Depa PLC and its subsidiaries

Condensed consolidated interim financial statements and review report for the six month period ended 30 June 2021

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Contents

Depa PLC and its subsidiaries

Condensed consolidated interim statement of profit or loss

AED million

	Note	30 June 2021 (Unaudited)	30 June 2020 (Unaudited)
Continuing operations			
Revenue		394.9	526.6
Expenses	3	(445.5)	(552.5)
Net reversals / (impairment) of trade and other receivables and due from construction contract customers		26.5	(24.2)
Impairment of goodwill and intangibles written off		-	(86.7)
Changes in fair value of investment properties		-	(11.0)
Share of profit from associates		-	1.4
Finance income		0.6	0.7
Finance cost		(8.5)	(8.7)
Net - finance cost		(7.9)	(8.0)
Loss before tax		(32.0)	(154.4)
Income tax expense		(7.8)	(4.8)
Loss for the period from continuing operations		(39.8)	(159.2)
Loss from discontinued operations	12	-	(8.4)
Loss for the period		(39.8)	(167.6)
Attributable to:			
Owners of Depa PLC		(35.7)	(164.8)
Non-controlling interests		(4.1)	(2.8)
		(39.8)	(167.6)
Earnings per share			
Basic and diluted loss per share (UAE fils) from continuing operations		(6)	(26)
Basic and diluted loss per share (UAE fils) from discontinued operations		-	(1)

Depa PLC and its subsidiaries

Condensed consolidated interim statement of comprehensive income

AED million

	30 June 2021 (Unaudited)	30 June 2020 (Unaudited)
Loss for the period	(39.8)	(167.6)
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	0.1	5.0
Total comprehensive loss for the period	(39.7)	(162.6)
Attributable to:		
Owners of Depa PLC	(35.1)	(160.0)
Non-controlling interests	(4.6)	(2.6)
	(39.7)	(162.6)
Attributable to owners of Depa PLC arises from:		
Continuing operations	(35.1)	(152.5)
Discontinued operations	-	(7.5)

Depa PLC and its subsidiaries

Condensed consolidated interim statement of financial position

AED million

	Note	30 June 2021 (Unaudited)	31 December 2020 (Audited)
ASSETS			
Cash and bank balances	4	180.4	137.4
Trade and other receivables	5	359.8	256.9
Due from construction contract customers		236.1	190.8
Inventories		34.2	9.0
Total current assets excluding assets classified as held for sale		810.5	594.1
Assets classified as held for sale	12	6.7	379.3
Total current assets		817.2	973.4
Contract retentions		176.7	172.6
Financial assets at fair value through OCI		-	8.1
Property, plant and equipment		114.6	61.8
Right-of-use assets		28.3	20.8
Intangible assets		9.2	8.8
Investment properties		8.4	8.4
Investment in associates	7	12.5	12.5
Goodwill	6	32.3	-
Total non-current assets		382.0	293.0
Total assets		1,199.2	1,266.4
LIABILITIES			
Trade and other payables		802.0	617.3
Income tax payable		1.9	2.5
Borrowings	8	155.2	155.0
Total current liabilities excluding liabilities classified as held for sale		959.1	774.8
Liabilities directly associated with assets classified as held for sale	12	6.7	228.2
Total current liabilities		965.8	1,003.0
Employees' end of service benefits		67.2	70.1
Retentions		19.0	18.8
Lease liabilities		30.6	18.2
Deferred tax liabilities		0.1	0.1
Total non-current liabilities		116.9	107.2
Total liabilities		1,082.7	1,110.2
Net assets		116.5	156.2
EQUITY			
Share capital		908.9	908.9
Share premium		172.1	172.1
Treasury shares		(12.6)	(12.6)
Statutory reserve		60.0	60.0
Translation reserve		(16.1)	(16.7)
Other reserve		(13.9)	(13.9)
Accumulated losses		(908.0)	(872.3)
Equity attributable to equity holders of Depa PLC		190.4	225.5
Non-controlling interests		(73.9)	(69.3)
Total equity		116.5	156.2

The condensed consolidated interim financial statements were approved for issue by the Board of Directors on 25 August 2021 and signed on its behalf.

