Drake & Scull

Detailed analysis of accumulated losses

Date	18th August 2021
Name of the Listed Company	Drake & Scull International PJSC
Define the period of the financial statements	June 30, 2021
Value of the Accumulated losses (Million Dirhams)	(4,824) million AED
Accumulated losses to capital ratio	451%
Main reasons leading to substantial accumulated losses	The losses are mainly a product of significant provisioning of the following: - Work in progress and contract receivables in legacy projects in Oman, Egypt, Jordan, India and UAE. These receivables & work in progress were kept on the Balance sheet despite audit qualification since 2016 on the recoverability of these receivables. - Full Impairment of Goodwill and Trademark Name in Dec 31, 2018. - As a result of poor performance on legacy projects, costs to hand over projects went far beyond budgets whereby several bonds were liquidated increasing the accumulated losses. The cost of the unutilized staff and labor for not winning new projects and the inability of the company to pay the dues of the commercial creditors resulted in the filing of several judicial executions against the company and taking over its monetary and non-monetary funds.
Measures to be taken to address accumulated losses	• Finalize the restructuring plan and implement the business plan that includes focusing on writing off the majority of debt and raising new equity to gain new projects. • Continue Negotiations with the leading banks and creditors in order to reach a comprehensive settlement. • Improve overall operational productivity and efficiency. • Pursue legal cases filed by the company and collect the receivables. • Reduce overhead and cost to operate within available resources.

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