DRAKE AND SCULL INTERNATIONAL PJSC & ITS SUBSIDIARIES

Interim condensed consolidated financial statements (unaudited)

31 March 2022

Interim condensed consolidated financial statements
31 March 2022

Building a better working world

Ernst & Young Middle East (Dubai Branch)
P.O. Box 9267
Ground Floor, ICD Brookfield Place
Al Mustaqbal Street
Dubai International Financial Centre
Dubai
United Arab Emirates

Tel: +971 4 701 0100
+971 4 332 4000
Fax: +971 4 332 4004
dubai@ae.ey.com
ey.com

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF DRAKE AND SCULL INTERNATIONAL P.J.S.C.

Introduction

We were engaged to review the accompanying interim condensed consolidated financial statements of Drake and Scull International P.J.S.C. (the "Company") and its subsidiaries (together the "Group") as at 31 March 2022, which comprise the interim consolidated statement of financial position as at 31 March 2022, and the related interim consolidated statements of income, other comprehensive income, changes in equity and cash flows for the three-month period then ended and explanatory notes thereto. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Scope of review

Our responsibility is to express a conclusion on the accompanying interim condensed consolidated financial statements. However, because of the significance of the matters described in the Basis for Disclaimer of Conclusion section of our report, we were not able to obtain sufficient appropriate evidence to provide a basis for expressing a review conclusion on these interim condensed consolidated financial statements.

Basis for disclaimer of conclusion

1. *Opening balances*
   We disclaimed our opinion on the consolidated financial statements of the Group as of and for the year ended 31 December 2021 as a result of number of significant and pervasive audit issues. As opening balances enter into the determination of the results for the current period, and in the absence of any practicable alternative procedures that we could carry out in this regard, we were unable to ascertain whether any misstatements in the opening balances would have had a material impact on the interim condensed consolidated financial statements for the period ended 31 March 2022.

2. *Bank balances and liabilities*
   We were not provided with bank statements and reconciliations for certain bank balances, bank borrowings, provision for bank liabilities of subsidiaries, and commitments and contingencies, included in the interim condensed consolidated statement of financial position amounting to AED 32 million, AED 1,989 million, AED 1,312 million and AED 912 million as of 31 March 2022, respectively. In the absence of any practicable alternative procedures that we could perform in respect of these balances, we were unable to conclude our review of the valuation of these balances, as well as completeness of liabilities, commitments and contingencies as of 31 March 2022.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF DRAKE AND SCULL INTERNATIONAL P.J.S.C. (continued)

Basis for disclaimer of conclusion (continued)

2. *Bank balances and liabilities (continued)*

   As stated in note 2.1, 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 interim condensed consolidated financial statements as at 31 March 2022. Further, during our audit for year ended 31 December 2021, we did not receive significant responses to our direct audit confirmation to verify the existence and completeness of claims from trade and other creditors, as well as direct audit confirmations from certain external lawyers' to assess the Group's exposure against legal cases and the sufficiency of accruals and provisions, and required disclosures.

3. *Going concern assessment and restructuring plan*
   As detailed in note 2.1 to the interim condensed consolidated financial statements, the Group's accumulated losses, as reported by management as of 31 March 2022, amounted to AED 4,926 million, and its current liabilities exceeded its current assets by AED 4,065 million.

   The accompanying interim condensed 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 interim condensed 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 interim condensed consolidated financial statements as at 31 March 2022 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 consolidaated financial statements for the year ended 31 December 2021 was also disclaimed in respect to all of the above and other matters.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF DRAKE AND SCULL INTERNATIONAL P.J.S.C. (continued)

Disclaimer of conclusion

Due to the significance of the matters described in the *Basis for disclaimer of conclusion* section of our report, we were unable to obtain sufficient appropriate evidence to form the basis of a review conclusion on the accompanying interim condensed consolidated financial statements of the Group as at 31 March 2022. Accordingly, we do not express a conclusion on these interim condensed consolidated financial statements.

