSs holders.

Movement during the year is as follows:

	2025 AED'000	2024 AED'000
As at January 1,	368,130	-
Issued during the year	2,340	368,130
As at December 31,	<u>370,470</u>	<u>368,130</u>

Drake and Scull International (P.J.S.C.) and its subsidiaries
Consolidated Financial Statements

Notes to the consolidated financial statements (continued)
For the year ended December 31, 2025

18 Employees' end of service benefits

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

	2025	2024
	AED'000	AED'000
As at January 1,	9,129	12,045
Charge for the year	388	758
Transferred to trade payables and accruals*	-	(1,186)
Paid during the year	(2,182)	(1,579)
Currency translation differences	533	(909)
As at December 31,	7,868	9,129

*In the year 2024, the Group reclassified provision for end of service benefits to trade payables and accruals being liabilities pertaining to individuals who are no longer engaged with the Group. This transaction has been eliminated in the 2024 consolidated statement of cash flows being a non-cash transaction.

19 Provisions

	2025	2024
	AED'000	AED'000
Provision for legal cases	32,066	33,885
Provision for bond encashment	56,622	14,017
Provision for late claims	19,720	-
	108,408	47,902

The movement in the provisions during the year is as follows:

	2025	2024
	AED'000	AED'000
As at January 1,	47,902	1,545,181
Additional provisions made (Note 28)	70,772	28,651
Write-back of provision under approved restructuring plan	-	(1,246,824)
Conversion of provisions to MCSs	-	(138,536)
Reversal of provision for contingent liabilities of overseas operations	-	(36,000)
Transferred to other payables	(6,537)	(53,005)
Reversal of provisions	-	(51,565)
Paid during the year	(3,729)	-
As at December 31,	108,408	47,902

20 Bank borrowings

	2025	2024
	AED'000	AED'000
Bank overdrafts (Note 13)	7,247	6,420
Bond encashment	2,612	2,312
	9,859	8,732

Bank overdrafts carry interest rate ranging between 8.51% to 10.65% per annum (2024: 9% to 12% per annum). An overdraft facility amounting to Euro 4 million (2024: Euro 4 million) is secured against corporate guarantee from the Company.

Drake and Scull International (P.J.S.C.) and its subsidiaries
Consolidated Financial Statements

Notes to the consolidated financial statements (continued)
For the year ended December 31, 2025

21 Trade and other payables

	2025 AED'000	2024 AED'000
<i>Financial liabilities at amortised cost:</i>		
Trade payables*	72,282	65,195
Employee liabilities	30,942	69,004
Accrued expenses	28,847	10,554
	<u>132,071</u>	<u>144,753</u>
<i>Non-financial liabilities at amortised cost:</i>		
Withholding tax payable	5,750	5,751
	<u>137,821</u>	<u>150,504</u>

*Includes an amount of AED 9,020 thousand as at December 31, 2025 (2024: AED 11,110 thousand) payable to small creditors under approved restructuring settlement plan.

22 Related party balances and transactions

Related parties represent major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management in line with the approval of the Group's Board of Directors.

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

Due from a related party

	2025 AED'000	2024 AED'000
Campco Properties LLC – Associate	77,017	76,474
Less: allowance for expected credit losses	(51,949)	(23,227)
	<u>25,068</u>	<u>53,247</u>

Related party transactions

Transactions with a related party included in the consolidated statement of financial position is as follows:

	2025 AED'000	2024 AED'000
Campco Properties LLC - Associate		
Payment on behalf of associate	543	470

Transactions with related parties are entered into on mutually agreed terms and conditions.

Compensation of key management personnel

	2025 AED'000	2024 AED'000
Short-term benefits	7,704	3,173
End of service benefits	251	120
Directors' fee (Note 29)	2,450	-
	<u>10,405</u>	<u>3,293</u>

Drake and Scull International (P.J.S.C.) and its subsidiaries
Consolidated Financial Statements

Notes to the consolidated financial statements (continued)
For the year ended December 31, 2025

23 Contingencies and commitments

	2025 AED'000	2024 AED'000
<i>Contingencies:</i>		
Letters of guarantee	266,380	281,182
Performance bonds	233,661	261,500
	<u>500,041</u>	<u>542,682</u>
<i>Commitments:</i>		
Letters of credit	-	4,653
	<u>-</u>	<u>4,653</u>

Legal cases - the Group as plaintiff

During the year 2018, the Group informed DFM that there were suspicious material financial violations by the previous management of the Group which are currently under investigation by the designated authorities in the UAE. Accordingly, the Company has filed civil and criminal cases against the previous management and others with respect of these violations whereby criminal complaints were filed with the Abu Dhabi Public Funds Prosecutor's office.

