

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

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

30 September 2023

**Interim condensed consolidated financial statements
30 September 2023**

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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 2023, which comprise the interim consolidated statement of financial position as at 30 September 2023, 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*

The condensed consolidated interim financial statements of the Group as of 30 September 2022 were reviewed by another auditor whose report dated 14 November 2022 expressed a disclaimer of conclusion on those statements. Further, the consolidated financial statements of the Group for the year ended 31 December 2022 were audited by another auditor who expressed a disclaimer of opinion on those statements on 4 April 2023 as a result of a number of significant and pervasive audit issues. We were not provided with access to review the predecessor auditor's working papers relating to their audit of the Group for the year ended 31 December 2022. Because we were denied such access, and in the absence of sufficient reliable alternative procedures, it was not possible for us to satisfy ourselves on opening balances as at 31 December 2022. Any adjustment to those figures would have a consequential effect on the results and cash flows for the three and nine-month period ended 30 September 2023.

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 31 million, AED 1,996 million, AED 1,312 million and AED 744 million as of 30 September 2023, 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 2023. 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 2023.

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 2023, amounted to AED 5,296 million, and its current liabilities exceeded its current assets by AED 4,364 million.

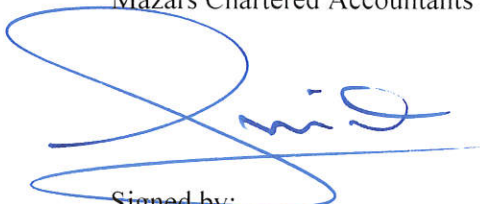
The accompanying interim condensed consolidated financial statements, however, have been prepared by management on a going concern basis based on a restructuring plan approved by the shareholders. However, the successful execution and progression of the plan as set out in note 2.1 to the interim condensed 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 2023 cannot be determined at this stage.

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

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 2023. Accordingly, we do not express a conclusion on these interim condensed consolidated financial statements.

Mazars Chartered Accountants



Signed by:
Amir Abd El Hamid
Registered Auditor Number 1255



9 November 2023
Dubai, United Arab Emirates

Drake and Scull International PJSC & its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

	<i>Notes</i>	30 September 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
ASSETS			
Non-current assets			
Property and equipment	7	13,163	13,394
Investment property		78,777	83,000
Right-of-use assets		6,326	7,257
Deferred tax assets		14,737	14,431
Trade and other receivables	8	8,415	14,023
		121,418	132,105
Current assets			
Trade and other receivables	8	130,931	168,992
Due from related parties	9	18,231	5,242
Financial assets at fair value through profit or loss		979	979
Cash and bank balances	10	75,141	72,205
		225,282	247,418
Assets held for sale	6, 23	15,151	473
		240,433	247,891
TOTAL ASSETS		361,851	379,996
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		(5,295,741)	(5,098,172)
Foreign currency translation reserve		(24,805)	(43,456)
Deficiency of assets attributable to equity holders of the parent		(4,120,772)	(3,941,854)
Non-controlling interests		(140,585)	(140,671)
Deficiency of assets		(4,261,357)	(4,082,525)

The attached notes 1 to 24 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 2023

		<i>30 September 2023 AED'000 (Unaudited)</i>	<i>31 December 2022 AED'000 (Audited)</i>
Liabilities			
Non-current liabilities			
Employees' end of service benefits		12,056	14,312
Lease liabilities		6,339	6,604
		<u>18,395</u>	<u>20,916</u>
Current liabilities			
Provision for bank liabilities of subsidiaries	13	1,312,051	1,311,652
Bank borrowings	11	2,020,625	2,077,672
Trade and other payables	12	774,082	828,674
Due to related parties	9	41,224	41,224
Lease liabilities		728	1,602
Provision for loss of control over subsidiaries	14	21,138	21,229
		<u>4,169,848</u>	<u>4,282,053</u>
Liabilities associated with discontinued operations	6, 23	434,965	159,552
		<u>4,604,813</u>	<u>4,441,605</u>
Total liabilities		<u>4,623,208</u>	<u>4,462,521</u>
TOTAL EQUITY AND LIABILITIES		<u>361,851</u>	<u>379,996</u>



Chairman



Group CFO

Drake and Scull International PJSC & its subsidiaries

INTERIM CONSOLIDATED INCOME STATEMENT

For the period ended 30 September 2023 (unaudited)

