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Depa PLC and its subsidiaries

Directors’ report and
consolidated financial statements
for the year ended 31 December 2020

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Contents

Depa PLC and its subsidiaries

Directors' report

Board of director's report

The Board of Directors present their report and audited financial statements of Depa PLC (the "Company") and its subsidiaries (together referred to as the "Group" or "Depa") for the year ended 31 December 2020.

Principal activities

The Group specialises in the luxury fit-out sector, focusing primarily on hospitality, commercial and residential property developments, and also includes the airport, retail, yacht, theming and specialist fit-out sectors. Additionally, the Group is a provider of manufactured products and procurement services, with a primary focus on customised furniture, fixtures and equipment, much of which is produced in its in-house facilities.

Financial and operational review and results

Operational review

The Group faced a difficult year in 2020 with covid-19 having a much more lasting impact on the economy worldwide than initially expected. The ongoing restructuring of DSG in Asia and the structural issues facing the construction sector in the Middle East have also presented challenges for the Group with disappointing financial performance a reflection.

In light of the challenging trading conditions that the Group is facing, Depa has undertaken a strategic review and has made substantial progress in implementing the resultant transformation programme. The transformation programme has seen the group reduce its fixed cost base by more than AED 160 million resulting in a more flexible cost base better suited to the prevailing market environment.

Following the progress made during 2019 on the Group's non-core asset disposal plan, Depa successfully disposed of a non-core investment property during 2020 and has commenced a number of other non-core disposals including its highly successful Vedder business in Germany.

The Group continued to secure key projects across a wide range of sectors in its global addressable market including commercial and retail projects in Dubai, and a number of superyacht projects in Europe. Depa Interiors, Deco and Vedder also successfully delivered a number of significant projects for its clients including packages for luxury retail clients in the United Arab Emirates and over AED 400 million worth of fit-out packages in the superyacht sector.

Vedder

Vedder, the Group's European key business unit, specialising in the superyacht, residence fit-out and private jet market is currently being sold.

Vedder generated revenue of AED 373.1 million and profit of AED 21.2 million, an increase in revenue of AED 11 million or 3% on 2020 (AED 362.1 million) and decrease in profit of AED 0.3 million on 2019 (AED 21.5 million). Despite the impact of covid-19, Vedder achieved increased revenue in 2020 as a result of strong backlog growth throughout 2018 and 2019. Vedder's 2019 results were impacted by non-recurring costs including; a warranty expense, redundancy costs and the settlement of a legal matter while 2020 results were impacted by covid-19.

During 2020 Vedder secured in excess of AED 400 million worth of new wins, including the largest award in Vedder's history, the award of an entire interior package on a new-build superyacht and a number of exterior packages following increased focus on the exterior and refit sectors. The award of these significant packages from repeat clients is testament to Vedder's quality and reputation in the market.

Vedder also successfully completed and handed over projects worth over AED 400 million during 2020, demonstrating their unparalleled project delivery and execution.

Depa Interiors

Depa Interiors is the Group’s Middle Eastern business providing fit-out services to the hospitality, residential, commercial, and transport and civil infrastructure sectors. Depa Interiors generated revenue of AED 411.1 million (2019: AED 545.1 million) and a loss of AED 257.3 million (2019: AED 160.5 million loss).

Depa Interiors’ is heavily exposed to the structural issues facing the construction sector in the Middle East, which along with covid-19 have impacted Depa Interiors’ performance in 2020. Net provisions of AED 178.2 million were recorded in relation to contract assets during 2020, of which AED 71.8 million was recognised against contract assets relating to Arabtec group following its announcement in relation to its insolvency fillings. Additionally, a number of Depa Interiors’ projects faced significant delays, primarily due to the impact of covid-19 in Saudi Arabia, which has resulted in increased project costs, negatively impacting Depa Interiors’ results.

In line with the Group’s transformation programme, Depa Interiors implemented a change in its business strategy during 2020 which has seen it significantly reduce its fixed cost base and its project delivery model.

As a result of a number of factors, including Arabtec group’s insolvency fillings, the banks in the United Arab Emirates have adopted a cautious approach to the construction sector. This change in stance by the banks has made securing new projects extremely challenging. Notwithstanding this, Depa Interiors has successfully secured a significant project award for a hospitality package in Abu Dhabi during the second half of 2020 worth over AED 80 million. The change in stance of the banks to the sector is also exacerbating the liquidity squeeze that the sector was already exposed to.

Deco Group

Middle East-based Deco Group comprises Deco, which is focused on the retail and commercial fit-out sector; carpentry and joinery experts Eldiar; and Carrara, which supplies and installs premium marble, stone and granite.

In 2020 Deco Group generated revenue of AED 130.4 million (2019: AED 226.8 million) and a loss of AED 24.8 million (2019: AED 27.5 million loss). Delays in project awards as a result of covid-19 impacted Deco’s revenue generation in 2020. Net provisions of AED 19.3 million were recorded against contract balances across Deco Group during 2020 as a result of the difficult trading environment. 2019 was negatively impacted by delays on a select number of Eldiar projects and costs relating to the restructuring of Eldiar’s joinery facilities in Abu Dhabi.

In line with the Group’s transformation programme, significant cost reduction initiatives have been successfully implemented across Deco Group during 2020.

Deco continued its long-term relationship with several major luxury retailers, securing a number of projects for Louis Vuitton, Dior and Versace. Deco also successfully deliver projects for Alexander McQueen and Valentino in Kuwait and Louis Vuitton, Versace and Balenciaga in Dubai, including Louis Vuitton’s main store in Dubai Mall. Carrara delivered its Dubai metro expansion project in early 2020 and was recently awarded a significant package worth over AED 20 million for the supply and installation of marble for a hospitality project in Dubai.

Design Studio Group (DSG)

Depa owns 90% of DSG which is listed on the Singaporean Stock Exchange and operates across Asia. DSG, delivered revenue of AED 61.1 million (2019: AED 216.2 million) and a loss of AED 98.6 million (2019: AED 186.9 million). DSG’s revenue has decreased mainly due to the slowdown in operations as a result of its ongoing restructuring process. DSGs results were also negatively impacted by higher levels of net provisions being recorded against contract balances AED 40.3 million (2019: AED 18.6 million).

Additionally, during 2020 DSG’s Chinese factory was classified as discontinued in anticipation of its likely sale.

Design Studio Group (DSG) (continued)

DSG's Singaporean and Malaysian entities have filed for creditor relief under their respective regulatory regimes and these processes remain ongoing, with the creditor scheme process awaiting approval. The restructuring of DSG achieved substantial progress during 2020 with a number of significant cost saving initiatives implemented across its operations.

In addition to the creditor scheme of arrangement, DSG's negotiation of its financial restructuring involving both Depa as its major shareholder and HSBC as its major lender continues.

Subsequent to year end, the political situation in Myanmar has had an adverse impact on DSG's ability to deliver its largest ongoing project. DSG continues to monitor this situation closely.

Backlog

Depa's backlog stands at AED 1,508 million on 31 December 2020 following a number of major contract awards, including a large project in Abu Dhabi and significant superyacht fit-out projects in Vedder.

Outlook

The Group-wide outlook is mixed but challenging overall. Covid-19 has adversely affected the Middle East based business units in terms of delayed project awards and the ongoing liquidity issues in the market which are not expected to improve in the near future. Whilst in Asia DSG is currently focused on the execution of its restructuring plan. The Group's European business, which is currently being sold, continues to perform strongly despite the uncertainty of covid-19.

Financial performance

During the twelve months to 31 December 2020, Depa's continuing operations generated revenue of AED 599.7 million, a decrease of AED 399.2 million on 2019 (2019: AED 998.9 million). Including discontinued operations, Depa generated revenue of AED 988.8 million in 2020 (2019: 1,375.8 million). 2020 revenue was negatively impacted by lower revenue in Depa Interiors and Deco Group as a result of the challenging trading environment in the Middle East along with the impact of covid-19, while lower revenue in DSG as a result of ongoing restructuring.

Expenses in 2020 decreased by AED 473.1 million to AED 740.5 million (2019: AED 1,213.6 million) due in part to the lower revenue generated. Net provisions for contract assets of AED 237.6 million (2019: AED 154.5 million) were recorded primarily relating to Depa Interiors and DSG with their collections affected by their respective market, structural and internal challenges. AED 79.6 million of these provisions relate to the Arabtec group following its announcements in relation to its insolvency filings. An impairment loss on goodwill and intangibles of AED 86.7 million (2019: AED 35.4 million) was recognised by the Group in the first six months of 2020. The Group also recorded a loss on changes of fair value of investment properties of AED 12.0 million (2019: AED 2.6 million).

In the twelve months to 31 December 2020, associates generated a profit of AED 1.1 million (2019: AED 4.5 million loss) with net finance expense amounting to AED 16.0 million (2019: AED 11.5 million). The Group recognised an income tax expense of AED 0.8 million in 2020 (2019: AED 1.7 million).

Discontinued operations, which include Vedder (or Depa Munich GmbH & Co. KG) and DSG's China business, generated a net loss of AED 18.7 million in 2020 (2019: AED 18.6 million loss).

Losses attributable to non-controlling interests amounted to AED 14.7 million (2019: AED 31.8 million). As a result, the Group generated net loss after non-controlling interests of AED 484.8 million (2019: AED 409.1 million).

Directors' report (continued)

Cash flow

Net cash outflows from operating activities amounted to AED 21.0 million (2019: AED 100.8 million) as a result of operating losses at DSG and Depa Interiors and end of service benefit payments as a result of the Group's transformation programme. Net cash outflows from investing activities for 2020 amounted to AED 35.4 million (2019: inflows of AED 17.0 million) with the Group realising AED 13.0 million from the disposal of a investment property as part of its non-core asset disposal programme.

During 2020, the Group increased its borrowings by AED 3.4 million excluding overdrafts (2019: AED 34.7 million increase). Net cash outflows from financing activities for the period were AED 19.3 million (2019: inflows AED 14.7 million). Foreign exchange differences resulted in an AED 2.1 million negative movement (2019: AED 4.0 million) in the reported cash and cash equivalents. As a result of the above, the Group ended 2020 with cash and cash equivalents at the 31 December 2020 standing at AED 8.8 million (2019: AED 86.6 million).

Financial position

The Group seeks to ensure that it maintains adequate liquidity to meet its requirements and appropriate working capital facilities via its long-term bank relationships. However, the Group's liquidity position is currently stretched and its banks noticeably taking a more conservative approach to project financing universally. The Group reported year end net cash excluding restricted cash of negative AED 52.1 million (2019: AED 2.2 million positive).

At year end, equity attributable to equity holders of the parent equated to AED 225.5 million (2019: AED 717.1 million) and the Group's outstanding ordinary shares at end of 2020 amounted to 614,145,794 (issued ordinary shares of 618,452,753 less 4,306,959 treasury shares).

Risks and uncertainties

The Group faces risks from a range of sources that could have a material impact on our financial commitments and future financial performance. The principal risks are determined considering our risk environment. The principal risks facing the company include the following:

- *Operational risks: w*ork delivery challenges may result in actual costs increasing above previous estimates; failure to continue to win and / or retain contracts on satisfactory terms and conditions; non delivery of projects to client required standards; ineffective management of contracts; serious injury or fatality being sustained by an employee and / or member of the public; and the retention of key management and personnel.
- *Financial and market risks:* reduced access to the financing facilities necessary to fund the business; inability to maintain a sustainable level of financial performance; interest rate and foreign currency risks; failure to collect major receivables from key clients; and liquidity risks.
- *Strategic risks:* adverse changes in economic, regulatory and / or political conditions in the markets in which the Group operates; unforeseen external events and actions which may affect business development and / or project delivery; and material adverse brand and reputational damage.

The Board recognises that certain risk factors that influence the principal risks are outside of the control of management. The Board is satisfied that these risks are being managed appropriately and consistently in view of the Group's target risk appetite. The set of principal risks should not be considered as an exhaustive list of all the risks the Group faces.

Dividend

No dividend was declared or paid during the current year.

