

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

**Interim condensed consolidated financial statements  
(unaudited)**

**30 September 2022**

**Interim condensed consolidated financial statements  
30 September 2022**

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## **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 30 September 2022, which comprise the interim consolidated statement of financial position as at 30 September 2022, and the related interim consolidated statements of income and other comprehensive income for the three and nine months period then ended and interim consolidated changes in equity and cash flows for the nine 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 30 September 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 25 million, AED 1,861 million, AED 1,313 million and AED 880 million as of 30 September 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 30 September 2022.

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 30 September 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.

**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)**

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 30 September 2022, amounted to AED 5,031 million, and its current liabilities exceeded its current assets by AED 4,161 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 30 September 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 consolidated financial statements for the year ended 31 December 2021 and review conclusion on the interim condensed consolidated financial statements for the three and nine months periods ended 30 September 2021 were also disclaimed in respect to all of the above and other matters.

**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 30 September 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

14 November 2022

Dubai, United Arab Emirates

# Drake and Scull International PJSC & its subsidiaries

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

	<i>Notes</i>	<i>30 September 2022 AED'000 (Unaudited)</i>	<i>31 December 2021 AED'000 (Audited)</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	7	21,442	34,902
Investment property		84,502	88,724
Right-of-use assets		7,564	7,242
Deferred income tax assets		13,216	15,300
Trade and other receivables	8	19,355	23,556
		<u>146,079</u>	<u>169,724</u>
<b>Current assets</b>			
Trade and other receivables	8	172,451	215,298
Due from related parties	9	6,099	6,100
Financial assets at fair value through profit or loss		984	974
Cash and bank balances	10	71,182	89,001
		<u>250,716</u>	<u>311,373</u>
Assets held for sale		587	2,914
		<u>251,303</u>	<u>314,287</u>
<b>TOTAL ASSETS</b>		<u><u>397,382</u></u>	<u><u>484,011</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		1,070,988	1,070,988
Share premium		3,026	3,026
Statutory reserve		125,760	125,760
Accumulated losses		(5,031,371)	(4,873,775)
Foreign currency translation reserve		(69,028)	(64,784)
		<u>(3,900,625)</u>	<u>(3,738,785)</u>
<b>Deficiency of assets attributable to equity holders of the parent</b>		<b>(3,900,625)</b>	<b>(3,738,785)</b>
Non-controlling interests		(140,609)	(141,442)
		<u>(4,041,234)</u>	<u>(3,880,227)</u>
<b>Deficiency of assets</b>		<b>(4,041,234)</b>	<b>(3,880,227)</b>

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

Drake and Scull International PJSC & its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 September 2022

	<i>Notes</i>	<i>30 September 2022 AED'000 (Unaudited)</i>	<i>31 December 2021 AED'000 (Audited)</i>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Employees' end of service benefits		19,338	23,943
Lease liabilities		7,229	6,478
		<u>26,567</u>	<u>30,421</u>
<b>Current liabilities</b>			
Provision for bank liabilities of subsidiaries	13	1,312,688	1,275,596
Bank borrowings	11	2,058,440	1,996,976
Trade and other payables	12	817,520	832,032
Due to related parties	9	41,224	41,224
Lease liabilities		1,191	1,052
Provision for loss of control over subsidiaries	14	21,549	23,468
		<u>4,252,612</u>	<u>4,170,348</u>
Liabilities associated with discontinued operations	6	159,437	163,469
		<u>4,412,049</u>	<u>4,333,817</u>
<b>Total liabilities</b>		<u>4,438,616</u>	<u>4,364,238</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>397,382</u>	<u>484,011</u>

Chairman

Group CFO

Drake and Scull International PJSC & its subsidiaries

INTERIM CONSOLIDATED INCOME STATEMENT

For the period ended 30 September 2022 (unaudited)

