DRAKE AND SCULL INTERNATIONAL PJSC & ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

Consolidated financial statements for the year ended 31 December 2020

	Pages
Index	**1**
Director's report	**2**
Independent auditor's report	**3-6**
Consolidated statement of financial position	**7-8**
Consolidated income statement	**9**
Consolidated statement of other comprehensive income	**10**
Consolidated statement of changes in equity	**11**
Consolidated statement of cash flows	**12-13**
Notes to the consolidated financial statements	**14-68**

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors present their report and the consolidated financial statements for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

Drake & Scull International PJSC is preliminary engaged in engineering, integrated design and construction disciplines of engineering, civil contracting and water and power infrastructure.

RESULTS

For the year ended 31 December 2020, the Group recorded revenue of AED 182 million (2019: AED 681 million). The net profit for the year was AED 77 million (2019: AED 262 million).

Looking ahead our main focus will be to restructure our debt and equity for which a comprehensive plan is in progress.

AUDITORS

A resolution to re-appoint Ernst & Young as auditors for the ensuing year will be put to the members at the Annual General Meeting.

For and on Behalf of the Board of Directors

Chairman

30 March 2021

Dubai, United Arab Emirates

Drake & Scull International PJSC
P.O. Box 65794, Dubai - United Arab Emirates, Tel:+971 4 528 3444, Fax: +971 4 320 0558
www.drakescull.com

EY
Building a better working world

Ernst & Young Middle East (Dubai Branch)
P.O. Box 9267
Ground Floor, ICD Brookfield Place
Al Mustaqbal Street
Dubai International Financial Centre
Dubai
United Arab Emirates

Tel: +971 4 701 0100
+971 4 332 4000
Fax: +971 4 332 4004
dubai@ae.ey.com
ey.com

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DRAKE AND SCULL INTERNATIONAL P.J.S.C.

Report on the Audit of the Consolidated Financial Statements

Disclaimer of opinion

We were engaged to audit the consolidated financial statements of Drake and Scull International P.J.S.C. (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statements of income, other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying consolidated financial statements of the Group. Because of the significance of the matters described in the *Basis for disclaimer of opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the consolidated financial statements.

Basis for disclaimer of opinion

1. *Opening balances*
   We disclaimed our opinion on the consolidated financial statements of the Group as of, and for the year ended 31 December 2019 as a result of a number of significant and pervasive audit issues. As opening balances enter into the determination of the results for the current year, and in the absence of any practicable alternative audit procedures that we could carry out in this regard, we were unable to ascertain whether any misstatement in those balances would have had a material impact on the consolidated statements of income, other comprehensive income and cash flows for the year ended 31 December 2020.

2. *Disposal of interest in Drake & Scull International (Qatar) WLL*
   As disclosed in note 34 to the accompanying consolidated financial statements, the Group has disposed its interest in Drake & Scull International (Qatar) WLL (the "subsidiary") during the year on 30 June 2020. The related gain on disposal of AED 291 million is included in the consolidated income statement. We were not provided with financial information of the subsidiary for the period up to the date of disposal and, accordingly, were unable to determine the appropriateness of the gain on disposal included in the consolidated income statement for the year ended 31 December 2020.

3. *Bank confirmations*
   We were unable to obtain direct bank confirmations for bank balances, bank borrowings, provision for bank liabilities of subsidiaries, and commitments and contingencies included in the consolidated statement of financial position amounting to AED 41 million, AED 1,445 million, AED 1,275 million and AED 1,220 million as of 31 December 2020, respectively. In the absence of any practicable alternative audit procedures that we could perform in respect of this matter, we were unable to conclude on the completeness and valuation of these balances, and related liabilities, commitments and contingent liabilities, if any, as of 31 December 2020.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DRAKE AND SCULL INTERNATIONAL P.J.S.C. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Basis for disclaimer of opinion (continued)

4. *External lawyers' confirmations*
   We were not able to obtain certain external lawyers' confirmations in relation to legal cases to assess the Group's exposure against legal cases as of 31 December 2020. In the absence of any alternative procedures that we could perform in respect of this matter, we were unable to satisfy ourselves with regard to the sufficiency of legal provisions, required disclosures and accruals made.

