DRAKE AND SCULL INTERNATIONAL PJSC & ITS SUBSIDIARIES

Interim condensed consolidated financial statements (Unaudited)

30 SEPTEMBER 2021

Interim condensed consolidated financial statements
30 September 2021

Ernst & Young Middle East
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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 2021, which comprise the interim consolidated statement of financial position as at 30 September 2021, and the related interim consolidated statements of income and other comprehensive income for the three and nine months period then ended and interim consolidated statements of changes in equity and cash flows for the nine months 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 issued a disclaimer of opinion on the consolidated financial statements of the Group as of and for the year ended 31 December 2020 as a result of a number of significant and pervasive audit issues. As opening balances enter into the determination of the results for the current period, and in the absence of any practicable alternative review procedures that we could carry out in this regard, we were unable to ascertain whether any misstatements in those balances would have had a material impact on the interim condensed consolidated financial statements for the period ended 30 September 2021.

2. *Write back of liabilities*
   As disclosed in note 15 to the interim condensed consolidated financial statements, the Group has recognised other income for the period ended 30 September 2021 of AED 167 million on account of write back of certain liabilities. We were not provided with appropriate supporting documents to review reversals of related liabilities amounting to AED 132 million and, as a result, we were unable to conclude on the accuracy, completeness and measurement of other income amounting to AED 132 million for the period ended 30 September 2021.

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. *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 consolidated statement of financial position amounting to AED 34 million, AED 1,441 million, AED 1,275 million and AED 1,026 million as of 30 September 2021, respectively. In the absence of any practicable alternative procedures that we could perform in respect of this matter, we were unable to conclude our review of the completeness and valuation of these balances, related liabilities, commitments and contingent liabilities, if any, as of 30 September 2021.

   During 2021, the Group has commenced the process of collecting details of creditor claims including banks and reconciling them with those recorded in the Group's books. Creditor claim reconciliation process only progresses if more information is received by the Company from the Expert. As this process is still on-going, we are unable to determine if any adjustments are required to the interim condensed consolidated financial statements for the period ended 30 September 2021.

4. *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 of 30 September 2021 amounted to AED 4,843 million, and its current liabilities exceeded its current assets by AED 4,008 million. Also, the Group had negative cash flow from operations of AED 88 million for the nine months period ended 30 September 2021. Further, during our audit for the year ended 31 December 2020, we did not receive sufficient responses for direct audit confirmation requested to verify the existence and completeness of claims from trade and other creditors and certain external lawyers' confirmations in relation to legal cases to assess the Group's exposure against legal cases and the sufficiency of provisions, required disclosures and accruals made.

   The accompanying interim condensed consolidated financial statements, however, have been prepared on a going concern basis based on a restructuring plan developed by management in consultation with the board of directors of the Company and approval of the shareholders. The Group's going concern assumption, and the impact of the restructuring plan on its interim condensed consolidated financial statements as at 30 September 2021 are highly dependent on the successful execution of the plan, including approval by lenders, regulators and other relevant stakeholders, and cannot be determined at this stage. The board of directors believes that issues relating to the going concern assumption will be resolved upon successful completion of the restructuring exercise.

   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 2020 and review conclusion on the interim condensed consolidated financial statements for the three and nine month periods ended 30 September 2020 were also disclaimed with respect to certain 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 30 September 2021. 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 2021

Dubai, United Arab Emirates

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

	Notes	***30 September 2021 AED'000 (Unaudited)***	*31 December 2020 AED'000 (Audited)*
ASSETS			
Non-current assets			
Property and equipment	7	**43,823**	44,895
Investment property		**90,132**	94,354
Right-of-use assets		**5,048**	6,186
Deferred income tax assets		**15,633**	16,543
Trade and other receivables	8	**32,906**	37,820
		187,542	199,798
Current assets			
Trade and other receivables	8	**228,639**	259,114
Due from related parties	9	**7,366**	19,985
Financial assets at fair value through profit or loss		**974**	1,058
Cash and bank balances	10	**81,063**	98,962
		318,042	379,119
Assets held for sale		**3,019**	2,585
		321,061	381,704
TOTAL ASSETS		**508,603**	581,502
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		**(4,843,285)**	(4,901,556)
Foreign currency translation reserve		**(64,289)**	(59,198)
Deficiency of assets attributable to equity holders of the parent		**(3,707,800)**	(3,760,980)
Non-controlling interests		**(141,443)**	(141,632)
Deficiency of assets		**(3,849,243)**	(3,902,612)