Directors' report (continued)

Directors

The Directors who held office during the year, their Committee memberships and functions, as at 31 December 2020 and 2019, were as follows:

Name & Designation	Date of Appointment or Reappointment	Date of Resignation	Committee Memberships
Mr. Mohamed Al Mehairi *Chairman & Non-Executive Director*	25 April 2018	7 February 2021*	N/A
Mr. Abdullah Al Turifi *Vice-Chairman & Independent Non-Executive Director*	12 June 2019	N/A	Nomination & Remuneration Committee (Committee Chairman)
Mr. Abdullah Al Mazrui *Non-Executive Director*	25 April 2018	N/A	Investment & Risk Committee (Committee Chairman)
Mr. Khaldoun Al Tabari *Non-Executive Director*	26 May 2016	12 June 2019	N/A
Mr. Marwan Shehadeh *Non-Executive Director*	12 June 2019	N/A	N/A
Mr. Ahmed Ramdan *Independent Non-Executive Director*	12 June 2019	N/A	Nomination & Remuneration Committee (Committee Member); Investment & Risk Committee (Committee Member); and Transformation Steering Committee (Committee Chairman)
Mr. Khalifa Al Romaithi *Non-Executive Director*	12 June 2019	N/A	Nomination & Remuneration Committee (Committee Member); Audit & Compliance Committee (Committee Member) ; and Transformation Steering Committee (Committee Member)
Mr. Saeed Al Mehairbi *Non-Executive Director*	12 June 2019	7 February 2021*	Investment & Risk Committee (Committee Member)
Mr. Hamish Tyrwhitt *Group Chief Executive Officer & Executive Director*	26 May 2016	12 June 2019	N/A
Mr. Edward Quinlan *Independent Non-Executive Director*	3 June 2020	N/A	Audit & Compliance Committee (Committee Chairman)
Mr. Gerard Hutchinson Non-Executive Director	3 June 2020	7 February 2021*	Transformation Steering Committee (Committee Member)

** These board members have resigned subsequent to the year-end and Mr Abdulla Al Mazrui was appointed as the Chairman of the Board.*

Audit information

Having made the required enquiries, so far as the Directors in office at the date of the signing of this report are aware, there is no relevant audit information of which the auditors are unaware and each Director has taken all reasonable steps to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors

PricewaterhouseCoopers were appointed as external auditors of the Group for the year ended 31 December 2020. PricewaterhouseCoopers are eligible for reappointment as auditors for 2021 and have expressed their willingness to continue in office.

A. Mazrui

Mr. Abdullah Al Mazrui
Chairman

Mr. Marwan Shehadeh
Non-Executive Director

28 April 2021

Consolidated statement of profit or loss

	Note	2020	2019
		AED million	
Continuing operations			
Revenue		599.7	998.9
Expenses	4	(740.5)	(1,213.6)
Net impairment of trade and other receivables and due from construction contract customers	13,14	(237.6)	(154.5)
Impairment loss on goodwill and intangibles	8,9	(86.7)	(35.4)
Share of profit / (loss) from associates	10	1.1	(4.5)
Finance income		1.4	1.0
Finance cost		(17.4)	(12.5)
Net - finance cost		(16.0)	(11.5)
Loss before tax		(480.0)	(420.6)
Income tax expense	5	(0.8)	(1.7)
Loss for the year from continuing operations		(480.8)	(422.3)
Loss from discontinued operations	31	(18.7)	(18.6)
Loss for the year		(499.5)	(440.9)
Attributable to:			
Owners of Depa PLC		(484.8)	(409.1)
Non-controlling interests		(14.7)	(31.8)
		(499.5)	(440.9)
Earnings per share			
Basic and diluted loss per share from continuing operations (UAE fils)	6	(77)	(64)
Basic and diluted loss per share from discontinued operations (UAE fils)	6	(2)	(3)

Consolidated statement of comprehensive income

	Note	AED million 2020	2019
Loss for the year		(499.5)	(440.9)
Other comprehensive income / (loss)			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		7.5	(8.1)
Items that will not to be reclassified to profit or loss:			
Actuarial loss recognised	20	(6.3)	(1.9)
Changes in fair value of financial assets at fair value through other comprehensive income	11	(8.5)	(1.0)
Other comprehensive loss for the year		(7.3)	(11.0)
Total comprehensive loss for the year		(506.8)	(451.9)
Attributable to:			
Owners of Depa PLC		(491.6)	(420.2)
Non-controlling interests		(15.2)	(31.7)
		(506.8)	(451.9)
Attributable to owners of Depa PLC arises from:			
Continuing operations		(476.9)	(405.7)
Discontinued operations		(14.7)	(14.5)

Depa PLC and its subsidiaries

Consolidated statement of financial position

	Note	AED million At 31 December 2020	2019
ASSETS			
Cash and bank balances	29	137.4	217.0
Trade and other receivables	13	256.9	605.5
Due from construction contract customers	14	190.8	535.6
Inventories	15	9.0	40.1
		594.1	1,398.2
Assets classified as held for sale	31	379.3	-
Total current assets		973.4	1,398.2
Contract retentions		172.6	157.7
Financial assets at fair value through OCI	11	8.1	16.6
Property, plant and equipment	7	61.8	161.4
Right-of-use assets	36	20.8	32.9
Intangible assets	8	8.8	26.5
Investment properties	12	8.4	33.4
Investment in associates	10	12.5	12.4
Deferred tax assets	5	-	0.8
Goodwill	9	-	104.9
Total non-current assets		293.0	546.6
Total assets		1,266.4	1,944.8
LIABILITIES			
Trade and other payables	21	617.3	955.1
Income tax payable	5	2.5	18.8
Borrowings	19	155.0	169.1
		774.8	1,143.0
Liabilities directly associated with assets classified as held for sale	31	228.2	-
Total current liabilities		1,003.0	1,143.0
Employees' end of service benefits	20	70.1	74.6
Retentions		18.8	11.9
Lease liabilities	36	18.2	28.8
Deferred tax liabilities	5	0.1	0.1
Borrowings	19	-	23.4
Total non-current liabilities		107.2	138.8
Total liabilities		1,110.2	1,281.8
Net assets		156.2	663.0
EQUITY			
Share capital	16	908.9	908.9
Share premium	23	172.1	172.1
Treasury shares	17	(12.6)	(12.6)
Statutory reserve	18	60.0	60.0
Translation reserve		(16.7)	(24.7)
Other reserve		(13.9)	(7.6)
Accumulated losses		(872.3)	(379.0)
Equity attributable to Owners of Depa PLC		225.5	717.1
Non-controlling interests		(69.3)	(54.1)
Net equity		156.2	663.0

The consolidated financial statements were approved for issue by the Board of Directors on 28 April 2021 and signed on its behalf by:

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Group Chief Executive Officer Group Chief Financial Officer

Depa PLC and its subsidiaries

Consolidated statement of changes in equity

AED million

	Share capital	Share premium	Treasury shares	Statutory reserve	Translation reserve	Other reserve	Accumulated losses	Attributable to owners of Depa PLC	Non-controlling interests	Total
At 1 January 2019	**908.9**	**354.1**	**(16.5)**	**58.6**	**(16.5)**	**(1.0)**	**(146.7)**	**1,140.9**	**(13.2)**	**1,127.7**
Loss for the year	-	-	-	-	-	-	(409.1)	(409.1)	(31.8)	(440.9)
Other comprehensive loss	-	-	-	-	(8.2)	(2.9)	-	(11.1)	0.1	(11.0)
Total comprehensive loss	-	-	-	-	(8.2)	(2.9)	(409.1)	(420.2)	(31.7)	(451.9)
Transfer to statutory reserve	-	-	-	1.4	-	-	(1.4)	-	-	-
Adjustment to share premium account (note 23)	-	(182.0)	-	-	-	-	182.0	-	-	-
Transactions with owners:										
Employee share scheme	-	-	-	-	-	(0.2)	-	(0.2)	-	(0.2)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(1.8)	(1.8)
New shares issued	-	-	3.9	-	-	(3.5)	(0.4)	-	-	-
Acquisition of non-controlling interest (note 33)	-	-	-	-	-	-	(3.4)	(3.4)	2.7	(0.7)
Disposal of non-controlling interests of entities sold (note 32)	-	-	-	-	-	-	-	-	(10.1)	(10.1)
At 31 December 2019	**908.9**	**172.1**	**(12.6)**	**60.0**	**(24.7)**	**(7.6)**	**(379.0)**	**717.1**	**(54.1)**	**663.0**
Loss for the year	-	-	-	-	-	-	(484.8)	(484.8)	(14.7)	(499.5)
Other comprehensive loss	-	-	-	-	8.0	(6.3)	(8.5)	(6.8)	(0.5)	(7.3)
Total comprehensive loss	-	-	-	-	8.0	(6.3)	(493.3)	(491.6)	(15.2)	(506.8)
At 31 December 2020	**908.9**	**172.1**	**(12.6)**	**60.0**	**(16.7)**	**(13.9)**	**(872.3)**	**225.5**	**(69.3)**	**156.2**

Consolidated statement of cash flows

	Note	AED million 2020	2019
Operating activities			
Loss before income tax from:			
Continuing operations		(480.0)	(420.6)
Discontinued operations	31	(9.6)	(9.5)
Loss before tax including discontinued operations		(489.6)	(430.1)
Adjustments for:			
Depreciation of property, plant and equipment	7	27.4	27.7
Depreciation on right-of-use assets	36	7.3	6.6
Amortisation and impairment of intangible assets	8	17.0	11.7
Loss / (gain) on disposal of property, plant and equipment		0.4	(0.1)
Finance income		(1.4)	(1.0)
Finance cost		17.4	12.5
Fair value loss on assets held for sale		4.2	-
Loss on lease termination		0.9	-
Provision on inventory obsolescence	15	-	2.2
Net impairment on trade and other receivables, contract retentions and due from construction contract customers	13,14	237.6	157.7
Reversal of liabilities no longer required		-	(22.4)
Change in fair value of investment properties	12	12.0	2.6
Impairment loss on goodwill		72.6	29.3
Impairment of property, plant and equipment and right-of-use assets	7,36	10.2	2.3
Loss on disposal of entities-net		-	2.8
Impairment of deferred tax assets		0.8	-
Provision for share based payments		-	(0.2)
Share of (profit) / loss from associates	10	(1.1)	4.5
Provision for employees' end of service benefits	20	10.4	10.7
Operating cash flows before payment of employees end of service benefits, taxes and changes in working capital		(73.9)	(183.2)
Employees' end of service benefits paid	20	(21.2)	(11.9)
Income tax paid		(20.0)	(11.5)
Working capital changes:			
Trade and other receivables		84.4	1.3
Inventories		11.1	(2.6)
Due from construction contract customers		177.7	42.2
Contract retentions		6.9	0.6
Retentions		(14.9)	(19.8)
Trade and other payables		(150.4)	80.2
Restricted cash		(20.7)	3.9
Net cash used in operating activities		(21.0)	(100.8)

Consolidated statement of cash flows (continued)

	Note	AED million 2020	2019
Investing activities			
Purchase of property, plant and equipment	7	(5.7)	(22.6)
Proceeds from sale of property, plant and equipment		5.5	21.1
Purchase of intangible assets	8	-	(1.8)
Dividends received from associates	10	1.0	2.7
Acquisition of non-controlling interest (NCI)		-	(0.7)
Decrease / (increase) in long term fixed deposits		8.5	(8.3)
Proceeds from sale of investment property		13.0	-
Net cash for entities held for sale		(59.1)	-
Proceeds from sale of subsidiaries-net		-	25.6
Finance income received		1.4	1.0
Net cash (used in) / generated from investing activities		(35.4)	17.0
Financing activities			
Dividends paid to non-controlling interests		-	(1.8)
Principal elements of lease payments		(5.3)	(5.7)
Increase in borrowings		3.4	34.7
Finance cost paid		(17.4)	(12.5)
Net cash generated from financing activities		(19.3)	14.7
Net decrease in cash and cash equivalents		(75.7)	(69.1)
Effect of foreign exchange difference		(2.1)	(4.0)
Cash and cash equivalents at the beginning of the year		86.6	159.7
Cash and cash equivalents at the end of the year	29	8.8	86.6

1. Corporate information

Depa PLC (the "Company"), formerly Depa Limited, is a company limited by shares and registered in accordance with Companies Law – DIFC Law No. 5 of 2018 ("Companies Law").

The Company was incorporated in United Arab Emirates on 25 February 2008. Depa PLC is the management company of Depa United Group P.J.S.C.

The Company and its subsidiaries (together referred to as the "Group") specialises in the luxury fit-out sector, focusing primarily on hospitality, commercial and residential property developments, and also includes the airport, retail, yacht, theming and specialist fit-out sectors. Additionally, the Group is a provider of manufactured products and procurement services, with a primary focus on customised furniture, fixtures and equipment, much of which is produced in its in-house facilities.

The Company's shares are listed on the Nasdaq Dubai.

The address of the Company's registered office is P.O. Box 56338, Dubai, United Arab Emirates.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation

The consolidated financial statements have been prepared in accordance with and comply with International Financial Reporting Standards ("IFRS") and IFRS Interpretation Committee ("IFRIC") applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, unless otherwise stated.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

The consolidated income statement and the consolidated statements of comprehensive for the prior year have been re-presented to reflect discontinued operations both those operations reported as discontinued in the comparative year together with those classified as discontinued in the current year, separately.