For Ernst & Young

Signed by:
Wardah Ebrahim
Partner
Registration No. 1258

20 May 2022

Dubai, United Arab Emirates

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2022

	Notes	***31 March 2022 AED'000 (Unaudited)***	*31 December 2021 AED'000 (Audited)*
ASSETS			
Non-current assets			
Property and equipment	7	**30,096**	34,902
Investment property		**87,317**	88,724
Right-of-use assets		**7,367**	7,242
Deferred income tax assets		**14,993**	15,300
Trade and other receivables	8	**17,962**	23,556
		157,735	169,724
Current assets			
Trade and other receivables	8	**205,563**	215,298
Due from related parties	9	**6,133**	6,100
Financial assets at fair value through profit or loss		**1,035**	974
Cash and bank balances	10	**91,077**	89,001
		303,808	311,373
Assets held for sale		**585**	2,914
		304,393	314,287
TOTAL ASSETS		**462,128**	484,011
EQUITY AND LIABILITIES			
EQUITY			
Share capital		**1,070,988**	1,070,988
Share premium		**3,026**	3,026
Statutory reserve		**125,760**	125,760
Accumulated losses		**(4,926,243)**	(4,873,775)
Foreign currency translation reserve		**(69,736)**	(64,784)
Deficiency of assets attributable to equity holders of the parent		**(3,796,205)**	(3,738,785)
Non-controlling interests		**(140,677)**	(141,442)
DEFICIENCY OF ASSETS		**(3,936,882)**	(3,880,227)

The attached notes 1 to 23 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 March 2022

	Notes	***31 March 2022 AED'000 (Unaudited)***	*31 December 2021 AED'000 (Audited)*
LIABILITIES			
Non-current liabilities			
Employees' end of service benefits		**22,935**	23,943
Lease liabilities		**6,374**	6,478
		29,309	30,421
Current liabilities			
Provision for bank liabilities of subsidiaries	13	**1,311,766**	1,275,596
Bank borrowings	11	**2,005,289**	1,996,976
Trade and other payables	12	**827,435**	832,032
Due to related parties	9	**41,224**	41,224
Lease liabilities		**1,288**	1,052
Provision for loss of control over subsidiaries	14	**23,110**	23,468
		4,210,112	4,170,348
Liabilities associated with discontinued operations		**159,589**	163,469
		4,369,701	4,333,817
Total liabilities		**4,399,010**	4,364,238
TOTAL EQUITY AND LIABILITIES		**462,128**	484,011

The interim condensed consolidated financial statements were approved by the Board of Directors on 20th May 2022 and signed on its behalf by:

Chairman

Group CFO

The attached notes 1 to 23 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED INCOME STATEMENT

For the period ended 31 March 2022 (unaudited)

		Three months period ended 31 March	
	Notes	***2022 AED'000***	*2021 AED'000*
Continuing operations			
Revenue	6	**23,882**	45,857
Cost of revenue		**(23,453)**	(40,794)
Gross profit		**429**	5,063
Other income	15	**20,018**	170,074
General and administrative expenses	16	**(12,765)**	(15,753)
Provision for legal cases		**(2,439)**	(3,600)
Provision for expected credit loss on trade and other receivables	8	**-**	(5,445)
Provision for expense related to bond encashment		**(36,035)**	(13,570)
Reversal / (provision) related to subsidiaries with loss of control	14	**835**	-
Finance income		**205**	27
Finance costs	17	**(23,201)**	(21,050)
(Loss)/ profit before tax from continuing operations		**(52,953)**	115,746
Income tax expense	18	**(284)**	(373)
(Loss)/ profit from continuing operations		**(53,237)**	115,373
Discontinued operations			
Profit after tax from discontinued operations		**1,507**	-
(LOSS)/PROFIT FOR THE PERIOD		**(51,730)**	115,373
Attributable to:			
Equity holders of the parent		**(52,468)**	115,373
Non-controlling interests		**738**	-
		(51,730)	115,373
(Loss)/ earnings per share			
Basic and diluted (AED)	19	**(0.05)**	0.11

The attached notes 1 to 23 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the period ended 31 March 2022 (unaudited)

	Three months period ended 31 March	
	2022 AED'000	*2021 AED'000*
(Loss)/ Profit for the period	**(51,730)**	115,373
Other comprehensive income items that would be reclassified subsequently to profit or loss		
Currency translation differences	**(4,981)**	(6,816)
Exchange difference related to discontinued operations	**56**	-
Other comprehensive loss for the period	**(4,925)**	(6,816)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	**(56,655)**	108,557
Attributable to:		
Equity holders of the parent	**(57,420)**	108,557
Non-controlling interests	**765**	-
	(56,655)	108,557