These legal cases are ongoing, and the Company is continuously following up with their status with the objective to protect the rights of the shareholders of the Company.

Legal cases - the Group as defendant

The Group is facing multiple civil cases from ex-employees mainly related to non-payment of their dues. Management assessed and concluded that in respect of the employee cases, the liabilities recorded by the Group in these consolidated financial statements are sufficient to cover such claims.

The Group is also facing several civil legal cases with suppliers and subcontractors for non-payment of their dues. On the basis that any such claims that may be approved by the expert appointed by the Court will be subject to the settlement criteria of 90% write-back and 10% settlement in cash or Sukuk, management has concluded that, save as set out in these consolidated financial statement, no additional provisions are required to be recognised by the Group. Furthermore, the Group continues the settlement of legal cases with ex-employees and commercial creditors in accordance with the approved restructuring settlement plan.

Given the settlement of all major lenders and creditors in the year 2024, the management does not expect that any late claims will be material.

Commitments

At December 31, 2025, the Group had commitments of AED 591,890 thousand (2024: AED Nil) relating to infrastructure development work in the Arabian Hills project.

Drake and Scull International (P.J.S.C.) and its subsidiaries
Consolidated Financial Statements

Notes to the consolidated financial statements (continued)
For the year ended December 31, 2025

24 Categories of financial assets and financial liabilities

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of assets and liabilities:

	2025 AED'000	2024 AED'000
Financial assets at amortised cost:		
Non-current		
Retentions receivable	13,119	7,386
Trade Receivable	22,875	-
	<u>35,994</u>	<u>7,386</u>
Current		
Trade and other receivables	64,240	73,551
Contract assets	35,497	14,718
Amount due from a related party	25,068	53,247
Bank balances	254,403	405,502
	<u>379,208</u>	<u>547,018</u>
Financial asset at fair value through profit or loss	644	1,351
	<u>415,846</u>	<u>555,755</u>
Financial liabilities at amortised cost:		
Trade and other payables	132,071	144,753
Lease liabilities	8,289	6,487
Bank borrowings	9,859	8,732
	<u>150,219</u>	<u>159,972</u>

Note 4.9 provides a description of each category of financial assets and financial liabilities and the related accounting policies. A description of the Group's financial instrument risks, including risk management objectives and policies is given in Note 36.

25 Revenue from contract with customers

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	2025 AED'000	2024 AED'000
<i>Type of revenue:</i>		
Wastewater, water and sludge treatment projects	194,548	101,839
Infrastructure development work/plumbing services	29,232	1,833
	<u>223,780</u>	<u>103,672</u>
<i>Geographical market:</i>		
Republic of India	99,015	47,091
Kingdom of Jordan	31,381	3,230
Republic of Tunisia	30,103	20,312
United Arab Emirates	29,232	1,833
Romania	18,019	28,999
Kingdom of Saudi Arabia	10,871	2,129
Others	5,159	78
	<u>223,780</u>	<u>103,672</u>

All of the Group's revenue is recognized over time.

Information about segment reporting is disclosed in Note 26 of these consolidated financial statements.

Drake and Scull International (P.J.S.C.) and its subsidiaries
Consolidated Financial Statements

Notes to the consolidated financial statements (continued)
For the year ended December 31, 2025

25 Revenue from contract with customers (continued)

Contract balances

	2025 AED'000	2024 AED'000
<i>Non-current</i>		
Retentions receivable (Note 11)	13,119	7,386
Trade receivables (Note 11)	22,875	-
<i>Current</i>		
Trade receivable, net (Note 11)	13,114	18,397
Contract assets, net (see below)	35,497	14,718
Contract liabilities (see below)	59,793	36,093

Trade receivables

Trade receivables are non-interest bearing and are mostly on terms of 60 to 120 days from the date of billing. As at December 31, 2025, trade receivables with gross carrying value of AED 25.5 million were reduced to AED 22.9 million reflecting an impact of discounting as the amount is due after 365 days (2024: AED Nil). In 2025, AED 1,128 thousand was recognised as charge for expected credit losses on trade receivables (2024: AED 148 thousand) (Note 11). Contract assets relate to revenue earned from wastewater treatment and water sludge services contracts. As such, the balances of this account vary and depend on the number of ongoing contracts at the end of the year.