		<i>Three months period ended 30 September (Unaudited)</i>		<i>Nine months period ended 30 September (Unaudited)</i>	
	<i>Notes</i>	<i>2023 AED'000</i>	<i>2022 AED'000</i>	<i>2023 AED'000</i>	<i>2022 AED'000</i>
Continuing operations					
Revenue	6	18,942	19,100	64,202	64,156
Cost of revenue		(16,689)	(16,090)	(57,026)	(60,459)
Gross profit		2,253	3,010	7,176	3,697
Other income	15	24,274	3,081	28,969	33,303
General and administrative expenses	16	(7,663)	(15,980)	(23,252)	(38,688)
Provision for legal cases		(5,568)	(13,488)	(11,033)	(18,366)
Provision for expected credit loss on trade and other receivables	8	(7,245)	(1,529)	(10,948)	(12,823)
Provision for expense related to bond encashment		-	-	(56,456)	(36,035)
Foreign exchange loss		(1,805)	(16,041)	(18,151)	(16,101)
Reversal of provision related to subsidiaries with loss of control	14	-	-	-	2,920
Loss on disposal of subsidiaries and associates		(73)	-	(73)	-
Finance income		299	304	452	643
Finance costs	17	(37,176)	(27,854)	(111,657)	(76,215)
Loss before tax from continuing operations		(32,704)	(68,497)	(194,973)	(157,665)
Income tax reversal/ (expense)	18	68	(5)	(247)	(707)
Loss from continuing operations		(32,636)	(68,502)	(195,220)	(158,372)
Discontinued operations					
(Loss)/ profit after tax from discontinued operations	23	(2,281)	9	(2,278)	1,521
LOSS FOR THE PERIOD		(34,917)	(68,493)	(197,498)	(156,851)
Attributable to:					
Equity holders of the parent		(34,986)	(68,497)	(197,569)	(157,596)
Non-controlling interests		69	4	71	745
		(34,917)	(68,493)	(197,498)	(156,851)
Loss per share					
Basic and diluted (AED)	19	(0.03)	(0.06)	(0.18)	(0.15)

The attached notes 1 to 24 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 2023 (unaudited)

	<i>Three months period ended 30 September (Unaudited)</i>		<i>Nines-months period ended 30 September (Unaudited)</i>	
	2023 AED'000	2022 AED'000	2023 AED'000	2022 AED'000
LOSS FOR THE PERIOD	(34,917)	(68,493)	(197,498)	(156,851)
<i>Other comprehensive income items that would be reclassified subsequently to profit or loss</i>				
Currency translation differences	(524)	1,968	18,631	(4,335)
Exchange difference related to discontinued operations	6	94	35	179
Other comprehensive (loss) / income for the period	(518)	2,062	18,666	(4,156)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(35,435)	(66,431)	(178,832)	(161,007)
Attributable to:				
Equity holders of the parent	(35,505)	(66,481)	(178,918)	(161,840)
Non-controlling interests	70	50	86	833
	(35,435)	(66,431)	(178,832)	(161,007)

The attached notes 1 to 24 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 2023 (unaudited)

Attributable to the equity holders of the parent

	<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 2023 (audited)	1,070,988	3,026	125,760	(5,098,172)	(43,456)	(3,941,854)	(140,671)	(4,082,525)
(Loss) / profit for the period	-	-	-	(197,569)	-	(197,569)	71	(197,498)
Other comprehensive income for the period	-	-	-	-	18,651	18,651	15	18,666
Total comprehensive (loss) / income for the period	-	-	-	(197,569)	18,651	(178,918)	86	(178,832)
At 30 September 2023 (unaudited)	1,070,988	3,026	125,760	(5,295,741)	(24,805)	(4,120,772)	(140,585)	(4,261,357)
Balance at 1 January 2022 (audited)	1,070,988	3,026	125,760	(4,873,775)	(64,784)	(3,738,785)	(141,442)	(3,880,227)
(Loss) / profit for the period	-	-	-	(157,596)	-	(157,596)	745	(156,851)
Other comprehensive (loss) / income for the period	-	-	-	-	(4,244)	(4,244)	88	(4,156)
Total comprehensive (loss) / income for the period	-	-	-	(157,596)	(4,244)	(161,840)	833	(161,007)
Balance at 30 September 2022 (unaudited)	1,070,988	3,026	125,760	(5,031,371)	(69,028)	(3,900,625)	(140,609)	(4,041,234)

