DRAKE AND SCULL INTERNATIONAL PJSC & ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2023

Consolidated financial statements for the year ended 31 December 2023

Drake & Scull

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors present their report and the consolidated financial statements for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

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

RESULTS

For the year ended 31 December 2023, the Group recorded revenue of AED 94 million (2022: AED 81 million). The net loss incurred for the year was AED 368 million (2022: loss AED 224 million).

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

AUDITORS

The appointment of external auditors for the year 2024 will be decided at the Annual General Meeting.

For and on Behalf of the Board of Directors

Chairman

March 28, 2024

Dubai, United Arab Emirates

mazars

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF DRAKE & SCULL INTERNATIONAL P.J.S.C.

Report on the Audit of the Consolidated Financial Statements

Disclaimer of opinion

We were engaged to audit the consolidated financial statements of Drake and Scull International P.J.S.C. and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statements of income, other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for disclaimer of opinion

1. *Opening balances*
   The consolidated financial statements of the Group for the year ended 31 December 2022 were audited by another auditor who expressed a disclaimer of opinion on those statements on 4 April 2023 as a result of a number of significant and pervasive audit issues. We were not provided with access to review the predecessor auditor's working papers relating to their audit of the Group for the year ended 31 December 2022. Because we were denied such access, and in the absence of sufficient reliable alternative procedures, it was not possible for us to satisfy ourselves on opening balances as at 31 December 2022 including discontinued operations re-classified by the management during the year 2023. Any adjustment to those figures would have a consequential effect on the results and cash flows for the year ended 31 December 2023.

2. *Bank balances and liabilities*
   We were unable to obtain direct bank confirmations for certain bank balances, bank borrowings, provision for bank liabilities of subsidiaries, and commitments and contingencies included in the consolidated statement of financial position amounting to AED 30 million, AED 1,836 million, AED 1,385 million and AED 745 million as of 31 December 2023, respectively. In the absence of any practicable alternative audit procedures that we could perform in respect of these balances, we were unable to conclude on the completeness and valuation of these balances, as well as completeness of liabilities, commitments and contingencies as at 31 December 2023.

   During the previous years, the Group has commenced the process of collecting details of creditor claims, including banks and joint venture partners, and reconciling them with those recorded in the Group's books. As this process is still on-going, we are unable to determine if any adjustments are required to the consolidated financial statements for the year ended 31 December 2023. Further, we did not receive significant responses for direct audit confirmation requested to verify the existence and completeness of claims from trade and other creditors.

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF DRAKE & SCULL INTERNATIONAL PJSC

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

Basis for disclaimer of opinion (continued)

3. *External lawyers' confirmations*
   We were not able to obtain certain external lawyers' confirmations in relation to legal cases to assess the Group's exposure against legal cases as of 31 December 2023. In the absence of any alternative procedures that we could perform in respect of this matter, we were unable to satisfy ourselves with regard to the completeness of legal provisions, required disclosures and accruals made.

4. *Going concern assessment and restructuring plan*
   As detailed in note 2.1 to the consolidated financial statements, the Group's accumulated losses, as reported by management as of 31 December 2023 amounted to AED 5,466 million, and its current liabilities exceeded its current assets by AED 4,531 million. Also, the Group had negative cash flow from operations of AED 67 million for the year ended 31 December 2023.

   The accompanying consolidated financial statements, however, have been prepared by management on a going concern basis based on a restructuring plan approved by the shareholders. However, the successful execution and progression of the plan as set out in note 2.1 to the consolidated financial statements, is dependent on a number of factors including approval by regulators, relevant stakeholders, and final court judgment. Accordingly, the Group's going concern assumption, and the impact of the restructuring plan on its consolidated financial statements as at 31 December 2023 cannot be determined at this stage.

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

The audit opinion on the consolidated financial statements for the year ended 31 December 2022 was also disclaimed.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and in compliance with the applicable provisions of the Company's Articles of Association and the UAE Federal Law No. 32 of 2021, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the 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 & SCULL INTERNATIONAL PJSC

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

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

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

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

Mazars
Chartered Accountants

Signed by:
Mohammed Abu Hijleh
Registered Auditor Number 1010

28 March 2024
Dubai, United Arab Emirates

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2023

	Notes	***31 December 2023 AED'000***	*31 December 2022 AED'000*
ASSETS			
Non-current assets			
Property and equipment	5	**13,058**	13,394
Investment property	6	**77,370**	83,000
Right-of-use assets	7	**6,156**	7,257
Deferred income tax assets	8	**15,852**	14,431
Trade and other receivables	9	**5,861**	14,023
		118,297	132,105
Current assets			
Trade and other receivables	9	**92,474**	168,992
Due from related parties	10	**14,824**	5,242
Financial assets at fair value through profit or loss	11	**986**	979
Cash and bank balances	12	**77,571**	72,205
		185,855	247,418
Assets held for sale	29	**51,946**	473
		237,801	247,891
TOTAL ASSETS		**356,098**	379,996
EQUITY AND LIABILITIES			
EQUITY			
Share capital	13	**1,070,988**	1,070,988
Share premium	13	**3,026**	3,026
Statutory reserve	14	**125,760**	125,760
Accumulated losses		**(5,466,288)**	(5,098,172)
Foreign currency translation reserve		**(24,459)**	(43,456)
Equity attributable to equity holders of the parent		**(4,290,973)**	(3,941,854)
Non-controlling interests	31	**(140,601)**	(140,671)
Deficiency of assets		**(4,431,574)**	(4,082,525)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
As at 31 December 2023

	Notes	***31 December 2023 AED'000***	*31 December 2022 AED'000*
LIABILITIES			
Non-current liabilities			
Employees' end of service benefits	16	**12,348**	14,312
Lease liabilities	7	**6,218**	6,604
		18,566	20,916
Current liabilities			
Provision for bank liabilities of subsidiaries	18	**1,385,360**	1,311,652
Bank borrowings	15	**2,057,688**	2,077,672
Trade and other payables	17	**778,520**	828,674
Due to related parties	10	**41,224**	41,224
Lease liabilities	7	**877**	1,602
Provision for loss of control over subsidiary	30	**21,102**	21,229
		4,284,771	4,282,053
Liabilities associated with discontinued operations	29	**484,335**	159,552
		4,769,106	4,441,605
Total liabilities		**4,787,672**	4,462,521
TOTAL EQUITY AND LIABILITIES		**356,098**	379,996

Chairman

Group CFO

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2023

	Notes	***2023 AED'000***	*2022 AED'000*
Continuing operations			
Revenue	4, 19	**93,843**	81,072
Cost of revenue	20	**(90,031)**	(73,715)
Gross profit		**3,812**	7,357
Other income	22	**33,552**	34,580
General and administrative expenses	23	**(32,497)**	(40,066)
Provision for contingent liabilities of overseas operations		**(36,000)**	-
Provision for legal cases		**(12,042)**	(26,633)
Provision for expected credit loss on trade and other receivables	9	**(24,727)**	(21,111)
Provision for expense related to bond encashment		**(56,455)**	(36,035)
Foreign exchange loss		**(17,522)**	(37,795)
Reversal related to subsidiary with loss of control	30	-	2,920
Provision for liabilities related to disposed subsidiaries		**(73,765)**	**-**
Finance income		**653**	837
Finance costs	24	**(149,564)**	(109,490)
Loss before tax from continuing operations		**(364,555)**	(225,436)
Income tax reversal	8	**131**	328
Loss from continuing operations		**(364,424)**	(225,108)
Discontinued operations			
(Loss)/ profit after tax from discontinued operations	29	**(3,628)**	1,394
LOSS FOR THE YEAR		**(368,052)**	(223,714)
Attributable to:			
Equity holders of the parent		**(368,116)**	(224,397)
Non-controlling interests		**64**	683
		(368,052)	(223,714)
Loss per share			
Basic and diluted (AED)	25	**(0.34)**	(0.21)