	2025 AED'000	2024 AED'000
Amount due from contracts with customers	209,883	188,022
Less: allowance for expected credit losses	(174,386)	(173,304)
	35,497	14,718

Contract liabilities

	2025 AED'000	2024 AED'000
Due to customers for contract work	45,675	22,466
Short-term customer advances	14,118	13,627
	59,793	36,093

26 Segment reporting

Information regarding the Group's operating segments set out below is 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 purposes, the Group is organised into business units based on their types of services and has three reportable business segments which are: (1) wastewater treatment and water sludge, (2) Mechanical Electrical and Plumbing (MEP) and Infrastructure development work, and (3) Corporate. The wastewater treatment and water sludge business involves the construction of plants for purification of contaminated water through various treatment processes and the management of the resulting solid byproducts (sludge) for safe disposal or reuse.

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

Corporate segment represents the corporate office of the Group.

Drake and Scull International (P.J.S.C.) and its subsidiaries
Consolidated Financial Statements

Notes to the consolidated financial statements (continued)
For the year ended December 31, 2025

26 Segment reporting (continued)

Segment information for the year ended December 31 is as follows.

	For the year ended December 31, 2025			For the year ended December 31, 2024			
	Wastewater treatment and water sludge AED'000	Infrastructure development work and MEP AED'000	Corporate AED'000	Wastewater treatment and water sludge AED'000	Infrastructure development work and MEP AED'000	Corporate AED'000	Total AED'000
Revenue							
External customers	194,548	29,232	-	101,839	1,833	-	103,672
Income/(expense)							
Sub-contracting cost	(61,227)	(21,237)	-	(39,280)	(829)	-	(40,109)
Material costs	(98,660)	-	-	(42,523)	-	-	(42,523)
Other direct costs	(22,036)	(3,855)	-	(14,755)	(1,007)	-	(15,762)
General and administrative expenses	(14,937)	(7,537)	(24,387)	(13,217)	(21,375)	(5,158)	(39,750)
Operating loss	(2,312)	(3,397)	(24,387)	(7,936)	(21,378)	(5,158)	(34,472)
Provisions	-	(11,280)	(59,492)	(24,307)	(3,460)	(884)	(28,651)
Allowance for expected credit losses	(975)	(36,649)	-	(387)	(10,054)	(5,530)	(15,971)
Impact of discounting of receivables	(2,705)	(2,655)	-	-	-	-	-
Restructuring costs	-	-	(4,746)	-	-	(41,915)	(41,915)
(Loss)/gain resulting from approved restructuring settlement plan	-	(385)	(1,955)	-	528,817	3,264,067	3,792,884
Other income	5,519	20,973	10,130	334	31,170	29,150	60,654
Finance income	823	6	12,786	770	325	11,503	12,598
Finance cost	(178)	(98)	(118)	(1,841)	(152)	(1,371)	(3,364)
Segment (loss)/profit before tax	172	(33,485)	(67,782)	(33,367)	525,268	3,249,862	3,741,763

Drake and Scull International (P.J.S.C.) and its subsidiaries
Consolidated Financial Statements

Notes to the consolidated financial statements (continued)
For the year ended December 31, 2025

26 Segment reporting (continued)

	Wastewater treatment and water sludge AED'000	Infrastructure development work and MEP AED'000	Corporate AED'000	Elimination AED'000	Total AED'000
As at December 31, 2025					
Total assets	217,737	352,363	889,130	(895,124)	564,106
Total liabilities	205,090	270,021	207,580	(350,219)	332,473
As at December 31, 2024					
Total assets	163,902	335,799	952,495	(852,145)	600,051
Total liabilities	148,271	233,795	505,396	(625,413)	262,049

Reconciliation of assets and liabilities:

	2025 AED'000	2024 AED'000
Segment assets	564,106	600,051
Assets held for sale	46,703	46,975
Total assets in the consolidated statement of financial position	610,809	647,026
Segment liabilities	332,473	262,049
Liabilities directly associated with assets held for sale	82,898	233,242
Total liabilities in the consolidated statement of financial position	415,371	495,291

27 Cost of revenue

	2025 AED'000	2024 AED'000
Material costs	98,660	42,523
Sub-contracting costs	82,464	40,109
Labour and staff cost	12,893	11,777
Depreciation of property and equipment (Note 6)	356	81
Other costs	12,642	3,904
	207,015	98,394