Group Chief Executive Officer

Group Chief Financial Officer

Depa PLC and its subsidiaries

Condensed consolidated interim 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 2020	908.9	172.1	(12.6)	**60.0**	(24.7)	(7.6)	(379.0)	717.1	(54.1)	663.0
Loss for the period	-	-	-	-	-	-	(164.8)	(164.8)	(2.8)	(167.6)
Other comprehensive income	-	-	-	-	4.8	-	-	4.8	0.2	5.0
Total comprehensive loss	-	-	-	-	4.8	-	(164.8)	(160.0)	(2.6)	(162.6)
Transfer to statutory reserve	-	-	-	0.8	-	-	(0.8)	-	-	-
At 30 June 2020 (Unaudited)	**908.9**	**172.1**	**(12.6)**	**60.8**	**(19.9)**	**(7.6)**	**(544.6)**	**557.1**	**(56.7)**	**500.4**
At 31 December 2020	908.9	172.1	(12.6)	60.0	(16.7)	(13.9)	(872.3)	225.5	(69.3)	156.2
Loss for the period	-	-	-	-	-	-	(35.7)	(35.7)	(4.1)	(39.8)
Other comprehensive income	-	-	-	-	0.6	-	-	0.6	(0.5)	0.1
Total comprehensive loss	-	-	-	-	0.6	-	(35.7)	(35.1)	(4.6)	(39.7)
At 30 June 2021 (Unaudited)	**908.9**	**172.1**	**(12.6)**	**60.0**	**(16.1)**	**(13.9)**	**(908.0)**	**190.4**	**(73.9)**	**116.5**

depa

Condensed consolidated interim statement of cash flows

AED million

	30 June 2021 (Unaudited)	30 June 2020 (Unaudited)
Operating activities		
Loss before tax	(32.0)	(162.8)
Adjustments for:		
Depreciation of property, plant and equipment	10.9	16.4
Depreciation of right-of-use assets	2.3	3.4
Amortisation of intangible assets	1.0	2.3
Write off of intangibles	-	14.5
(Gain)/loss on disposal of property, plant and equipment	(0.3)	0.4
Share of profit from associates	-	(1.4)
Net (reversals) / impairment for trade and other receivables and due from construction contract customers	(26.5)	24.2
Reversal of liabilities no longer required	-	(5.7)
Impairment of goodwill	-	72.6
Changes in fair value of investment properties	-	11.0
Finance income	(0.6)	(0.7)
Finance cost	8.5	8.7
Provision for employees' end of service benefits	3.2	5.4
Operating cash flows before payment of employees end of service benefits, taxes and changes in working capital	(33.5)	(11.7)
Employees' end of service benefits paid	(6.1)	(9.1)
Income tax paid	(8.4)	(4.2)
Working capital changes		
Trade and other receivables	52.0	10.3
Inventories	(5.2)	(5.2)
Due from construction contract customers	14.7	77.1
Contract retentions	0.2	47.9
Retentions	(4.1)	(1.5)
Trade and other payables	5.0	(98.0)
Restricted cash	0.6	(14.4)
Net cash generated from / (used in) operating activities	15.2	(8.8)
Investing activities		
Purchase of property, plant and equipment	-	(4.3)
Disposal of property, plant and equipment	0.5	4.2
Purchase of intangible assets	(0.8)	-
Dividend received from associates	-	0.5
Increase in long term fixed deposits	-	(2.2)
Net cash for entity no longer classified as held for sale	57.6	-
Proceeds from disposal of financial assets at fair value through OCI	8.1	-
Finance income received	0.6	0.7
Net cash generated from / (used in) investing activities	66.0	(1.1)

Condensed consolidated interim statement of cash flows (continued)

AED million

	30 June 2021 (Unaudited)	30 June 2020 (Unaudited)
Financing activities		
Net movement in bank borrowings	12.8	(0.1)
Principle element of lease payments	(2.5)	(4.2)
Finance cost paid	(8.5)	(7.8)
Net cash generated from / (used in) from financing activities	1.8	(12.1)
Net increase / (decrease) in cash and cash equivalents	83.0	(22.0)
Exchange differences arising on translation of foreign operations	0.1	3.4
Cash and cash equivalents at the beginning of the period	8.8	86.6
Cash and cash equivalents at the end of the period	91.9	68.0

1. Corporate information

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

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, 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 Nasdaq Dubai.

The address of the Company’s registered office is P.O. Box 213537, Dubai, United Arab Emirates.

2. Basis of preparation

The principal accounting policies applied in the preparation of these condensed consolidated interim financial statements are consistent with those of the previous financial year. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Statement of compliance and accounting convention

These condensed consolidated interim financial statements for the six month period ended 30 June 2021 have been prepared in accordance with International Accounting Standard 'IAS 34 Interim Financial Reporting’.