		<i>Three months period ended 30 September (Unaudited)</i>		<i>Nine-months period ended 30 September (Unaudited)</i>	
	<i>Notes</i>	<i>2022 AED'000</i>	<i>2021 AED'000</i>	<i>2022 AED'000</i>	<i>2021 AED'000</i>
<b>Continuing operations</b>					
Revenue	6	<b>19,100</b>	29,104	<b>64,156</b>	110,889
Cost of revenue		<b>(16,090)</b>	(24,918)	<b>(60,459)</b>	(95,970)
<b>Gross profit</b>		<b>3,010</b>	4,186	<b>3,697</b>	14,919
Other income	15	<b>3,081</b>	2,263	<b>33,303</b>	175,505
General and administrative expenses	16	<b>(15,980)</b>	(13,117)	<b>(38,688)</b>	(45,817)
Provision for legal cases		<b>(13,488)</b>	-	<b>(18,366)</b>	(8,650)
Provision for expected credit loss on trade and other receivables	8	<b>(1,529)</b>	-	<b>(12,823)</b>	(5,445)
Provision for / expense related to bond encashment		-	-	<b>(36,035)</b>	(13,570)
Foreign exchange (loss)/ gain		<b>(16,041)</b>	872	<b>(16,101)</b>	413
Reversal of provision related to subsidiaries with loss of control		-	-	<b>2,920</b>	-
Finance income		<b>304</b>	79	<b>643</b>	267
Finance costs	17	<b>(27,854)</b>	(13,144)	<b>(76,215)</b>	(59,299)
<b>(Loss)/ profit before tax from continuing operations</b>		<b>(68,497)</b>	(18,861)	<b>(157,665)</b>	58,323
Income tax expense	18	<b>(5)</b>	(204)	<b>(707)</b>	(272)
<b>(Loss)/ profit from continuing operations</b>		<b>(68,502)</b>	(19,065)	<b>(158,372)</b>	58,051
<b>Discontinued operations</b>					
Profit after tax from discontinued operations		<b>9</b>	-	<b>1,521</b>	430
<b>(LOSS)/PROFIT FOR THE PERIOD</b>		<b>(68,493)</b>	(19,065)	<b>(156,851)</b>	58,481
<b>Attributable to:</b>					
Equity holders of the parent		<b>(68,497)</b>	(19,065)	<b>(157,596)</b>	58,271
Non-controlling interests		<b>4</b>	-	<b>745</b>	210
		<b>(68,493)</b>	(19,065)	<b>(156,851)</b>	58,481
<b>(Loss)/ earnings per share</b>					
Basic and diluted (AED)	19	<b>(0.06)</b>	(0.02)	<b>(0.15)</b>	0.05

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

Drake and Scull International PJSC & its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the period ended 30 September 2022 (unaudited)

	<i>Three months period ended 30 September (Unaudited)</i>		<i>Nine-months period ended 30 September (Unaudited)</i>	
	<i>2022 AED'000</i>	<i>2021 AED'000</i>	<i>2022 AED'000</i>	<i>2021 AED'000</i>
<b>(LOSS)/ PROFIT FOR THE PERIOD</b>	<b>(68,493)</b>	(19,065)	<b>(156,851)</b>	58,481
<i>Other comprehensive income items that would be reclassified subsequently to profit or loss</i>				
Currency translation differences	<b>1,968</b>	(1,540)	<b>(4,335)</b>	(5,070)
Exchange difference related to discontinued operations	<b>94</b>	-	<b>179</b>	(42)
Other comprehensive income/ (loss) for the period	<b>2,062</b>	(1,540)	<b>(4,156)</b>	(5,112)
<b>TOTAL COMPREHENSIVE LOSS/ (INCOME) FOR THE PERIOD</b>	<b>(66,431)</b>	(20,605)	<b>(161,007)</b>	53,369
<b>Attributable to:</b>				
Equity holders of the parent	<b>(66,481)</b>	(20,605)	<b>(161,840)</b>	53,180
Non-controlling interests	<b>50</b>	-	<b>833</b>	189
	<b>(66,431)</b>	(20,605)	<b>(161,007)</b>	53,369

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



Drake and Scull International PJSC & its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2022 (unaudited)