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023 ***AED'000***	*2022* *AED'000*
Loss for the year	**(368,052)**	(223,714)
Other comprehensive income items that would be reclassified subsequently to profit or loss		
Currency translation differences	**18,997**	21,237
Exchange difference related to discontinued operations	**6**	179
Other comprehensive income for the year	**19,003**	21,416
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(349,049)**	(202,298)
Attributable to:		
Equity holders of the parent	**(349,119)**	(203,069)
Non-controlling interests	**70**	771
	(349,049)	(202,298)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attributable to the equity holders of the parent							
	Share capital AED'000	*Share premium AED'000*	*Statutory reserve AED'000*	*Accumulated losses AED'000*	*Foreign currency translation reserve AED'000*	*Total AED'000*	*Non -controlling interests AED'000*	*Total AED'000*
At 1 January 2023	1,070,988	3,026	125,760	(5,098,172)	(43,456)	(3,941,854)	(140,671)	(4,082,525)
(Loss)/ profit for the year	-	-	-	(368,116)	-	(368,116)	64	(368,052)
Other comprehensive income for the year	-	-	-	-	18,997	18,997	6	19,003
Total comprehensive (loss)/ income for the year	-	-	-	(368,116)	18,997	(349,119)	70	(349,049)
At 31 December 2023	**1,070,988**	**3,026**	**125,760**	**(5,466,288)**	**(24,459)**	**(4,290,973)**	**(140,601)**	**(4,431,574)**
At 1 January 2022	1,070,988	3,026	125,760	(4,873,775)	(64,784)	(3,738,785)	(141,442)	(3,880,227)
(Loss)/ profit for the year	-	-	-	(224,397)	-	(224,397)	683	(223,714)
Other comprehensive income for the year	-	-	-	-	21,328	21,328	88	21,416
Total comprehensive (loss)/ income for the year	-	-	-	(224,397)	21,328	(203,069)	771	(202,298)
At 31 December 2022	1,070,988	3,026	125,760	(5,098,172)	(43,456)	(3,941,854)	(140,671)	(4,082,525)

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2023

	Notes	*For the year ended 31 December* **2023** **AED'000**	*2022* *AED'000*
Operating activities			
Loss before tax from continuing operations		**(364,555)**	(225,436)
(Loss)/ profit before tax from discontinued operations	29	**(3,628)**	1,394
Loss before tax		**(368,183)**	(224,042)
Adjustments for:			
Depreciation on property and equipment	5	**389**	362
Depreciation of investment properties	6	**5,630**	5,630
Impairment of investment properties	20	**-**	94
Loss on disposal of property and equipment		**-**	2,395
Provision for legal cases		**12,042**	26,633
Provision for expense related to bond encashment		**56,455**	36,035
Provision for bank liabilities of disposed subsidiaries		**73,765**	**-**
Provision for contingent liabilities of overseas operations		**36,000**	-
Gain on financial assets at fair value through profit or loss	11	**(7)**	(5)
Provision for employees' end of service benefits	16	**1,235**	1,166
Finance cost	24	**150,565**	110,096
Reversal of provision for expected credit loss	22	-	(18,672)
Provision for expected credit loss on trade and other receivables	9	**24,727**	21,111
Finance income		**(653)**	(837)
Depreciation of right-of-use asset	7	**1,129**	1,799
Interest on lease liabilities	7	**349**	468
Write back of liabilities and provisions	22	**(2,433)**	(3,610)
		(8,990)	(41,377)
Changes in working capital:			
Trade and other receivables		**59,952**	48,491
Trade and other payables (excluding income tax and interest payable)		**(146,333)**	(71,701)
Due from related parties		**(9,582)**	858
		(104,953)	(63,729)
Payment of employees' end of service benefits	16	**(323)**	(984)
Net cash (used in)/ generated from operating activities			
- Continuing operations		**(105,276)**	(64,713)
- Discontinued operations	29	**37,975**	(3,848)
		(67,301)	(68,561)

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

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the year ended 31 December 2023

	Notes	2023 AED'000	2022 AED'000
		For the year ended 31 December	
Investing activities			
Purchase of property and equipment	5	**(117)**	(643)
Proceeds from disposal of property and equipment		**-**	19,284
Interest received		**653**	837
Net cash generated from investing activities			
- Continuing operations		**536**	19,478
- Discontinued operations	29	**28**	-
		564	19,478
Financing activities			
Movement in term deposits under lien		**569**	364
Movement in trust receipts and other borrowings		**(90,283)**	30,503
Payment of lease liabilities		**(1,008)**	(1,662)
Net cash (used in)/ generated from financing activities			
- Continuing operations		**(90,722)**	29,205
- Discontinued operations	29	**151,014**	-
		60,292	29,205
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(6,445)**	(19,878)
Net foreign currency translation difference		**17,851**	19,297
Cash and cash equivalents at the beginning of the year		**(631,450)**	(630,869)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	12	**(620,044)**	(631,450)

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

1 CORPORATE INFORMATION

Drake and Scull International PJSC (the "Company" or the "Parent Company") was incorporated on 16 November 2008 and was registered on 21 January 2009 as a Public Joint Stock Group and currently operates in accordance with the Federal Decree Law No 47 of 2022. The Company is listed on the Dubai Financial Market.

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

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

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

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

		Shareholding %		
Major Subsidiaries	***Principal activities***	***31 December 2023***	*31 December 2022*	***Country of incorporation***
Drake & Scull International LLC (Abu Dhabi)	Contracting work related to mechanical, electrical and sanitary engineering	**100**	100	UAE
Drake & Scull Engineering	Engineering, procurement and construction of Water and Power Infrastructure projects	**100**	100	UAE
Drake & Scull Oil & Gas	Oil & Gas Contracting	**100**	100	UAE
Passavant Energy & Environment Gmbh and subsidiaries	Contracting for waste water, water and sludge treatment plants	**100**	100	Germany
Drake & Scull International for Electrical Contracting WLL	Mechanical, Electrical contracting and repairing work relating to the construction industry	**100**	100	Kuwait
Drake & Scull International for Contracting SAE	Contracting work relating to mechanical, electrical and sanitary engineering	**100**	100	Egypt
Drake & Scull International LLC (Oman)	Contracting work related to mechanical, electrical and sanitary engineering	**51**	51	Oman

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

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

1 CORPORATE INFORMATION (continued)

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

Drake and Scull Engineering LLC has a 49% interest in a jointly controlled entity with Al Habtoor Specon LLC (HLS-DSE Joint Venture) under a joint arrangement agreement dated 9 August 2014 for Jewels of Creek Project. This is classified as joint operation in these consolidated financial statements.

Drake and Scull Engineering LLC has a 49% interest in a jointly controlled entity with Al Habtoor Specon LLC (HLS-DSE Joint Venture) under a joint arrangement agreement dated 23 July 2013 for Habtoor City Hotels. This is classified as joint operation in these consolidated financial statements.

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

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

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

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

The Group, through Passavant Energy & Environment GmbH has shares in Consortiums 'Passavant Energy & Environmental GmbH and Masoud & Ali Partners Contracting', 'Passavant Energy and Environment GmbH & HAE Jordan' and 'Passavant – Kalika – SNET JV', respectively for Gaza central WWTP, Ramtha WWTP and Tukucha Khola WWTP, whereby Passavant Energy & Environment GmbH Has limited scope of work separated from other entities scope of work. Passavant Energy & Environment GmbH scope of work is fully incorporated in these consolidated financial statements.