The condensed consolidated interim financial statements have been prepared under the historical cost basis, except for certain investment properties and financial assets classified as fair value through other comprehensive income (FVOCI) which have been measured at fair value.

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2020 and any public announcements made by the Group during the interim reporting period.

In addition, results for the period from 1 January 2021 to 30 June 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

Critical accounting estimates and judgements

The significant judgments made by the management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that were applied in preparation of the consolidated financial statements of the Group as at and for the year ended 31 December 2020 except for the re-assessment of the following significant judgements, estimates and assumptions.

Due to the factors mentioned in note 12, impairment assessment of goodwill was required during the six month period ended 30 June 2021. As disclosed in note 6, management performed an in-house assessment using the expected future cash flows based on an approved long-term strategic plan of the Group which takes into account macroeconomic factors including the impact of COVID-19. The discount rate was also assessed based on the current market risks and key business unit’s specific risks.

The management has also considered and recognised impacts of COVID-19 on the recoverability of contract receivables, retentions and amounts due from contract customers, construction cost estimates and contract variations during the period.

In addition to the above, management has internally performed an assessment of fair value of the investment properties and no material fair value adjustment was required from the last reporting period.

The impact of COVID-19 continues to evolve, hence there are uncertainties and likely risks that may impact the business in the future. The Group is continuously assessing the impact of COVID-19 on its business operations, with management reviewing and reassessing the key sources of estimation uncertainty and taking proactive measures to monitor and manage the situation to the best of its abilities to support the long-term continuity of its business.

The Group has a five-year strategic plan in place which ensures stable continuation of the business operations which also forms part of management’s assessment of going concern basis as disclosed overleaf.

2. Basis of preparation (continued)

Management's assessment of going concern basis

During the six month period ended 30 June 2021, the Group incurred total comprehensive loss of AED 39.7 million (30 June 2020: AED 162.6 million) and had accumulated losses of AED 908.0 million (31 December 2020: AED 872.3 million) as at 30 June 2021. Also the current liabilities of the Group exceeded the total current assets by AED 148.6 million (31 December 2020: AED 29.6 million).

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

- Successful renewal of its banking facilities.
- Securing additional equity investment from potential investors for the Group to support its existing and future activities,.
- Timely collection of outstanding contract balances, including amounts due from construction contract customers, trade receivables and contract retentions.
- The conversion of the Group's backlog into revenue and subsequently into cash receipts, and replenishing the future pipeline of work over the next 12 months from the date of approval of the condensed consolidated interim financial statements, which is subject to market and macroeconomic factors, including the potential impact of Covid-19.

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

However, the Group is confident that it will be able to generate sufficient funds from the above sources to enable it to continue as a going concern, meet its liabilities and continue its operations without significant curtailment for a period of at least 12 months from the date of signing of the condensed consolidated interim financial statements. Accordingly, the condensed consolidated interim financial statements of the Group have been prepared on a going concern basis.

Financial risk management

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual consolidated financial statements; therefore, it should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2020. The Group's financial risk management objectives and policies are consistent with those disclosed in the annual consolidated financial statements at and for the year ended 31 December 2020.

There have been no significant changes in the risk management function or in any risk management policies since the year end.

Liquidity risk factors

Ultimate responsibility for liquidity risk management rests with the board of directors, which has an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and financial liabilities.

Fair values of financial instruments

Financial instruments comprise financial assets and financial liabilities. Financial assets consist of cash and bank balances, accounts receivable and other assets (excluding prepayments and advances to subcontractors and suppliers), amounts due from customers on construction contracts and due from related parties. Financial liabilities consist of bank borrowings, accounts payable and accruals, (excluding advances received) subcontractors' retention, lease liabilities and due to related parties.

At the period end, the fair values of financial instruments are not materially different from their carrying values. The fair value of the financial assets and liabilities are considered at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Cash and bank balances, accounts receivable and other assets (excluding prepayments and advances to subcontractors and suppliers), amount due from customers on construction contracts, due from related parties, bank borrowings, accounts payable and accruals (excluding advances received) subcontractors' retention and due to related parties approximate their carrying amounts, largely due to the short-term maturities of these instruments.

2. Basis of preparation (continued)

Fair values of financial instruments (continued)

- Long term receivables are evaluated by the Group based on parameters such as interest rates, specific country risk factors and individual credit worthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, provisions are taken to account for the expected losses of these receivables. As at 30 June 2021, the carrying amounts of such receivables, net of provisions, are not materially different from their fair values.