	<i>Attributable to the equity holders of the parent</i>							
	<i>Share capital AED'000</i>	<i>Share premium AED'000</i>	<i>Statutory reserve AED'000</i>	<i>Accumulated losses AED'000</i>	<i>Foreign currency translation reserve AED'000</i>	<i>Total AED'000</i>	<i>Non-controlling interests AED'000</i>	<i>Total AED'000</i>
At 1 January 2022 (audited)	1,070,988	3,026	125,760	(4,873,775)	(64,784)	(3,738,785)	(141,442)	(3,880,227)
Loss for the period	-	-	-	(157,596)	-	(157,596)	745	(156,851)
Other comprehensive loss for the period	-	-	-	-	(4,244)	(4,244)	88	(4,156)
Total comprehensive loss for the period	-	-	-	(157,596)	(4,244)	(161,840)	833	(161,007)
<b>At 30 September 2022 (unaudited)</b>	<b>1,070,988</b>	<b>3,026</b>	<b>125,760</b>	<b>(5,031,371)</b>	<b>(69,028)</b>	<b>(3,900,625)</b>	<b>(140,609)</b>	<b>(4,041,234)</b>
Balance 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	-	-	-	58,271	-	58,271	210	58,481
Other comprehensive income for the period	-	-	-	-	(5,091)	(5,091)	(21)	(5,112)
Total comprehensive income for the period	-	-	-	58,271	(5,091)	53,180	189	53,369
Balance at 30 September 2021 (unaudited)	1,070,988	3,026	125,760	(4,843,285)	(64,289)	(3,707,800)	(141,443)	(3,849,243)

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

# Drake and Scull International PJSC & its subsidiaries

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months ended 30 September 2022 (unaudited)

		<i>Nine months period ended 30 September (Unaudited)</i>	
		<i>2022</i>	<i>2021</i>
		<i>AED'000</i>	<i>AED'000</i>
	<i>Notes</i>		
<b>OPERATING ACTIVITIES</b>			
(Loss)/ profit before tax from continuing operations		<b>(157,665)</b>	58,323
Profit before tax from discontinued operations		<b>1,521</b>	430
		<hr/>	<hr/>
(Loss) / profit before tax		<b>(156,144)</b>	58,753
Depreciation of property and equipment	7	<b>275</b>	468
Depreciation of investment property		<b>4,222</b>	4,222
Impairment of property and equipment		<b>-</b>	1,031
Loss/ (gain) on disposal of property and equipment	16	<b>6,599</b>	(20)
Provision for legal cases		<b>18,366</b>	8,650
Other income		<b>-</b>	(1,126)
Provision for bond encashments		<b>36,035</b>	-
Gain/ (loss) on financial assets at fair value through profit or loss		<b>(10)</b>	84
Provision for employees' end of service benefits		<b>946</b>	821
Finance costs	17	<b>76,215</b>	58,981
(Reversal)/provision for expected credit losses	8	<b>(5,832)</b>	5,445
Finance income		<b>(643)</b>	(267)
Depreciation of right-of-use asset		<b>1,291</b>	1,237
Interest on lease liabilities		<b>349</b>	318
Write back of liabilities and provisions	15	<b>(3,485)</b>	(167,236)
		<hr/>	<hr/>
		<b>(21,816)</b>	(28,639)
Changes in working capital:			
Trade and other receivables	8	<b>52,560</b>	30,822
Trade and other payables (excluding income tax and interest payable)		<b>(53,716)</b>	(102,502)
Due to / from related parties	9	<b>-</b>	12,854
		<hr/>	<hr/>
		<b>(22,972)</b>	(87,465)
Payment of employees' end of service benefits		<b>(904)</b>	(730)
		<hr/>	<hr/>
<b>Net cash used in operating activities</b>			
- Continuing operations		<b>(23,876)</b>	(88,195)
- Discontinued operations		<b>(3,893)</b>	(101)
		<hr/>	<hr/>
		<b>(27,769)</b>	(88,296)
		<hr/>	<hr/>