The attached notes 1 to 22 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 September 2021

	Notes	***30 September 2021 AED'000 (Unaudited)***	*31 December 2020 AED'000 (Audited)*
LIABILITIES			
Non-current liabilities			
Employees' end of service benefits		**23,988**	30,577
Lease liabilities		**4,461**	5,287
		28,449	35,864
Current liabilities			
Provision for bank liabilities of subsidiaries	13	**1,275,285**	1,275,285
Bank borrowings	11	**1,984,037**	1,908,773
Trade and other payables	12	**841,000**	1,034,663
Due to related parties	9	**41,224**	40,989
Lease liabilities		**1,000**	1,213
Provision for loss of control over subsidiaries	14	**23,372**	23,874
		4,165,918	4,284,797
Liabilities associated with discontinued operations		**163,479**	163,453
		4,329,397	4,448,250
Total liabilities		**4,357,846**	4,484,114
TOTAL EQUITY AND LIABILITIES		**508,603**	581,502

The interim condensed consolidated financial statements were approved by the Board of Directors on 11 November 2021 and signed on its behalf by:

Chairman

CFO

The attached notes 1 to 22 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED INCOME STATEMENT

For the period ended 30 September 2021 (Unaudited)

		Three months period ended 30 September		*Nine-months period ended 30 September*	
	Notes	***2021 AED'000***	*2020 AED'000*	***2021 AED'000***	*2020 AED'000*
Continuing operations					
Revenue	6	**29,104**	40,902	**110,889**	118,420
Cost of revenue		**(24,918)**	(33,850)	**(95,970)**	(104,218)
Gross profit		**4,186**	7,052	**14,919**	14,202
Other income	15	**2,263**	5,911	**175,505**	14,227
General and administrative expenses	16	**(12,245)**	(14,026)	**(45,404)**	(58,627)
Provision for legal cases		**-**	(38,429)	**(8,650)**	(48,429)
Provision for expected credit loss on prepayments and other receivables	8	**-**	-	**(5,445)**	(7,229)
Provision for / expense related to bond encashment		**-**	(4,659)	**(13,570)**	(66,318)
Share of results of joint venture		**-**	502	**-**	5,412
Gain on disposal of subsidiary	14	**-**	-	**-**	353,708
Finance income		**79**	129	**267**	240
Finance costs	17	**(13,144)**	(26,477)	**(59,299)**	(77,267)
(Loss)/ Profit before tax from continuing operations		**(18,861)**	(69,997)	**58,323**	129,919
Income tax (expense) / reversal		**(204)**	56	**(272)**	(91)
(Loss)/ profit from continuing operations		**(19,065)**	(69,941)	**58,051**	129,828
Discontinued operations					
Profit after tax from discontinued operations		**-**	-	**430**	-
(LOSS)/ PROFIT FOR THE PERIOD		**(19,065)**	(69,941)	**58,481**	129,828
Attributable to:					
Equity holders of the parent		**(19,065)**	(69,941)	**58,271**	129,828
Non-controlling interests		**-**	-	**210**	-
		(19,065)	(69,941)	**58,481**	129,828
(Loss)/ earnings per share					
Basic and diluted (AED)	18	**(0.02)**	(0.07)	**0.05**	0.12

The attached notes 1 to 22 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the period ended 30 September 2021 (Unaudited)