The consolidated financial statements were approved by the Board of Directors on 28 March 2024.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 GOING CONCERN

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

The Group has incurred a loss of AED 368 million during the year ended 31 December 2023 (31 December 2022: loss of AED 224 million), and as of that date, its current liabilities exceeded its current assets by AED 4,531 million (2022: AED 4,194 million). Furthermore, the Group had negative cash flow from operating activities of AED 67 million for the year ended 31 December 2023 (2022: AED 69 million). These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and that, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. Should the Group be unable to continue as a going concern, adjustments would have to be made to reduce the value of assets to their recoverable amount, to provide for any liabilities which might arise, and to reclassify non-current assets as current assets and non-current liabilities as current liabilities. However, these financial statements, have been prepared on a going concern basis based on the developments related to restructuring.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.1 GOING CONCERN (continued)

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

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

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

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

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

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

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

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

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

The overall restructuring from an operational, financial and legal aspect is extremely complicated and requires a substantial amount of time to formalise the transaction.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.1 GOING CONCERN (continued)

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

Throughout the year and up to the date of issuance of these consolidated financial statements for the year ended 31 December 2023, the voting has progressed towards obtaining the required amount of two thirds of the Financial and Trade Creditors (by value) to vote in favour the Plan. On 11 February 2022, the Expert delivered a report to the FRC informing them that the two thirds by value threshold for voting had been achieved. In summary, the total number of votes cast was 122 of which 92 had voted in favour and 30 had voted against or abstained. In terms of value, 67.18% had voted in favour with 8.83% voting against or abstaining.

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

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

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

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

The Company filed an appeal on 16 November 2021 and has provided comprehensive documentation to the Appeal Court to support the appeal against the initial judgment delivered by the Court of First Instance. At the last hearing on 20 April 2022, the Court has appointed an Expert to validate the compliance of bankruptcy law and the requirements of FRC.

The Expert with the support of the Company and advisers completed their report and submitted it to the Court for their consideration just prior to the last hearing which was held on 18 July 2022. Moreover, the public prosecutor reviewed the expert report and shared his opinion with the court with his recommendations to proceed with the restructuring process. On 23 November 2022, the appeal court issued its judgment; approve the commencing of the restructuring procedures for the company and appointed a trustee to carry out the mission entrusted to him by the court in accordance with that judgment.

Since the Court did not approve the restructuring procedures in accordance with the circumstances of the emergency financial crisis and the acceptance of the previous procedures that were approved by the Financial Regulatory Committee. The Company filed a cassation, requesting the Court's acceptance of commencing the restructuring procedures in accordance with the circumstances of the emergency financial crisis, and as a result, the approval of the previous procedures that were carried out through the Financial Regulatory Committee.

On August 22, 2023, the cassation court accepted the company's request to remand the case to the appeal court for the approval of the restructuring procedures, aligning with the emergency financial crisis. The cassation court acknowledged the prior endorsement of these procedures by the FRC.

Subsequently, upon the case return to Appeal Court, the Appeal Court issued its Judgment on 23 November 2023 as follows:

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.1 GOING CONCERN (continued)

1. Approval of the appellant restructuring plan in accordance with the plan agreed upon by the appellant companies in accordance with the plan agreed upon by the applicant and approved by the majority of creditors.

2. The appointment of the former expert in the case as a trustee to oversee the restructuring proceedings.

3. Publication of the judgment in two local newspapers, in Arabic and English, to notify creditors who are not registered in the restructuring plan to join the list of registered creditors.

4. A grace period of twenty days from the date of publication is given to unregistered creditors to register their names, after which a final list of all creditors and the amount of each creditor's claim will be compiled.

5. The appellant company and the appellees are granted a period of twelve months from the date of the final creditor list to implement the restructuring plan. This period may be extended according to the progress of the restructuring proceedings and the actual situation at the time.

6. The expert shall provide the court with periodic summaries on the progress of the restructuring proceedings, the actions taken, the degree of success in implementing the restructuring plan, and the likelihood of realizing profits by the appellant and the appellees.

7. Suspension of all judicial proceedings against the student and the appellant's subsidiary companies, enforcement actions on the assets of these companies, with instructions to the relevant authorities to that effect.

Restructuring Process Implementation Update in 2024:

a) The Appeal Court appointed Dr. Redha Darwish Al Rahma as Trustee on 5 December 2023.

b) On 7 December 2023, the Trustee published the Court's mission statement and requested unregistered creditors to submit their claimed amounts. This notice was published in two newspapers, Al Bayan (in Arabic) and Gulf News (in English), allowing creditors to submit their claims within 20 business days.

c) The Trustee received several claims, most of which were already registered in the Company's books. Subsequently, the Trustee submitted a report to the Court for approval of the final list.

d) On 30 January 2024, the Trustee published the final list of creditors and their assessed claim amounts. Creditors were given 7 days from this publication to submit any objections.

e) Meanwhile, the Company has initiated procedures for a capital increase as part of the restructuring plan. These procedures are subject to the regulations of the Securities and Commodities Authority (SCA) and the Dubai Financial Market (DFM).

2.2 BASIS OF PREPARATION

The consolidated financial statements of the Group for the year ended 31 December 2023 have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.3 BASIS OF CONSOLIDATION

The consolidated financial statements comprise of the financial statements of the Group and its subsidiaries as at 31 December 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

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

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

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

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

2.4 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2022, except for the adoption of new standards effective as of 1 January 2023. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- IFRS 17 Insurance Contracts
- Definition of Accounting Estimates – Amendments to IAS 8
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
- International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12

These amendments had no significant impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.5 STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

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

- Amendments to IFRS 16: Lease Liability in a Sale and Lease back
- Amendments to IAS 1: Classification of Liabilities as Current or Non-Current
- Supplier Finance Arrangement – Amendments to IAS 7 and IFRS 17

The Group does not expect that the adoption of these new and amended standards and interpretations will have a material impact on its consolidated financial statements.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue from contracts with customers

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

Contract revenue

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

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

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

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

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

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

The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognising revenue. The Group has concluded that for certain of its arrangements, it is either creating or enhancing an asset controlled by the customer or it is creating an asset with no alternative use and has an enforceable right to payment for work completed.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

Contract revenue (continued)

Therefore, it meets the criteria to recognise revenue over the period of time and measure progress of its projects through the cost to complete method (input method) as it best depicts the transfer of control of products and services under each performance obligation.

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

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

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

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

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

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

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

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

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contract balances

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

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

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

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

Value-added Tax (VAT)
Expenses, and assets are recognised net of the amount of VAT, except:

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

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

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

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

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

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

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

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

Investment properties

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

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

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

Investment properties are depreciated over a period of 15 years.

Fair value measurement

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

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

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

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

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

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

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

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

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

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

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

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

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

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the Note 28.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Office space	1 to 4 years
Building	18 years
Vehicles	3 to 4 years

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

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

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

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

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

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

i) Financial assets

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

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

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

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

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

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

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

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in below categories:
- Financial assets at amortised cost
- Financial assets at fair value through profit or loss

Financial assets at amortised cost
Group's financial assets at amortised cost include:

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

i) Financial assets (continued)

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

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

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

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

This category includes investment in real estate fund.

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

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

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

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

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

i) Financial assets (continued)

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

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

ii) Financial liabilities

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

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

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

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

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

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

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

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

ii) Financial liabilities (continued)

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

iii) Offsetting financial instruments

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

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

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

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-current assets held for sale and discontinued operations
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 statement of financial position.

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

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

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

Additional disclosures are provided in Note 29. All other notes to the consolidated financial statements include amounts for continuing operations, unless indicated otherwise.

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

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

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

Taxes
Current income tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

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

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

Foreign currency translation

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

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

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

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

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

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contingencies

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

Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is classified as current when:

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

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

The Group classifies all other liabilities as non-current.

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

3 USE OF ESTIMATES AND JUDGMENTS

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

In preparing this consolidated financial statement, the significant judgments made by the management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2022.