(a) New standards and amendments adopted by the Group

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- Definition of Material – amendments to IAS 1 and IAS 8;
- Definition of a Business – amendments to IFRS 3;
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7; and
- Revised Conceptual Framework for Financial Reporting.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) New standards and amendments not early adopted by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

There are no other IFRSs, amendments or IFRIC interpretations that are effective that would be expected to have a material impact on the Group's consolidated financial statements.

2.1.1 Management's assessment of going concern basis

During the year, the Group incurred a total comprehensive loss of AED 506.8 million (2019: AED 451.9 million) and have accumulated losses of AED 872.3 million (2019: AED 379.0 million) as at 31 December 2020. Also the current liabilities of the Group exceeds the current assets by AED 29.6 million (2019: current assets exceeds current liabilities by AED 255.2 million) and the Group has negative operating cash flows of AED 21.0 million (2019: AED 100.8 million).

The Group's ability to continue as a going concern is dependent on:

- Successful renewal of its banking facilities.
- Disposal of certain investments which are classified as held for sale (note 31) and restructuring of DSG (note 27).
- The conversion of the Group's backlog into revenue and replenishing the future pipeline of work over the next 12 months from the date of approval of the consolidated financial statements, which is subject to market and macroeconomic factors, including the potential impacts of Covid-19.

2. Summary of significant accounting policies (continued)

2.1.1 Management's assessment of going concern basis (continued)

The inability to achieve one or more of the above could have a negative impact on the cash flows. As such, these factors indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Management believes that the Group will be able to meet its liabilities and continue its operations for a period of at least 12 months from the date of the approval of consolidated financial statements and accordingly, the consolidated financial statements of the Group have been prepared on a going concern basis.

2.2 Basis of consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries are consistent with the policies adopted by the Group. Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

A listing of Group subsidiaries is set out in note 24.

(b) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

(c) Joint arrangements

Under IFRS 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.
The Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the consolidated financial statements under the appropriate headings. For details of the joint operations refer to note 30.

(d) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Depa PLC.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker of the Group is its Chief Executive Officer.

2. Summary of significant accounting policies (continued)

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in the United Arab Emirates Dirham ("AED") which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss.

(c) Group companies

The results and financial positions of all the subsidiaries (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statement of financial position;
ii. income and expenses for each statement of comprehensive income are translated at average exchange rates during the financial year; and
iii. all resulting exchange differences are recognised as a separate component of equity called "translation reserve".

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the consolidated statement of profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate at the consolidated statement of financial position date. Exchange differences arising on translation of these items are recognised in consolidated statement of other comprehensive income.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Land is not depreciated. Depreciation is calculated using the straight-line method to allocate the assets' cost to their residual values over their estimated useful lives. The principal annual rates used for this purpose are as follows:

Land and buildings	6 -15 years
Machinery, plant and equipment	2 - 15 years
Motor vehicles	4 - 5 years
Furniture and office equipment	3 - 5 years

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Capital work-in-progress is stated at cost and includes equipment that is being developed for future use. When commissioned, capital work-in-progress is transferred to appropriate category of property, plant and equipment and depreciated in accordance with the Group's policies.

2.6 Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost expenditure which are capitalised as and when activities that are necessary to get the investment properties ready for use for the purpose they are intended to. The carrying amount excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value at each reporting period, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of profit or loss in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

2. Summary of significant accounting policies (continued)

2.7 Goodwill

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate a potential impairment and is carried at cost less accumulated impairment losses, if any. For the purpose of impairment testing, goodwill is allocated to cash generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose. An impairment loss is recognised when the carrying value of the cash generating unit or group of cash generating units exceeds its recoverable amount. Impairment losses on goodwill are not reversed.

Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold.

2.8 Intangible assets

Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful lives are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

The intangible assets with definite useful lives are amortised on the following basis:

Brand name and rights	15 years
Software	3 - 5 years

2.9 Impairment of non-financial assets

Goodwill is not subject to amortisation and is tested annually for impairment. Assets that are subject to depreciation/amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows ("cash generating units").

Non-financial assets other than goodwill that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing locations and conditions. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.11 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, the Group has made an irrevocable election at the time of initial recognition to account for equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2. Summary of significant accounting policies (continued)

2.11 Financial assets (continued)

(b) Recognition, derecognition and measurement

Regular purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets at fair value through other comprehensive income (FVOCI) are carried at fair value. After initial measurement, the Group presents fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss when the Group's right to receive payments is established.

The Group classifies debt instruments at amortised cost using effective interest rate method. Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

(c) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its financial assets.

For trade receivables and contract assets, the Group applies the simplified approach permitted by IFRS 9 "Financial Instruments", which requires expected lifetime losses to be recognised from initial recognition of the receivables and contract assets.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

2.13 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.14 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the consolidated statement of financial position, bank overdrafts are shown within bank borrowings.

2.15 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Trade and other payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the obligation.

2.18 Financial liabilities

Financial liabilities are classified as financial liabilities at fair value through profit or loss or financial liabilities at amortised cost, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

2. Summary of significant accounting policies (continued)

2.19 Borrowings

Bank borrowings are recognised initially at fair value, net of transaction costs incurred. Bank borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

2.20 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in consolidated statement of profit or loss in the period in which they are incurred.

2.21 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated statement of profit or loss, except to the extent that it relates to items recognised in comprehensive income or directly in equity. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the consolidated statement of financial position date in the countries where the Company and its subsidiaries operate and generate taxable income.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.22 Share-based payments

The Company had an equity settled share-based compensation plan in place, under which the entity receives services from employees as consideration for share awards. In accordance with IFRS 2, “Share-based payments”, the cost of share-based payments awarded is charged to the consolidated statement of profit or loss over the performance and vesting periods of the instruments. The cost is based on the fair value of the awards made at the date of grant adjusted for the number of awards expected to vest. Where awards are settled by the new issue of shares, any proceeds received in respect of share options are credited to share capital and share premium. Share awards are granted by the Company to employees of its subsidiaries.

2.23 Employees’ end of service benefits

In accordance with labour laws prevailing in the countries in which the Company and its subsidiaries operate, the Group provides end of service benefits to its employees. The entitlement to these benefits is usually based upon the employees’ salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

2. Summary of significant accounting policies (continued)

2.23 Employees' end of service benefits (continued)

The Group provides post-employment defined benefit plans under several jurisdictions in which the Group operates. These benefits are currently un-funded. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in the other reserves in the consolidated statement of changes in equity. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in the consolidated statement of comprehensive income as past service costs.

The interest cost component is expensed to the consolidated statement of profit or loss and is calculated by applying the discount rate to the balance of the defined benefit obligation. The defined benefit liability comprises the present value of the defined benefit obligations which is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used. The Group has not currently allocated any assets to such plans.

Payments made to social security institutions in connection with government pension plans in various countries where the Group operates are dealt with as payments to defined contribution plans, where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan. The Group pays contributions to the social security institutions on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense in the period to which the employees' service relates.

2.24 Rounding of amounts

All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest hundred thousand units unless otherwise stated.

2.25 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding discounts, rebates, customer returns and other sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

(a) Contract revenue and revenue from sale of goods and procurement services

The Group recognises revenue from contracts with customers based on a five step model as set out below:

1. Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
3. Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
5. Recognise revenue when (or as) the entity satisfies a performance obligation at a point time or over time.

2. Summary of significant accounting policies (continued)

2.25 Revenue recognition (continued)

(a) Contract revenue and revenue from sale of goods and procurement services (continued)

The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

1. The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
2. The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
3. The Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

For performance obligations where one of the conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied. The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognising revenue. The Group has concluded that for majority of its arrangements, it is either creating or enhancing an asset controlled by the customer or it is creating an asset with no alternative use and has an enforceable right to payment for work completed. Therefore, it meets the criteria to recognise revenue over time and measure progress of its projects through the cost to complete method (input method) as it best depicts the transfer of control of products and services under each performance obligation.

When the Group satisfies a performance obligation by delivering the promised goods or services it creates a contract asset based on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives rise to a contract liability. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

Variations which are extension of existing scope of work are accounted for using cumulative catch up adjustments to the cost to complete method of revenue recognition.

Variation orders which require addition of distinct goods and services to the scope at discounted prices are accounted for prospectively and variation orders which require addition of distinct goods and services to the scope at standalone selling prices are accounted for as new contracts with the customers.

Claims are accounted for as variable consideration. They are included in contract revenue using the expected value or most likely amount approach (whichever is more predictive of the amount the entity expects to be entitled to receive) and it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the claim is subsequently resolved.

A loss is recognised in the consolidated statement of profit and loss when the expected contract cost exceeds the anticipated contract revenue.

The Group recognises two or more contracts entered into at or near the same time with the same customer and account for the contracts as a single contract under IFRS 15 "Revenue from contracts with customers" if one or more of the following criteria are met:

1. The two or more contracts entered into at or near the same time with the same customer are negotiated as a package, with a single commercial objective;
2. The amount of consideration to be paid in one contract depends on the price or performance of the other contract; or
3. The goods or services promised in the contracts (or some goods or services promised in each of the contracts) are a single performance obligation.

If the above criteria is met, the arrangements are combined and accounted for as a single arrangement for revenue recognition.

Pre-contract cost of obtaining a contract with a customer is recognised as an asset if those costs are expected to be recovered.

The Group provides complete interior fit out solutions to its customers operating in a wide variety of industries as noted in note 1, therefore, the Group assess whether these arrangements can have single or multiple performance obligations under IFRS 15 "Revenue from contracts with customers" based on the nature of interior solutions being offered under that arrangement.

Factors affecting the conclusion whether an arrangement has single or multiple performance obligations can include (among other factors) customer's expectations from the contract, distinct nature of the products and services and

2. Summary of significant accounting policies (continued)

2.25 Revenue recognition (continued)

(a) Contract revenue and revenue from sale of goods and procurement services (continued)

degree of integration or inter-relation between the various products and services.

Revenue is recognised in the consolidated statement of profit and loss to the extent that it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

(b) Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(c) Dividend income

Dividend income is recognised when the rights to receive payment have been established.

2.26 Leases

The Group leases various lands, buildings, offices, warehouses, equipment and cars.

Rental contracts are typically made for fixed periods but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not typically impose any covenants.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- amounts expected to be payable by the lessee under residual value guarantees; and
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee’s incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Group uses recent third-party financing received. Where third-party financing is not available, the Group uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk of the Group and any other adjustments specific to the lease.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received; and
- any initial direct costs, and restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in statement of profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office equipment and furniture.

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are mutually exercisable and not only by the Group and or the respective lessor.

2. Summary of significant accounting policies (continued)

2.27 Dividend

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders.

2.28 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company (after adjusting for interest on the convertible bond and other consequential changes in income or expense that would result from the assumed conversion, if any) by the weighted average number of ordinary shares outstanding during the year including the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

2.29 Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions. Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

Government grants relating to assets are deducted against the carrying amount of the assets.

3. Critical accounting estimates and judgements

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. The judgements, estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, including expectations of future events that are believed to be reasonable under the circumstances.

Estimates and underlying assumptions are reviewed on an on-going basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future period affected.

3.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Recognition of revenue from construction contracts

The Group uses recognition of revenue and profit over time based on progress of its project through cost to complete method which requires the Group to estimate the proportion of work performed as a proportion of contract costs incurred for work performed to date to the estimated total contract costs. Since contract costs can vary from initial estimates, the reliance on the total contract cost estimate represents an uncertainty inherent in the revenue recognition process. Individual contract budgets are reviewed regularly with project leaders to ensure that cost estimates are based upon up to date and as accurate information as possible, and take into account any relevant historic performance experience. Effects of any revision to these estimates are reflected in the year in which the estimates are revised.

(b) Construction cost estimates

The Group uses internal quantity surveyors together with project managers to estimate the costs to complete for construction contracts. Factors such as changes in material prices, labour costs, defects liability costs and other costs are included in the construction cost estimates based on best estimates.

(c) Contract variations

Contract variations are recognised as revenue to the extent that it is highly probable that they will result in revenue and a significant reversal in revenue will not occur and which can be reliably measured, this requires the exercise of judgment by management based on prior experience, application of contract terms and relationship with the contract owners.

3. Critical accounting estimates and judgements (continued)

3.1 Critical accounting estimates and assumptions (continued)

(d) Recoverability of contract receivables, retentions and amounts due from contract customers

Management has estimated the recoverability of contract receivables, retentions and amount due from customers and has considered the allowance required. Management has estimated the allowance for contract receivables, retentions and amount due from contract customers on the basis of prior experience, the current economic environment, the status of negotiations as well as forward looking estimates at the end of each reporting period. Estimating the amount of the allowance requires significant judgment and the use of estimates related to the amount and timing of estimated losses based on historical loss experience, current disputes, consideration of current economic trends and conditions and contractor/employer-specific factors, all of which may be susceptible to significant change. To the extent actual outcomes differ from management estimates, additional allowance for doubtful debts or reversal of excess provisions could be made that could adversely or positively affect earnings or the financial position in future periods.