		Three months period ended 30 September		***Nine-months period ended 30 September***	
	Notes	***2021 AED'000***	*2020 AED'000*	***2021 AED'000***	*2020 AED'000*
(Loss)/ profit for the period		**(19,065)**	(69,941)	**58,481**	129,828
Other comprehensive income items that would be reclassified subsequently to profit or loss					
Currency translation differences		**(1,540)**	987	**(5,070)**	862
Exchange difference transferred to profit and loss on disposal of foreign operations	14	**-**	-	**-**	3,355
Exchange difference related to discontinued operations		**-**	-	**(42)**	-
Other comprehensive (loss) / income for the period		**(1,540)**	987	**(5,112)**	4,217
TOTAL COMPREHENSIVE (LOSS) /INCOME FOR THE PERIOD		**(20,605)**	(68,954)	**53,369**	134,045
Attributable to:					
Equity holders of the parent		**(20,605)**	(68,954)	**53,180**	134,009
Non-controlling interests		**-**	-	**189**	36
		(20,605)	(68,954)	**53,369**	134,045

The attached notes 1 to 22 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine-months period ended 30 September 2021 (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*
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 loss for the period	-	-	-	-	(5,091)	(5,091)	(21)	(5,112)
Total comprehensive income / (loss) 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)**
Balance at 1 January 2020 (audited, restated *)	1,070,988	3,026	125,760	(4,996,454)	(58,604)	(3,855,284)	(123,684)	(3,978,968)
Profit for the period	-	-	-	129,828	-	129,828	-	129,828
Other comprehensive income for the period	-	-	-	-	4,181	4,181	36	4,217
Total comprehensive income for the period	-	-	-	129,828	4,181	134,009	36	134,045
Balance at 30 September 2020 (unaudited, restated *)	1,070,988	3,026	125,760	(4,866,626)	(54,423)	(3,721,275)	(123,648)	(3,844,923)

* Certain amounts shown here do not correspond to the interim condensed consolidated financial statements as of 30 September 2020 as previously reported and reflect adjustments made.

The attached notes 1 to 22 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
For the period ended 30 September 2021 (Unaudited)

	Notes	***Nine-months period ended 30 September*** ***2021*** ***AED'000***	*2020* *AED'000*
Operating activities			
Profit before tax from continuing operations		**58,323**	129,919
Profit before tax from discontinued operations		**430**	-
Profit before tax		**58,753**	129,919
Adjustments for:			
Depreciation of property and equipment	7	**468**	559
Depreciation of investment property		**4,222**	4,234
Impairment of property and equipment	7	**1,031**	-
Share of results of joint venture		**-**	(5,412)
Expenses related to disposed of subsidiary		**-**	3,529
Provision for legal cases		**8,650**	48,429
Other income	15	**(1,126)**	-
Provision for bond encashments		**-**	66,318
Loss on financial assets at fair value through profit or loss		**84**	-
Provision for slow moving inventories		**-**	502
Provision for employees' end of service benefits		**821**	2,721
(Gain) / loss on disposal of property and equipment	7	**(20)**	94
Finance costs		**58,981**	77,267
Provision for expected credit losses	8	**5,445**	7,229
Write off of other receivables	16	**-**	5,357
Finance income		**(267)**	(240)
Gain on disposal of subsidiary		**-**	(353,708)
Depreciation of right-of-use asset		**1,237**	1,106
Interest on lease liabilities		**318**	388
Write back of provisions	15	**(167,236)**	(6,011)
		(28,639)	(17,719)
Changes in working capital:			
Inventories		**-**	10
Trade and other receivables	8	**30,822**	(28,922)
Trade and other payables (excluding income tax and interest payable)		**(102,502)**	37,955
Due to / from related parties	9	**12,854**	29,798
		(87,465)	21,122
Payment of employees' end of service benefits		**(730)**	(12,017)
Net cash (used in) / from operating activities			
- Continuing operations		**(88,195)**	9,105
- Discontinued operations		**(101)**	-
		(88,296)	9,105

The attached notes 1 to 22 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the period ended 30 September 2021 (Unaudited)