3.1 Critical accounting estimates and assumptions

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

3 USE OF ESTIMATES AND JUDGMENTS (continued)

3.1 Critical accounting estimates and assumptions (continued)

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

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

(b) Contract variations and claims

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

(c) Impairment of financial assets

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

(d) Impairment of non-financial assets

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

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

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

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade and other receivables is disclosed in Note 9.

As at the date of the consolidated statement of financial position, gross trade and other receivables including prepayments and amount due from customers on contracts were AED 711,218 thousand (2022: AED 941,506 thousand) and allowance against impairment was AED 612,883 thousand (2022: AED 758,491 thousand). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated income statement.

3 USE OF ESTIMATES AND JUDGMENTS (continued)

3.1 Critical accounting estimates and assumptions (continued)

(f) Leases - Estimating the incremental borrowing rate
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available. The Group estimates the IBR using observable inputs such as the average interest rate on the bank overdraft i.e. 7.63% (2022: 5.80%) per annum.

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

(h) Provision for slow moving inventories
Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on anticipated selling prices. Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the consolidated income statement.

As of the date of consolidated statement of financial position, the Group has not recognised any provision for slow moving inventories (2022: AED Nil).

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

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

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the year ended 31 December 2023, no significant events or significant change in circumstances occurred that caused the management to reassess the lease term.

Classification of property
The Group determines whether a property is classified as an investment property or property and equipment:
- Investment properties comprise properties that are held for long-term rental yields or capital appreciation or both, and that is not occupied by the Group;
- Property and equipment comprise properties that are held for administrative purposes or supply of services.

4 SEGMENT REPORTING

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

4 SEGMENT REPORTING (continued)

Business segments
For management purpose, the Group is organised into business units based on their services and has two reportable business segments as Engineering (Mechanical, Electrical and Plumbing) and Others.

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

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

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

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

4 SEGMENT REPORTING (continued)

Information about business segments

All figures in AED'000

	For the year ended 31 December 2023				*For the year ended 31 December 2022*			
	Engineering	***Others***	***Inter segment elimination***	***Total***	*Engineering*	*Others*	*Inter segment elimination*	*Total*
Revenue								
External customers *	**15,488**	**78,355**	**-**	**93,843**	18,932	62,140	-	81,072
Segment (loss)/profit	**(125,011)**	**(239,413)**	**-**	**(364,424)**	(93,702)	(131,406)	-	(225,108)
Depreciation and amortisation	**300**	**6,848**	**-**	**7,148**	679	7,112	-	7,791
Capital expenditure	**36**	**81**	**-**	**117**	23	620	-	643
	At 31 December 2023				*At 31 December 2022*			
Segment total assets	**331,475**	**692,401**	**(719,724)**	**304,152**	379,392	725,523	(725,392)	379,523
Segment total liabilities	**1,170,045**	**2,337,547**	**795,745**	**4,303,337**	1,492,374	2,129,742	680,853	4,302,969

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

4 SEGMENT REPORTING (continued)

Information about geographical segments

All figures in AED'000

	UAE	*Others*	*Inter segment elimination*	*Total*
	For the year ended 31 December 2023			
Revenue from external customers	**8,005**	**85,838**	**-**	**93,843**
	For the year ended 31 December 2022			
Revenue from external customers	12,012	69,060	-	81,072

Reconciliation of assets:

	2023 AED'000	*2022 AED'000*
Segment assets	**304,152**	379,523
Assets held for sale (Note 29)	**51,946**	473
	356,098	379,996

Reconciliation of liabilities:

	2023 AED'000	*2022 AED'000*
Segment liabilities	**4,303,337**	4,302,969
Liabilities associated with discontinued operations (Note 29)	**484,335**	159,552
	4,787,672	4,462,521

5 PROPERTY AND EQUIPMENT

31 December 2023

	Land and buildings AED'000	*Machinery AED'000*	*Furniture, fixtures and office equipment AED'000*	*Motor vehicles AED'000*	*Capital work-in-progress AED'000*	*Total AED'000*
Cost:						
At 1 January 2023	21,060	15,586	25,841	1,405	-	63,892
Additions	16	-	101	-	-	117
Disposals	-	(6,125)	(15,669)	-	-	(21,794)
Transfer	-	-	-	594	-	594
Currency translation differences	3	59	90	51	-	203
Related to discontinued operations	(2)	(1,986)	(4,095)	(356)	-	(6,439)
At 31 December 2023	**21,077**	**7,534**	**6,268**	**1,694**	**-**	**36,573**
Depreciation:						
At 1 January 2023	8,595	15,316	25,652	935	-	50,498
Charge for the year	4	6	359	20	-	389
Disposals	-	(6,125)	(15,669)	-	-	(21,794)
Transfer	-	-	-	594	-	594
Currency translation differences	30	337	(211)	83	-	239
Related to discontinued operations	(2)	(2,000)	(4,060)	(349)	-	(6,411)
At 31 December 2023	**8,627**	**7,534**	**6,071**	**1,283**	**-**	**23,515**
Net carrying amount:						
At 31 December 2023	**12,450**	**-**	**197**	**411**	**-**	**13,058**

31 December 2022

	Land and buildings AED'000	*Machinery AED'000*	*Furniture, fixtures and office equipment AED'000*	*Motor vehicles AED'000*	*Capital work-in-progress AED'000*	*Total AED'000*
Cost:						
At 1 January 2022	51,222	18,463	48,651	4,414	191	122,941
Additions	58	12	151	422	-	643
Disposals	(34,650)	(1,470)	(22,915)	(139)	-	(59,174)
Transfer	4,432	(1,241)	191	(3,191)	(191)	-
Currency translation differences	(2)	(178)	(237)	(101)	-	(518)
At 31 December 2022	21,060	15,586	25,841	1,405	-	63,892
Depreciation:						
At 1 January 2022	21,553	16,875	48,449	1,162	-	88,039
Charge for the year	4	37	302	19	-	362
Disposals	(12,971)	(1,470)	(22,915)	(139)	-	(37,495)
Currency translation differences	9	(126)	(184)	(107)	-	(408)
At 31 December 2022	8,595	15,316	25,652	935	-	50,498
Net carrying amount:						
At 31 December 2022	12,465	270	189	470	-	13,394

5 PROPERTY AND EQUIPMENT (continued)

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

	2023	*2022*
	AED'000	*AED'000*
Cost of sales (Note 20)	**200**	154
General and administrative expenses (Note 23)	**189**	208
	389	362

6 INVESTMENT PROPERTY

Movement in investment property during the year is as follows:

	2023	*2022*
	AED'000	*AED'000*
Cost:		
At 1 January	**99,906**	100,000
Impairment loss* (Note 20)	-	(94)
At 31 December	**99,906**	99,906
Depreciation:		
At 1 January	**(16,906)**	(11,276)
Depreciation charge for the year (Note 20)	**(5,630)**	(5,630)
At 31 December	**(22,536)**	(16,906)
Net carrying amount at 31 December	**77,370**	83,000

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

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements. The management is working on to set a new strategy and steps necessary to stop the camp losses and achieving reasonable profit in the next coming years.

* Impairment loss represents decrease in value of investment properties held by the Group (refer Note 20).