The attached notes 1 to 23 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 March 2022 (unaudited)

	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 2022 (audited)	1,070,988	3,026	125,760	(4,873,775)	(64,784)	(3,738,785)	(141,442)	(3,880,227)
(Loss) / profit for the period	-	-	-	(52,468)	-	(52,468)	738	(51,730)
Other comprehensive loss for the period	-	-	-	-	(4,952)	(4,952)	27	(4,925)
Total comprehensive (loss) / income for the period	-	-	-	(52,468)	(4,952)	(57,420)	765	(56,655)
At 31 March 2022	**1,070,988**	**3,026**	**125,760**	**(4,926,243)**	**(69,736)**	**(3,796,205)**	**(140,677)**	**(3,936,882)**
At 1 January 2021 (audited)	1,070,988	3,026	125,760	(4,901,556)	(59,198)	(3,760,980)	(141,632)	(3,902,612)
Profit for the period	-	-	-	115,373	-	115,373	-	115,373
Other comprehensive loss for the period	-	-	-	-	(6,816)	(6,816)	-	(6,816)
Total comprehensive income / (loss) for the period	-	-	-	115,373	(6,816)	108,557	-	108,557
At 31 March 2021	1,070,988	3,026	125,760	(4,786,183)	(66,014)	(3,652,423)	(141,632)	(3,794,055)

The attached notes 1 to 23 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 31 March 2022 (unaudited)

	Notes	***Three months period ended 31 March*** ***2022*** ***AED'000***	*2021* *AED'000*
OPERATING ACTIVITIES			
(Loss)/ profit before tax from continuing operations		**(52,953)**	115,746
Profit before tax from discontinued operations		**1,507**	-
Profit before tax		**(51,446)**	115,746
Adjustments for:			
Depreciation of property and equipment	7	**99**	94
Depreciation of investment property		**1,407**	1,407
Loss on disposal of property and equipment		**203**	-
Provision for legal cases		**2,439**	3,600
Provision for bond encashments		**36,035**	13,570
Loss / (gain) on financial assets at fair value through profit or loss		**(61)**	84
Provision for employees' end of service benefits		**322**	423
Finance cost	17	**23,748**	21,138
Finance income		**(205)**	(27)
Depreciation of right-of-use asset		**445**	379
Interest on lease liabilities		**129**	108
Reversal of provision for expected credit loss	8	**(13,776)**	-
Write back of provisions	15	**(1,561)**	(165,870)
		(2,222)	(9,348)
Changes in working capital:			
Trade and other receivables		**28,781**	10,491
Trade and other payables (excluding income tax and interest payable)		**(16,697)**	(39,478)
Due to / from related parties		**(33)**	5,137
		9,829	(33,198)
Payment of employees' end of service benefits		**(452)**	(291)
Net cash used in operating activities			
- Continuing operations		**9,377**	(33,489)
- Discontinued operations		**(3,847)**	-
		5,530	(33,489)

The attached notes 1 to 23 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the period ended 31 March 2022

	Notes	***Three months period ended 31 March*** 2022 AED'000	*2021 AED'000*
INVESTING ACTIVITIES			
Purchase of property and equipment	7	**(47)**	(299)
Proceeds from disposal of property and equipment		**4,525**	133
Interest received		**205**	27
Net cash used in investing activities		**4,683**	(139)
FINANCING ACTIVITIES			
Movement in term deposits under lien		**1,572**	4,374
Movement in trust receipts and other borrowings		**2,336**	5,193
Movement in term loans		**(93)**	19,862
Payment of lease liabilities		**(550)**	-
Net cash from financing activities			
- Continuing operations		**3,265**	29,429
- Discontinued operations		**-**	-
		3,265	29,429
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		**13,478**	(4,199)
Net foreign currency translation difference		**(5,155)**	(7,287)
Cash and cash equivalents at the beginning of the period		**(630,869)**	(622,479)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	10	**(622,546)**	(633,965)

The attached notes 1 to 23 form part of these interim condensed 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 Company in accordance with the UAE Federal Law No. (2) of 2015 (as amended). The Company is listed on the Dubai Financial Market.