The Group has overdue contract balances for completed projects for which the Group is currently in discussion with the customers for the settlement of the outstanding balances and believes no further provision is required.

(e) Employees' end of service benefits

The cost of the end of service benefits and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate and future salary increases. Due to the complexities involved in the valuation and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Further details about the assumptions used are set out in note 20.

(f) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the fair value less cost to sell or value-in-use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value which necessarily involves making numerous estimates and assumptions regarding revenue growth, operating margins, tax rates, appropriate discount rates and working capital requirements. These estimates will likely differ from future actual results of operations and cash flows, and it is possible that these differences could be material. Refer to note 9 for further details.

(g) Taxes

Management has assessed the tax position in the jurisdictions it operates having regard to the local tax legislation, decrees issued periodically and related bilateral/international treaties and/or conventions.

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group records provisions based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues, depending on the conditions prevailing in the respective Group company's domicile.

3.2 Critical judgements

Joint operations

The Group reports its interests in jointly controlled entities as joint operations when the Group has direct right to the assets, and obligations for the liabilities, relating to an arrangement. In this case it accounts for each of its assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation. Management has evaluated its interest in its joint arrangements and has concluded them to be joint operations.

4. Expenses

	AED million	
	2020	2019
Personnel costs	250.0	389.3
Sub-contractor costs	213.1	387.5
Material costs	194.9	342.9
Depreciation	22.4	23.8
Registration and legal expenses	14.5	10.4
Changes in fair value of investment properties (note 12)	12.0	2.6
Depreciation on right-of-use assets (note 36)	5.2	6.6
Fair value loss on classification of asset held for sale (note 31)	4.2	-
Amortisation of intangibles (note 8)	2.9	3.2
Premises rent	1.6	2.7
Impairment loss on property, plant and equipment	-	2.3
Loss on disposal of entities (note 32)	-	2.8
Reversal of liabilities no longer required (net)	-	(7.0)
Government grant for job support scheme	(3.5)	-
Other expenses	23.2	46.5
	740.5	1,213.6

Government grant income relates to property tax rebates and cash grant received from the Singapore Government by DSG to help businesses deal with the impact from COVID-19.

5. Income tax expense

The Group is subject to taxation on its operations in Singapore, Malaysia, Thailand, Myanmar, Sri Lanka, China, Germany, Qatar, Egypt, Kingdom of Saudi Arabia, Jordan, Hungary, India and Morocco.

(a)Income tax recognised in the consolidated financial statements:

	AED million	
	2020	2019
Current tax expense	9.9	10.3
Deferred tax expenses	-	0.5
	9.9	10.8

	AED million	
	2020	2019
Effective tax rate from taxable operations		
Profit before tax from operations which are taxable	37.7	45.1
Loss before tax from operations which are taxable	(215.0)	(255.3)
Loss from operations before tax which are not taxable	(312.3)	(219.9)
Loss before tax including discontinued operations	(489.6)	(430.1)
Total income tax expense during the year	(9.9)	(10.8)
Effective tax rate on profit from operations which are taxable	26%	24%

	AED million	
	2020	2019
Income tax from continuing operations	(0.8)	(1.7)
Income tax from discontinued operations	(9.1)	(9.1)
Effective tax rate on profit from operations which are taxable	(9.9)	(10.8)

The relationship between tax expense and the accounting profit is as follows:

	AED million	
	2020	2019
Loss before tax (including discontinued operations)	(163.9)	(106.6)
Tax at the domestic rates applicable to profits in countries where the Group operates	(9.7)	(11.0)
Excess provision in respect of prior year	-	1.0
Others	(0.2)	(0.8)
	(9.9)	(10.8)

(b) Tax balances

The following is the analysis of tax balances presented in the consolidated statement of financial position:

	AED million	
	2020	2019
Deferred tax assets	-	0.8
Deferred tax liabilities	0.1	0.1
Income tax payable	2.5	18.8

6. Basic and diluted earnings per share

Basic and diluted earnings per share is calculated by using weighted average number of ordinary shares outstanding during the year of 614,145,794 shares (2019: 614,145,794 shares), which represent the outstanding shares of 618,452,753 (refer note 16), net of treasury shares of 4,306,959 (refer note 17).

	2020	2019
Basic earnings per share (continuing operations)		
Loss attributable to ordinary shareholders in AED million	(470.2)	(390.5)
Weighted average number of ordinary shares outstanding	614,145,794	614,145,794
Basic earnings per share (UAE fils)	(77)	(64)
Basic earnings per share (discontinued operations)		
Loss attributable to ordinary shareholders in AED million	(14.6)	(18.6)
Weighted average number of ordinary shares outstanding	614,145,794	614,145,794
Basic earnings per share (UAE fils)	(2)	(3)
Diluted earnings per share (continuing operations)		
Loss attributable to ordinary shareholders in AED million	(470.2)	(390.5)
Weighted average number of ordinary shares outstanding	614,145,794	614,145,794
Diluted earnings per share (UAE fils)	(77)	(64)
Diluted earnings per share (discontinued operations)		
Loss attributable to ordinary shareholders in AED million	(14.6)	(18.6)
Weighted average number of ordinary shares outstanding	614,145,794	614,145,794
Diluted earnings per share (UAE fils)	(2)	(3)

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Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

7. Property, plant and equipment

AED million

	Land and buildings	Machinery, plant and equipment	Motor vehicles	Furniture and office equipment	Capital work-in-progress	Total
Cost						
At 1 January 2019	296.5	145.7	12.3	75.9	14.6	545.0
Additions	1.7	6.2	0.5	11.4	2.8	22.6
Disposals	(33.3)	(5.7)	(2.0)	(2.5)	-	(43.5)
Transfers	-	-	-	2.7	(2.7)	-
Disposal of entities	-	(4.5)	-	(3.6)	-	(8.1)
Exchange differences	(1.1)	(1.1)	(0.1)	(4.3)	-	(6.6)
At 31 December 2019	263.8	140.6	10.7	79.6	14.7	509.4
Additions	0.2	1.1	0.1	3.6	0.7	5.7
Transfers	6.7	-	-	-	(6.7)	-
Disposals	(4.2)	(6.1)	(2.5)	(4.7)	(0.3)	(17.8)
Assets classified as held for sale (note 31)	(48.0)	(39.8)	-	(12.8)	-	(100.6)
Exchange differences	4.6	7.1	0.1	(2.3)	(0.2)	9.3
At 31 December 2020	223.1	102.9	8.4	63.4	8.2	406.0
Accumulated depreciation and impairment						
At 1 January 2019	180.8	94.2	9.5	58.7	6.6	349.8
Charge for the year	13.0	7.5	1.2	6.0	-	27.7
Disposals	(14.4)	(3.7)	(2.0)	(2.4)	-	(22.5)
Impairment	-	2.2	-	0.1	-	2.3
Disposal of entities	-	(4.2)	-	(2.6)	-	(6.8)
Exchange differences	(0.3)	(1.6)	-	(0.6)	-	(2.5)
At 31 December 2019	179.1	94.4	8.7	59.2	6.6	348.0
Charge for the year	13.5	7.1	0.9	5.9	-	27.4
Disposals	-	(5.5)	(1.9)	(4.5)	-	(11.9)
Impairment	-	9.1	-	0.7	-	9.8
Assets classified as held for sale (note 31)	(10.0)	(16.3)	-	(6.4)	-	(32.7)
Exchange differences	1.1	1.6	0.1	0.8	-	3.6
At 31 December 2020	183.7	90.4	7.8	55.7	6.6	344.2
Net carrying amount						
At 31 December 2020	39.4	12.5	0.6	7.7	1.6	61.8
At 31 December 2019	84.7	46.2	2.0	20.4	8.1	161.4

8. Intangible assets

	AED million		
	Brand name and rights	Software	Total
Cost			
At 1 January 2019	108.6	62.5	171.1
Additions	-	1.8	1.8
At 31 December 2019	108.6	64.3	172.9
Assets classified as held for sale (note 31)	-	(3.1)	(3.1)
At 31 December 2020	108.6	61.2	169.8
Accumulated amortisation and Impairment			
At 1 January 2019	72.7	62.0	134.7
Charge for the year	4.7	0.9	5.6
Impairment	6.1	-	6.1
At 31 December 2019	83.5	62.9	146.4
Charge for the year	2.2	0.7	2.9
Impairment	14.1	-	14.1
Assets classified as held for sale (note 31)	-	(2.4)	(2.4)
At 31 December 2020	99.8	61.2	161.0
Net carrying amount:			
At 31 December 2020	8.8	-	8.8
At 31 December 2019	25.1	1.4	26.5

During the year, the Group recorded an impairment of AED 14.1 million (2019: AED 6.1 million) against brand name and rights in relation to Depa Interiors. Intangibles includes certain fully amortised brand names and rights and customer lists.

9. Goodwill

Goodwill has been allocated to the groups of cash-generating units which are the lowest level at which goodwill is monitored for internal management purposes.

Goodwill allocation to the groups of cash-generating units is as follows:

	AED million	
	2020	2019
Depa Interiors	-	72.6
Vedder (note 31)	-	32.3
	-	104.9

During the year, assets in relation to Vedder were classified as assets held for sale which includes goodwill amounting to AED 32.3 million (note 31).

(a)Annual test for impairment

The Group carried out an impairment test for goodwill allocated to Depa Interiors during 2020. For impairment test purposes, the recoverable amount of each group of cash generating unit has been estimated and is based on the higher of fair value less cost to sell or value in use calculated using cash flow projections approved by senior management covering a five-year period. Management concluded that an impairment loss amounting to AED 72.6 million (2019: AED 29.3 million) should be recorded during the year as a result of a downturn in the markets within which Depa Interiors operates.

9. Goodwill (continued)

(b) Key assumptions used

The calculation of value in use is sensitive to the following assumptions:

- Growth rate; and
- Discount rate.

Growth rate: Estimates are based on historic performance, approved business plan, backlog and prospective projects. An average growth rate of approximately 4% (2019: 4%) per annum was used in the estimates.

Discount rate: Discount rate used throughout the assessment period was 15.3% per annum (2019: 11.3% per annum), reflecting the cash generating units estimated weighted average cost of capital and specific market risk profile and cost of debt. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

(c) Impairment loss

During 2020 the Group has estimated the recoverable amount of Depa Interiors to be lower than the carrying amount of net assets by AED 72.6 million. The recoverable amount has been estimated based on discounted cashflow model.

Others

During 2019, the Group disposed its investments in The Parker Company Middle East FZ LLC, The Parker Company LLC and Lindner Middle East LLC and accordingly, goodwill related to these entities amounting to AED 33.5 million was derecognised (note 32).

10. Investment in associates

Details of the Group's associates are as follows:

		Holding %		
Name of associate	Country	2020	2019	Principal activities
Decolight Trading LLC	United Arab Emirates	45%	45%	Trading
Jordan Wood Industries PLC (JWICO)	Jordan	36%	36%	Manufacturing
Polypod Middle East LLC	United Arab Emirates	40%	40%	Non-operating

Movement in investment in associates during the year is as follows:

	AED million	
	2020	2019
At 1 January	12.4	19.6
Share of profit / (loss)	1.1	(4.5)
Dividends received	(1.0)	(2.7)
At 31 December	12.5	12.4

No individual associate is material to the Group.

Summarised financial information in respect of the Group's associates is set out below:

	AED million	
	2020	2019
Current assets	56.7	54.2
Non-current assets	19.7	35.2
Total assets	76.4	89.4
Current liabilities	44.6	43.3
Non-current liabilities	13.9	15.5
Total liabilities	58.5	58.8
Net assets	17.9	30.6
Group's share of net assets of associates	12.5	12.4
Total revenue	69.0	77.1
Total loss for the year	(10.9)	(13.1)
Group's share of profit / (loss) and total comprehensive loss of associates	1.1	(4.5)

As at 31 December 2020, the Group has assessed that the investments in its associates are not impaired (2019: nil).

There are no material contingencies and commitments in Group's associates' financial information.

11. Financial assets at fair value through OCI

	AED million	
	2020	2019
At 1 January	16.6	17.6
Impairment loss	(8.5)	(1.0)
At 31 December	8.1	16.6

The Group has equity investments classified as fair value through OCI for which the Group has elected to present changes in respect of the fair value of equity investments in other comprehensive income (OCI). These investments are valued based on the market value of the relevant region in which these investments are located.

The fair value stated in the report is determined using valuation methods with parameters not based exclusively on observable market data (level 3).