The attached notes 1 to 24 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 2023 (unaudited)

		<i>Nine months period ended 30 September (Unaudited)</i>	
		<i>2023</i>	<i>2022</i>
		<i>AED'000</i>	<i>AED'000</i>
	<i>Notes</i>		
OPERATING ACTIVITIES			
Loss before tax from continuing operations		(194,973)	(157,665)
(Loss)/ profit before tax from discontinued operations		(2,278)	1,521
Loss before tax		(197,251)	(156,144)
Adjustment for:			
Depreciation of property and equipment	7	303	275
Depreciation of investment property		4,222	4,222
Loss on disposal of property and equipment		-	6,599
Provision for legal cases		11,033	18,366
Provision for bond encashments		56,456	36,035
Loss on financial assets at fair value through profit or loss		-	(10)
Provision for employees' end of service benefits		687	946
Finance costs	17	112,033	79,610
Provision/ (reversal) for expected credit losses	8	10,948	(5,832)
Finance income		(452)	(643)
Depreciation of right-of-use asset		959	1,291
Interest on lease liabilities		266	349
Write back of provisions	15	(898)	(3,485)
		(1,694)	(18,421)
Changes in working capital:			
Trade and other receivables		32,721	52,560
Trade and other payables (excluding income tax and interest payable)		(107,527)	(57,111)
Due from related parties		(12,989)	-
		(89,489)	(22,972)
Payment of employees' end of service benefits		(226)	(904)
Net cash used in operating activities			
- Continuing operations		(89,715)	(23,876)
- Discontinued operations	23	(51,358)	(3,893)
		(141,073)	(27,769)

The attached notes 1 to 24 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 2023 (unaudited)

		<i>Nine months period ended 30 September (Unaudited)</i>	
		<i>2023 AED'000</i>	<i>2022 AED'000</i>
	<i>Notes</i>		
INVESTING ACTIVITIES			
Purchase of property and equipment	7	(107)	(695)
Proceeds from disposal of property and equipment	7	-	7,080
Interest received		452	643
Net cash generated from investing activities		<u>345</u>	<u>7,028</u>
FINANCING ACTIVITIES			
Movement in term deposits under lien		1,993	2,454
Movement in trust receipts and other borrowings		(95,672)	17,651
Payment of lease liabilities		(995)	(1,045)
Net cash relating to financing activities			
- Continuing operations		(94,674)	19,060
- Discontinued operations	23	229,964	-
		<u>135,290</u>	<u>19,060</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(5,438)	(1,681)
Net foreign currency translation difference		18,332	(4,338)
Cash and cash equivalents at the beginning of the period		<u>(631,449)</u>	<u>(630,869)</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	10	<u><u>(618,555)</u></u>	<u><u>(636,888)</u></u>

The attached notes 1 to 24 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 2023 (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.

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 2023</i>	<i>31 December 2022</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
Drake & Scull Oil & Gas	Oil & Gas	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, Thailand 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 2023 (Unaudited)

1 CORPORATE INFORMATION (continued)

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

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

Drake and Scull Engineering LLC has a 49% interest in a jointly controlled entity with Al Habtoor Specon LLC (HLS-DSE Joint Venture) under a joint arrangement agreement dated 23 July 2013 for Habtoor City Hotels. This is classified as joint operation in these 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 consolidated financial statements were approved by the Board of Directors on 9 November 2023.

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 198 million during the nine-month period ended 30 September 2023 (30 September 2022: loss of AED 157 million), and as of that date, its current liabilities exceeded its current assets by AED 4,364 million (31 December 2022: AED 4,194 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 underperforming operations and markets.

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 of the 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 Advisors 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 agreeing a restructuring plan.

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

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

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

The overall restructuring from an operational, financial and legal aspect is extremely complicated and requires a substantial amount of time to formalise the transaction. Further, like in most developed countries, 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 2022, 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. On 23 November 2022, the appeal court issued its judgment; approve the commencing of the restructuring procedures for the company and appointed a trustee to carry out the mission entrusted to him by the court in accordance with that judgment.

The appointed trustee respectfully declined the mission assigned to him by the court, accordingly the court appointed another trustee, who has also in his turn declined the same mission. As a result, the Company submitted a request to appoint a trustee who has good experience and knowledge in relation with restructuring and the procedure among, as permitted by the law, where the esteemed Court of Appeal rejected that request, and decided to appoint another trustee among the role experts.