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

Drake and Scull International PJSC & its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the nine months ended 30 September 2022

	Notes	<i>Nine months period ended 30 September (Unaudited)</i>	
		<i>2022 AED'000</i>	<i>2021 AED'000</i>
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment	7	<b>(695)</b>	(590)
Proceeds from disposal of property and equipment	7	<b>7,080</b>	183
Interest received		<b>643</b>	267
Net cash flows from / (used in) investing activities		<b>7,028</b>	(140)
<b>FINANCING ACTIVITIES</b>			
Movement in term deposits under lien		<b>2,454</b>	3,125
Encashment of bonds during the period		-	13,570
Movement in trust receipts and other borrowings		<b>17,651</b>	63,552
Movement in term loans		-	174
Payment of lease liabilities		<b>(1,045)</b>	-
Net cash generated from financing activities			
- Continuing operations		<b>19,060</b>	80,421
- Discontinued operations		-	-
		<b>19,060</b>	80,421
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>			
Net foreign currency translation difference		<b>(4,338)</b>	(4,398)
Cash and cash equivalents at the beginning of the period		<b>(630,869)</b>	(622,479)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	10	<b>(636,888)</b>	(634,892)

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

# Drake and Scull International PJSC & its subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2022 (Unaudited)

### 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:

<i>Major Subsidiaries</i>	<i>Principal activities</i>	<i>Shareholding %</i>		<i>Country of incorporation</i>
		<i>30 September 2022</i>	<i>31 December 2021</i>	
Drake & Scull International LLC (Abu Dhabi)	Contracting work related to mechanical, electrical and sanitary engineering	100	100	UAE
Drake & Scull Engineering	Engineering, procurement and construction of Water and Power Infrastructure projects	100	100	UAE
Passavant Energy & Environment and its subsidiaries	Developing waste water, water and sludge treatment plants	100	100	Germany
Drake & Scull International for Electrical Contracting WLL	Mechanical, Electrical contracting and repairing work relating to the construction industry	100	100	Kuwait
Drake & Scull International for Contracting SAE	Contracting work relating to mechanical, electrical and sanitary engineering	100	100	Egypt
Drake & Scull International LLC (Oman)	Contracting work related to mechanical, electrical and sanitary engineering	51	51	Oman

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

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 interim condensed consolidated financial statements.

# Drake and Scull International PJSC & its subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2022 (Unaudited)

### 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.

The interim condensed consolidated financial statements were approved by the Board of Directors on 14 November 2022.

### 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 157 million during the nine-month period ended 30 September 2022 (30 September 2021: profit of AED 58 million), and as of that date, its current liabilities exceeded its current assets by AED 4,161 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 relating to restructuring activities.

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 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, the court has adjourned the next hearing till 23 November 2022 to issue its final judgment.

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). Discussions with various authorities have continued 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 nine months period ended 30 September 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.

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

### 2.3 BASIS OF CONSOLIDATION

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.

These interim condensed consolidated financial statements for the nine months period ended 30 September 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 standards, interpretations or amendments 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 amendments must be applied prospectively to contracts for which an entity has not yet fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed.

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 significant impact on these interim condensed consolidated financial statements.

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

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version 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.



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

**2.4 CHANGES IN ACCOUNTING POLICIES (continued)**

**Reference to the Conceptual Framework – Amendments to IFRS 3 (continued)**

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

The amendments must be applied prospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in IFRS Standards. 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.

**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 must be applied retrospectively only to items of property and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendment had no impact on the interim condensed consolidated financial statements of the Group as there were no sales of such items of 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 do 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 processes since the year ended 31 December 2021.

### 5 SEASONALITY OF OPERATIONS

The Group's financial results for nine months period ended 30 September 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.