12. Investment properties

	AED million	
	2020	2019
At 1 January	33.4	36.0
Net loss due to change in fair value	(12.0)	(2.6)
Sale of investment property	(13.0)	-
At 31 December	8.4	33.4

The Group's investment properties consist of residential villas in Morocco and a plot of land in Ajman. Subsequent to the year end, the Group sold its residential villas in Morroco at the carrying value.

Land in Ajman is valued by qualified independent property valuation firm based on the market value of the relevant region in which the property is located. The most significant input into this valuation approach is price per square metre. The property valuation firms are specialised in valuing these types of investment properties.

The fair value stated in the report is determined using valuation methods with parameters not based exclusively on observable market data (level 3). Rental income recognised during the year was nil in the consolidated statement of profit or loss (2019: AED 1.4 million).

13. Trade and other receivables

	AED million	
	2020	2019
Trade receivables	298.5	362.6
Contract retentions	155.2	160.0
	453.7	522.6
Less: Impairment of trade receivables and contract retentions	(347.5)	(214.1)
Net- trade receivable and contract retentions	106.2	308.5
Guarantees encashed by customers	18.2	18.2
Less: Impairment of guarantees encashed by customers	(18.2)	(18.2)
Net- guarantees encashed by customers	-	-
Amounts due from related parties (refer note 22)	9.0	9.9
Other receivables	39.1	79.1
Other assets at amortised cost:		
Advances to sub-contractors and suppliers	91.8	178.3
Prepayments	10.8	29.7
	256.9	605.5

Trade receivables represent amounts due from customers for contract work rendered by the Group and duly certified by the customers.

Contract retentions represent amounts withheld by the customers in accordance with contract terms and conditions. These amounts are to be repaid upon fulfilment of contractual obligations.

The movement in the allowance for trade receivables and contract retentions during the year is as follows:

	AED million	
	2020	2019
At 1 January	214.1	116.9
Charge for the year	151.4	112.8
Disposal of entities (note 32)	-	(2.7)
Reversal during the year	(11.2)	(4.7)
Amounts written off/transferred – net	(6.8)	(8.2)
At 31 December	347.5	214.1

The average credit period on contract revenue is 90 days. No interest is charged on the trade receivables. Trade receivables of more than 90 days are provided for based on estimated irrecoverable amounts, determined by reference to past default experience.

The Group has concluded expected loss rates for trade receivables and retentions which have been segregated based on credit risk characteristics. The loss allowance was determined for each segment separately and ranges up to 71% (2019: up to 73%) depending on the ageing buckets in which the trade receivables and retentions customers fall.

During the year, the Group recorded a provision in respect of balances due from related parties amounting to AED 53.8 million (2019: AED 1 million). Refer note 22.

13.Trade and other receivables (continued)

The ageing analysis of trade receivables and retentions is as follows:

	AED million			
	2020		2019	
	Gross	Provision	Gross	Provision
Not yet due	115.3	106.0	154.3	42.2
Due for 0 to 180 days	82.9	16.8	90.8	3.6
Due for 181 to 365 days	35.5	15.5	72.1	10.0
Due for more than 365 days	220.0	209.2	205.4	158.3
	453.7	347.5	522.6	214.1

Provision balance includes AED 156.7 million (2019: AED 74.1 million) relating to contract retention receivables.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

The Group has a number of long overdue contract balances for completed projects for which the Group is currently in discussion with the customers for the settlement of the outstanding balances and believes no further provision is required.

14.Due from construction contract customers

	AED million	
	2020	2019
Contracts in progress at end of the reporting period		
Amount due from construction contract customers	358.4	627.1
Less: Impairment of amount due from construction contract customers	(167.6)	(91.5)
Amount due from construction contract customers included in current assets	190.8	535.6
Amount due to construction contract customers included in trade and other payables (refer note 21)	(39.3)	(70.8)
	151.5	464.8
Contract cost incurred plus recognised profits less recognised losses to date	5,149.4	7,268.8
Less: Progress billings	(4,997.9)	(6,804.0)
	151.5	464.8

Amount due from construction contract customers includes amounts which have been recognised as revenue and have not been certified or invoiced at the end of the reporting period.

The Group has concluded expected loss rates for amount due from construction contract customers which have been segregated based on credit risk characteristics. The loss allowance was determined ranges up to 32% (2019: up to 24%) depending on the ageing buckets in which the amount due from construction contract customers fall.

During the year, the Group recorded a provision in respect of balances due from related parties amounting to AED 25.8 million (2019: AED 1 million). Refer note 22.

14. Due from construction contract customers (continued)

The movement in the allowance for amount due from construction contract customers during the year is as follows:

	AED million	
	2020	2019
At 1 January	91.5	46.6
Charge for the year	107.4	54.5
Reversal during the year	(10.0)	(4.9)
Amounts (written off)/transferred	(21.3)	(4.7)
At 31 December	167.6	91.5

15. Inventories

	AED million	
	2020	2019
Raw materials	23.7	51.5
Finished goods	-	2.2
Work in progress	-	1.9
	23.7	55.6
Less: Allowances for slow moving inventories	(14.7)	(15.5)
	9.0	40.1

The movement in the allowance for slow moving inventory during the year is as follows:

	AED million	
	2020	2019
At 1 January	15.5	13.3
Charge for the year	-	2.2
Amounts written off	(0.8)	-
At 31 December	14.7	15.5

16. Share capital

The share capital as at 31 December 2020 and 2019 comprises of the following:

	AED million	
	2020	2019
Authorised share capital:		
5,000,000,000 ordinary shares of AED 1.47 (US$ 0.40) each	7,350.0	7,350.0
Issued and fully paid share capital:		
618,452,753 ordinary shares (2019: 618,452,753) of AED 1.47 (US$ 0.40) each	908.9	908.9

17. Treasury shares

At 31 December 2020, the number of treasury shares held was 4,306,959 (2019: 4,306,959) amounting to AED 12.6 million (2019: 12.6 million).

The fair value of the treasury shares at the reporting date is AED 1.1 million (2019: AED 1.4 million).

18. Statutory reserve

In accordance with the Articles of Association of certain subsidiaries of the Group, 10% of the profit for the year is transferred to a statutory reserve for each entity. Such transfers are required to be made until the reserve equals 50% of the share capital in each of the subsidiaries. This reserve is not available for distribution, except in circumstances stipulated in the commercial laws applicable to each entity.

19. Borrowings

	AED million	
	2020	2019
Bank overdrafts (note 29)	94.1	108.1
Bank loans	-	26.9
Trust receipts and acceptances	60.9	57.5
	155.0	192.5
The borrowings are repayable as follows:		
Within 1 year	155.0	169.1
1- 2 years	-	3.5
Later than 2 years	-	19.9
	155.0	192.5
Presented in the consolidated statement of financial position as:		
Non-current liabilities	-	23.4
Current liabilities	155.0	169.1
	155.0	192.5

(a) Bank overdrafts

The interest rate on the overdrafts varies between EIBOR plus 2.75% to 3.75% per annum (2019: EIBOR plus 2.5% to 6.0%) and the bank base rate plus a margin per annum. Subsequent to the year end, overdraft facilities amounting to AED 46.9 million were converted to bank loans with a repayment period of two years.

(b) Trust receipts and acceptances

Trust receipts and acceptances are one of the financing facilities used by the Group for imports. The buyer promises to hold the goods received in the name of the bank arranging the financing. The bank retains title to the goods until the debt is settled. The payment terms vary between 30 and 180 days and are subject to interest rates ranging from EIBOR plus 2.5% to 3.75% per annum (2019: EIBOR plus 2.5% to 3.5% per annum) and the bank base rate plus a margin per annum.

(c) Securities

The majority of the Group bank facilities are secured by corporate guarantees and/or assignment of certain contract receivables.

(d) Covenants

The Group has various debt covenants related to its facilities which require maintaining certain financial ratios within stipulated limits. These financial ratios address the liquidity and capital structure of the Group.

During the year, the Group was in breach of a number of its financial covenants with commercial banks. There is no impact of these breaches on the classification of bank borrowings disclosed in the consolidated financial statements as these breaches relates to current liabilities.

20. Employees' end of service benefits

Provision for employees' end of service benefits is made in accordance with the relevant labour laws assuming the maximum payable based on current remuneration and cumulative years of service at the end of the reporting period.

The following tables summarise the components of net benefit expense recognised in the consolidated statement of profit or loss and other comprehensive income:

	AED million 2020	2019
Current service cost	8.3	8.2
Interest cost	2.1	2.5
Net expense recognised in the consolidated statement of profit or Loss	10.4	10.7
Net actuarial loss recognised in consolidated statement of comprehensive income	6.3	1.9

Changes in the present value of defined benefit obligations is as follows:

	AED million 2020	2019
At 1 January	74.6	75.5
Current service cost	8.3	8.2
Interest cost	2.1	2.5
Benefits paid during the year	(21.2)	(11.9)
Disposal of entities	-	(1.6)
Actuarial loss recognised in consolidated statement of comprehensive income	6.3	1.9
At 31 December	70.1	74.6

The principal assumptions used in determining the provision for end of service benefit obligations are shown below:

	2020	2019
Discount rate per annum compound	1.9%	2.8%
Salary increase rate per annum compound - Staff and workers	0% - 3.5%	2.0%

Management believes that no reasonably possible change in any of the above key assumptions would have material impact on the amounts disclosed in the consolidated financial statements.

21. Trade and other payables

	AED million 2020	2019
Trade payables	153.1	194.9
Advances received	132.6	267.1
Accrued expenses	65.4	161.3
Subcontractor/supplier retentions	62.6	66.7
Project cost accruals	58.9	59.1
Amount due to construction contract customers (refer note 14)	39.3	70.8
Amounts due to related parties (refer note 22)	10.4	9.9
Other payables	95.0	125.3
	617.3	955.1

21. Trade and other payables (continued)

The average credit period on purchases of goods is 60 to 120 days. No interest is charged on the trade payables. The Group has financial risk management policies in place to ensure that all payables are paid as per the agreed terms and conditions, provided the supplier has complied with the terms.

22. Related parties

Transactions between the Company and its subsidiaries have been eliminated upon consolidation and are not disclosed in this note. Related parties include Directors, shareholders and key management personnel and entities in which they have the ability to control and exercise a significant influence in financial and operating decisions. The Group considers its joint operations as related parties on the basis of substance of the relationship.

The Group maintains significant balances with related parties which arise from commercial transactions. The balances are non-interest bearing and are expected to the realised within 12 months from the reporting date. The types of related party transactions are described below.

(a) Commercial transactions

The Group receives and provides services to related parties in the normal course of business. These services consist of construction/fit-out work, leasing office space or land and use of specialised skills on certain projects. In addition, the Group purchases supplies and inventory from certain related parties. Pricing policies and terms of related party transactions are approved in accordance with the Group's Corporate Governance policies, addressing related party transactions and conflicts of interest.

The tables below summarise amounts due to and due from related parties, as well as amounts included in expenses and management remuneration.

	AED million	
	2020	2019
Amounts due from related parties (refer note 13)		
Entities with common ownership and/or management		
Lindner AG	9.0	9.0
Others	-	0.9
	9.0	9.9
Amounts included in trade receivables, contract retention and amounts due from customers on construction contracts are the following related party balances		
Entities with common ownership and/or management		
Arabtec Construction LLC	90.6	74.5
AF Construction LLC	61.8	138.3
Target Engineering Company LLC	13.2	7.9
	165.6	220.7
Less: Allowances for doubtful debts	(81.6)	(2.0)
	84.0	218.7

During the year, the Group provided for balances due from related parties amounting to AED 79.6 million on announcement of the related party's intention to liquidate the business. The balances are included in trade and other receivables (note 13) and amounts due from construction contracts customers (note 14).

22. Related parties (continued)

	AED million	
	2020	2019
Amounts due to related parties (refer note 21)		
Joint Operations		
Amounts due to joint operating partners	0.8	0.3
Lindner Depa Interiors	8.8	8.8
Entities with common ownership and/or management		
Jordan Wood Industries PLC	0.8	0.8
	10.4	9.9

	AED million	
	2020	2019
Related party transactions		
Entities with common ownership and/or management		
Revenue	41.7	114.2
Expenses	54.6	161.2

(b) Compensation of key management personnel (including discontinued operations)

The remuneration of directors and other key members of management of the Group during the year were as follows:

	AED million	
	2020	2019
Short-term compensation	5.0	8.1
End of service benefits	0.3	0.5
Employee share scheme	-	(0.2)
Directors' fees	2.2	2.4
	7.5	10.8

23. Share premium

In line with the Board of Directors recommendation and following the provision of article of association of the Company, a special resolution was passed by the shareholders during the General Assembly convened on 12 June 2019 to reduce the accumulated losses by using the share premium account. Accordingly, share premium amounting to AED 182.0 million was offset against the accumulated losses of AED 182.0 million as at the date of approval.