	Notes	***Nine-months period ended 30 September*** 2021 AED'000	*2020 AED'000*
Investing activities			
Purchase of property and equipment	7	**(590)**	(93)
Proceeds from disposal of property and equipment	7	**183**	102
Interest received		**267**	240
Net cash (used in)/ from investing activities		**(140)**	249
Financing activities			
Movement in term deposits under lien		**3,125**	9,889
New term deposits opened during the period		**-**	(8,259)
Encashment of bonds during the period		**13,570**	-
Movement in trust receipts and other borrowings		**63,552**	-
Movement in term loans		**174**	(500)
Net cash generated from financing activities			
- Continuing operations		**80,421**	1,130
- Discontinued operations		**-**	-
		80,421	1,130
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		**(8,015)**	10,484
Net foreign currency translation difference		**(4,398)**	6,642
Cash and cash equivalents at the beginning of the period		**(622,479)**	(94,063)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	10	**(634,892)**	(76,937)

The attached notes 1 to 22 form part of these interim condensed consolidated financial statements.

1 CORPORATE INFORMATION

Drake and Scull International PJSC (the "Company" or the "Parent") 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. The Company is listed on the Dubai Financial Market.

Federal Decree - Law No. 26 of 2020 which amends certain provisions of Federal Law No. 2 of 2015 on Commercial Companies was issued on 27 September 2020 and the amendments came into effect on 2 January 2021 which are required to be fully complied with within one year from the date the amendments came into effect. The Company has assessed compliance requirements of the new provisions and requirements to update its Articles of Association as approved in its annual general assembly meeting held on 29 April 2021. The Company will be fully compliant thereof no later than the transition period given in the amendments.

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.

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

		Shareholding %		
Major Subsidiaries	***Principal activities***	***30 September 2021***	***31 December 2020***	***Country of incorporation***
Drake & Scull International LLC (Abu Dhabi)	Contracting work related to mechanical, electrical and sanitary engineering	**100**	100	UAE
Drake & Scull Engineering formerly Drake & Scull Water and Power LLC	Engineering, procurement and construction of Water and Power Infrastructure projects	**100**	100	UAE
Passavant Energy & Environment and its subsidiaries (a subsidiary of Passavant Engineering Limited)	Developing wastewater, 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 related 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 its subsidiary, namely Drake & Scull International (Qatar) WLL. 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. Refer Note 14.

In prior years, the Group disposed of its holdings in Gulf Technical Construction Company LLC, Drake & Scull International Saudia Company Limited, International Center for Contracting Co. Ltd and Drake & Scull Construction Company LLC 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, Algeria, Jordan, Kingdom of Saudi Arabia 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)

The Group, through Drake and Scull International LLC – Abu Dhabi had a 90% interest in MEP JV, a joint venture with Itinera SpA – Abu Dhabi and Ghantoot Transport General Contracting LLC under a joint arrangement agreement dated 12 November 2018. This is classified as joint venture in these interim condensed consolidated financial statements.

Drake and Scull International PJSC has a 51% interest in a joint venture with Al Habtoor Specon LLC (DSI-HLS Joint Venture) under a joint arrangement agreement dated 17 April 2013. The joint venture agreements 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 in earlier years.

The Group has earned a profit of AED 58 million during the nine-month period ended 30 September 2021 (30 September 2020: profit of AED 130 million), and as of that date, its current liabilities exceeded its current assets by AED 4,008 million (31 December 2020: AED 4,067 million). Furthermore, the Group had negative cash flow from operating activities of AED 88 million for the nine-month period ended 30 September 2021 (30 September 2020: positive cash flows of AED 9 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").

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.1 GOING CONCERN (continued)

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.

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

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

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

During 2020, the Board reviewed the Business Plan in light of the Covid-19 pandemic. Management with the support of Advisers produced a revised Business Plan, which was approved by the Board during the third quarter of 2020 and subsequently approved by AGH and their advisers in last quarter of 2020. Throughout the year despite 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 an 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.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.1 GOING CONCERN (continued)

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

Throughout this quarter and up to the date of issuing the financial statements of Q3 2021 the voting has progressed towards obtaining the required amount of two thirds of the Creditors (by value) to vote in favour. As of the date of issuing these financial statements, over 100 Creditors (by number) have returned their votes. In terms of percentage, based on inputs received from the Expert, 51.68% have voted in favour and 7.7% have either abstained or voted against the plan. The voting process is still ongoing as at the date of issuance of these interim condensed consolidated financial statements.