Drake and Scull International PJSC & its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2022 (Unaudited)

6 SEGMENT REPORTING (continued)

Information about geographical segments (unaudited)

All figures in AED'000

	<i>UAE</i>	<i>Europe</i>	<i>Others</i>	<i>Adjustments and eliminations</i>	<i>Total</i>
	<i>For the nine months ended 30 September 2022 (Unaudited)</i>				
Revenue from external customers	<u>11,710</u>	<u>45,954</u>	<u>6,492</u>	<u>-</u>	<u>64,156</u>
	<i>For the nine months ended 30 September 2021 (Unaudited)</i>				
Revenue from external customers	<u>39,395</u>	<u>56,663</u>	<u>14,831</u>	<u>-</u>	<u>110,889</u>
	<i>As at 30 September 2022 (unaudited)</i>				
Non-current operating Assets	<u>523,963</u>	<u>21,404</u>	<u>14,269</u>	<u>(413,557)</u>	<u>146,079</u>
	<i>As at 31 December 2021 (audited)</i>				
Non-current operating Assets	<u>540,973</u>	<u>27,107</u>	<u>16,838</u>	<u>(415,194)</u>	<u>169,724</u>

Drake and Scull International PJSC & its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2022 (Unaudited)

6 SEGMENT REPORTING (continued)

Information about business segments

All figures in AED'000

	<i>Nine-months ended 30 September 2022 (unaudited)</i>				<i>Nine-months ended 30 September 2021 (unaudited)</i>			
	<i>Engineering</i>	<i>Others</i>	<i>Adjustments and eliminations</i>	<i>Total</i>	<i>Engineering</i>	<i>Others</i>	<i>Adjustments and eliminations</i>	<i>Total</i>
*Revenue								
External customers	<b>15,876</b>	<b>48,280</b>	-	<b>64,156</b>	54,227	56,662	-	110,889
Segment (loss) / profit	<b>(51,966)</b>	<b>(105,699)</b>	-	<b>(157,665)</b>	149,296	(90,973)	-	58,323
Depreciation and amortisation	<b>458</b>	<b>5,330</b>	-	<b>5,788</b>	525	5,402	-	5,927
Capital expenditure	<b>23</b>	<b>672</b>	-	<b>695</b>	291	299	-	590
	<i>As at 30 September 2022 (unaudited)</i>				<i>As at 31 December 2021 (Audited)</i>			
Segment total assets	<b>386,398</b>	<b>718,056</b>	<b>(707,659)</b>	<b>396,795</b>	403,749	764,012	(686,664)	481,097
Segment total liabilities	<b>1,479,124</b>	<b>2,101,643</b>	<b>698,412</b>	<b>4,279,179</b>	1,451,295	2,033,974	715,500	4,200,769

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

## Drake and Scull International PJSC & its subsidiaries

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2022 (Unaudited)

#### 6 SEGMENT REPORTING (continued)

Reconciliation of assets:

	<i>30 September 2022 AED'000 (Unaudited)</i>	<i>31 December 2021 AED'000 (Audited)</i>
Segment assets	<b>396,795</b>	481,097
Assets held for sale	<b>587</b>	2,914
	<b>397,382</b>	484,011

Reconciliation of liabilities:

	<i>30 September 2022 AED'000 (Unaudited)</i>	<i>31 December 2021 AED'000 (Audited)</i>
Segment liabilities	<b>4,279,179</b>	4,200,769
Liabilities associated with discontinued operations	<b>159,437</b>	163,469
	<b>4,438,616</b>	4,364,238

#### 7 PROPERTY AND EQUIPMENT

The Group acquired property and equipment during the nine months period ended 30 September 2022 amounting to AED 695 thousand (30 September 2021: AED 590 thousand). The Group disposed off property and equipment during the nine months period ended 30 September 2022 with net book value amounting to AED 13,679 thousand (30 September 2021: AED 162 thousand), depreciation charged to the interim consolidated income statement amounted to AED 275 thousand (30 September 2021: AED 468 thousand) and exchange rate differences of AED 201 thousand (30 September 2021: Nil).