Federal Law by Decree No 32 of 2021 which repeals Federal Law No. 2 of 2015 (as amended) on Commercial Companies was issued on 20 September 2021 and is effective from 2 January 2022. The Company is in the process of reviewing the new law and will apply the requirements thereof no later than one year from the date on which the new Decree Law came into effect.

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

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

Certain trade licenses of the Group subsidiaries are not renewed as at the date of approval of these interim condensed 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 following major subsidiaries:

		Shareholding %		
Major Subsidiaries	***Principal activities***	***31 March 2022***	*31 December 2021*	***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
Passavant Energy & Environment and its subsidiaries	Developing waste water, water and sludge treatment plants	**100**	100	Germany
Drake & Scull International for Electrical Contracting WLL	Mechanical, Electrical contracting and repairing work relating to the construction industry	**100**	100	Kuwait
Drake & Scull International for Contracting SAE	Contracting work relating to mechanical, electrical and sanitary engineering	**100**	100	Egypt
Drake & Scull International LLC (Oman)	Contracting work related to mechanical, electrical and sanitary engineering	**51**	51	Oman

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

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

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

1 CORPORATE INFORMATION (continued)

Drake and Scull International PJSC has a 51% interest in a joint venture with Al Habtoor Specon LLC (DSI-HLS Joint Venture) under a joint arrangement agreement dated 17 April 2013. The joint venture agreement in relation to the DSI-HLS Joint Venture require unanimous consent from all parties for all relevant activities. The two partners have direct rights to the assets 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 1 May 2013. This is classified as joint operation in these interim condensed 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 interim condensed 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 interim condensed 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 interim condensed 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 interim condensed consolidated financial statements.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 GOING CONCERN

The interim condensed 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 52 million during the three-month period ended 31 March 2022 (31 March 2021: profit of AED 115 million), and as of that date, its current liabilities exceeded its current assets by AED 4,065 million (31 December 2021: AED 4,020 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 interim condensed consolidated financial statements, have been prepared on a going concern basis based on the developments related to restructuring.

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 under-performing operations and markets.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.1 GOING CONCERN (continued)

Moreover, the Group focused on engaging with all stakeholders including the regulators, lenders, creditors and the employees in terms of the various initiatives that the Group has been undertaking. The Group 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 Group 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 the Covid-19 situation there were several virtual meetings with the AHG and a number of individual banks to discuss the terms of a potential restructuring transaction. As part of this process the key terms of the Restructuring Plan were developed and substantially agreed with the AHG at the end of fourth quarter of 2020. Throughout 2020, there were continuous discussion between the Company and the AHG with the aim of a agreeing a restructuring plan.

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

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

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

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

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.1 GOING CONCERN (continued)

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 is scheduled to submit his report to the Court by 15 July 2022.

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

2.2 BASIS OF PREPARATION

The interim condensed consolidated financial statements of the Group for the three months period ended 31 March 2022 have been prepared in accordance with International Accounting Standard 34, *'Interim Financial Reporting'* as issued by the International Accounting Standards Board ("IASB").

The interim condensed consolidated financial statements do not contain all information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual financial statements as at 31 December 2021, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These interim condensed consolidated financial statements have been presented in United Arab Emirates Dirhams (AED), which is the functional and presentation currency of the Company. All values are rounded to the nearest thousands (000') except otherwise mentioned.

These interim condensed consolidated financial statements of the Group are prepared under the historical cost basis except for financial assets at fair value through profit and loss which are measured at fair value.

These interim condensed consolidated financial statements incorporate the financial information of Drake and Scull International PJSC and entities controlled by it. Control is achieved where the Company has power over the investee, exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the investor's returns.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.3 BASIS OF CONSOLIDATION

These interim condensed consolidated financial statements for the three months period ended 31 March 2022 comprises the results of the Group. The interim condensed consolidated financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. All inter-company transactions, profits and balances are eliminated on consolidation.