The appointed trustee in his turn carried out the mission assigned to him. Accordingly, the company found that the trustee conflicted with the company. As a result, the Company submitted a request to dismiss the expert and hand over this request to the Expert Committee. Accordingly, the court decided to suspend the trustee from the mission until the completion of the investigation before the expert committee.

In addition, the Company had submitted a request to suspend all judicial procedures and executions against the Company which stipulated in the bankruptcy law, however, this request was rejected by the esteemed court as well. For the aforementioned circumstances and reasons, and since the Company aims to complete the restructuring procedures at the least possible time and cost, given the difficult financial issues that the Company is passing through, and the judicial executions' reservations that drain its cash day after day.

As this matter will not be achieved except through the acceptance of the court to commence the restructuring procedures in accordance with the circumstances of the emergency financial crisis and the acceptance of the previous procedures that were approved by the Financial Regulatory Committee.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.1 GOING CONCERN (continued)

The Company decided to file a cassation, requesting the Court's acceptance of commencing the restructuring procedures in accordance with the circumstances of the emergency financial crisis, and as a result, the approval of the previous procedures that were carried out through the Financial Regulatory Committee.

Accordingly, on 21 February 2023 the first hearing was held in the aforementioned Cassation Court, where the Court of Cassation issued its decision to temporarily suspend the implementation of the Court of Appeal Judgment, on 22 August 2023, the Cassation Court rendered its verdict, granting the Company's request to proceed with the restructuring procedure in light of the emergency financial crisis circumstances. Furthermore, the Cassation Court returned the case to the Appeal Court with instructions to proceed based on the new judgment.

As a result, the Appeal Court conducted several hearings, and adjourned its last till November 1 2023 to issue its final Judgment. On November 1 2023 the Appeal Court issued its judgment as follows: the Court has approved the Company's restructuring plan, which was agreed upon by the majority of the creditors. The judgment includes the appointment of an expert to oversee the restructuring procedures, the publication processes in local newspapers, and setting a 20-day deadline from the publication date for unregistered creditors to register their names. Following this, a final list of all creditors and their respective debt amounts will be established.

Furthermore, the Company and its subsidiaries have been granted a period of twelve months to implement the restructuring plan, starting from the date of release of the final creditors list. This period may be extended based on the progress of the restructuring procedures and the prevailing circumstances at that time.

The Court concluded its judgment by issuing a decision to halt all judicial proceedings against the Company and its subsidiaries and also suspending any execution measures against them.

As a part of the restructuring process and aligning with the restructuring plan, the Company will issue the Mandatory Convertible Sukuk according to the Court approval for creditors' list as mentioned in the expert report, and complete the Rights Issue in line with the capital raise; accordingly, once this process is complete, the trading of shares on the Dubai Financial Market (DFM) is expected to be resumed.

2.2 BASIS OF PREPARATION

The interim condensed consolidated financial statements of the Group for the nine months period ended 30 September 2023 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 2022, 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.

2.3 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 2023 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.

Drake and Scull International PJSC & its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2023 (Unaudited)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

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 2022, except for the adoption of new standards effective as of 1 January 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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

These amendments had no significant impact on the interim condensed consolidated financial statements of the Group.

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 2022.

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 2022.

There have been no changes in the risk management policies and processes since the year ended 31 December 2022.

5 SEASONALITY OF OPERATIONS

The Group's financial results for nine months period ended 30 September 2023 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.

Drake and Scull International PJSC & its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2023 (Unaudited)

6 SEGMENT REPORTING (continued)

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.

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 2023 (Unaudited)</i>					
Revenue from external customers	<u>6,674</u>	<u>48,341</u>	<u>9,187</u>	<u>-</u>	<u>64,202</u>
<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>As at 30 September 2023 (unaudited)</i>					
Non-current operating Assets	<u>509,628</u>	<u>24,805</u>	<u>38</u>	<u>(413,053)</u>	<u>121,418</u>
<i>As at 31 December 2022 (audited)</i>					
Non-current operating Assets	<u>514,171</u>	<u>22,164</u>	<u>9,374</u>	<u>(413,604)</u>	<u>132,105</u>

Drake and Scull International PJSC & its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2023 (Unaudited)