24. Subsidiaries

The following subsidiaries in which the Company exercises control, directly or indirectly, are consolidated in these financial statements based on the financial statements of the respective subsidiaries:

		Holding %		
Name of subsidiary	Country	2020	2019	Principal activities
Depa United Group PJSC	United Arab Emirates	100%	100%	Strategic management
Depa Beta Investments LLC	United Arab Emirates	100%	100%	Strategic management
Subsidiaries of Depa United Group PJSC				
Carrara Mid-East Industrial Co. LLC	United Arab Emirates	100%	100%	Contracting
Deco Emirates Company LLC	United Arab Emirates	100%	100%	Contracting
Depa (UK) Limited	United Kingdom	100%	100%	Contracting
Depa Albarakah LLC	United Arab Emirates	100%	100%	Contracting
Depa Azerbaijan LLC	Azerbaijan	100%	100%	Contracting
Depa Construction LLC	United Arab Emirates	100%	100%	Contracting
Depa Décor, General Contracting & Maintenance Company LLC	United Arab Emirates	100%	100%	Contracting
Depa for Hotels Egypt SAE	Egypt	100%	100%	Contracting
Depa Germany Verwaltungs GmbH & Co. KG	Germany	100%	100%	Holding company
Depa Hungary KFT	Hungary	100%	100%	Holding company
Depa Munich GmbH & Co. KG	Germany	100%	100%	Holding company
Depa India Private Limited	India	100%	100%	Contracting
Depa India RAK FZE	United Arab Emirates	100%	100%	Supply
Depa Industrial Group (DIG) LLC	United Arab Emirates	100%	100%	Manufacturing
Depa Industrial Group Maroc sarl	Morocco	100%	100%	Manufacturing
Depa Interiors LLC	United Arab Emirates	100%	100%	Contracting

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

24. Subsidiaries (continued)

		Holding %		Principal activities
Name of subsidiary	Country	2020	2019	Name of subsidiary
Depa Jordan Investment WLL	Bahrain	70%	70%	Holding company
Depa Mauritius	Mauritius	100%	100%	Holding company
Depa Qatar WLL	Qatar	100%	100%	Contracting
Depa SRL *	Italy	-	100%	Supply
DEPA Saudi Arabia for Contracting & Interior Design Ltd	Kingdom of Saudi Arabia	100%	100%	Contracting
Depa Syria SAE	Syria	100%	100%	Real estate
Depa USA Holding Company	United States of America	100%	100%	Holding company
Depamar Sarl	Morocco	100%	100%	Contracting
Dragoni International LLC	United Arab Emirates	60%	60%	Contracting
Design Studio Group Ltd	Singapore	90%	90%	Holding company
Design Studio Asia Pte. Ltd.	Singapore	100%	100%	Holding company
DSG Manufacturing Singapore Pte.Ltd	Singapore	100%	100%	Contracting
DSG Manufacturing Malaysia Sdn. Bhd.	Malaysia	100%	100%	Contracting
DS Project Management Sdn.Bhd.	Malaysia	100%	100%	Contracting
DS Interior Decoration (Middle East) LLC	United Arab Emirates	100%	100%	Contracting
Design Studio (China) Pte. Ltd.	Singapore	100%	100%	Holding company
DS (Huizhou) Home Furnishing Co., Ltd	China	100%	100%	Contracting
DSG Asia Holdings Pte. Ltd.	Singapore	100%	100%	Holding company
DSG Projects Singapore Pte. Ltd.	Singapore	100%	100%	Contracting
DDS Contracts & Interior Solutions (Thailand) Co., Ltd	Thailand	69%	69%	Contracting
DSG Projects Malaysia Sdn. Bhd.	Malaysia	100%	100%	Contracting
DDS Contracts & Interior Solutions (Vietnam) Co., Ltd	Vietnam	100%	100%	Contracting
Design Studio Lanka (Private) Limited	Sri Lanka	100%	100%	Contracting
DSG (Thailand) Co., Ltd	Thailand	100%	100%	Contracting
Design Studio Furniture(Shanghai) Co., Ltd	China	100%	100%	Contracting
DS Interior Contracts & Renovation (Shanghai) Co., Ltd	China	100%	100%	Contracting

24. Subsidiaries (continued)

		Holding %		Principal activities
Name of subsidiary	Country	2020	2019	Name of subsidiary
El Diar 2	Mauritius	100%	100%	Holding company
Eldiar Furniture Manufacturing & Dec Co LLC	United Arab Emirates	100%	100%	Manufacturing
Mivan Depa Contracting (Bahrain) WLL	Bahrain	100%	100%	Supply
Project Division Company sarl	Morocco	100%	100%	Real estate
Paragon Creative Middle East LLC *	United Arab Emirates	-	51%	Trading
Pino Meroni Wooden and Metal Industries SAE	Egypt	100%	100%	Manufacturing
Thrislington Gulf Co. LLC	United Arab Emirates	100%	100%	Contracting
Vedder GmbH	Germany	100%	100%	Contracting
Vedder Corporation	USA	100%	100%	Contracting
Wallersdorfer Solar GmbH	Germany	100%	100%	Holding company

* These entities have been liquidated during 2020.

25. Commitments and contingencies

	AED million	
	2020	2019
Letters of credit	42.9	59.9
Letters of guarantee	541.0	758.2
Security cheques issued	4.3	1.6

The above letters of credit and guarantee were issued in the normal course of business.

The Group has no committed capital expenditures for the year (2019: nil).

The security cheques were issued in lieu of performance guarantees.

Legal cases

The Group companies are defendants in a number of legal proceedings which arose in the normal course of business. The Group does not expect that the outcome of such proceedings either individually or in the aggregate will have a material effect on the Group’s operations, cash flows or financial position.

26. Material partly-owned subsidiaries

Financial information of subsidiaries that have material non-controlling interests is provided below:

(a) Proportion of equity interest held by non-controlling interests

	2020	2019
DSG	10%	10%

(b) Accumulated balances of material non-controlling interest

	AED million	
	2020	2019
DSG	(24.6)	(9.4)

(c) Loss allocated to material non-controlling interest.

	AED million	
	2020	2019
DSG	(13.9)	(26.6)

The summarised financial information of the subsidiary is provided below. This information is based on amounts before inter-company eliminations:

(d) Summarised consolidated statement of comprehensive income of DSG.

	AED million	
	2020	2019
Revenue	61.1	231.0
Loss before tax	(134.3)	(225.9)

(e) Summarised consolidated statement of financial position of DSG.

	AED million	
	2020	2019
Current assets	91.9	192.5
Current liabilities	306.8	291.5
Non-current assets	20.3	48.7
Non-current liabilities	2.4	3.5

(f) Summarised consolidated statement of cash flows of DSG.

	AED million	
	2020	2019
Operating	(26.6)	(64.5)
Investing	(0.5)	(2.6)
Financing	(5.8)	35.7
Decrease in cash and cash equivalents	(32.9)	(31.4)

27. Restructuring of DSG

Due to significant financial difficulties faced by DSG as a group, management had initiated a restructuring exercise of DSG operations during 2019. Management engaged independent financial advisors and a Chief Restructuring Officer to oversee the restructuring process and has also appointed legal advisors to advise on matters pertaining to the restructuring.

DSG as a group is not actively bidding for any new projects and currently the subsidiaries are managing the funding requirements through working capital management and also through funds received from completed projects. In addition, in order to continue as going concern, DSG requires support from the Group.

Singapore and Malaysia operations

During 2019, Management made an application in respect of its Singaporean subsidiaries made an application to the High Court of the Republic of Singapore to commence a court-supervised process to reorganise its liabilities and to seek a moratorium against enforcement actions and legal proceedings by creditors. Management also made and application to Malaysian courts for three of its Malaysian incorporated subsidiaries to be placed under judicial management to seek a judicial management against enforcement actions and legal proceedings by creditors.

On 30 March 2021, Singaporean Court made an order to extend the moratorium to 31 May 2021. The Judicial management was also extended on order of Malaysian Court until 23 May 2021. Discussions with the creditors are on-going and the management believes that the creditor scheme will be approved in next 2 – 3 months.

China operations

Management plans to sell the China business within next 12 months which is classified as asset held for sale (note 31).

Other operations

Management continues its business with its existing projects in Thailand, Myanmar, UAE and Sri Lanka. The subsidiary in Vietnam is dormant.

28. Segment information

The Group is organised in four key business units: DSG, Vedder, Depa Interiors, Deco Group and Investments and others. These businesses are the basis on which the Group reports its primary segment information to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance. The principal products and services of each of these businesses are as follows:

(a) DSG

- Interior fit-out solutions, including contracting, manufacturing and supply, specialising in the hospitality, commercial and residential sectors.
- Primarily operates in Asia.
- China operations have been classified as discontinued operations (note 31).

(b) Vedder

- Interior fit-out solutions, including contracting, manufacturing and supply, specialising in luxury super yachts, private jets and residences.
- Primarily operates in Europe.
- The operations have been classified as discontinued operations (note 31).

(c) Depa Interiors

- Interior fit-out solutions, including contracting, manufacturing and supply, specialising in luxury hotels, villas, residential, hospitality and public buildings.
- Primarily operates in the Middle East.

28. Segment information (continued)

(d) Deco Group

- Interior fit-out solutions, including contracting, manufacturing and supply, specialising in the high-end luxury retail sector.
- Manufacture and supply of stone works to the interior fit-out sector, specialising in high quality marble.
- Manufacture and supply of joinery and carpentry work to the interior fit-out sector.
- Primarily operates in the Middle East.

(e) Investments and others

- Strategic management activities at a corporate level.
- Corporate services and head office function
- Various activities, including procurement services, contracting, manufacturing and supply to the interior fit-out sector.
- Activities are geographically spread.

depa

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

28. Segment information (continued)

The following is the analysis of the Group's segments as at: AED million

	DSG	Vedder	Depa Interiors	Deco Group	Investments and others	Eliminations / other adjustments	Total
31 December 2020							
Reportable segment assets	118.9	358.6	682.4	200.8	2,898.4	(2,992.7)	1,266.4
Reportable segment liabilities	315.9	232.7	663.5	85.3	78.7	(265.9)	1,110.2
31 December 2019							
Reportable segment assets	241.2	365.8	1,415.7	377.5	3,340.6	(3,796.0)	1,944.8
Reportable segment liabilities	295.0	225.3	1,461.2	245.7	307.8	(1,253.2)	1,281.8
31 December 2020							
Revenue – internal	-	-	-	2.9	-	(2.9)	-
Revenue – external	61.1	-	411.1	127.5	-	-	599.7
Expenses	(151.8)	-	(657.6)	(153.6)	(101.8)	-	(1,064.8)
Share of loss from associates	-	-	-	-	1.1	-	1.1
Net finance cost	(7.9)	-	(10.0)	(1.6)	3.5	-	(16.0)
Income tax expense	-	-	(0.8)	-	-	-	(0.8)
Loss for the year from continuing operations	(98.6)	-	(257.3)	(24.8)	(97.2)	(2.9)	(480.8)
(Loss) / profit for the year from discontinued operations	(39.9)	21.2	-	-	-	-	(18.7)
Owners of Depa PLC	(123.8)	21.2	(257.3)	(24.8)	(97.2)	(2.9)	(484.8)
Capital expenditure	-	-	0.8	0.8	0.1	-	1.7
Depreciation	4.9	-	8.8	8.3	0.4	-	22.4
Amortisation	-	-	-	0.2	2.7	-	2.9
31 December 2019							
Revenue – internal	1.9	-	-	15.3	-	(17.2)	-
Revenue – external	214.3	-	545.1	211.5	28.0	-	998.9
Expenses	(401.5)	-	(689.8)	(252.1)	(60.1)	-	(1,403.5)
Share of loss from associates	-	-	-	-	(4.5)	-	(4.5)
Net finance cost	(1.5)	-	(14.5)	(2.2)	6.7	-	(11.5)
Income tax expense	(0.1)	-	(1.3)	-	(0.3)	-	(1.7)
Loss for the year from continuing operations	(186.9)	-	(160.5)	(27.5)	(30.2)	(17.2)	(422.3)
(Loss) / profit for the year from discontinued operations	(40.2)	21.6	-	-	-	-	(18.6)
Owners of Depa PLC	(200.5)	21.6	(152.9)	(27.5)	(32.6)	(17.2)	(409.1)
Capital expenditure	3.1	-	3.1	5.3	0.3	-	11.8
Depreciation	6.1	-	10.1	6.5	1.1	-	23.8
Amortisation	2.5	-	0.9	1.6	4.8	-	9.8

The Group recorded revenue amounting to AED 599.7 million over time (2019: AED 989.2 million) excluding discontinued operations amounting to AED 389.1 million (AED 376.9 million). No revenue was recognised point in time during 2020 (2019: AED 9.7 million). 2019 point in time revenue was recorded only in the Investment and others segment.