Loss arising from investment properties carried at cost as follows:

	2023	*2022*
	AED'000	*AED'000*
Rental income derived from investment properties	**1,705**	3,300
Direct operating expenses (including repairs and maintenance) generating rental income	**(1,576)**	(2,553)
Depreciation on investment properties* (Note 20)	**(5,630)**	(5,630)
Impairment loss on investment properties* (Note 20)	-	(94)
Loss arising from investment properties	**(5,501)**	(4,977)

6 INVESTMENT PROPERTY (continued)

Fair value of investment property

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

	2023 ***AED'000***	*2022* *AED'000*
Carrying amount	**77,370**	83,000
Fair value	**77,000**	83,000

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

Significant unobservable inputs:	***2023***	*2022*
Valuation technique	**DCF Method**	DCF Method
- Growth rate	**3.00%**	3.00%
- Vacancy rate	**20.00%**	15.00%
- Operational expenses	**79.27%**	81.15%
- Discount rate	**14.00%**	14.00%
- Estimated market rent	**AED 5,797,461**	AED 5,111,061
- Ground rent per annum	**AED 523,987**	AED 498,981

7 LEASES

Group as a lessee

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

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

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

	2023 ***AED'000***	*2022* *AED'000*
At 1 January	**7,257**	7,242
Additions during the year	**-**	754
Modification of leases	**-**	1,199
Depreciation charge for the year *	**(1,129)**	(1,799)
Exchange difference	**28**	(139)
At 31 December	**6,156**	7,257

7 LEASES (continued)

Group as a lessee (continued)

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

	2023 AED'000	*2022 AED'000*
Direct cost (Note 20)	**296**	325
General and administrative expenses (Note 23)	**833**	1,474
	1,129	1,799

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

	2023 AED'000	*2022 AED'000*
At 1 January	**8,206**	7,530
Additions during the year	-	754
Modification of leases	-	1,199
Accretion of interest	**349**	468
Lease payments	**(1,008)**	(1,662)
Exchange difference	**(452)**	(83)
At 31 December	**7,095**	8,206
Current	**877**	1,602
Non-current	**6,218**	6,604
	7,095	8,206

Maturity analysis of lease liabilities are disclosed in Note 27.

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

	2023 AED'000	*2022 AED'000*
Depreciation expense of right-of-use-assets	**1,129**	1,799
Interest expense on lease liabilities (Note 24)	**349**	468
Expense relating to short-term leases (Note 23)	**745**	643
Total amount recognised in consolidated income statement	**2,223**	2,910

The Group had total cash outflows for leases of AED 1,753 thousand during the year (2022: AED 2,305 thousand). There are no leases that have not yet commenced at the reporting date.

The Group does not have leases that contains variable payments.

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

8 INCOME TAX

The major components of income tax expense are:

	2023 AED'000	*2022 AED'000*
Current income tax reversal:		
Income tax reversal	**131**	328
	131	328

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

	2023 AED'000	*2022 AED'000*
Deferred income tax assets:		
At 1 January	**14,431**	15,300
Exchange differences	**1,421**	(869)
At 31 December	**15,852**	14,431

Reconciliation of effective tax rate:

	2023 AED'000	*2022 AED'000*
Effective tax rate from taxable operations		
Taxable (loss) /profit for the year	**(7,258)**	1,609
Loss before tax from operations which are non-taxable	**(360,925)**	(225,651)
Loss before tax	**(368,183)**	(224,042)
Total income tax reversal during the year	**(131)**	(328)
Effective tax rate on profit from operations which are taxable	0%	(20%)

9 TRADE AND OTHER RECEIVABLES

	2023 AED'000	*2022 AED'000*
Non-current		
Trade receivables and retentions *	**6,779**	15,524
Less: fair value adjustment *	**(918)**	(1,501)
	5,861	14,023

9 TRADE AND OTHER RECEIVABLES (continued)

	2023	*2022*
	AED'000	*AED'000*
Current		
Trade receivables and retentions *	**470,230**	593,124
Prepayments and other receivables #	**53,010**	62,191
Amount due from customers on contracts	**181,199**	270,667
	704,439	925,982
Less: Allowance for expected credit loss on:		
- Trade receivables and retentions	**(441,817)**	(519,435)
- Prepayments and other receivables	**(5,542)**	(7,052)
- Amount due from customers on contracts	**(164,606)**	(230,503)
	92,474	168,992

	2023	*2022*
<u>Amount due from customers on contracts comprise:</u>	***AED'000***	*AED'000*
Total costs incurred to date	**2,474,208**	3,036,930
Attributable profits less anticipated losses	**(89,020)**	(49,120)
	2,385,188	2,987,810
Less: Progress billings	**(2,203,989)**	(2,717,143)
Less: Allowance for expected credit loss on due from customers on contracts	**(164,606)**	(230,503)
	16,593	40,164

* Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value. For the non-current trade receivables and retentions, the fair values were calculated based on cash flows discounted at discount rate of 7.63% (2022: 5.80%) per annum. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk.

Other receivables include an amount of AED 31 thousand deposited with an external party (2022: AED 31 thousand).

The following table shows the movement in lifetime expected credit loss ("ECL") that has been recognised for trade receivables and retentions in accordance with the simplified approach set out in IFRS 9.

Movement lifetime ECL of trade receivables and retentions:

	2023	*2022*
	AED'000	*AED'000*
At 1 January	**519,435**	520,887
Provision for expected credit loss	**21,173**	16,017
Reversal of provision	-	(11,130)
Reclassified from non-current	**583**	1,589
Exchange rate difference	**(10,182)**	(7,928)
Related to discontinued operations	**(89,192)**	**-**
At 31 December	**441,817**	519,435

9 TRADE AND OTHER RECEIVABLES (continued)

Movement lifetime ECL of prepayments and other receivables:

	2023 AED'000	*2022 AED'000*
At 1 January	**7,052**	6,268
Provision for expected credit loss	**7,486**	1,003
Exchange rate difference	**(125)**	(219)
Related to discontinued operations	**(8,871)**	-
At 31 December	**5,542**	7,052

Movement lifetime ECL of amounts due from customers on contract:

	2023 AED'000	*2022 AED'000*
At 1 January	**230,503**	242,191
Reversal of Provision	**(3,932)**	(7,542)
Provision for expected credit loss	-	4,091
Exchange rate difference	**(5,840)**	(8,237)
Related to discontinued operations	**(56,125)**	-
At 31 December	**164,606**	230,503

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

			Past due but not impaired				
	Total AED'000	*Neither past due nor impaired AED'000*	*<30 days AED'000*	*31-60 days AED'000*	*61-90 days AED'000*	*91-120 days AED'000*	*>120 days AED'000*
2023	**34,274**	**21,977**	**5,491**	**80**	**41**	**-**	**6,685**
2022	87,712	61,308	9,583	119	118	201	16,383

The Group's credit period is 90 to 120 days after which trade receivables are considered to be past due. Unimpaired trade receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over trade receivables.

10 RELATED PARTY TRANSACTIONS

Related parties include shareholders, key management personnel, joint venture partners, directors and businesses which are controlled directly or indirectly by the major shareholders or directors or over which they exercise significant management influence (hereinafter referred as "affiliates").

In the normal course of business, the Group has various transactions with its related parties. Transactions are entered into with the related parties on terms and conditions approved by either the Group management or its Board of Directors.

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

Due from related parties:

	2023 AED'000	*2022 AED'000*
Affiliates	**14,824**	5,242

10 RELATED PARTY TRANSACTIONS (continued)

	2023 ***AED'000***	*2022* *AED'000*
Due to related parties:		
Joint arrangement	**24,909**	24,909
Affiliates	**43,607**	43,603
Related to assets held as discontinued operations (Note 29)	**(27,292)**	(27,288)
	41,224	41,224

Amount due from affiliates include AED 14,763 thousand relating to consideration received on sale of an investment in associate and recovery of balances written off (2022: AED 5,226 thousand) which is used to meet working capital requirements.

Significant related party transactions:
There were no significant related party transactions during the year with affiliates (2022: Nil).

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

	2023 ***AED'000***	*2022* *AED'000*
Short term benefits	**2,442**	1,146
Employees' end of service benefits	**122**	35
	2,564	1,181

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

During the year, the Group has not provided for amounts due from related parties (2022: Nil).

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 ***AED'000***	*2022* *AED'000*
Investment in a real estate fund	**986**	979

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

During the year, the Group has recognised profit AED 7 thousand on financial assets at fair value through profit or loss (2022: AED 5 thousand) (refer Note 22).