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

2.4 CHANGES IN ACCOUNTING POLICIES

The accounting policies used in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of new standards effective as of 1 January 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2022, but do not have an impact on the interim condensed consolidated financial statements of the Group as noted below:

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The Group applied the amendments to the contracts for which it had not fulfilled all of its obligations at the beginning of the reporting period.

In accordance with the transitional provisions, the Group applies the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application) and has not restated its comparative information. The amendment had no impact on these interim condensed consolidated financial statements.

Reference to the Conceptual Framework – Amendments to IFRS 3
The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

These amendments had no impact on the interim condensed consolidated financial statements of the Group as there were no contingent assets, liabilities and contingent liabilities within the scope of these amendments arisen during the period.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 CHANGES IN ACCOUNTING POLICIES (continued)

Property and Equipment: Proceeds before Intended Use – Amendments to IAS 16
The amendment prohibits entities from deducting from the cost of an item of property and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment had no impact on the interim condensed consolidated financial statements of the Group as there were no sales of such items produced by property and equipment made available for use on or after the beginning of the earliest period presented.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

These amendments had no impact on the interim condensed consolidated financial statements of the Group as it is not a first-time adopter of IFRS.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.

These amendments had no impact on the interim condensed consolidated financial statements of the Group as there were no modifications of the Group's financial instruments during the period.

IAS 41 Agriculture – Taxation in fair value measurements
The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

These amendments had no impact on the interim condensed consolidated financial statements of the Group as it did not have assets in scope of IAS 41 as at the reporting date.

3 USE OF ESTIMATES AND JUDGMENTS

The preparation of interim condensed 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 these interim condensed consolidated financial statements, the significant judgments made by 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 2021.

4 RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial statements does not include all financial risk management information and disclosures required in the annual consolidated financial statements; these should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2021.

There have been no changes in the risk management policies and process since the year ended 31 December 2021.

5 SEASONALITY OF OPERATIONS

The Group's financial results for three months period ended 31 March 2022 are not necessarily indicative of results to be expected for the full year. Interim period revenues and earnings are typically sensitive to regional and local economies and market conditions.

6 SEGMENT REPORTING

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

Business segments
For management purpose, the Group is organised into business units based on their services and has two reportable business segments; 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, 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 interim condensed consolidated income statement.

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

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

6 SEGMENT REPORTING (continued)

Information about geographical segments (unaudited)

All figures in AED'000

	UAE	***Europe***	***Others***	***Adjustments and eliminations***	***Total***
	For the three months ended 31 March 2022 (Unaudited)				
Revenue from external customers	**4,371**	**16,203**	**3,308**	**-**	**23,882**
	For the three months ended 31 March 2021 (Unaudited)				
Revenue from external customers	17,140	22,893	5,824	-	45,857
	As at 31 March 2022 (unaudited)				
Non-current operating Assets	**535,123**	**19,758**	**16,704**	**(413,850)**	**157,735**
	As at 31 December 2021 (audited)				
Non-current operating Assets	540,973	27,107	16,838	(415,194)	169,724

6 SEGMENT REPORTING (continued)

Information about business segments

All figures in AED'000

	Three-months ended 31 March 2022 (unaudited)				*Three-months ended 31 March 2021 (unaudited)*			
	Engineering	***Others***	***Adjustments and eliminations***	***Total***	*Engineering*	*Others*	*Adjustments and eliminations*	*Total*
*Revenue								
External customers	**6,958**	**16,924**	**-**	**23,882**	22,964	22,893	-	45,857
Segment profit/(loss)	**5,655**	**(58,892)**	**-**	**(53,237)**	143,897	(28,524)	-	115,373
Depreciation and amortisation	**50**	**415**	**-**	**465**	59	414	-	473
Capital expenditure	**-**	**47**	**-**	**47**	114	185	-	299
	As at 31 March 2022 (unaudited)				*As at 31 December 2021 (Audited)*			
Segment total assets	**399,476**	**754,918**	**(692,851)**	**461,543**	403,749	764,012	(686,664)	481,097
Segment total liabilities	**1,441,298**	**2,086,660**	**711,463**	**4,239,421**	1,451,295	2,033,974	715,500	4,200,769

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

6 SEGMENT REPORTING (continued)

Reconciliation of assets:

	31 March 2022 AED'000 (Unaudited)	*31 December 2021 AED'000 (Audited)*
Segment assets	**461,543**	481,097
Assets held for sale	**585**	2,914
	462,128	484,011

Reconciliation of liabilities:

	31 March 2022 AED'000 (Unaudited)	*31 December 2021 AED'000 (Audited)*
Segment liabilities	**4,239,421**	4,200,769
Liabilities associated with discontinued operations	**159,589**	163,469
	4,399,010	4,364,238

7 PROPERTY AND EQUIPMENT

The Group acquired property and equipment during the three months period ended 31 March 2022 amounting to AED 47 thousand (31 March 2021: AED 299 thousand). The Group disposed of property and equipment during the three months period ended 31 March 2022 amounting to AED 4,728 thousand (31 March 2021: AED 133 thousand), depreciation charged to the interim consolidated income statement amounted to AED 99 thousand (31 March 2021: AED 94 thousand) and exchange rate differences of AED 26 thousand (31 March 2021: AED 4 thousand).

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

	Three-month period ended 31 March (Unaudited)	
	2022 AED'000	*2021 AED'000*
Cost of sales	**45**	39
General and administrative expenses (Note 16)	**54**	55
	99	94

8 TRADE AND OTHER RECEIVABLES

	31 March 2022 AED'000 (Unaudited)	*31 December 2021 AED'000 (Audited)*
Non-current		
Trade receivables and retentions *	**19,710**	26,646
Less: fair value adjustment *	**(1,748)**	(3,090)
	17,962	23,556
Current		
Trade receivables and retentions *	**611,473**	623,742
Prepayments and other receivables #	**86,235**	89,443
Amount due from customers on contracts	**264,948**	271,459
	962,656	984,644
Less: Allowance for expected credit loss on:		
- Trade receivables and retentions	**(514,993)**	(520,887)
- Prepayments and other receivables	**(6,268)**	(6,268)
- Amount due from customers on contracts	**(235,832)**	(242,191)
	205,563	215,298

* 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 5.28% (2021: 4.6%) 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 1,880 thousand deposited with an external party (2021: AED 4,414 thousand).

Movement in lifetime expected credit loss of trade receivables and retentions:

	31 March 2022 AED'000 (Unaudited)	*31 December 2021 AED'000 (Audited)*
At 1 January	**520,887**	521,713
Reversal of provision	**(7,417)**	(3,557)
Reclassified to non-current	**1,342**	2,216
Provision for expected credit loss	**-**	1,020
Exchange rate difference	**181**	(505)
At 31 March 2022 / 31 December 2021	**514,993**	520,887

8 TRADE AND OTHER RECEIVABLES (continued)

Movement in provision for prepayments and other receivables:

	31 March 2022 AED'000 (Unaudited)	*31 December 2021 AED'000 (Audited)*
At 1 January	**6,268**	-
Provision for expected credit loss	**-**	6,268
At 31 March 2022 / 31 December 2021	**6,268**	6,268

Movement in provision for amounts due from customers on contracts:

	31 March 2022 AED'000 (Unaudited)	*31 December 2021 AED'000 (Audited)*
At 1 January	**242,191**	242,072
Reversal of provision	**(6,359)**	-
Exchange rate difference	**-**	119
At 31 March 2022 / 31 December 2021	**235,832**	242,191

9 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 interim condensed consolidated financial statements are as follows:

Due from related parties:

	31 March 2022 AED'000 (Unaudited)	*31 December 2021 AED'000 (Audited)*
Affiliates	**6,133**	6,100

9 RELATED PARTY TRANSACTIONS (continued)

Due to related parties:

	31 March 2022 AED'000 (Unaudited)	*31 December 2021 AED'000 (Audited)*
Joint arrangements	**24,909**	24,909
Affiliates	**43,693**	43,693
Related to assets held as discontinued operations	**(27,378)**	(27,378)
	41,224	41,224

Amount due from affiliates includes AED 6,118 thousand relating to consideration received on sale of an investment in associate (2021: AED 6,085 thousand) which is used to meet working capital requirements.

There were no related party transactions during the period which have impact on interim consolidated income statement (2021: Nil).