Further, DSI filed with Dubai courts the Plan on 13 July 2021. The main request was to seek approval from the Court 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 Court 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 to benefit from the Emergency Provisions which were only valid until 31 July 2021.

On 18th October 2021, the Court rejected the application. This is 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 accepted while the Company was under the supervision of the FRC. The Company is in process of filing an appeal.

There is a 30-day period whereby the Company has the opportunity to appeal the judgment. It is the Company's intention to appeal the judgment. The Company and its advisers will continue to work to obtain the remaining votes required to complete the FRC process which should allow the judicial process to operate alone.

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 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). These matters will be finalised once the vote is successfully completed, and the Court has had the opportunity to consider the appeals.

2.2 BASIS OF PREPARATION

These interim condensed consolidated financial statements of the Group for the nine-month period ended 30 September 2021 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 consolidated financial statements as at 31 December 2020, 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 Group. 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 or 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 the 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-month period ended 30 September 2021 comprises the results of the Group. The interim condensed consolidated financial statements of the subsidiaries is 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, joint operations and equity accounted investments 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 2020, except for the adoption of new standards effective as of 1 January 2021. 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 2021, but do not have an impact on the interim condensed consolidated financial statements of the Group as noted below:

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include the following practical expedients:

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

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

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 the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2020.

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 2020.

There have been no changes in the risk management policies and process since the year ended 31 December 2020.

5 SEASONALITY OF OPERATIONS

The Group's financial results for the nine months period ended 30 September 2021 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 purposes, the Group is organised into business units based on their services and has two reportable business segments: 'Engineering' (which includes 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 the following main segments: UAE, Europe and Others. The Group is presently engaged in carrying out contracting work relating to 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 segments as the underlying instruments are managed by the Group.

6 SEGMENT REPORTING (continued)

Geographical segments (continued)

All figures below in AED'000

	UAE	*Europe*	*Others*	*Adjustments and eliminations*	*Total*
	For nine months ended 30 September 2021 (Unaudited)				
Revenue from external customers	**39,395**	**56,663**	**14,831**	**-**	**110,889**
	For nine months ended 30 September 2020 (Unaudited)				
Revenue from external customers	32,639	63,906	21,875	-	118,420
	As at 30 September 2021 (unaudited)				
Non-current assets	**548,760**	**22,746**	**31,021**	**(414,985)**	**187,542**
	As at 31 December 2020 (audited)				
Non-current assets	1,157,441	31,605	248,338	(1,237,586)	199,798

6 SEGMENT REPORTING (continued)

Information about business segments (Unaudited)

All figures in AED'000

	Nine-months ended 30 September 2021				*Nine-months ended 30 September 2020 (unaudited)*			
	Engineering	***Others***	***Adjustments and eliminations***	***Total***	*Engineering*	*Others*	*Adjustments and eliminations*	*Total*
*Revenue External customers	**54,227**	**56,662**	**-**	**110,889**	54,514	63,906	-	118,420
Segment profit/(loss)	**149,296**	**(90,973)**	**-**	**58,323**	(10,381)	140,300	-	129,919
Depreciation and amortisation	**524**	**1,181**	**-**	**1,705**	621	1,044	-	1,665
Capital expenditure	**291**	**299**	**-**	**590**	40	53	-	93
	As at 30 September 2021				*As at 31 December 2020 (Audited)*			
Segment total assets	**413,054**	**764,622**	**(672,092)**	**505,584**	407,587	1,016,091	(844,761)	578,917
Segment total liabilities	**1,448,722**	**2,014,809**	**730,836**	**4,194,367**	2,016,745	2,172,057	131,859	4,320,661

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

6 SEGMENT REPORTING (continued)

Reconciliation of assets:

	30 September 2021 AED'000 (Unaudited)	*31 December 2020 AED'000 (Audited)*
Segment assets	**505,584**	578,917
Assets held for sale	**3,019**	2,585
	508,603	581,502

Reconciliation of liabilities:

	30 September 2021 AED'000 (Unaudited)	*31 December 2020 AED'000 (Audited)*
Segment liabilities	**4,194,367**	4,320,661
Liabilities associated with discontinued operations	**163,479**	163,453
	4,357,846	4,484,114

7 PROPERTY AND EQUIPMENT

The Group acquired property and equipment during the nine-month period ended 30 September 2021 amounting to AED 590 thousand (30 September 2020: AED 93 thousand). The Group disposed of property and equipment during the nine-month period ended 30 September 2021 amounting to AED 162 thousand (30 September 2020: AED 196 thousand) and impaired its property and equipment by AED 1,031 thousand (30 September 2020: Nil) (Note 16). Depreciation charged to the interim consolidated income statement amounted to AED 468 thousand (30 September 2020: AED 559 thousand).

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

	Nine-month period ended 30 September (Unaudited)	
	2021 AED'000	*2020 AED'000*
Cost of sales	**104**	45
General and administrative expenses (Note 16)	**364**	514
	468	559

8 TRADE AND OTHER RECEIVABLES

	30 September 2021 AED'000 (Unaudited)	*31 December 2020 AED'000 (Audited)*
Non-current		
Trade receivables and retentions *	**35,962**	43,126
Less: fair value adjustment *	**(3,056)**	(5,306)
	32,906	37,820
Current		
Trade receivables and retentions *	**630,482**	653,528
Prepayments and other receivables	**90,983**	102,772
Amount due from customers on contracts	**278,902**	266,599
	1,000,367	1,022,899
Less: Allowance for expected credit loss on:		
- Trade receivables and retentions	**(524,111)**	(521,713)
- Prepayments and other receivables	**(5,445)**	-
- Amount due from customers on contracts	**(242,172)**	(242,072)
	228,639	259,114

* Due to the short-term nature of the trade receivables, their carrying amount is considered to be the same as their fair value. For the non-current trade receivables and retentions, the fair values were calculated based on cash flows discounted at discount rate of 7% (2020: 7%) per annum.

Movement in provision for impairment of trade receivables, retentions and amounts due from customers on contracts:

	30 September 2021 AED'000 (Unaudited)	*31 December 2020 AED'000 (Audited)*
At 1 January	**521,713**	471,257
Provision for expected credit loss	**-**	50,456
Reclassified from non-current	**2,250**	-
Exchange rate difference	**148**	-
At 30 September 2021 / 31 December 2020	**524,111**	521,713

Movement in provision for prepayments and other receivables:

Provision for expected credit loss	**5,445**	-
At 30 September 2021 / 31 December 2020	**5,445**	-

Movement in provision for amounts due from customers on contracts:

At 1 January	**242,072**	241,245
Exchange rate difference	**100**	827
At 30 September 2021 / 31 December 2020	**242,172**	242,072

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:

	30 September 2021 AED'000 (Unaudited)	*31 December 2020 AED'000 (Audited)*
Affiliates	**7,366**	19,985

Due to related parties:

	30 September 2021 AED'000 (Unaudited)	*31 December 2020 AED'000 (Audited)*
Joint arrangements	**24,909**	24,674
Affiliates	**42,710**	43,597
Related to assets held as discontinued operations	**(26,395)**	(27,282)
	41,224	40,989

Amount due from affiliates includes funds held by affiliates on behalf of Group amounting to AED 6,085 thousand pertaining to consideration received on sale of an investment in an associate in prior year (2020: AED 18,993 thousand) which is used to meet working capital requirements of the Group.

There were no related party transactions during the period which have an impact on the interim consolidated income statement (2020: Nil).