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

	<i>Nine-month period ended 30 September (Unaudited)</i>	
	<i>2022 AED'000</i>	<i>2021 AED'000</i>
Cost of sales	<b>121</b>	104
General and administrative expenses (Note 16)	<b>154</b>	364
	<b>275</b>	468

## Drake and Scull International PJSC & its subsidiaries

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2022 (Unaudited)

#### 8 TRADE AND OTHER RECEIVABLES

	<i>30 September 2022 AED'000 (Unaudited)</i>	<i>31 December 2021 AED'000 (Audited)</i>
<b>Non-current</b>		
Trade receivables and retentions *	<b>20,809</b>	26,646
Less: fair value adjustment *	<b>(1,454)</b>	(3,090)
	<b>19,355</b>	23,556
<b>Current</b>		
Trade receivables and retentions *	<b>584,726</b>	623,742
Prepayments and other receivables #	<b>79,127</b>	89,443
Amount due from customers on contracts	<b>273,982</b>	271,459
	<b>937,835</b>	984,644
Less: Allowance for expected credit loss on:		
- Trade receivables and retentions	<b>(520,890)</b>	(520,887)
- Prepayments and other receivables	<b>(6,268)</b>	(6,268)
- Amount due from customers on contracts	<b>(238,226)</b>	(242,191)
	<b>172,451</b>	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 31 thousand deposited with an external party (2021: AED 4,414 thousand).

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

	<i>30 September 2022 AED'000 (Unaudited)</i>	<i>31 December 2021 AED'000 (Audited)</i>
At 1 January	<b>520,887</b>	521,713
Reversal of provision	<b>(11,113)</b>	(3,557)
Reclassified from non-current	<b>1,636</b>	2,216
Provision for expected credit loss	<b>8,782</b>	1,020
Exchange rate difference	<b>698</b>	(505)
At 30 September 2022 / 31 December 2021	<b>520,890</b>	520,887

## Drake and Scull International PJSC & its subsidiaries

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2022 (Unaudited)

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

*Movement in provision for prepayments and other receivables:*

	<i>30 September 2022 AED'000 (Unaudited)</i>	<i>31 December 2021 AED'000 (Audited)</i>
At 1 January	6,268	-
Provision for expected credit loss	-	6,268
	<hr/>	<hr/>
At 30 September 2022 / 31 December 2021	<b>6,268</b>	6,268
	<hr/> <hr/>	<hr/> <hr/>

*Movement in provision for amounts due from customers on contracts:*

	<i>30 September 2022 AED'000 (Unaudited)</i>	<i>31 December 2021 AED'000 (Audited)</i>
At 1 January	242,191	242,072
Reversal of provision	(7,542)	-
Provision for expected credit loss	4,041	-
Exchange rate difference	(464)	119
	<hr/>	<hr/>
At 30 September 2022 / 31 December 2021	<b>238,226</b>	242,191
	<hr/> <hr/>	<hr/> <hr/>

#### 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:**

	<i>30 September 2022 AED'000 (Unaudited)</i>	<i>31 December 2021 AED'000 (Audited)</i>
Affiliates	6,099	6,100
	<hr/> <hr/>	<hr/> <hr/>

## Drake and Scull International PJSC & its subsidiaries

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2022 (Unaudited)

#### 9 RELATED PARTY TRANSACTIONS (continued)

##### Due to related parties:

	<i>30 September 2022 AED'000 (Unaudited)</i>	<i>31 December 2021 AED'000 (Audited)</i>
Joint arrangements	<b>24,909</b>	24,909
Affiliates	<b>43,693</b>	43,693
Related to assets held as discontinued operations	<b>(27,378)</b>	(27,378)
	<b>41,224</b>	41,224

Amount due from affiliates includes AED 6,083 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:

	<i>Nine-month period ended 30 September (Unaudited)</i>	
	<i>2022 AED'000</i>	<i>2021 AED'000</i>
Short term benefits	<b>935</b>	1,517
Employees' end of service benefits	<b>28</b>	53
	<b>963</b>	1,570

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

	<i>30 September 2022 AED'000 (Unaudited)</i>	<i>31 December 2021 AED'000 (Audited)</i>
Cash on hand	<b>996</b>	483
Cash at bank	<b>21,731</b>	37,609
Term deposits	<b>48,455</b>	50,909
Cash and bank balances	<b>71,182</b>	89,001