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

	Three-month period ended 31 March (Unaudited)	
	2022 AED'000	*2021 AED'000*
Short term benefits	**397**	405
Employees' end of service benefits	**13**	14
	410	419

During the period, the Group has not provided for amounts due from related parties (2021: Nil). The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received by/from a related party.

10 CASH AND BANK BALANCES

	31 March 2022 AED'000 (Unaudited)	*31 December 2021 AED'000 (Audited)*
Cash on hand	**417**	483
Cash at bank	**41,323**	37,609
Term deposits	**49,337**	50,909
Cash and bank balances	**91,077**	89,001

Term deposits carry an average interest rate of 1% to 3% (2021: 1% to 3%) per annum.

10 CASH AND BANK BALANCES (continued)

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

	31 March 2022 AED'000 (Unaudited)	*31 March 2021 AED'000 (unaudited)*
Cash and bank balances	**91,077**	80,969
Less: term deposits under lien	**(49,337)**	(45,424)
Less: bank overdrafts (Note 11)	**(572,254)**	(579,443)
Less: cash and cash equivalent related to discontinued operations	**(92,032)**	(90,067)
Cash and cash equivalents	**(622,546)**	(633,965)

11 BANK BORROWINGS

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

	31 March 2022 AED'000 (Unaudited)	*31 December 2021 AED'000 (Audited)*
Current		
Term loan	**1,285,106**	1,272,149
Trust receipts and other borrowings	**147,929**	145,593
Bank overdrafts (Note 10)	**572,254**	579,234
	2,005,289	1,996,976

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

Interest rates on the term loans were at variable rates and ranging between 2% to 8% (2021: 2% to 8%) per annum. Contractual re-pricing dates are set on the basis of 3 months LIBOR/EIBOR.

The nature of securities provided in respect of certain bank borrowings by the Group, are set out below:
- Lien on motor vehicles and equipment purchased and on certain receivables;
- Mortgage over certain property and equipment;
- Pledge of assets acquired through utilisation of credit facilities; and
- Term deposits of AED 49,337 thousand (2021: AED 45,424 thousand).

The carrying amount of current borrowings approximates their fair value at the reporting date. Term loans are at market linked variable interest rates and therefore the carrying amounts of term loans 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 have been classified as current liabilities.

12 TRADE AND OTHER PAYABLES

	31 March 2022 AED'000 (Unaudited)	*31 December 2021 AED'000 (Audited)*
Trade payables and accruals	**600,116**	602,881
Provision for tax	**12,637**	13,819
Amount due to customers on contracts	**29,582**	31,662
Advances from customers	**45,739**	47,120
	688,074	695,482
Provision for legal cases	**106,611**	104,172
Provision against bond encashment	**22,845**	22,450
Provision for additional cost relating to disposal of subsidiaries	**9,905**	9,928
	827,435	832,032

13 PROVISION FOR BANK LIABILITIES OF SUBSIDIARIES

	31 March 2022 AED'000 (Unaudited)	*31 December 2021 AED'000 (Audited)*
Provision for bank liabilities relating to disposed of subsidiaries *	**1,044,298**	1,007,804
Provision for bond encashment relating to disposed of subsidiaries	**168,329**	168,632
Provision for bank liabilities of discontinued operations *	**99,139**	99,160
	1,311,766	1,275,596

These represents provisions made against corporate guarantees and bonds reflected in the books of various entities, which are guaranteed by the Group.

* Interest rates on these loans were at a variable rate between 2% to 18% (2021: 3% to 18%) per annum.

14 PROVISION FOR LOSS OF CONTROL OVER SUBSIDIARIES

The Group administratively and operationally lost control over its subsidiary, DSWE India during 2020. Accordingly, investment in the subsidiary was classified as investment carried at fair value through profit or loss.