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

	Nine-month period ended 30 September (Unaudited)	
	2021 AED'000	*2020 AED'000*
Short term benefits	**1,517**	842
Employees' end of service benefits	**53**	32
	1,570	874

10 CASH AND BANK BALANCES

	30 September 2021 AED'000 (Unaudited)	*31 December 2020 AED'000 (Audited)*
Cash on hand	**520**	581
Cash at bank	**33,870**	48,583
Term deposits	**46,673**	49,798
	81,063	98,962

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

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

	30 September 2021 AED'000 (Unaudited)	*30 September 2020 AED'000 (Unaudited)*
Cash and bank balances	**81,063**	97,960
Less: term deposits under lien	**(46,673)**	(31,494)
Less: bank overdrafts	**(579,556)**	(120,118)
Less: cash and cash equivalent related to discontinued operations	**(89,726)**	(23,285)
Cash and cash equivalents	**(634,892)**	(76,937)

11 BANK BORROWINGS

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

	30 September 2021 AED'000 (Unaudited)	*31 December 2020 AED'000 (Audited)*
Current		
Term loans	**1,265,298**	1,218,571
Trust receipts and other borrowings	**139,183**	108,614
Bank overdrafts	**579,556**	581,588
	1,984,037	1,908,773

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 3% to 18% (2020: 2% to 8%) per annum. Contractual re-pricing dates are set on the basis of 3 months LIBOR / EIBOR.

11 BANK BORROWINGS (continued)

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 46,673 thousand (2020: AED 49,798 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

	30 September 2021 AED'000 (Unaudited)	*31 December 2020 AED'000 (Audited)*
Trade payables and accruals	**625,212**	721,967
Provision for legal cases	**102,803**	136,277
Amount due to customers on contracts	**35,394**	74,154
Advances from customers	**45,128**	70,216
Provision against bond encashment	**22,463**	22,049
Provision for additional cost relating to disposal of subsidiaries	**10,000**	10,000
	841,000	1,034,663

13 PROVISION FOR BANK LIABILITIES OF SUBSIDIARIES

	30 September 2021 AED'000 (Unaudited)	*31 December 2020 AED'000 (Audited)*
Provision for bank liabilities relating to disposed off subsidiaries *	**1,007,348**	1,007,440
Provision for bond encashment relating to disposed off subsidiaries	**168,773**	168,670
Provision for bank liabilities of discontinued operations *	**99,164**	99,175
	1,275,285	1,275,285

These represent 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 3% to 18% (2020: 2% to 8%) per annum.

14 PROVISION FOR LOSS OF CONTROL OVER SUBSIDIARIES

Movement in provision for loss of control over subsidiaries during the period is as follows:

	30 September 2021 AED'000 (unaudited)
	DSWE, India
At 1 January 2021	**23,874**
Fair value loss	**(502)**
At 30 September 2021	**23,372**

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

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

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

Effect of disposal of subsidiary on the interim condensed consolidated financial statements of the Group as of 30 September 2020:

	AED'000 (unaudited)
Provision for loss of control over subsidiaries as at 31 December 2019	789,069
Fair value loss (exchange difference)	447
Provision for loss of control over subsidiary as at the date of disposal	789,516
Provision for additional cost relating to disposal	(5,000)
Provision for bond encashed and bank liabilities guaranteed by the Parent	(430,808)
Net gain on disposal of subsidiary #	353,708

Includes cumulative translation difference of AED 3,355 thousand.

15 OTHER INCOME

	Nine-month period ended 30 September (Unaudited)	
	2021	*2020*
	AED'000	*AED'000*
Write back of liabilities (a)	**167,236**	8,361
Recovery of balances written off (b)	**1,629**	2,412
Rental income	**1,495**	87
Sale of scrap	**1,103**	1,478
Others (c)	**4,042**	1,889
	175,505	14,227

(a) The Group assessed during the period that certain trade payables and accrual, amounts due to customers on contracts, and advances from customers recorded in earlier periods were no longer payable and has, accordingly, written back such amounts under other income.

(b) Recovery of balances written off in the nine-month period ended 30 September 2020 represents amounts received from a project in a subsidiary disposed of in previous year.