29. Cash and cash equivalents

	AED million	
	2020	2019
Cash on hand	1.3	1.2
Current accounts	88.3	181.0
Short term fixed deposits	13.3	12.5
Term deposits with maturity over three months	0.6	9.1
Restricted cash	33.9	13.2
Cash and bank balances	137.4	217.0
Term deposits with maturity over three months	(0.6)	(9.1)
Restricted cash	(33.9)	(13.2)
Bank overdraft (note 19)	(94.1)	(108.1)
Cash and cash equivalents	8.8	86.6

29.1 Net cash/(debt) (excluding restricted cash) reconciliation

	2020	2019
Cash and cash equivalents (excluding overdraft)	102.9	194.7
Borrowings - repayable within one year (including overdrafts)	(155.0)	(169.1)
Borrowings - repayable after one year	-	(23.4)
Net cash (excluding restricted cash)	(52.1)	2.2
Lease liabilities*	(21.2)	(34.2)
Net debt	(73.3)	(32.0)
Cash and cash equivalent (excluding overdraft)	102.9	194.7
Borrowings – fixed interest rates (including overdrafts)	-	(26.9)
Borrowings – variable interest rates (including overdrafts)	(155.0)	(165.6)
Net cash (excluding restricted cash)	(52.1)	2.2
Lease liabilities*	(21.2)	(34.2)
Net debt	(73.3)	(32.0)

*Adoption of IFRS 16

The cash flows in respect of bank borrowings and lease liabilities are presented on the cash flow statement and reconciles with the net debt.

30. Joint operations

The Group has interest in the following joint operations:

Name of joint operation	Country	Holding % 2020	Holding % 2019	Principal activities
Depa/CCC – SKMC*	Morocco	50%	50%	Contracting
Depa/CCC and GTGCE*	United Arab Emirates	50%	50%	Contracting
Lindner Depa Interiors LLC	United Arab Emirates	51%	51%	Contracting

* The entities have completed their contracts with customers and there were no operations during the year.

The Group is entitled to a proportionate share of the joint operation assets and revenue and bears a proportionate share of the liabilities and expenses. The amounts overleaf are included in the Group's consolidated financial statements as a result of the Group's rights to the assets, returns, and obligations for liabilities relating to the joint operations.

	AED million 2020	AED million 2019
Current assets	28.3	32.1
Current liabilities	1.1	3.5
Non-current liabilities	0.1	0.1
Revenue	-	10.1
Expenses – net	(0.4)	(9.0)
(Loss) / profit for the year	(0.4)	1.1

31. Discontinued operations

1) Depa Munich GmbH & Co. KG

During the year, management committed to a plan to sell it's 100% shareholding in Depa Munich GmbH & Co. KG and it's subsidiaries, the Group's European key business unit which includes Vedder GmbH, Wallersdorfer Solar GmbH and Vedder Corporation (USA) together referred to as Vedder. Following negotiations and submission of revised bids from potential buyers on 30 December 2020, the sale transaction is highly probable and hence the business was classified as held for sale.

The assets and related liabilities met the 'held for sale' criteria as set out in IFRS 5 and the relevant assets and liabilities have accordingly been reclassified as assets and liabilities held for sale as set out in the table below.

The fair value less costs to sell exceeded the carrying amount of the related net assets and, accordingly, no impairment loss was recognised on the reclassification.

Vedder is reported in the current period as a discontinued operation. Financial performance and cash flow information relating to the discontinued operation for the year is set out below.

(a) Financial performance and cashflow information

	AED million 2020	AED million 2019
Revenue	373.1	362.1
Expenses	(343.6)	(346.5)
Other income	2.6	15.4
Net finance costs	(1.8)	(1.5)
Profit before tax	30.3	29.5
Income tax	(9.1)	(8.0)
Net profit after tax from discontinued operation	21.2	21.5

31. Discontinued operations (continued)

1) Depa Munich GmbH & Co. KG (continued)

(a) Financial performance and cashflow information (continued)

	AED million	
	2020	2019
Net cash (outflow) / inflow from operating activities	(22.8)	26.1
Net cash outflow from investing activities	(13.2)	(12.2)
Net cash inflows / (outflow) from financing activities	10.0	(18.8)
Net decrease in cash generated	(26.0)	(4.9)

(b) Assets and liabilities of the disposal group classified under IFRS 5

The following assets and liabilities were reclassified as held for sale in relation to the discontinued operation as at 31 December 2020:

	AED million
	2020
Assets classified as held for sale	
Property, plant and equipment	63.6
Right-of-use assets	10.0
Goodwill	32.3
Intangible assets	0.7
Inventories	20.0
Due from construction contract customers	67.6
Trade and other receivables	120.8
Cash and cash equivalents	57.6
Total assets of disposal group held for sale	372.6
Liabilities directly associates with assets classified as held for sale	
Finance lease liabilities	10.7
Trade and other payables	183.9
Borrowings	26.9
Total liabilities of disposal group held for sale	221.5

The cumulative foreign exchange losses recognised in other comprehensive income in relation to the discontinued operation as at 31 December 2020 were AED 3.1 million.

Bank loans

These loans comprise the following:

i. In 2013, the Group obtained two separate loans facilities from a German bank to finance the purchase of fixed assets amounting to EUR 5.5 million and EUR 2.5 million. The loans bear a fixed rate of interest per annum of 2.75% and are payable in 120 monthly instalments, ending 30 May 2023. The outstanding balance of the loan facilities as at 31 December 2020 was AED 17.2 million (EUR 3.8 million) (2019: AED 16.8 million (EUR 4.1 million) and AED 6.4 million (EUR 1.4 million) (2019: AED 6.6 million (EUR 1.6 million)), respectively. The loans are secured by way of a charge on the land.

ii. During 2019, the Group obtained a new loan facility of AED 4.4 million (EUR 1.0 million) from a German bank for operational machinery investment. The loan bears a fixed rate of interest per annum of 1% and is repayable in 24 quarterly instalments. As at 31 December 2020, the outstanding balance of the loan was AED 3.3 million (EUR 0.7 million)

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

31. Discontinued operations (continued)

2) DSG China Group

On 29 October 2020, the DSG board of directors approved managements plan to dispose of its China business unit which includes Design Studio (Huizhou) Home Furnishing Co., Ltd and Design Studio Furniture (Shanghai) Co. Ltd (together referred to as China business unit). The assets associated with this transaction met the 'held for sale' criteria set out in IFRS 5 and the relevant assets and liabilities have accordingly been reclassified as assets and liabilities held for sale as appropriate as set out in the table below. The fair value less costs to sell was less than the carrying amount of the related net assets and, accordingly, an impairment loss was recognised on reclassification of the China business unit as held for sale.

(a) Financial performance and cashflow information

The China business unit is reported in the current period as a discontinued operation. Financial performance and cash flow information relating to the discontinued operation for the year is set out below.

	AED million	AED million
	2020	2019
Revenue	16.7	14.8
Expenses	(56.5)	(50.6)
Net provision of allowance for doubtful debts and due from construction contract customers	-	(3.2)
Net finance costs	(0.1)	(0.1)
Loss before tax	(39.9)	(39.1)
Income tax	-	(1.1)
Loss after tax	(39.9)	(40.2)

	2020	2019
Net cash inflow from operating activities	1.0	(0.9)
Net increase in cash generated by the subsidiaries	1.0	(0.9)

(b) Assets and liabilities of the disposal group classified under IFRS 5

The following assets and liabilities were reclassified as held for sale in relation to the discontinued operation as at 31 December 2020:

	AED million
	Carrying value as at 31 December 2020
Assets classified as held for sale	
Due from construction contract customers	2.0
Trade and other receivables	3.2
Cash and cash equivalents	1.5
Total assets of disposal group held for sale	6.7
Liabilities directly associates with assets classified as held for sale	
Lease liabilities	0.6
Trade and other payables	6.1
Total liabilities of disposal group held for sale	6.7

The Group has recorded a fair value loss of AED 4.2 million on classification of DSG China as held for sale under IFRS 5.

32. Disposal of entities

During 2019, the Group sold its investments in Lindner Middle East LLC, The Parker Company Middle East FZ LLC and The Parker Company LLC. The detail of sale is as follows:

AED million

	30 April 2020
Consideration	50.7
Carrying amount of net assets sold	(63.6)
Non-controlling interest	10.1
Loss on sale	(2.8)

At the time of the sale the fair value of the consideration was determined to be AED 50.7 million. The carrying amounts of assets and liabilities as at 30 April 2019 were:

AED million

	30 April 2020
Property and equipment and other non-current assets	1.3
Trade and other receivables	25.9
Inventories	1.4
Cash and other bank balance (including restricted cash)	185.4
Goodwill	33.5
Total assets	247.5
Trade and other payables	182.3
Employees' end of service benefits	1.6
Total liabilities	183.9
Net assets	63.6

33. Acquisition of non-controlling interest

During 2019, the Group acquired non-controlling interest of Depa Hotels Egypt SAE and Pino Meroni Wooden and Metal Industries SAE for AED 0.7 million, increasing its ownership interest to 100%.

34. Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's Board of Directors and senior management review and agree the policies, and oversee the management of these risks. The policies for managing each of these risks are summarised below.

Market risk

i. Foreign exchange risk

The Group's foreign currency monetary assets and liabilities are denominated mainly in the following currencies:

- Category A: US Dollar, Saudi Arabian Riyals, Qatari Riyals and Bahraini Dinars.
- Category B: Euro, Indian Rupee, British Pound, Moroccan Dirham, Singapore Dollar, Egyptian Pounds, Syrian Pounds and Azerbaijan New Mana't.

34. Financial risk management (continued)

As the Category A monetary assets and liabilities are either US Dollars or pegged to US Dollars, the sensitivity only considers the effect of a reasonably possible movement of the AED currency rate against Category B monetary assets and liabilities with all other variables held constant, on the consolidated statement of comprehensive income (due to the fair value of currency sensitive monetary assets and liabilities).

At 31 December 2020, if these had strengthened/weakened by 10% against the AED, the net equity for the year would have been higher/lower by AED 5.8 million (2019: AED 6.4 million). The carrying amounts of the Group's foreign currency denominated assets and liabilities at the reporting date are as follows:

	AED million			
	2020		2019	
	Assets	Liabilities	Assets	Liabilities
Euro	357.8	232.7	365.8	225.4
Singaporean Dollar	112.2	309.2	240.5	291.6
Saudi Riyal	100.6	126.6	139.7	117.5
US Dollar	49.5	5.1	49.5	5.1
Egyptian Pound	27.5	17.4	31.1	67.4
Indian Rupee	26.6	19.0	37.0	36.8
Moroccan Dirham	17.8	18.6	46.5	38.4
Bahraini Dinar	3.3	5.6	3.2	20.8
Qatari Riyal	8.2	33.4	27.6	30.7
Syrian Pound	0.9	0.6	1.5	0.9
Azerbaijan New Mana't	0.2	0.9	0.2	22.8
British Pound	-	0.8	-	16.8

ii. Price risk

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis.

The Group is not exposed to significant price risks as it does not have significant price sensitive assets and liabilities.

iii. Cash flow and fair value interest rate risk

Interest rate risk is the risk that the fair value and future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to interest rate risk on its interest bearing assets and liabilities (bank loans, bank overdrafts, acceptances and trust receipts). The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings.

The Group is not exposed to significant cash flows and fair value interest rate risk.

34. Financial risk management (continued)

iv. Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group, and arises principally from the Group's trade receivables and other receivables, amount due from construction contracts customers and bank balances. The Group has adopted a policy of only dealing with creditworthy counterparties, however significant revenue is generated by dealing with high profile well known customers, for whom the credit risk is assessed to be low. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of such counterparties. Balances with banks are assessed to have low credit risk of default since these banks are highly regulated by the central banks of the respective countries.

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location. Trade receivables from the Group's twenty largest customers is 34% (2019: 44%) at the end of the reporting period.

The Group limits its credit risk with regard to bank deposits by dealing only with reputable banks.

v. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the nature of the underlying business, the Group maintains adequate bank balances and credit facilities to fund its operations.