6 SEGMENT REPORTING (continued)

Information about business segments

All figures in AED'000

	<i>Nine-months ended 30 September 2023 (unaudited)</i>				<i>Nine-months ended 30 September 2022 (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	<u>14,320</u>	<u>49,882</u>	<u>-</u>	<u>64,202</u>	<u>15,876</u>	<u>48,280</u>	<u>-</u>	<u>64,156</u>
Segment loss	<u>(100,386)</u>	<u>(94,834)</u>	<u>-</u>	<u>(195,220)</u>	<u>(51,966)</u>	<u>(105,699)</u>	<u>-</u>	<u>(157,665)</u>
Depreciation and amortisation	<u>228</u>	<u>5,257</u>	<u>-</u>	<u>5,485</u>	<u>458</u>	<u>5,330</u>	<u>-</u>	<u>5,788</u>
Capital expenditure	<u>36</u>	<u>71</u>	<u>-</u>	<u>107</u>	<u>23</u>	<u>672</u>	<u>-</u>	<u>695</u>
	<i>As at 30 September 2023 (unaudited)</i>				<i>As at 31 December 2022 (Audited)</i>			
Segment total assets	<u>336,630</u>	<u>729,584</u>	<u>(719,514)</u>	<u>346,700</u>	<u>379,392</u>	<u>725,523</u>	<u>(725,392)</u>	<u>379,523</u>
Segment total liabilities	<u>1,213,794</u>	<u>2,288,670</u>	<u>685,779</u>	<u>4,188,243</u>	<u>1,492,374</u>	<u>2,129,742</u>	<u>680,853</u>	<u>4,302,969</u>

*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 2023 (Unaudited)

6 SEGMENT REPORTING (continued)

Reconciliation of assets:

	<i>30 September 2023 AED'000 (Unaudited)</i>	<i>31 December 2022 AED'000 (Audited)</i>
Segment assets	346,700	379,523
Assets held for sale	15,151	473
	<u>361,851</u>	<u>379,996</u>

Reconciliation of liabilities:

	<i>30 September 2023 AED'000 (Unaudited)</i>	<i>31 December 2022 AED'000 (Audited)</i>
Segment liabilities	4,188,243	4,302,969
Liabilities associated with discontinued operations	434,965	159,552
	<u>4,623,208</u>	<u>4,462,521</u>

7 PROPERTY AND EQUIPMENT

The Group acquired property and equipment during the nine months period ended 30 September 2023 amounting to AED 107 thousand (30 September 2022: AED 695 thousand). The Group disposed off property and equipment during the nine months period ended 30 September 2023 with net book value amounting to AED 15,308 thousand (30 September 2022: AED 13,679 thousand), depreciation charged to the interim consolidated income statement amounted to AED 303 thousand (30 September 2022: AED 275 thousand) and exchange rate differences of AED 186 thousand (30 September 2022: AED 201 thousand).

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

	<i>Nine-month period ended 30 September (Unaudited)</i>	
	<i>2023 AED'000</i>	<i>2022 AED'000</i>
Cost of sales	152	121
General and administrative expenses (Note 16)	151	154
	<u>303</u>	<u>275</u>

Drake and Scull International PJSC & its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2023 (Unaudited)

8 TRADE AND OTHER RECEIVABLES

	<i>30 September 2023 AED'000 (Unaudited)</i>	<i>31 December 2022 AED'000 (Audited)</i>
Non-current		
Trade receivables and retentions *	9,193	15,524
Less: fair value adjustment *	(778)	(1,501)
	<u>8,415</u>	<u>14,023</u>
Current		
Trade receivables and retentions *	474,683	593,124
Prepayments and other receivables #	55,468	62,191
Amount due from customers on contracts	202,446	270,667
	<u>732,597</u>	<u>925,982</u>
Less: Allowance for expected credit loss on:		
- Trade receivables and retentions	(431,521)	(519,435)
- Prepayments and other receivables	(5,541)	(7,052)
- Amount due from customers on contracts	(164,604)	(230,503)
	<u>130,931</u>	<u>168,992</u>

* Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value. For the non-current trade receivables and retentions, the fair values were calculated based on cash flows discounted at discount rate of 7.59% (2022: 5.80%) per annum. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk.