(c) Includes other income on account of a court order in favor of the Group towards a legal case, wherein the Group was the plaintiff, amounting to AED 1,126 thousand. The corresponding receivable is recorded as other receivables.

16 GENERAL AND ADMINISTRATIVE EXPENSES

	Nine-month period ended 30 September (Unaudited)	
	2021	*2020*
	AED'000	*AED'000*
Staff costs	**16,852**	19,257
Restructuring cost	**10,797**	4,873
Business development, legal and professional fees	**10,736**	11,800
Utilities	**1,124**	1,016
Depreciation on right-of-use assets	**1,076**	1,069
Impairment of property and equipment (Note 7)	**1,031**	-
Expenses related to lease of short term and low value assets	**733**	910
Employees' end of service benefits	**484**	678
Depreciation on property and equipment (Note 7)	**364**	514
Write off of trade and other receivables	**-**	5,357
Other expenses	**2,207**	13,153
	45,404	58,627

17 FINANCE COSTS

	Nine-month period ended 30 September (Unaudited)	
	2021 AED'000	*2020 AED'000*
Finance costs	**60,037**	78,060
Less: Finance costs charged to cost of sales	**(738)**	(793)
	59,299	77,267

18 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.

	Nine-month period ended 30 September (Unaudited)	
	2021	*2020*
Profit (AED'000)		
Profit for the purposes of basic earnings per share being net profit attributable to owners of the Parent	**58,271**	129,828
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 Profit per share (AED)	**0.05**	0.12

(b) Diluted

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

19 GUARANTEES

	30 September 2021 AED'000 (Unaudited)	*31 December 2020 AED'000 (Audited)*
Performance bonds*	**547,577**	644,592
Letter of guarantees*	**477,368**	557,116
	1,024,945	1,201,708

* Group has also provided corporate guarantees on behalf of subsidiaries disposed of in prior year. Group has recognised 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.

20 COMMITMENTS AND CONTINGENCIES

Commitments

	30 September 2021 AED'000 (Unaudited)	*31 December 2020 AED'000 (Audited)*
Letters of credit for purchase of materials and operating equipment	**776**	18,334

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. Further, the Company is following up the extradition of the former CEO and Vice Chairman to get him extradited to the UAE following his arrest in Jordan. Criminal complaints were filed against family members of the former CEO and Vice Chairman and other former executive managers with the Abu Dhabi Public Funds Prosecutor's office, which is investigating the matter. The Abu Dhabi Public Funds Prosecutor has accused the former CEO and Vice Chairman for misappropriation, fraud, embezzlement, intentional damage to public funds, profiteering others and forgery.

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

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

21 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, trade and other payables and due to related parties.

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

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

- Cash and bank balances, trade receivables, other financial assets, due from related parties, bank borrowings, trade and other payables, 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 2021, the carrying amounts of such receivables, net of provisions, are not materially different from their fair values.

- Fair value of non-current receivable, 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.

21 FAIR VALUES (continued)

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.

The following table presents the Group's assets and liabilities that are measured at fair value at 30 September 2021:

	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	**-**	**974**	**-**	**974**
Investment property	**-**	**-**	**104,500**	**104,500**
Total assets	**-**	**974**	**104,500**	**105,474**

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

	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	-	1,058	-	1,058
Investment property	-	-	104,500	104,500
Total assets	-	1,058	104,500	105,558

Fair value of investment property:
Management does not consider the fair value of investment properties for the period ended 30 September 2021 to be significantly different from the fair value as at 31 December 2020. The fair valuation of investment properties was conducted by an independent external valuer as at 31 December 2020. Management intends to appoint independent external valuer to determine the fair value as at 31 December 2021, unless there are indicators which suggest a significant change in the fair value.

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 2020 and 30 September 2021, the fair values of all other financial assets and liabilities, which are measured at amortised cost approximate their carrying values.

(b) Group's valuation processes

Changes in Level 2 and 3 fair values are analysed at each reporting date 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.

22 IMPACT DUE TO 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, 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.

Certain trade licenses of the Group's 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.