28 Provisions

	2025 AED'000	2024 AED'000
Provision for bond encashment (Note 19)	46,852	14,017
Provision for late claims (Note 19)	19,720	-
Provision for legal cases (Note 19)	4,200	14,634
	70,772	28,651

Drake and Scull International (P.J.S.C.) and its subsidiaries
Consolidated Financial Statements

Notes to the consolidated financial statements (continued)
For the year ended December 31, 2025

29 General and administrative expenses

	2025 AED'000	2024 AED'000
Salaries and other employee benefits	24,751	20,503
Legal and professional fees	9,960	9,312
Directors' fee (Note 22)	2,450	-
Business development	1,579	1,121
Depreciation of right-of-use assets (Note 8)	1,494	579
Office expenses	1,381	1,018
IT related expenses	775	556
Short-term leases	452	1,809
Business travel	307	487
Depreciation of property and equipment (Note 6)	291	171
Transportation	284	309
Bank charges	133	126
Others	3,004	3,759
	<u>46,861</u>	<u>39,750</u>

30 Other income

	2025 AED'000	2024 AED'000
Liabilities written-back*	26,352	18,455
Writeback of provision for legal cases	3,954	-
Dividend income	1,831	-
Rental income (Note 10)	1,332	1,212
Reversal of allowance for expected credit losses on bank balances	1,069	-
Reversal of provision for contingent liabilities of overseas operations	-	36,000
Recovery of receivables written off in prior periods	-	1,854
Change in fair value of financial assets at FVTPL (Note 12)	(707)	365
Others	2,791	2,768
	<u>36,622</u>	<u>60,654</u>

*These liabilities have been written-back as the related dues have been settled with the respective parties and the Group does not expect any further outflow of economic resources in relation to these obligations.

31 Finance income and finance cost

	2025 AED'000	2024 AED'000
<i>Finance income:</i>		
Interest income on bank deposits	<u>13,615</u>	<u>12,598</u>
<i>Finance cost:</i>		
Interest expense on bank borrowings	115	3,222
Interest expense on lease liabilities (Note 8)	279	142
	<u>394</u>	<u>3,364</u>

Drake and Scull International (P.J.S.C.) and its subsidiaries
Consolidated Financial Statements

Notes to the consolidated financial statements (continued)
For the year ended December 31, 2025

32 Income tax

During the year, the Group submitted its corporate tax return for the year ended December 31, 2024. While computing the taxable income, the Group excluded gain of AED 3.7 billion resulting from write back of its liabilities under approved restructuring settlement plan. The management treatment to exclude such gain was based on private clarification sought from the Federal Tax Authority ("FTA") with regards to tax treatment of such gain. The Group had sought clarifications for three of its companies that were part of restructuring settlement plan. On July 2, 2025, the Management received a response for one of the three entities only.

In accordance with clarification received from the FTA, the management believes that the gain arising from the restructuring will not be subject to corporate tax as the certain conditions outlined in the clarification were met. The eligibility to exempt such gain was also contingent on the fair valuation of such liabilities at the beginning of the first taxable period, therefore the management engaged an independent valuer to assess the fair value of the restructured liabilities. The report from the valuation expert indicated fair value of such liabilities to be Nil as at January 1, 2024. Given the satisfaction of conditions under Article 4(1) of Ministerial Decision No. 120 of 2023 and fair value of the liabilities, the management excluded such gain while computing the taxable income for the year ended December 31, 2024.

Furthermore, as of December 31, 2025 the Group has not received a response from FTA concerning the remaining two entities involved in the restructuring. However, in order to meet the corporate tax return filing timeline and given the similarity in the accounting treatment, the Group decided to benchmark the existing clarification received on July 2, 2025 to determine the taxable income for the remaining two entities. Based on the conclusion drawn on the FTA clarification, management excluded the gains in the respective tax returns of the remaining two entities, mirroring the approach taken for the entity for which clarification had been received.

The major components of income tax expense or reversal for the years ended December 31, 2025 and 2024 are as follows:

	2025 AED'000	2024 AED'000
<i>Current income tax</i>		
Current income tax charge	(1,591)	(2,509)
Prior year income tax reversal	2,136	-
<i>Deferred tax</i>		
Relating to (reversal)/origination of temporary differences	(1,800)	1,800
Income tax expense reported in profit or loss	(1,255)	(709)

Reconciliation of tax expense and the accounting profit multiplied by UAE's domestic tax rate is as follows.