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



## Drake and Scull International PJSC & its subsidiaries

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2022 (Unaudited)

#### 10 CASH AND BANK BALANCES (continued)

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

	<i>30 September 2022 AED'000 (Unaudited)</i>	<i>30 September 2021 AED'000 (Unaudited)</i>
Cash and bank balances	<b>71,182</b>	81,063
Less: term deposits under lien	<b>(48,455)</b>	(46,672)
Less: bank overdrafts (Note 11)	<b>(567,624)</b>	(579,556)
Less: cash and cash equivalent related to discontinued operations	<b>(91,991)</b>	(89,727)
	<hr/>	<hr/>
Cash and cash equivalents	<b>(636,888)</b>	(634,892)
	<hr/> <hr/>	<hr/> <hr/>

#### 11 BANK BORROWINGS

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

	<i>30 September 2022 AED'000 (Unaudited)</i>	<i>31 December 2021 AED'000 (Audited)</i>
<b>Current</b>		
Term loan	<b>1,327,080</b>	1,272,149
Trust receipts and other borrowings	<b>163,736</b>	145,593
Bank overdrafts (Note 10)	<b>567,624</b>	579,234
	<hr/>	<hr/>
	<b>2,058,440</b>	1,996,976
	<hr/> <hr/>	<hr/> <hr/>

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 12% (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 48,455 thousand (2021: AED 50,909 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.

## Drake and Scull International PJSC & its subsidiaries

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2022 (Unaudited)

#### 12 TRADE AND OTHER PAYABLES

	<i>30 September 2022 AED'000 (Unaudited)</i>	<i>31 December 2021 AED'000 (Audited)</i>
Trade payables and accruals	<b>583,065</b>	602,881
Provision for income tax	<b>11,987</b>	13,819
Amount due to customers on contracts	<b>21,370</b>	31,662
Advances from customers	<b>48,222</b>	47,120
	<b>664,644</b>	695,482
Provision for legal cases	<b>120,179</b>	104,172
Provision against bond encashment	<b>22,803</b>	22,450
Provision for additional cost relating to disposal of subsidiaries	<b>9,894</b>	9,928
	<b>817,520</b>	832,032

#### 13 PROVISION FOR BANK LIABILITIES OF SUBSIDIARIES

	<i>30 September 2022 AED'000 (Unaudited)</i>	<i>31 December 2021 AED'000 (Audited)</i>
Provision for bank liabilities relating to disposed of subsidiaries *	<b>1,045,118</b>	1,007,804
Provision for bond encashment relating to disposed of subsidiaries	<b>168,478</b>	168,632
Provision for bank liabilities of discontinued operations *	<b>99,092</b>	99,160
	<b>1,312,688</b>	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.

## Drake and Scull International PJSC & its subsidiaries

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2022 (Unaudited)

#### 14 PROVISION FOR LOSS OF CONTROL OVER SUBSIDIARIES (continued)

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

	<i>30 September 2022 AED'000 (Unaudited)</i>	<i>31 December 2021 AED'000 (Audited)</i>
	<i>DSWE, India</i>	<i>DSWE, India</i>
At 1 January 2022	<b>23,468</b>	23,874
Reversal of provision during the period	-	(951)
Fair value (gain)/loss	<b>(1,919)</b>	545
At 30 September 2022	<b>21,549</b>	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

	<i>Nine-month period ended 30 September (Unaudited)</i>	
	<i>2022 AED'000</i>	<i>2021 AED'000</i>
Reversal of provision for expected credit loss (Note 8)	<b>18,655</b>	-
Sale of scrap	<b>4,279</b>	1,103
Reversal of provision for legal cases	<b>3,187</b>	-
Recovery of balances written off (a)	<b>1,349</b>	1,629
Rental income	<b>1,788</b>	1,495
Reversal of provision for tax	<b>1,759</b>	-
Write back of liabilities (b)	<b>1,726</b>	167,236
Others	<b>560</b>	4,042
	<b>33,303</b>	175,505

(a) Recovery of balances written off in the nine-month period ended 30 September 2022 represents amounts received from a project in the current period.