Management monitors the forecast of the Group's liquidity position on the basis of expected cash flow.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the consolidated statement of financial position date to the contractual maturity date.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	AED million			
	Less than 12 months	1 to 5 years	>5 years	Total
As at 31 December 2020				
Trade and other payables*	442.6	-	-	442.6
Lease liabilities (note 35)	3.9	16.2	13.0	33.1
Borrowings	171.8	-	-	171.8
	618.3	16.2	13.0	647.5
As at 31 December 2019				
Trade and other payables*	611.6	-	-	611.6
Lease liabilities (note 35)	6.8	17.4	20.7	44.9
Borrowings	171.6	10.5	12.9	195.0
	790.0	27.9	33.6	851.5

*(including retentions and excluding advances, amounts due to contract customers and lease liabilities)

34. Financial risk management (continued)

vi. Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group's ability to continue as a going concern is dependent on certain conditions which are disclosed in note 2.1.1.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of gearing ratio which is calculated as net debt divided by total 'equity' (as shown in the consolidated statement of financial position including non-controlling interests).

The Group was net debt position as at 31 December 2020 and 2019.

vii. Fair value estimation

Financial instruments comprise financial assets and financial liabilities.

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: Measurement is made by using quoted prices (unadjusted) from an active market.

Level 2: Measurement is made by means of valuation methods with parameters derived directly or indirectly from observable market data.

Level 3: Measurement is made by means of valuation methods with parameters not based exclusively on observable market data. The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2020 and 2019.

	AED million			
	Level 1	Level 2	Level 3	Total
Assets for which fair values are disclosed as at 31 December 2020				
Investment properties	-	-	8.4	8.4
Financial assets at FVOCI	-	-	8.1	8.1
Total	-	-	16.5	16.5
Assets for which fair values are disclosed as at 31 December 2019				
Investment properties	-	-	33.4	33.4
Financial assets at FVOCI	-	-	16.5	16.5
Total	-	-	49.9	49.9

35. Financial instruments

Financial instruments comprise financial assets and financial liabilities as follows:

	AED million		
	Financial assets at fair value through OCI	Financial assets at amortised cost	Total
Financial assets			
As at 31 December 2020			
Trade and other receivables (including subcontractor/supplier retentions)*		326.9	326.9
Financial assets at fair value through OCI	8.1	-	8.1
Cash and bank balances	-	137.4	137.4
	8.1	464.3	472.4

	AED million		
	Financial assets at fair value through OCI	Financial assets at amortised cost	Total
Financial assets			
As at 31 December 2019			
Trade and other receivables (including subcontractor/supplier retentions)*	-	555.2	555.2
Financial assets at fair value through OCI	16.6	-	16.6
Cash and bank balances	-	217.1	217.0
	16.6	772.3	788.8

	AED million
	Liabilities at amortised cost
Financial liabilities	
As at 31 December 2020	
Trade and other payables**	461.2
Lease liabilities	21.2
Borrowings	155.0
	637.4
Financial liabilities	
As at 31 December 2019	
Trade and other payables**	623.5
Lease liabilities	34.4
Borrowings	192.5
	850.4

* Excluding prepayments and advances to subcontractors and suppliers

** including retentions and excluding advance received and amounts due to construction contract customers

The carrying amount reflected in previous page represents the Group's maximum exposure to credit risk for such loans and receivables

36. Leases

(a) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	AED million 2020	AED million 2019
Right-of-use assets		
Retail outlets, office premises and warehouses	20.8	32.9
Lease liabilities		
Current	3.0	5.6
Non-current	18.2	28.8
	21.2	34.4

(b) Amounts recognised within the consolidated statement of comprehensive income and the movement of right-of-use assets and lease liabilities during the year

	AED million Right-of-use assets
Cost	
At 1 January 2019	-
Adoption of IFRS 16	39.5
Additions	-
At 31 December 2019	39.5
Additions	5.1
Lease terminations	(0.9)
Impairment	(5.2)
Translation difference	1.6
Assets classified as held for sale	(13.9)
At 31 December 2020	26.1
Accumulated depreciation	
At 1 January 2019	-
Charge for the year	6.6
At 31 December 2019	6.6
Charge for the year	7.3
Lease terminations	0.1
Impairment	(4.8)
Translation difference	0.1
Assets classified as held for sale	(4.0)
At 31 December 2020	5.3
Net book amount	
At 31 December 2020	20.8
At 31 December 2019	32.9

36. Leases (continued)

(b) Amounts recognised within the consolidated statement of comprehensive income and the movement of right-of-use assets and lease liabilities during the year (continued)

	AED million 2020	AED million 2019
Lease liabilities		
At 1 January	34.4	-
Adoption of IFRS 16	-	40.1
Additions during the year	5.1	-
Interest expense charged to finance costs (Note 23)	2.7	1.7
Currency translation	(3.1)	-
Payments made to the lessors	(8.0)	(7.4)
Liabilities directly attributable to assets classified as held for sale	(9.9)	-
At 31 December	21.2	34.4

The total cash outflow for leases in 2020 was AED 8.0 million (2019: AED 7.4 million) which interest expense amounting to AED 2.7 million (2019: AED 1.7 million)

37. Impact of COVID-19

In March 2020, the World Health Organization categorized the novel coronavirus ("COVID-19") as a pandemic. The outbreak of COVID-19 and public and private sector measures to reduce its transmission, such as forced business closures and limits on operations, the imposition of social distancing and orders to work-from-home and stay-at-home, have adversely impacted the Group’s business and demand for the Group’s services.

Covid-19 was reasonably expected to have an impact on costs to complete across the Group’s portfolio of construction contracts. The Group’s revenues are directly dependent upon the requirements of the Group’s existing clients and its ability to win new clients. The Group’s customers businesses have adjusted, reduced or suspended operating activities, which has negatively impacted the markets and The Group business including recoverability of contract assets due to ability of customers to pay.

Management has performed an ongoing assessment of forecast costs for construction contracts. Costs that do not contribute to the progression or completion of a performance obligation are classified as inefficiencies and are expensed in the period in which they are incurred. Further, the costs associated with delay or additional measures required, such as those due to social distancing and additional PPE, are included in the costs to complete forecast insofar as they were reasonably foreseeable at 31 December 2020. Further, COVID-19 has also impacted the valuation of assets carried at fair value as of 31 December 2020 due to its impact on market drivers.

The effects of the COVID-19 pandemic will likely continue to negatively impact the Group’s results of operations, cash flows and financial position; however, the extent of the impact will vary depending on the duration and severity of the economic and operational impacts of COVID-19 as well as the effectiveness of mass vaccination and other public health efforts to mitigate the impact of the pandemic.

Business continuity planning

Management have taken steps to protect the safety of their employees, and to support their working arrangements and believes had significant success in maintaining and continuing to advance the quality of The Group services notwithstanding extensive changes required by the pandemic. With respect to managing costs, Management undertook multiple initiatives, which continue, to align The Group expenses with changes in revenue. The steps taken across the Group which includes deferred merit increases, freezes on hiring and temporary labor, major cuts in non-essential spending, staff reductions and salary reductions.

37. Impact of COVID-19 (continued)

Liquidity management

Management remain committed to and have intensified The Group's efforts around cash flow discipline, including the identification of significant capital expenditures that can be deferred and working capital management.

The Group has taken measures to manage its liquidity carefully in order to satisfy its working capital needs, capital expenditure and other liquidity requirements associated with its existing operations. The Group has been closely monitoring the cash flows and forecasts on a weekly basis.

38. Corresponding figures

Certain corresponding figures have been reclassified where appropriate to conform to the current year's presentation.

Independent auditor's report to the shareholders of Depa PLC and its subsidiaries

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements presents fairly, in all material respects, the consolidated financial position of Depa PLC (the "Company") and its subsidiaries (together the "Group") as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of profit or loss for the year ended 31 December 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Dubai Financial Services Authority ("DFSA"). We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Material uncertainty relating to going concern

We draw attention to Note 2.1.1 to the consolidated financial statements, which indicates that the Group incurred a total comprehensive loss of AED 506.8 million during the year ended 31 December 2020 and, as of that date, the Group's current liabilities exceeded its current assets by AED 29.6 million and its accumulated losses were AED 872.3 million. These conditions, along with other matters as set forth in Note 2.1.1, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Independent auditor's report to the shareholders of Depa PLC and its subsidiaries (continued)

Our audit approach

Overview

Key Audit Matters	Recoverability of contract balances Revenue recognition from long-term contracts

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	*How our audit addressed the key audit matter*
Recoverability of contract balances	
Contract balances amount to AED 985 million as at 31 December 2020, before a provision of AED 515 million for doubtful accounts (net AED 470 million). Recoverability of contract balances is a key matter for our audit. Although contract balances have been agreed with customers through original contracts and formal agreements in the form of variations, claims and compensating events, uncertainty remains around the customers' ability to settle their dues to the Group. Furthermore, the Group has significant long overdue balances from certain customers for completed projects for which the Group is currently in discussions with the customers for the settlement of these balances.	We focused on those contract balances with significant uncertainty around recoverability, based on the age, possible expected losses and materiality of the outstanding debt, known disputes and the existence of arbitration proceedings. We discussed the judgements applied by management in relation to their assessment of the required provision for impairment of these individual receivables, and we have tested management's assertions by reference to external sources, in particular the correspondence between the Group and the customers concerned, the individual circumstances of each contract and our knowledge of the industry and the most recent publicly available financial information of particular customers. We also considered historical impairment provisions recognised by the Group and the relevant subsequent outcomes.

Independent auditor's report to the shareholders of Depa PLC and its subsidiaries (continued)

Key audit matter	*How our audit addressed the key audit matter*
Recoverability of contract balances (continued)	
Associated with the recoverability of contract balances, the Group commenced legal cases against its certain customers in order to recover outstanding balances. Please refer to Note 3 (Critical accounting estimates and assumptions), Note 13 (Trade and other receivables) and Note 14 (Due from construction contract customers) to the consolidated financial statements for further disclosures.	In respect of contracts that are subject to legal cases, we evaluated recovery of outstanding amounts by reference to the status of negotiations and legal proceedings along with other supporting documentation. We also made inquiries of management's legal counsel in respect of the current status of proceedings. We also assessed the appropriateness of the accounting policies and disclosures made in the consolidated financial statements.
Revenue recognition from long-term contracts	
The Group enters into contracts, many of which are complex and long-term, spanning several reporting periods. The recognition of revenue and profit on these contracts in accordance with "IFRS 15 – Revenue from Contracts with Customer" is over time, based on progress of the projects based on the cost to complete method. Revenue recognition is assessed by reference to the proportion of contract costs incurred for the work performed at the balance sheet date relative to the estimated total costs of the contract at completion. Revenue recognition on contracts is a key audit matter because of the judgement involved in preparing suitable estimates of the forecasted future costs to complete each contract and associated revenues. An error in the contract forecast could result in a material variance in the amount of revenue and profit or loss recognised to date including in the current period. These judgements include the expected recovery of costs arising from the following: variations to the original contract terms; compensation events; and claims made against the contractor for delays or other additional costs for which the customer is deemed liable. The incorrect inclusion or calculation of these amounts in the forecasted results of contracts where there is uncertainty, could result in a material error in the amount of revenue and profit or loss recognised by the Group. Please refer to Notes 2.25 (Revenue recognition accounting policy) and Note 3 (Critical accounting estimates and assumptions) to the consolidated financial statements for further disclosures.	We focused our work on those contracts that we deemed to have significant estimation of uncertainty over the final contract values and therefore revenue and profit. We challenged the judgements applied in management's forecasts, in particular the key assumptions which included the expected recovery from variations, claims and compensation events included in the forecast. We also considered the historical financial performance and forecast out-turn against budget of other contracts of a similar nature and size along with our industry knowledge. We met with commercial teams responsible for the individual contracts we selected and we obtained certifications and other relevant third party correspondence to test the explanations provided to us. We tested a sample of costs by agreeing them to supporting documentation. We inspected correspondence with customers concerning variations, claims and compensation events, and, where applicable, to assess whether this information was consistent with the estimates made. We also assessed the appropriateness of the accounting policies and disclosures made in the consolidated financial statements.

Independent auditor's report to the shareholders of Depa PLC and its subsidiaries (continued)

Other information

Management is responsible for the other information. The other information comprises the Directors' Report (but does not include the consolidated financial statements and our auditor's report thereon) which we obtained prior to the date of this auditor's report, and the Group's annual report which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Group's annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of consolidated financial statements in accordance with International Financial Reporting Standards and their preparation in compliance with the applicable provisions of Market Law No. 1 of 2012 (as amended) and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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Independent auditor's report to the shareholders of Depa PLC and its subsidiaries (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent auditor’s report to the shareholders of Depa PLC and its subsidiaries (continued)

Report on legal and other regulatory requirements

Further, we report that the Company’s financial statements have been properly prepared in accordance with the applicable provisions of the Markets Law No. 1 of 2012 (as amended).

PricewaterhouseCoopers Limited
28 April 2021

Murad Nsour
Audit Principal, Reference Number I010187
Dubai, United Arab Emirates