	2025 AED'000	2024 AED'000
Accounting profit before tax from continuing operations	(101,095)	3,741,763
Profit before tax from discontinued operations	149,399	17,532
Accounting profit before income tax	48,304	3,759,295
Less: income taxable at the rate of 0%	(375)	(1,125)
Taxable accounting profit before income tax	47,929	3,758,170
At the UAE's statutory tax rate of 9%	4,314	338,235
Non-taxable gain resulting from winding up/write back of liabilities under approved restructuring settlement plan	(13,561)	(341,360)
Effect of higher tax rate in foreign jurisdictions	409	87
Effect of non-taxable losses of loss-making entities within the Group	7,919	3,747
Reversal of prior year income and deferred tax	(336)	-
At the effective tax rate of 2.6%/0.02%	(1,255)	(709)

Drake and Scull International (P.J.S.C.) and its subsidiaries
Consolidated Financial Statements

Notes to the consolidated financial statements (continued)
For the year ended December 31, 2025

32 Income tax (continued)

Deferred tax

Deferred tax relates to the following:

	2025 AED'000	2024 AED'000
Carry forward losses*	17,543	15,524
Provisions	-	400
Expected credit losses	-	1,400
Net deferred tax asset	17,543	17,324

*Relates to previous period losses of Passavant carried forward, which are available indefinitely to be offset against future taxable profit.

The movement in the deferred tax asset is as follows:

	2025 AED'000	2024 AED'000
As at January 1,	17,324	15,852
Provisions	(400)	
Allowance for expected credit losses	(1,400)	
Relating to origination of temporary differences	-	1,800
Foreign exchange differences	2,019	(328)
As at December 31,	17,543	17,324

33 Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the profit/(loss) for the year attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the Parent after adjusting for interest on the Mandatory Convertible Sukuks by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	2025 AED	2024 AED
(Loss)/profit attributable to ordinary equity holders of the Parent:		
- Continuing operations (AED'000)	(102,350)	3,741,054
- Discontinued operations (AED'000)	26,741	13,727
(Loss)/profit attributable to ordinary equity holders of the Parent for basic and diluted earnings (AED'000)	(75,609)	3,754,781
Weighted average number of ordinary shares for basic EPS	2,875,075	2,228,390
Add: effect of dilution from MCSs	1,554,375	1,554,375
Total weighted average number of ordinary shares adjusted for the effect of dilution	4,429,450	3,782,765
Earnings per share:		
Basic earnings per share (AED)		
- From continuing operations	(0.036)	1.679
- From discontinued operations	0.009	0.006
Earnings per share	(0.027)	1.685

Drake and Scull International (P.J.S.C.) and its subsidiaries
Consolidated Financial Statements

Notes to the consolidated financial statements (continued)
For the year ended December 31, 2025

33 Earnings per share (continued)

	2025	2024
Diluted earnings per share (AED)		
- From continuing operations	(0.023)	0.989
- From discontinued operations	0.006	0.004
Diluted earnings per share	(0.017)	0.993

The weighted average number of shares takes into account the weighted average effect of changes in treasury shares during the year.

34 Discontinued operations

The Group has following entities/ventures classified as discontinued operations.

- Egypt*
 - Drake & Scull International for Contracting SAE (D&S Egypt)
 - Oil and Gas Egypt
 - Misr Sons Development S.A.E
- Kuwait*
 - Drake & Scull International for Electrical Contracting WLL (D&S Kuwait)
- People's Democratic Republic of Algeria*
 - DSC CCC JV (DSC Algeria)
 - Drake & Scull Engineering - Algeria (DSE Algeria)
- Hashemite Kingdom of Jordan*
 - Drake & Scull Engineering LLC (D&S Jordan)
 - Drake & Scull International (DSI Jordan)
- Thailand*
 - Drake & Scull International (Thailand) Company Limited (D&S Thailand)
 - Drake & Scull International (Asia) Limited (DSI ASIA)
- Syrian Arab Republic*
 - Drake & Scull Syria Limited Liability Company - (D&S Syria)
- Kingdom of Saudi Arabia*
 - Drake & Scull International PJSC (Branch - DSWP KSA)
 - DSWP - Saudi Arabia (DSWP KSA)
 - Orient Corner Contracting Company
 - International Center for Contracting
- Qatar*
 - Drake and Scull Water & Power - (DSWP Qatar)
- State of Libya*
 - DS International FOR General Contracting
- United Arab Emirates*
 - Drake & Scull International Construction Company LLC
 - DSI-HLS Joint Venture (AUH)
 - HLS-DSE Joint Venture (DXB) – JOC
 - HLS-DSE Joint Venture (DXB) – Habtoor