(b) During the nine-month period ended 30 September 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).

## Drake and Scull International PJSC & its subsidiaries

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2022 (Unaudited)

#### 16 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>Nine-month period ended 30 September (Unaudited)</i>	
	<i>2022 AED'000</i>	<i>2021 AED'000</i>
Staff costs	14,613	16,852
Business development, legal and professional fees	7,630	10,736
Depreciation on investment property	2,838	-
Repair and maintenance	1,336	-
Restructuring cost	992	10,797
Depreciation on right-of-use assets	1,093	1,076
Bank charges	874	-
Utilities	1,081	1,124
Expenses related to lease of short term and low value assets	516	733
Employees' end of service benefits	361	484
Depreciation on property and equipment (Note 7)	154	364
Impairment of property and equipment (Note 7)	-	1,031
Loss on disposal of property and equipment	6,599	-
Other expenses	601	2,620
	<u>38,688</u>	<u>45,817</u>

#### 17 FINANCE COSTS

	<i>Nine-month period ended 30 September (Unaudited)</i>	
	<i>2022 AED'000</i>	<i>2021 AED'000</i>
Finance costs	79,610	60,037
Less: Finance costs charged to cost of sales	(3,395)	(738)
	<u>76,215</u>	<u>59,299</u>

#### 18 INCOME TAX EXPENSE

The major components of income tax expense are:

	<i>Nine-month period ended 30 September (Unaudited)</i>	
	<i>2022 AED'000</i>	<i>2021 AED'000</i>
<i>Current income tax expense:</i>		
Current income tax	<u>707</u>	<u>272</u>

## Drake and Scull International PJSC & its subsidiaries

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2022 (Unaudited)

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

	<i>Nine-month period ended 30 September (Unaudited)</i>	
	<u>2022</u>	<u>2021</u>
<b>(Loss) / profit (AED'000)</b>		
(Loss)/profit for the purposes of basic earnings per share being (loss)/profit attributable to owners of the Parent	<b>(157,596)</b>	58,271
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>1,070,987,748</b>	1,070,987,748
Basic and diluted (loss) / profit per share (AED)	<b>(0.15)</b>	0.05

##### (b) Diluted

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

#### 20 GUARANTEES

	<i>30 September 2022 AED'000 (Unaudited)</i>	<i>31 December 2021 AED'000 (Audited)</i>
Performance bonds *	<b>430,905</b>	519,562
Letter of guarantees *	<b>448,705</b>	474,907
	<b>879,610</b>	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

	<i>30 September 2022 AED'000 (Unaudited)</i>	<i>31 December 2021 AED'000 (Audited)</i>
Letters of credit for purchase of materials and operating equipment	<b>-</b>	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 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 30 September 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.

## Drake and Scull International PJSC & its subsidiaries

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2022 (Unaudited)

## 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 30 September 2022:

	<i>Level 1</i> <i>AED'000</i> <i>Unaudited</i>	<i>Level 2</i> <i>AED'000</i> <i>Unaudited</i>	<i>Level 3</i> <i>AED'000</i> <i>Unaudited</i>	<i>Total</i> <i>AED'000</i> <i>Unaudited</i>
<b>Assets</b>				
Financial assets at fair value through profit or loss	-	984	-	984
<b>Total assets</b>	-	984	-	984

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

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

The Group has no liabilities measured at fair value as at 30 September 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 30 September 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 SUBSEQUENT EVENTS

### *Corporate income tax*

United Arab Emirates introduced a federal corporate tax for the first time on the business profits and that will be effective for financial year starting on or after 1 June 2023. Corporate tax will be payable on the profits of the UAE businesses as reported in their financial statements prepared in accordance with internationally acceptable accounting standards, with minimal exceptions and adjustments and the Federal Tax Authority (FTA) shall be responsible for the administration, collection and enforcement of Corporate Tax.