Fair values estimation

The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Investment properties and financial assets at FVOCI having fair value of AED 8.4 million (31 December 2020: AED 8.4 million) and nil (31 December 2020: AED 8.1 million) respectively, are classified under Level 3.

Investment properties are valued annually by qualified independent property valuation firms 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 meter. The property valuation firms are specialised in valuing these types of investment properties.

During the six month period ended 30 June 2021, management entered in to a sale purchase agreement for its villas in Morocco at fair market value.

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

Accounting policies

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

(a) New and amended standard adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

(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 30 June 2021 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.

Notes to the condensed consolidated interim financial statements for the six month period ended 30 June 2021 (continued)

3. Expenses

AED million

	30 June 2021 (Unaudited)	30 June 2020 (Unaudited)
Personnel costs	166.1	198.4
Sub-contractor costs	123.7	158.9
Material costs	110.5	148.7
Depreciation of property, plant and equipment	10.9	15.5
Registration and legal expenses	10.5	4.7
Depreciation of right-of-use assets	2.3	2.6
Premise rent	1.3	1.7
Amortisation of intangible assets	1.0	2.3
(Gain) / loss on disposal of property, plant and equipment	(0.3)	0.4
Reversal of liabilities no longer required	-	(5.7)
Other expenses	19.5	25.0
	445.5	552.5

4. Cash and cash equivalents

AED million

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Cash on hand	1.5	1.3
Current accounts	132.7	88.3
Short term fixed deposits	12.3	13.3
Term deposits with maturity over three months	0.6	0.6
Restricted cash	33.3	33.9
Cash and bank balances	180.4	137.4
Term deposits with original maturity over three months	(0.6)	(0.6)
Restricted cash	(33.3)	(33.9)
Bank overdrafts (note 8)	(54.6)	(94.1)
Cash and cash equivalents	91.9	8.8

5. Trade and other receivables

AED million

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Trade receivables	245.0	298.5
Contract retentions	135.3	155.2
	380.3	453.7
Less: Impairment of trade receivables and contract retentions	(296.6)	(347.5)
Net-trade receivable and contract retentions	83.7	106.2
Guarantees encashed by customers	18.2	18.2
Less: Impairment of trade receivables and contract retentions	(18.2)	(18.2)
Net-guarantee encashed by customers	-	-
Amounts due from related parties	9.0	9.0
Advances to subcontractors and suppliers	188.7	91.8
Prepayments	19.3	10.8
Other receivables	59.1	39.1
	359.8	256.9

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 the contractual obligations.

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

AED million

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
At 1 January	347.5	214.1
Charge for the period/year	6.3	151.4
Reversal during the period/year	(40.4)	(11.2)
Amounts transferred/written off	(16.8)	(6.8)
Closing balance	296.6	347.5

Provision balance includes AED 161.4 million (31 December 2020: AED 156.7 million) relating to contract retention receivables.

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. During the current period, the Group entered into a settlement agreement with one of its customer for an overdue receivable balance and as a result, the Group recorded a reversal of provision amounting to AED 35.0 million and written off the excess provision of AED 15.4 million in relation to this balance.

6. 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 group of cash-generating units is as follows:

AED million

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Vedder	32.3	-
	32.3	-

During the period, assets in relation to Vedder were reclassified from assets held for sale to the respective statement of financial position categories which includes goodwill amounting to AED 32.3 million (note 12).

Goodwill is tested for impairment annually or when circumstances indicate the carrying value may be impaired. For impairment test purposes, the recoverable amount of the 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 current forecast and approved cash flow projections covering a five-year period. Based on the assessment, the management concluded that no impairment was required.

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 3% per annum was used in the estimates.

Discount rate: Discount rate used throughout the assessment period was 7.6% 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.

Management believes that for the carrying value of Vedder to materially exceed the recoverable amount, there would have to be unreasonable changes to key assumptions. Management considers the chances of these changes occurring to be unlikely.