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

14 PROVISION FOR LOSS OF CONTROL OVER SUBSIDIARIES (continued)

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

	31 March 2022 AED'000 (Unaudited)	*31 December 2021 AED'000 (Audited)*
	DSWE, India	*DSWE, India*
At 1 January 2022	**23,468**	23,874
Reversal of provision during the period	**(835)**	(951)
Fair value loss	**477**	545
At 31 March 2022	**23,110**	23,468

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

15 OTHER INCOME

	Three-month period ended 31 March (Unaudited)	
	2022 AED'000	*2021 AED'000*
Reversal of provision for expected credit loss (Note 8)	**13,776**	-
Sale of scrap	**4,084**	461
Reversal of provision for tax	**1,030**	-
Write back of liabilities (a)	**531**	165,870
Rental income	**425**	515
Recovery of balances written off (b)	**-**	1,629
Others	**172**	1,599
	20,018	170,074

(a) During the three-month period ended 31 March 2022, the Group assessed that certain employee related liabilities are no longer payable and has, accordingly, written back such amounts under other income (2021: certain trade payables and accrual, amounts due to customers on contract, advance from customers recorded in earlier periods were no longer payable).

(b) Recovery of balances written off in three-month period ended 31 March 2021 represents amounts received from a project in a subsidiary disposed of in previous year.

16 GENERAL AND ADMINISTRATIVE EXPENSES

	Three-month period ended 31 March (Unaudited)	
	2022 AED'000	*2021 AED'000*
Staff costs	**6,031**	5,631
Business development, legal and professional fees	**3,016**	3,697
Exchange rate difference, net	**1,036**	(261)
Repair and maintenance	**500**	392
Depreciation on right-of-use assets	**366**	362
Utilities	**268**	355
Restructuring cost	**239**	3,910
Expenses related to lease of short term and low value assets	**220**	229
Loss on disposal of property and equipment	**203**	-
Employees' end of service benefits	**92**	285
Depreciation on property and equipment (Note 7)	**54**	55
Bank charges	**301**	459
Other expenses	**439**	639
	12,765	15,753

17 FINANCE COSTS

	Three-month period ended 31 March (Unaudited)	
	2022 AED'000	*2021 AED'000*
Finance costs	**23,748**	21,138
Less: Finance costs charged to cost of sales	**(547)**	(88)
	23,201	21,050

18 INCOME TAX EXPENSE

The major components of income tax expense are:

	Three-month period ended 31 March (Unaudited)	
	2022 AED'000	*2021 AED'000*
Current income tax expense:		
Current income tax	**284**	373

19 EARNINGS / (LOSS) 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 period excluding ordinary shares purchased and held as treasury shares.

	Three-month period ended 31 March (Unaudited)	
	2022	*2021*
(Loss) / profit (AED'000)		
(Loss)/profit for the purposes of basic earnings per share being (loss)/profit attributable to owners of the Parent	**(52,468)**	115,373
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) / profit per share (AED)	**(0.05)**	0.11

(b) Diluted

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

20 GUARANTEES

	31 March 2022 AED'000 (Unaudited)	*31 December 2021 AED'000 (Audited)*
Performance bonds *	**438,474**	519,562
Letter of guarantees *	**472,351**	474,907
	910,825	994,469

* Group has also provided corporate guarantees on behalf of subsidiaries disposed of in prior years. Group has recognised adequate provision against these guarantees. Refer Note 13.

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

21 COMMITMENTS AND CONTINGENCIES

Commitments

	31 March 2022 AED'000 (Unaudited)	*31 December 2021 AED'000 (Audited)*
Letters of credit for purchase of materials and operating equipment	**1,529**	1,083

21 COMMITMENTS AND CONTINGENCIES (continued)

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

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

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

22 FAIR VALUES

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash and bank balances, trade and other receivables, 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, 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 March 2022, 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.

22 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 March 2022:

	Level 1 AED'000 Unaudited	***Level 2 AED'000 Unaudited***	***Level 3 AED'000 Unaudited***	***Total AED'000 Unaudited***
Assets				
Financial assets at fair value through profit or loss	**-**	**1,035**	**-**	**1,035**
Total assets	**-**	**1,035**	**-**	**1,035**

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

	Level 1 AED'000 Audited	*Level 2 AED'000 Audited*	*Level 3 AED'000 Audited*	*Total AED'000 Audited*
Assets				
Financial assets at fair value through profit or loss	-	974	-	974
Total assets	-	974	-	974

The Group has no liabilities measured at fair value as at 31 March 2022 (2021: Nil).

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

(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 funds for which fair value is estimated using net assets value approach. Fair values of investments in funds 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 2021 and 31 March 2022, 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 during quarterly valuation discussions. 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 period.

23 COVID-19

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

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

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