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

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

	<i>30 September 2023 AED'000 (Unaudited)</i>	<i>31 December 2022 AED'000 (Audited)</i>
At 1 January	519,435	520,887
Reversal of provision	-	(11,130)
Reclassified from non-current	723	1,589
Provision for expected credit loss	7,389	16,017
Related to discontinuing operations	(85,910)	-
Exchange rate difference	(10,116)	(7,928)
	<u>431,521</u>	<u>519,435</u>

Drake and Scull International PJSC & its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2023 (Unaudited)

8 TRADE AND OTHER RECEIVABLES (continued)

Movement in provision for prepayments and other receivables:

	<i>30 September 2023 AED'000 (Unaudited)</i>	<i>31 December 2022 AED'000 (Audited)</i>
At 1 January	7,052	6,268
Provision for expected credit loss	7,496	1,003
Related to discontinuing operations	(8,867)	-
Exchange rate difference	(140)	(219)
	<hr/>	<hr/>
At period/ year end	5,541	7,052
	<hr/> <hr/>	<hr/> <hr/>

Movement in provision for amounts due from customers on contracts:

	<i>30 September 2023 AED'000 (Unaudited)</i>	<i>31 December 2022 AED'000 (Audited)</i>
At 1 January	230,503	242,191
Reversal of provision	(3,937)	(7,542)
Provision for expected credit loss	-	4,091
Related to discontinuing operations	(56,150)	-
Exchange rate difference	(5,812)	(8,237)
	<hr/>	<hr/>
At period/ year end	164,604	230,503
	<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 2023 AED'000 (Unaudited)</i>	<i>31 December 2022 AED'000 (Audited)</i>
Affiliates	18,231	5,242
	<hr/> <hr/>	<hr/> <hr/>

Drake and Scull International PJSC & its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2023 (Unaudited)

9 RELATED PARTY TRANSACTIONS (continued)

Due to related parties:

	<i>30 September 2023 AED'000 (Unaudited)</i>	<i>31 December 2022 AED'000 (Audited)</i>
Joint arrangements	24,909	24,909
Affiliates	43,603	43,603
Related to assets held as discontinued operations	(27,288)	(27,288)
	<u>41,224</u>	<u>41,224</u>

Amount due from affiliates amounting to AED 18,215 thousand relates to consideration received on sale of an investment in associate and recovery of balances written off (2022: AED 5,226 thousand) which is used to meet working capital requirements.

There were no related party transactions during the period which have impact on interim consolidated income statement (2022: Nil).

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

	<i>Nine-month period ended 30 September (Unaudited)</i>	
	<i>2023 AED'000</i>	<i>2022 AED'000</i>
Short term benefits	1,187	935
Employees' end of service benefits	41	28
	<u>1,228</u>	<u>963</u>

During the period, the Group has not provided for amounts due from related parties (2022: 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 2023 AED'000 (Unaudited)</i>	<i>31 December 2022 AED'000 (Audited)</i>
Cash on hand	375	531
Cash at bank	26,214	21,129
Term deposits	48,552	50,545
Cash and bank balances	<u>75,141</u>	<u>72,205</u>

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

Drake and Scull International PJSC & its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2023 (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 2023 AED'000 (Unaudited)</i>	<i>30 September 2022 AED'000 (unaudited)</i>
Cash and bank balances	75,141	71,182
Less: term deposits under lien	(48,552)	(48,455)
Less: bank overdrafts (Note 11)	(471,092)	(567,624)
Less: cash and cash equivalent related to discontinued operations	(174,052)	(91,991)
	<u>(618,555)</u>	<u>(636,888)</u>
Cash and cash equivalents	<u>(618,555)</u>	<u>(636,888)</u>

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 2023 AED'000 (Unaudited)</i>	<i>31 December 2022 AED'000 (Audited)</i>
Current		
Term loan	1,412,652	1,340,616
Trust receipts and other borrowings	136,881	176,096
Bank overdrafts (Note 10)	471,092	560,960
	<u>2,020,625</u>	<u>2,077,672</u>

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% (2022: 2% to 12%) per annum. Contractual re-pricing dates are set on the basis of 3 months LIBOR/EIBOR.