Drake and Scull International (P.J.S.C.) and its subsidiaries
Consolidated Financial Statements

Notes to the consolidated financial statements (continued)
For the year ended December 31, 2025

34 Discontinued operations (continued)

DSC CCC JV (DSC Algeria) and Drake & Scull Engineering - Algeria (DSE Algeria)

On July 20, 2023, DSC CCC JV (DSC Algeria) Algeria, received a termination notice from its client in Algeria (Emiral) for its project Zone -1 (consisting of four residential high-rise buildings) and Zone 4 (consisting of fifteen villas) of the Multipurpose real property complex, located in the Town of Staoueli, Wilaya of Algiers. In addition, due to the termination of the main contract with Emiral, Drake & Scull Engineering Algeria as MEP sub-contractor of the project working under DSC CCC JV (DSC Algeria) umbrella, was not able to continue its operations in Algeria.

As the contract with Emiral is the only business in Algeria for DSC CCC JV (DSC Algeria), Algeria and Drake & Scull Engineering Algeria, both subsidiaries stopped their operations completely in Algeria and management does not have the intent to bid for new projects in the country. Based on the above facts, management decided to treat its operations in Algeria as discontinued operations.

Drake & Scull International for Contracting SAE

Drake & Scull International for Contracting SAE ("DSIC") had one project in Egypt (Nile Corniche Project). Although the project was successfully completed and handed over in 2020, the main contractor liquidated DSIC's advance payment guarantee of USD 2,259,718 and performance guarantee of USD 12,895,500 on March 28, 2023, years after DSIC's successful works and project delivery. DSI PJSC is resorting to the dispute resolution clauses in the subcontract agreement that will ultimately lead to taking the main contractor to arbitration as per the subcontract agreement terms and conditions. The management did not find favorable opportunities within this territory to keep the operation alive and profitable, and accordingly, management decided to treat its operations in Egypt as discontinued operations.

Drake & Scull International Oman

During the year, the winding up process of Drake & Scull International LLC (Oman) was officially completed. The Group held 51% interest in the subsidiary. As a result of completion of winding up process, subsidiary's assets and liabilities were derecognised and charged to profit or loss. This resulted in gain of AED 150,682 which has been recognised within profit from the discontinued operations in the consolidated statement of profit or loss.

The gain resulting from liquidation of the entity was distributed as follows:

	2025 AED'000
Drake and Scull International P.J.S.C	28,024
Non-controlling interest	122,658
	<u>150,682</u>

Financial information of discontinued operations:

The results of the discontinued operations are presented below:

	2025 AED'000	2024 AED'000
Statement of comprehensive income		
Other (expense)/income	(1,283)	62,659
General and administrative expenses	-	(45,127)
(Loss)/profit from discontinued operations	<u>(1,283)</u>	<u>17,532</u>

Drake and Scull International (P.J.S.C.) and its subsidiaries
Consolidated Financial Statements

Notes to the consolidated financial statements (continued)
For the year ended December 31, 2025

34 Discontinued operations (continued)

The major classes of assets and liabilities of the discontinued operations as at the reporting date are as follows:

	2025 AED'000	2024 AED'000
<i>Assets:</i>		
Property and equipment	30	30
Trade and other receivables	44,922	45,091
Cash and bank balances	1,751	1,854
	<u>46,703</u>	<u>46,975</u>
	2025 AED'000	2024 AED'000
<i>Liabilities:</i>		
Trade and other payables	82,898	138,000
Bank borrowings	-	95,242
	<u>82,898</u>	<u>233,242</u>

Cash and cash equivalent related to discontinued operations is as follows:

	2025 AED'000	2024 AED'000
Cash and bank balances	1,751	1,854
Less: bank overdrafts	-	(95,242)
Bank overdrafts related to discontinued operations, net of cash	<u>1,751</u>	<u>(93,388)</u>

35 Fair value measurement

Management assessed that the fair values of cash and bank balances, trade and other receivables, trade and other payables, due from a related party as at December 31, 2025 and 2024 approximate their carrying amounts largely due to the short-term maturities of these instruments.