7. Investment in associates

AED million

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
At 1 January	12.5	12.4
Share of profit for the period/year	-	1.1
Dividend received	-	(1.0)
Closing balance	12.5	12.5

Notes to the condensed consolidated interim financial statements for the six month period ended 30 June 2021 (continued)

8. Borrowings

AED million

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Bank overdrafts (note 4)	54.6	94.1
Bank loans	60.8	-
Trust receipts and acceptances	39.8	60.9
	155.2	155.0
The borrowings are repayable as follows:		
Within 1 year	155.2	155.0
	155.2	155.0

Presented in the condensed consolidated statement interim of financial position as:		
Current liabilities	155.2	155.0
	155.2	155.0

Bank overdrafts

There were no significant changes in interest rate on the overdrafts since the year ended 31 December 2020. Subsequent to year-end, certain overdraft facilities were converted to term loans.

Trust receipts and acceptances

Trust receipts and acceptances are facilities used by the Group for imports. There were no significant changes payment terms and interest rate on the trust receipts and acceptances since the year ended 31 December 2020.

Bank loans

During the six month period ended 30 June 2021, management entered into an agreement for the conversion of its certain overdraft facilities in term loans. The terms of existing bank loans are detailed in the consolidated financial statements for the year ended 31 December 2020.

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 period, 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 condensed consolidated interim financial statements as these breaches relates to current liabilities.

9. 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 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 at mutually agreed prices. These services consist of construction/fit-out work, leasing office space or land, use of specialised skills on certain projects, and use of employees. 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 and which are aligned with the relevant provisions of the Dubai Financial Services Authority Market Rules relating to related party transactions.

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

Trade and other payables include amounts due to related parties amounting to AED 10.4 million as at 30 June 2021 (31 December 2020: AED 10.4 million).

Trade and other receivables (note 5) and due from construction contract customers includes amounts due from related parties amounting to AED 84.0 as at 30 June 2021 (31 December 2020: AED 84.0 million).

AED million

	30 June 2021 (Unaudited)	30 June 2020 (Unaudited)
Related party transactions		
Entities with common ownership and/or management		
Revenue	12.7	27.2
Expenses	-	27.2

(b) Compensation of key management personnel

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

AED million

	30 June 2021 (Unaudited)	30 June 2020 (Unaudited)
Short-term compensations	3.4	3.8
End of service benefits	0.2	0.2
Directors' fees	0.5	1.0
	4.1	5.0

10. Commitments and contingencies

AED million

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Letters of credit	35.0	42.9
Letters of guarantee	435.7	541.0
Security cheques issued	4.3	4.3

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

The Group has no committed capital expenditures as at 30 June 2021 (31 December 2020: nil).

The security cheques were issued in lieu of performance bonds.

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.

11. Segment information

The Group is organised in four key business units: Vedder, Depa Interiors, Deco Group and DSG; and Investments and others. These businesses are the basis on which the Group reports its primary segment information to the chief operating decision maker, who is the Group Chief Executive Officer, 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) 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 reclassified to continued operations (note 12).

b) 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.

c) 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.

d) DSG

- Interior fit-out solutions, including contracting, manufacturing and supply, specialising in the hospitality, commercial and residential sectors.
- Primarily operates in Asia.

e) Investments and others

- Strategic management activities at a corporate level.
- Corporate services and head office function
- Investment and others segment includes non-operational entities.

11. 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 / adjustments	Total
30 June 2021							
Reportable segment assets	102.6	368.5	669.9	197.6	2,860.8	(3,000.2)	1,199.2
Reportable segment liabilities	336.9	238.0	633.1	82.3	50.1	(257.7)	1,082.7
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
30 June 2021							
Revenue – external	3.7	203.2	132.0	56.0	-	-	394.9
Expenses	(48.9)	(190.7)	(119.7)	(54.2)	(6.2)	0.7	(419.0)
Net finance income/(cost)	(3.7)	(1.1)	(3.2)	(0.6)	0.7	-	(7.9)
Income tax expense	(4.4)	(3.4)	-	-	-	-	(7.8)
Profit/(loss) for the period from continuing operations	(53.3)	8.0	9.1	1.2	(5.5)	0.7	(39.8)
Depreciation	2.2	3.6	2.9	4.3	0.2	-	13.2
Amortisation	-	0.3	-	0.7	-	-	1.0
30 June 2020							
Revenue – internal	-	-	-	2.5	-	(2.5)	-
Revenue – external	40.4	169.0	243.1	74.1	-	-	526.6
Expenses	(56.7)	(152.9)	(288.4)	(81.7)	(11.5)	(83.2)	(674.4)
Share of loss from associates	-	-	-	-	1.4	-	1.4
Net finance income/(cost)	(2.5)	(1.0)	(4.8)	(0.8)	1.1	-	(8.0)
Income tax expense	-	(4.8)	-	-	-	-	(4.8)
Profit/(loss) for the period from continuing operations	(18.8)	10.3	(50.1)	(5.9)	(9.0)	(85.7)	(159.2)
Loss for the period from discontinued operations	(8.4)	-	-	-	-	-	(8.4)
Capital expenditure	0.1	2.3	1.0	0.9	-	-	4.3
Depreciation	5.4	4.5	5.1	4.4	0.4	-	19.8
Amortisation	-	-	-	0.2	2.1	-	2.3

The Group recorded revenue amounting to AED 394.9 million (30 June 2020: AED 526.6 million) over time.