The nature of securities provided in respect of certain bank borrowings by the Group, are set out below:

- 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 48,552 thousand (2022: AED 50,545 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 2023 (Unaudited)

12 TRADE AND OTHER PAYABLES

	<i>30 September 2023 AED'000 (Unaudited)</i>	<i>31 December 2022 AED'000 (Audited)</i>
Trade payables and accruals	560,960	595,263
Provision for income tax	7,472	7,562
Amount due to customers on contracts	4,111	19,335
Advances from customers	29,134	45,006
	<u>601,677</u>	<u>667,166</u>
Provision for legal cases	139,478	128,445
Provision against bond encashment	23,416	23,298
Provision for additional cost relating to disposal of subsidiaries	9,511	9,765
	<u>774,082</u>	<u>828,674</u>

13 PROVISION FOR BANK LIABILITIES OF SUBSIDIARIES

	<i>30 September 2023 AED'000 (Unaudited)</i>	<i>31 December 2022 AED'000 (Audited)</i>
Provision for bank liabilities relating to disposed of subsidiaries *	1,044,579	1,044,199
Provision for bond encashment relating to disposed of subsidiaries	168,379	168,312
Provision for bank liabilities of discontinued operations *	99,093	99,141
	<u>1,312,051</u>	<u>1,311,652</u>

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% (2022: 2% 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 2023 (Unaudited)

14 PROVISION FOR LOSS OF CONTROL OVER SUBSIDIARIES (continued)

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

	<i>30 September 2023 AED'000 (Unaudited)</i>	<i>31 December 2022 AED'000 (Audited)</i>
	<i>DSWE, India</i>	<i>DSWE, India</i>
At 1 January	21,229	23,468
Reversal of provision during the period	-	(2,920)
Fair value (loss)/gain	(91)	681
	<u>21,138</u>	<u>21,229</u>
At 30 September 2023/ 31 December 2022	<u>21,138</u>	<u>21,229</u>

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

15 OTHER INCOME

	<i>Nine-month period ended 30 September (Unaudited)</i>	
	<i>2023 AED'000</i>	<i>2022 AED'000</i>
Recovery of balances written off (a)	27,201	1,349
Write back of liabilities (b)	898	1,726
Rental income	695	1,788
Sale of scrap	57	4,279
Reversal of provision for expected credit loss	-	18,655
Others	118	5,506
	<u>28,969</u>	<u>33,303</u>

- (a) Recovery of balances written off in the nine-month period ended 30 September 2023 represents amounts received from a project in the current period for subsidiary disposed of in 2019 and amounts received from a project in the current period.
- (b) During the nine-month period ended 30 September 2023, the Group assessed that certain employee related liabilities are no longer payable and has, accordingly, written back such amounts under other income, and certain trade payables and accrual, amounts due to customers on contract, recorded in earlier periods were no longer payable.

Drake and Scull International PJSC & its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2023 (Unaudited)

16 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>Nine-month period ended 30 September (Unaudited)</i>	
	<i>2023 AED'000</i>	<i>2022 AED'000</i>
Staff costs	13,873	14,613
Business development, legal and professional fees	5,112	7,630
Repair and maintenance	758	1,336
Depreciation on right-of-use assets	737	1,093
Expenses related to lease of short term and low value assets	824	516
Bank charges	547	874
Utilities	397	1,081
Restructuring cost	253	992
Employees' end of service benefits	338	361
Depreciation on property and equipment (Note 7)	151	154
Depreciation on investment property	-	2,838
Loss on disposal of property and equipment	-	6,599
Other expenses	262	601
	<u>23,252</u>	<u>38,688</u>

17 FINANCE COSTS

	<i>Nine-month period ended 30 September (Unaudited)</i>	
	<i>2023 AED'000</i>	<i>2022 AED'000</i>
Finance costs	112,033	79,610
Less: Finance costs charged to cost of sales	(376)	(3,395)
	<u>111,657</u>	<u>76,215</u>

18 INCOME TAX EXPENSE

The major components of income tax expense are:

	<i>Nine-month period ended 30 September (Unaudited)</i>	
	<i>2023 AED'000</i>	<i>2022 AED'000</i>
<i>Current income tax expense:</i>		
Current income tax	247	707
	<u>247</u>	<u>707</u>

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19 LOSS PER SHARE

(a) Basic

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

	<i>Nine-month period ended 30 September (Unaudited)</i>	
	<u>2023</u>	<u>2022</u>
Loss (AED'000)		
Loss for the purposes of basic earnings per share being		
Loss attributable to owners of the Parent	<u>(197,569)</u>	<u>(157,596)</u>
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u>1,070,987,748</u>	<u>1,070,987,748</u>
Basic and diluted Loss per share (AED)	<u>(0.18)</u>	<u>(0.15)</u>

(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 2023 AED'000 (Unaudited)</i>	<i>31 December 2022 AED'000 (Audited)</i>
Performance bonds *	<u>338,407</u>	<u>429,090</u>
Letter of guarantees *	<u>405,245</u>	<u>445,528</u>
	<u><u>743,652</u></u>	<u><u>874,618</u></u>

* 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

There were no commitments outstanding as on 30 September 2023 (31 Dec 2022: Nil)

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 previous management and others. Criminal complaints were filed with the Abu Dhabi Public Funds Prosecutor's office. The company is still following up with these cases to return and protect the investors and the shareholders' rights.