12 CASH AND BANK BALANCES

	2023 ***AED'000***	*2022* *AED'000*
Cash on hand	**1,185**	531
Cash at bank	**26,405**	21,129
Term deposits	**49,981**	50,545
Cash and bank balances	**77,571**	72,205

Term deposits carry an average interest rate of 4% to 7% (2022: 4% to 6%) per annum.

12 CASH AND BANK BALANCES (continued)

Cash and cash equivalent

	2023 AED'000	*2022 AED'000*
Cash and bank balances	**77,571**	72,205
Less: Term deposits under lien	**(49,981)**	(50,545)
Bank overdrafts (Note 15)	**(471,515)**	(560,960)
Cash and cash equivalent related to discontinued operations (Note 29)	**(176,119)**	(92,150)
Cash and cash equivalents	**(620,044)**	(631,450)

13 SHARE CAPITAL

	2023 AED'000	*2022 AED'000*
Authorised, issued and paid up		
1,070,987,748 ordinary shares of AED 1 each (2022: 1,070,987,748 ordinary shares of AED 1 each) paid in cash	**1,070,988**	1,070,988

(i) Assets and liabilities of Drake and Scull International (LLC) and its subsidiaries, were transferred to Drake and Scull International PJSC as in-kind contribution for a 45% shareholding in the Company.

(ii) During the year ended 31 December 2009, the Company obtained the necessary regulatory approval to undertake a share buy-back program. A total of 32,400 thousand shares were purchased from the market at an average price of AED 0.8834 per share amounting to AED 28,622 thousand. During the year ended 31 December 2013, these shares were re-issued at an average price of AED 0.977 per share amounting to AED 31,648 thousand, recognising a share premium of AED 3,026 thousand.

14 STATUTORY RESERVE

In accordance with the Group's Articles of Association and the UAE Federal Law by Decree No. 32 of 2021, 10% of the net profit for year is required to be transferred to a statutory reserve. Such transfers may be ceased when the statutory reserve equals half of the paid-up share capital of the applicable entities. This reserve is non-distributable except in certain circumstances stipulated by the law. The consolidated statutory reserve reflects transfers made post-acquisition for subsidiary companies together with transfers made by the parent Group. No transfers are made to the statutory reserve during the year (2022: Nil).

15 BANK BORROWINGS

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

	2023 AED'000	*2022 AED'000*
Current		
Term loan	**1,443,964**	1,340,616
Trust receipts and other borrowings	**142,209**	176,096
Bank overdrafts (Note 12)	**471,515**	560,960
	2,057,688	2,077,672

15 BANK BORROWINGS (continued)

Changes in liabilities arising from financing activities:

31 December 2023

	1 January 2023 AED'000	***Cash flows AED'000***	***Relating to disposal AED'000***	***Others AED'000***	***31 December 2023 AED'000***
Term loans, trust receipts and other borrowings	**1,516,712**	**-**	**-**	**69,461**	**1,586,173**

31 December 2022

	1 January 2022 AED'000	*Cash flows AED'000*	*Relating to disposal AED'000*	*Others AED'000*	*31 December 2022 AED'000*
Term loans, trust receipts and other borrowings	1,417,742	-	-	98,970	1,516,712

Maturity analysis of bank borrowings are disclosed in Note 27.

Interest rates on the term loans were at variable rates and ranging between 2% to 12% (2022: 2% to 12%) per annum. Contractual re-pricing dates are set on the basis of 3 months LIBOR/EIBOR.

The nature of securities provided in respect of certain bank borrowings by the Group, are set out below:
- Pledge of assets acquired through utilisation of credit facilities; and
- Term deposits of AED 49,981 thousand (2022: AED 50,545 thousand).

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

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

16 EMPLOYEES' END OF SERVICE BENEFITS

The movements in the provision were as follows:

	2023 AED'000	*2022 AED'000*
At 1 January	**14,312**	23,943
Provided during the year	**1,235**	1,166
Transferred to trade payables and accruals (a)	**(2,983)**	(8,207)
Currency translation Differences	**459**	(1,606)
Payments made during the year	**(323)**	(984)
Related to discontinued operations	**(352)**	-
At 31 December	**12,348**	14,312

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

16 EMPLOYEES' END OF SERVICE BENEFITS (continued)

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

	2023 AED'000	*2022 AED'000*
Contract costs (Note 20)	**113**	701
General and administrative expenses (Note 23)	**1,122**	465
	1,235	1,166

17 TRADE AND OTHER PAYABLES

	2023 AED'000	*2022 AED'000*
Trade payables and accruals	**562,560**	595,263
Provision for income tax	**7,798**	7,562
Amount due to customers on contracts	**5,209**	19,335
Advances from customers	**26,886**	45,006
	602,453	667,166
Provision for legal cases	**142,470**	128,445
Provision against bond encashments	**24,086**	23,298
Provision for additional cost relating to disposal of subsidiaries	**9,511**	9,765
	778,520	828,674

	2023 AED'000	*2022 AED'000*
Amounts due to customers on contracts comprise:		
Progress billings	**109,008**	808,223
Less: Cost incurred to date	**(89,519)**	(711,441)
Less: Recognised profits	**(14,280)**	(77,447)
	5,209	19,335

18 PROVISION FOR BANK LIABILITIES OF SUBSIDIARIES

	2023 AED'000	*2022 AED'000*
Provision for bank liabilities relating to disposed off subsidiaries *	**1,117,903**	1,044,199
Provision for bond encashment relating to disposed off subsidiaries	**168,303**	168,312
Provision for bank liabilities of discontinued operations *	**99,154**	99,141
	1,385,360	1,311,652

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

* Interest rates on these loans were at a variable rate between 2% to 18% (2022: 2% to 18%) per annum.

19 REVENUE

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

	2023	2022
	AED'000	*AED'000*
Type of revenue from contract with customers		
Engineering	**15,488**	18,932
Others	**76,650**	58,840
	92,138	77,772
Other operating income		
Rental income	**1,705**	3,300
Total revenue	**93,843**	81,072

Set out below is the amount of revenue recognised from:

	2023	2022
	AED'000	*AED'000*
Amounts included in contract liabilities at the beginning of the year	**7,252**	12,631

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

	2023	2022
	AED'000	*AED'000*
Within one year	**316,190**	339,089
More than one year	**118,985**	114,876
	435,175	453,965

20 COST OF REVENUE

Cost of revenue

	2023	2022
	AED'000	*AED'000*
Sub-contracting costs	**37,164**	18,199
Material costs	**18,570**	18,247
Labour and staff costs (Note 21)	**13,862**	21,210
Depreciation on investment property (Note 6)	**5,630**	5,630
Finance cost (Note 24)	**1001**	606
Depreciation on right-of-use assets (Note 7)	**296**	325
Depreciation on property and equipment (Note 5)	**200**	154
Employees' end of service benefits (Note 16)	**113**	701
Impairment of investment property (Note 6)	**-**	94
Overheads and other costs	**13,195**	8,549
	90,031	73,715

21 STAFF COSTS

	2023 AED'000	*2022 AED'000*
Cost of revenue (Note 20)	**13,862**	21,210
General and administrative expenses (Note 23)	**18,814**	19,414
	32,676	40,624

22 OTHER INCOME

	2023 AED'000	*2022 AED'000*
Recovery of balances written off (a)	**29,937**	1,349
Write back of liabilities (b)	**2,433**	1,869
Rental income	**937**	2,256
Sale of scrap	**58**	4,166
Fair value gain on financial assets at fair value through profit or loss (Note 11)	**7**	5
Reversal of provision for legal cases	-	3,157
Reversal of provision for tax	**-**	1,741
Reversal of provision for expected credit loss on trade receivables	-	18,672
Others	**180**	1,365
	33,552	34,580

(a) Recovery of balances written off for year ended 31 December 2023 represents amounts received from a project in the current period for subsidiary disposed of in 2019 and amounts received from a project in the current period.