12. Discontinued operations

1) Depa Munich GmbH & Co. KG

During 2020 management committed to a plan to sell its 100% shareholding in Depa Munich GmbH & Co. KG and its 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, the sale transaction was considered highly probable and hence the business was classified as held for sale at 31 December 2020.

During the six month period to 30 June 2021, the Board authorised management to prioritise the pursuit of additional equity investment from potential investors into Depa PLC and to suspend the proposed sale of the Vedder business. As a result, the management do not now consider the Vedder business to be available for immediate sale and hence the sale is now not considered to be highly probable within the following twelve months. Accordingly, the Vedder business has been reclassified as part of continuing operations as at 30 June 2021 and the related assets and liabilities have been transferred from "assets/liabilities classified as held for sale" to the respective statement of financial position categories.

The related assets / liabilities are measured at lower of the carrying amount before it was classified as held for sale, adjusted for depreciation, amortisation and revaluations that would have been recognised if the asset had not been classified as held for sale the recoverable amount at the date of the decision not to sell.

For financial information in relation to the discontinued operation as of 31 December 2020 please refer to note 31 in the Group's annual consolidated financial statements for the year ended 31 December 2020.

2) DSG China Group

On 29 October 2020, the DSG board of directors approved management's 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). During the six month period ended 30 June 2021, the Group entered into sale purchase agreements with potential buyers and is currently in the process of completing the legal transfer of the business.

Financial information for the six month period ended 30 June 2021 relating to the discontinued operation for the period is set out below. For financial information in relation to the discontinued operation as of 31 December 2020 please refer to note 31 in the Group's annual consolidated financial statements for the year ended 31 December 2020.

(a) Financial performance and cash flow information

	AED million	
	30 June 2021 (Unaudited)	30 June 2020 (Unaudited)
Revenue	-	9.6
Expenses	-	(18.0)
Loss before tax	-	(8.4)
Loss after tax from discontinued operation	-	(16.8)

	AED million	
	30 June 2021 (Unaudited)	30 June 2020 (Unaudited)
Net cash outflow from operating activities	-	(0.2)
Net decrease in cash	-	(0.2)

12. Discontinued operations (continued)

(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 30 June 2021:

	AED million
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

13. Restructuring of DSG

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

DSG as a group is not actively bidding for new projects and currently the subsidiaries are managing their 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 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 an application to the 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 15 June 2021, DSG filed an application to the High Court of Malaya at Kuala Lumpur to appoint a judicial manager in respect of its Malaysian businesses. The Malaysian court adjourned the hearing and the Malaysian moratorium remains in place until such hearing occurs.

On 13 August 2021, the General Division of the High Singapore Court declined the DSG's application for sanction of the creditor scheme. DSG intends to appeal the decision of the General Division of the High Court of Singapore and expects to seek the sanction of the creditor scheme from the Court of Appeal of Singapore. Pending the appeal proceedings, the General Division of the High Court of Singapore has ordered that the Singapore moratorium will remain in place.

China operations

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

Other operations

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

14. Corresponding figures

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

Report on review of condensed consolidated interim financial statements to the shareholders of Depa PLC

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Depa PLC and its subsidiaries (the 'Group') as at 30 June 2021 and the related condensed consolidated interim statements of profit or loss, comprehensive income, changes in equity and cash flows for the six month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of interim financial information performed by the independent auditor of the entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34.

Emphasis of matter

We draw attention to Note 2 to the condensed consolidated interim financial statements, which indicates that the Group incurred a total comprehensive loss of AED 39.7 million (30 June 2020: AED 162.6 million) during the period ended 30 June 2021. As of that date, the Group had accumulated losses of AED 908.0 million (30 June 2020: AED 872.3 million) and the Group's current liabilities exceeded its total current assets by AED 148.6 million (31 December 2020: AED 29.6 million). These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

PricewaterhouseCoopers
25 August 2021

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