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

Management has assessed and concluded that in respect of above, sufficient provisions are considered in these 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 2023, the carrying amounts of such receivables, net of provisions, are not materially different from their fair values.
- Fair value of non-current receivable, lease liabilities, bank borrowings and other financial liabilities as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debts on similar items, credit risk and remaining maturities.

Fair value hierarchy

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

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

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

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

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At 30 September 2023 (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 2023:

	<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>
Assets				
Financial assets at fair value through profit or loss	-	979	-	979
Total assets	<u>-</u>	<u>979</u>	<u>-</u>	<u>979</u>

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

	<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>
Assets				
Financial assets at fair value through profit or loss	-	979	-	979
Total assets	<u>-</u>	<u>979</u>	<u>-</u>	<u>979</u>

The Group has no liabilities measured at fair value as at 30 September 2023 (2022: 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 2022 and 30 September 2023, the fair values of all other financial assets and liabilities, which are measured at amortised cost approximate their carrying values.

(b) Group's valuation processes

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

On 30 September 2023, the Group's management decided to treat its operations in the following regions as discontinued operations until further notice due to inactive/ completed projects and lack of good opportunities within these territories to keep the operations alive and profitable:

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

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23 DISCONTINUED OPERATIONS (continued)

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

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

During 2018 Drake & Scull International Oman went into liquidation and was classified as discontinued operations.

Balances relating to above mentioned operations are as follows:

	<i>Nine-month period ended 30 September (Unaudited)</i>	
	<i>2023</i>	<i>2022</i>
	<i>AED'000</i>	<i>AED'000</i>
Income statement		
Other income	22	1,521
General and administrative expenses	(2,300)	-
Profit from discontinued operations	(2,278)	1,521
	<i>30 September 2023</i>	<i>31 December 2022</i>
	<i>AED'000</i>	<i>AED'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Financial position		
ASSETS		
Property and equipment	248	248
Cash and bank balances	1,705	225
Trade and other receivables	13,198	-
	15,151	473
LIABILITIES		
Trade and other payables	82,544	36,983
Bank borrowings	325,133	95,281
Due to related parties	27,288	27,288
	434,965	159,552

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At 30 September 2023 (Unaudited)

23 DISCONTINUED OPERATIONS (continued)

Cash and cash equivalent related to discontinued operations:

	<i>Nine-month period ended 30 September (Unaudited)</i>	
	<u>2023</u>	<u>2022</u>
	<i>AED'000</i>	<i>AED'000</i>
Cash and bank balances	1,705	340
Less: bank overdrafts	(175,757)	(92,331)
	<u>(174,052)</u>	<u>(91,991)</u>

	<i>Nine-month period ended 30 September (Unaudited)</i>	
	<u>2023</u>	<u>2022</u>
	<i>AED'000</i>	<i>AED'000</i>
Cash flows from discontinued operations		
Operating	(51,358)	(3,893)
Investing	-	-
Financing	229,964	-
Exchange difference	-	-
	<u>178,606</u>	<u>(3,893)</u>

24 CORPORATE INCOME TAX

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

The Cabinet of Ministers Decision No. 116 of 2022 specifies the threshold of income over which the 9% tax rate would apply and accordingly, the Law is now considered to be substantively enacted from the perspective of IAS 12 – Income Taxes. A rate of 9% will apply to taxable income exceeding AED 375,000 and a rate of 0% will apply to taxable income not exceeding AED 375,000 and a rate of 0% on qualifying income of free zone entities.

The Group will be subject to taxation commencing 1 January 2024. Based on the above, the Group assessed the deferred tax implication and concluded it is not expected to be significant as of and for the nine-months period ended 30 September 2023. As certain other cabinet decisions are pending as on the date of these interim condensed consolidated financial statements, the Group will continue to assess the impact of these pending cabinet decisions on deferred taxes as and when finalized and published.