(b) During the year the Group assessed that certain employee related liabilities are no longer payable and has, accordingly, written back such amounts under other income, and certain trade payables and accrual, amounts due to customers on contract, recorded in earlier periods were no longer payable.

23 GENERAL AND ADMINISTRATIVE EXPENSES

	2023 AED'000	*2022 AED'000*
Staff costs (Note 21)	**18,814**	19,414
Business development, legal and professional fees	**6,442**	9,675
Repair and maintenance	**1,259**	1,847
Employees' end of service benefits (Note 16)	**1,122**	465
Depreciation on right-of-use assets (Note 7)	**833**	1,474
Expenses related to lease of short term and low value assets (Note 7)	**745**	643
Bank charges	**689**	1,097
Utilities	**498**	1,289
Restructuring cost	**451**	992
Depreciation on property and equipment (Note 5)	**189**	208
Loss on disposal of property and equipment	-	2,395
Other expenses	**1,455**	567
	32,497	40,066

24 FINANCE COSTS

	2023	*2022*
	AED'000	*AED'000*
Finance costs	**150,216**	109,628
Interest on lease liabilities (Note 7)	**349**	468
	150,565	110,096
Charged to cost of sales (Note 20)	**(1,001)**	(606)
	149,564	109,490

25 EARNINGS PER SHARE

(a) Basic

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

	2023	*2022*
Loss (AED'000)		
Loss for the purposes of basic earnings per share being Loss for the year attributable to owners of the Parent	**(368,116)**	(224,397)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**1,070,987,748**	1,070,987,748
Basic and diluted loss per share (AED)	**(0.34)**	(0.21)

(b) Diluted

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

26 GUARANTEES, COMMITMENTS, AND CONTIGENCIES

	2023	*2022*
	AED'000	*AED'000*
Performance bonds	**339,598**	429,090
Letter of guarantees	**406,265**	445,528
	745,863	874,618

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

Group has also provided corporate guarantees on behalf of subsidiaries disposed in prior years. Group has recognised provision against these guarantees. Refer Note 18.

26 GUARANTEES, COMMITMENTS, AND CONTIGENCIES (continued)

Legal contingencies
During 2018, the Group informed DFM that there were suspicious of material financial violations by the previous management of the Group which are under investigation by the designated authorities in the UAE. The Company is now engaged in civil and criminal cases against the previous management and others. Criminal complaints were filed with the Abu Dhabi Public Funds Prosecutor's office. The company is still following up with these cases to return and protect the investors and the shareholders' rights.

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

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

27 RISK MANAGEMENT

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

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

During the year ended 31 December 2023, if interest rates on deposits had been 0.5% higher/lower, the finance income would have been higher/lower by AED 250 thousand (31 December 2022: AED 253 thousand).

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

	Increase/ (decrease) in basis points	*Effect on profit for the year AED'000*
Bank borrowings:		
2023	**+50**	**(10,288)**
	-50	**10,288**
2022	+50	(10,388)
	-50	10,388
Provision for bank liabilities of subsidiaries:		
2023	**+50**	**(6,927)**
	-50	**6,927**
2022	+50	(6,558)
	-50	6,558

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

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

	Change in equity price 2023 %	***Effect on equity 2023 AED '000***	*Change in equity price 2022 %*	*Effect on equity 2022 AED '000*
Dubai Financial Market	+/-10%	**99**	+/-10%	98

27 RISK MANAGEMENT (continued)

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

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

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

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

At 31 December 2023, the Group's ten customers (31 December 2022: ten customers) accounts for 90% of the trade receivables (31 December 2022: 78%). Management believes that this concentration of credit risk is mitigated as the Group has long-standing relationships with these customers.

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

31 December 2023

				Trade receivables				
					Days past due			
	Contract assets AED '000	**Total AED '000**	**Not due AED '000**	**< 30 days AED '000**	**31 – 60 days AED '000**	**61-90 days AED '000**	**91-120 days AED '000**	**>120 days AED '000**
Gross amount at Default	**181,199**	**477,010**	**21,977**	**5,491**	**80**	**41**	-	**449,421**
Expected credit loss	**164,606**	**442,736**	**-**	**-**	**-**	**-**	**-**	**442,736**
Net amount	**16,593**	**34,274**	**21,977**	**5,491**	**80**	**41**	-	**6,685**
Expected credit loss rate	**91%**	**93%**	**-**	**-**	**-**	**-**	-	**99%**

31 December 2022

				Trade receivables				
					Days past due			
	Contract assets AED '000	*Total AED '000*	*Not due AED '000*	*< 30 days AED '000*	*31 – 60 days AED '000*	*61-90 days AED '000*	*91-120 days AED '000*	*>120 days AED '000*
Gross amount at default	270,667	608,648	61,308	10,254	119	118	201	536,648
Expected credit loss	230,503	520,936	-	671	-	-	-	520,265
Net amount	40,164	87,712	61,308	9,583	119	118	201	16,383
Expected credit loss rate	85%	86%	-	7%	-	-	-	97%

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

27 RISK MANAGEMENT (continued)

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

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

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

31 December 2023

	Less than 1 year AED'000	***Between 1 year and 5 years AED'000***	***Above 5 years AED'000***	***Total AED'000***
Trade and other payables (excluding advance)	**751,633**	**-**	**-**	**751,633**
Bank borrowings	**2,222,303**	**-**	**-**	**2,222,303**
Due to related parties	**41,224**	**-**	**-**	**41,224**
Lease liabilities	**1,077**	**3,913**	**5,761**	**10,751**
Provision for bank liabilities of subsidiaries	**1,496,189**	**-**	**-**	**1,496,189**
Total	**4,512,426**	**3,913**	**5,761**	**4,522,100**

31 December 2022

	Less than 1 year AED'000	*Between 1 year and 5 years AED'000*	*Above 5 years AED'000*	*Total AED'000*
Trade and other payables (excluding advance)	783,668	-	-	783,668
Bank borrowings	2,243,886	-	-	2,243,886
Due to related parties	41,224	-	-	41,224
Lease liabilities	2,075	2,957	5,788	10,820
Provision for bank liabilities of subsidiaries	1,416,584	-	-	1,416,584
Total	4,487,437	2,957	5,788	4,496,182

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

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

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

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

At 31 December 2023, if these currencies had weakened/strengthened by 5% against the AED, the losses for the year would have been lower/higher by AED 5 million (31 December 2022: AED 4 million).

27 RISK MANAGEMENT (continued)

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

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the year ended 31 December 2023 and 31 December 2022. Capital comprises share capital, share premium, statutory reserve, accumulated losses, foreign currency translation reserve and non-controlling interests and is measured at deficiency of assets of AED 4,431,574 thousand as at 31 December 2023 (2022: deficiency of assets of AED 4,082,525 thousand).

28 FAIR VALUES

Financial instruments comprise financial assets and financial liabilities.

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

The fair values of financial instruments are not materially different from their carrying values. The fair value of the financial assets and liabilities are considered at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

- Cash and bank balances, trade receivables, other financial assets, due from related parties, bank borrowings, trade and other payables and due to related parties and income tax payable approximate their carrying amounts, largely due to the short-term maturities of these instruments.

- Long term receivables and borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors, and individual credit worthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, provisions are taken to account for the expected losses of these receivables. As at 31 December 2023, the carrying amounts of such receivables, net of provisions, are not materially different from their fair values.

- Fair value of non-current receivable, lease liabilities, bank borrowings and other financial liabilities as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debts on similar items, credit risk and remaining maturities.

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

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

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

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

28 FAIR VALUES (continued)

Fair value hierarchy (continued)
The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2023:

	Level 1 AED'000	***Level 2 AED'000***	***Level 3 AED'000***	***Total AED'000***
Asset				
Financial assets at fair value through profit or loss	**-**	**986**	**-**	**986**
Total assets	**-**	**986**	**-**	**986**

The following table presents the Group's assets and liabilities that are measured at fair value as at 31 December 2022.