Management assessed that the carrying amounts of borrowings as at December 31, 2025 and 2024 approximate their fair values due to the fact that they bear variable interest rates that reflect current market interest rates and due to the short-term maturities.

Financial assets measured at fair value in the consolidated statement of financial position are grouped into three levels as disclosed in the Group's accounting policies (Refer Note 4.2).

The following table shows the levels within the hierarchy of financial assets measured at fair value on a recurring basis:

	2025 AED'000	2024 AED'000
<i>Level 2</i>		
Financial assets at fair value through profit or loss	<u>644</u>	<u>1,351</u>

There have been no transfers made between the valuation levels during the current year and the previous year.

Drake and Scull International (P.J.S.C.) and its subsidiaries
Consolidated Financial Statements

Notes to the consolidated financial statements (continued)
For the year ended December 31, 2025

36 Financial instruments risk management objectives and policies

The Group is exposed to various risks in relation to financial instruments. The Group's financial assets and financial liabilities by category are summarised in Note 24. The main types of risks are market risk, credit risk and liquidity risk.

The Board of Directors has the overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's senior management are responsible for developing and monitoring the Group's risk management policies and report regularly to the Board of Directors on their activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

36.1 Market risk analysis

The Group is exposed to market risk through its use of financial instruments and specifically to currency risk and interest rate risk, which result from both its operating and investing activities.

Foreign currency risk

Most of the Group's transactions are carried out in AED, INR and Euro. Exposures to currency exchange rates arise from the Group's overseas contracts which are primarily denominated in Euro (EUR) and Indian Rupee (INR).

Foreign currency denominated financial assets and liabilities which expose the Group to currency risk are disclosed below.

The amounts shown are translated into AED at the closing rate:

	2025	2024
	AED'000	AED'000
Financial assets	102,181	117,611
Financial liabilities	(157,173)	(132,636)
Net exposure	<u>(54,992)</u>	<u>(15,025)</u>

Sensitivity to foreign currency risk

The following illustrates the sensitivity of profit and equity relating to the Group's financial assets and financial liabilities and the EUR/AED exchange rate and INR/AED exchange rate assuming 'all other things being equal'.

It assumes a +/- 5% change of the AED/Euro exchange rate for the year ended at December 31, 2025 (2024: 5%). The above percentage has been determined based on the average market volatility in exchange rates. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting date. If the AED had strengthened against the EUR and INR by 5% (2024: 5%), then this would have had increased the result for the year by AED 2,750 thousand (2024: AED 751 thousand) and equity by AED 2,502 thousand (2024: AED 684 thousand). If the AED had weakened against the EUR and INR by 5% (2024: 5%), then this would have had a similar reverse impact.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's short-term debt obligations with variable interest rates.

Drake and Scull International (P.J.S.C.) and its subsidiaries
Consolidated Financial Statements

Notes to the consolidated financial statements (continued)
For the year ended December 31, 2025

36 Financial instruments risk management objectives and policies (continued)

36.1 Market risk analysis (continued)

Interest rate sensitivity

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of +/- 1% (2024: +/- 1%). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	Impact on profit		Impact on equity	
	+1%	-1%	+1%	-1%
	AED'000	AED'000	AED'000	AED'000
December 31, 2025	99	(99)	90	(90)
December 31, 2024	87	(87)	79	(79)

36.2 Credit risk analysis

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to credit risk from financial assets including cash and cash equivalents, contract assets, trade and other receivables, retention receivables and due from a related party.

Credit risk management

The Group's maximum exposure to credit risk for the components of the consolidated statement of financial position at December 31, 2025 and 2024 as per the carrying amounts of the financial assets disclosed in Note 24.

Trade receivables and contract assets

The Group continuously monitors the credit quality of customers based on a credit rating scorecard. The Group's policy is to deal only with credit worthy counterparties. The credit terms range between 60 and 120 days. The credit terms for customers as negotiated with customers are subject to an internal approval process. The ongoing credit risk is managed through regular review of ageing analysis, together with credit limits per customer.

The Group applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns.

The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Trade receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery. Generally, trade receivables are provided if past due for more than one year and are not subject to enforcement activity.