	Level 1 AED'000	*Level 2 AED'000*	*Level 3 AED'000*	*Total AED'000*
Asset				
Financial assets at fair value through profit or loss	-	979	-	979
Total assets	-	979	-	979

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

The Group has no liabilities measured at fair value as at 31 December 2023 (2022: Nil).

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

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

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

At 31 December 2022 and 31 December 2023, the fair values of all other financial assets and liabilities, which are measured at amortised cost approximate their carrying values.

(b) Group's valuation processes

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

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

29 DISCONTINUED OPERATIONS

On 20 July 2023, Drake & Scull Construction LLC, Algeria received a termination letter 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 Drake & Scull Construction LLC Algeria umbrella, would not be able to proceed in its operations in Algeria.

As the contract with Emiral is the only business in Algeria for Drake & Scull Construction LLC, Algeria and Drake & Scull Engineering Algeria, both subsidiaries stopped the operations completely in Algeria and do not have the intent to bid for new projects in the country.

29 DISCONTINUED OPERATIONS (continued)

Based on the above facts on 31 December 2023, DSI PJSC management decided to treat its operations in Algeria as discontinued operations (freeze till further notice).

During 2023, the Group's management decided to treat its operations in the following regions as discontinued operations until further notice due to inactive/ completed projects and lack of good opportunities within these territories to keep the operations alive and profitable:

- DSI Kuwait (Drake & Scull International for Electrical Contracting Company - WLL)
- Drake & Scull Jordan (Drake and Scull Engineering LLC)
- Drake & Scull Thailand (Drake and Scull International Thailand Company Limited)
- DSWP KSA (DSWP – Saudi Arabia)
- Orient (Orient Corner Contracting Company)
- Drake & Scull Development
- Drake & Scull Syria (Drake and Scull Syria Limited Liability Company)
- DSWP Qatar (Drake and Scull Water & Power)
- Drake & Scull Egypt
- Drake & Scull Algeria
- Drake & Scull DSC Algeria

Drake & Scull International for Contracting SAE (DSIC) had one project only 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 (USD 2,259,718) and performance guarantee (USD 12,895,500) on 28 March 2023, years after DSIC's successful works & 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. In addition, DSIC did not find good opportunities within this territory to keep the operation alive and profitable.

On 30 June 2023, Group's management decided to treat its operations in Egypt as discontinued operations until further notice.

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

During 2021, the Group changed its position with regards to the disposal of DSWE India and has made a bid to acquire the entity. The bid is still pending approval by the relevant authorities as of the date of authorization of these consolidated financial statements. DSWE India is currently under liquidation whereby the proceedings are managed, supervised, and controlled by the relevant regulator in India. Accordingly, the investment has been classified under loss of control over subsidiary under Note 30.

Balances relating to above mentioned operations are as follows:

	2023	*2022*
	AED'000	*AED'000*
Income statement		
Other income	**1,700**	2,116
General and administrative expenses	**(5,328)**	(722)
(Loss) /profit from discontinued operations	**(3,628)**	1,394

29 DISCONTINUED OPERATIONS (continued)

	2023 AED'000	*2022 AED'000*
Financial position		
ASSETS		
Property and equipment	**278**	248
Cash and bank balances	**2,045**	225
Trade and other receivables	**49,623**	-
	51,946	473
LIABILITIES		
Trade and other payables	**129,011**	36,983
Bank borrowings	**328,032**	95,281
Due to related parties (Note 10)	**27,292**	27,288
	484,335	159,552

Cash and cash equivalent related to discontinued operations:

	2023 AED'000	*2022 AED'000*
Cash and bank balances	**2,045**	225
(Less): bank overdrafts	**(178,164)**	(92,375)
	(176,119)	(92,150)

Net cash flows from discontinued operations

Operating	**37,975**	(3,848)
Investing	**28**	-
Financing	**151,014**	-
Exchange difference	-	(51)
	189,017	(3,899)

30 PROVISION FOR LOSS OF CONTROL OVER SUBSIDIARY

During 2021 DSWE India, investments in this subsidiary was classified as investment carried at fair value through profit or loss.

DSWE India has been going through insolvency procedure. Passavant Energy & Environment Gmbh has been the successful applicant during the process and is currently implementing the approved restructuring plan. Upon successful restructuring plan implementation and clearance from court, DSWE India would be consolidated within Passavant Energy & Environment Gmbh financials. At the current moment, the company is stated at nil value excluding for the costs incurred by Passavant Energy & Environment Gmbh to realize the restructuring plan.

Despite of the nil value of the company, management decided to keep the liability without any change until the successful closure of the acquisition transaction.

30 PROVISION FOR LOSS OF CONTROL OVER SUBSIDIARY (continued)

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

	31 December 2023 AED'000
	DSWE, India
At 1 January 2023	**21,229**
Reversal of provision during the year	-
Fair value loss	**(127)**
At 31 December 2023	**21,102**

	31 December 2022 AED'000
	DSWE, India
At 1 January 2022	23,468
Reversal of provision during the year	(2,920)
Fair value gain	681
At 31 December 2022	21,229

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

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

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

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

Subsidiaries	*Country of incorporation*	***2023 %***	*2022 %*
Drake and Scull International LLC (Oman) (DSI Oman)	Oman	**49%**	49%

b) Accumulated balances of material non-controlling interests:

	2023 AED'000	*2022 AED'000*
Drake and Scull International LLC (Oman)	**(140,601)**	(140,671)

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

c) Profit allocated to material non-controlling interests:

	2023 AED'000	*2022 AED'000*
Drake and Scull International LLC (Oman)	**(83)**	683

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

d) Summarised income statement

31 December 2023

	DSI Oman AED'000
Other income	**-**
General and administrative expenses	**(170)**
	(170)

31 December 2022

	DSI Oman AED'000
Other income	2,116
General and administrative expenses	(722)
Profit	1,394

e) Summarised statement of financial position for DSI Oman

	2023 AED'000	*2022 AED'000*
Total assets	**378**	473
Total liabilities	**159,709**	159,552

32 CORPORATE INCOME TAX

On 9 December 2022, the UAE Ministry of Finance (MoF) released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime is effective from 1 June 2023 and accordingly, it has an income tax related impact on the financial statements for accounting periods beginning on or after 1 June 2023.

Decision No. 116 of 2022 (published in December 2022 and considered to be effective from 16 January 2023) specifies that taxable income not exceeding AED 375,000 would be subject to the 0% UAE CT rate, and taxable income exceeding AED 375,000 would be subject to the 9% UAE CT rate. With the publication of this Decision, the UAE CT Law is considered to be substantively enacted for the purposes of accounting for income taxes.

32 CORPORATE INCOME TAX (continued)

The UAE CT Law shall apply to the Group with effect from 1 January 2024. The MoF continue to issue supplemental Decisions of the Cabinet of Ministers of the UAE (Decisions) to further clarify certain aspects of the UAE CT Law. Such Decisions, and other interpretive guidance of the UAE Federal Tax Authority, are required to fully evaluate the impact of the UAE CT Law on the Group.

Since the provisions of UAE CT law will apply to tax periods commencing on or after 1 June 2023, the related current taxes shall be accounted for in the consolidated financial statements for the period beginning 1 January 2024. However, the related deferred tax accounting impact has been considered for the financial year ended 31 December 2023. Following assessment of the potential impact of the UAE CT Law on the consolidated statement of financial position, the management does not consider there to be material temporary differences on which deferred taxes should be accounted.

The Group will continue to monitor the publication of subsequent decisions and related guidance, as well as continuing its more detailed review of its financial matters, to consider any changes to the position at subsequent reporting dates.