Drake and Scull International (P.J.S.C.) and its subsidiaries
Consolidated Financial Statements

Notes to the consolidated financial statements (continued)
For the year ended December 31, 2025

36 Financial instruments risk management objectives and policies (continued)

36.2 Credit risk analysis (continued)

Credit risk management (continued)

Trade receivables and contract assets (continued)

On the above basis the expected credit loss for trade receivables and contract assets was determined as follows:

	Contract assets		Trade and other receivables			
	Current AED'000	Past due AED'000	Current AED'000	Past due up to 30 days AED'000	Past due more than 60 days AED'000	Total AED'000
December 31, 2025						
Gross carrying amount	35,497	174,386	37,976	4,049	431,413	473,438
Expected credit losses	-	(174,386)	-	-	(424,330)	(424,330)
Expected credit loss rate	-	100%	-	-	98.36%	-
Net carrying amount	35,497	-	37,976	4,049	7,083	49,108
December 31, 2024						
Gross carrying amount	14,718	173,304	20,336	6,664	420,903	447,903
Expected credit losses	-	(173,304)	-	(2,990)	(419,130)	(422,120)
Expected credit loss rate	-	100%	-	44.9%	99.6%	-
Net carrying amount	14,718	-	20,336	3,674	1,773	25,783

Credit risk management

Bank balances

The credit risk in respect of cash balances held with banks and deposits with banks are managed via diversification of bank deposits and are only with major reputable financial institutions.

Due from a related party

Balances due from a related party mainly relate to a balance due from the associate in relation to the construction of a labour camp in Abu Dhabi funded by the Group. The Group expects the balance to be settled from the proceeds from the disposal of the camp owned by the associate, and accordingly, has stated the balance net of the impact of the time value of money.

36.3 Liquidity risk

Liquidity risk is that the Group might be unable to meet its obligations. The Group manages its liquidity needs by monitoring scheduled debt servicing payments for bank borrowing as well as forecast cash inflows and outflows due in day-to-day business. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and trade receivables. Cash flows from trade and other receivables are all contractually due within six months.

Drake and Scull International (P.J.S.C.) and its subsidiaries
Consolidated Financial Statements

Notes to the consolidated financial statements (continued)
For the year ended December 31, 2025

36 Financial instruments risk management objectives and policies (continued)

36.3 Liquidity risk (continued)

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	On demand AED'000	0-180 Days AED'000	181-360 days AED'000	Above 360 days AED'000	Total AED'000
December 31, 2025					
Bank borrowings	10,803	-	-	-	10,803
Lease liabilities	-	-	2,307	8,502	10,809
Trade and other payables	-	132,071	-	-	132,071
	<u>10,803</u>	<u>132,071</u>	<u>2,307</u>	<u>8,502</u>	<u>153,683</u>
December 31, 2024					
Bank borrowings	9,693	-	-	-	9,693
Lease liabilities	-	-	1,482	5,737	7,219
Trade and other payables	-	144,745	-	-	144,745
	<u>9,693</u>	<u>144,745</u>	<u>1,482</u>	<u>5,737</u>	<u>161,657</u>

The above amounts reflect the contractual undiscounted cash flows, which may differ to the carrying values of the liabilities at the reporting date. The credit terms require the Group to settle its liabilities within 90 days.

37 Capital management policies and procedures

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders to maintain the confidence of its investors, creditors and the market and to sustain future development of the business. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2025 and December 31, 2024. For the purpose of the Group's capital management, capital comprises share capital, share discount, treasury shares, statutory reserve, mandatory convertible Sukuks, foreign currency translation reserve and accumulated losses amounting to AED 195,438 thousand (2024: AED 151,735 thousand).

38 Restructuring

In the year 2024, the Group in accordance with the Dubai Court order and approved restructuring settlement plan wrote back its liabilities owed to all qualified financial lenders and trade creditors. Consequently, the implementation of the restructuring settlement plan as approved by the Dubai Court of appeal resulted in write-back of liabilities and conversion of liabilities to Mandatory Convertible Sukuks ("MCSs") in the amount of AED 3,792,884 thousand and AED 368,130 thousand, respectively. In the year 2024, the Group also wrote back excess liabilities in the amount of AED 356 million that were directly related to the excess provisions and accrued interest. During the year ended December 31, 2025, the Group recorded an amount of AED 2,340 thousand on account of late claims filed and accepted by the court expert against which MCSs of AED 2,340 thousand were issued during the year.

39 Subsequent events

Subsequent to the reporting date, geopolitical tensions in the Middle East have continued to evolve, including ongoing regional conflicts and heightened political uncertainty. These developments have increased volatility in global and regional markets and may, over time, affect economic conditions in the region. As at the date of approval of these consolidated financial statements, the Group continues to monitor developments in the region and will assess the impact, if any, on future periods.