5. *Going concern and restructuring*
   As detailed in note 2.1 to the consolidated financial statements, the Group's accumulated losses as of 31 December 2020 amounted to AED 4,902 million, and its current liabilities exceeded its current assets by AED 4,067 million. Furthermore, the Group had negative cash flow from operations of AED 104 million for the year ended 31 December 2020. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and, therefore, it may not be able to realise its assets and discharge its liabilities in the normal course of business.

   The accompanying consolidated financial statements, however, have been prepared on a going concern basis based on a restructuring plan developed by the management in consultation with the board of directors of the Company and approval of the shareholders. The Group's going concern assumption, and the impact of the restructuring plan on its consolidated financial statements as at 31 December 2020 are however dependent on the successful execution of the plan, including approval by lenders, regulators and other relevant stakeholders, and cannot be determined at this stage. Further, we did not receive significant responses for direct audit confirmation requested to verify the existence and completeness of claims from trade and other creditors. The Group is in the process of collecting details of creditor claims and reconciling them with that recorded in the Group's books. As this process has not been completed, we are unable to determine if any adjustments are required to the consolidated financial statements for the year ended 31 December 2020.

The consolidated financial statements for the year ended 31 December 2019 were also disclaimed in respect to certain of the above and other matters.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DRAKE AND SCULL INTERNATIONAL P.J.S.C. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and in compliance with the applicable provisions of the articles of association of the Company and the UAE Federal Law No. (2) of 2015, 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 responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the *Basis for disclaimer of opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants' (including International Independence Standards) (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Building a better working world

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DRAKE AND SCULL INTERNATIONAL P.J.S.C. (continued)

Report on other legal and regulatory requirements

Because of the significance of the matters described in the *Basis for disclaimer of opinion* section of our report, we are unable to report on other legal and regulatory requirements.

For Ernst & Young

Signed by:
Ashraf Abu-Sharkh
Partner
Registration No: 690

31 March 2021

Dubai, United Arab Emirates

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

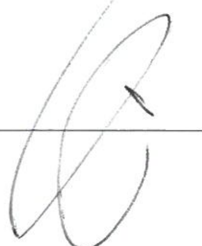
As at 31 December 2020

	Notes	***31 December 2020 AED'000***	*31 December 2019 AED'000 (Restated)*	*1 January 2019 AED'000 (Restated)*
ASSETS				
Non-current assets				
Property and equipment	5	**44,895**	45,459	201,638
Investment property	6	**94,354**	100,000	-
Right-of-use assets	7	**6,186**	7,453	-
Deferred income tax assets	8	**16,543**	15,106	12,397
Equity accounted investments	9	**-**	6,251	-
Non-current financial assets	10	**-**	-	551
Trade and other receivables	12	**37,820**	95,836	186,937
		199,798	270,105	401,523
Current assets				
Inventories	11	**-**	541	19,064
Trade and other receivables	12	**259,114**	235,958	1,058,378
Due from related parties	13	**19,985**	52,193	68,179
Financial assets at fair value through profit or loss	14	**1,058**	1,058	1,887
Cash and bank balances	15	**98,962**	79,789	154,971
Investment in associate	9	**-**	-	96,000
Development properties		**-**	-	7,525
		379,119	369,539	1,406,004
Assets held for sale	33	**2,585**	1,585	111,132
		381,704	371,124	1,517,136
TOTAL ASSETS		**581,502**	641,229	1,918,659
EQUITY AND LIABILITIES				
EQUITY				
Share capital	16	**1,070,988**	1,070,988	1,070,988
Share premium	16	**3,026**	3,026	3,026
Statutory reserve	17	**125,760**	125,760	125,760
Other reserve	18	**-**	-	24,543
Accumulated losses		**(4,901,556)**	(4,996,454)	(4,933,990)
Foreign currency translation reserve		**(59,198)**	(58,604)	(63,728)
Equity attributable to equity holders of the parent		**(3,760,980)**	(3,855,284)	(3,773,401)
Non-controlling interests	36	**(141,632)**	(123,684)	(966,593)
Deficiency of assets		**(3,902,612)**	(3,978,968)	(4,739,994)

The attached notes 1 to 37 form part of these consolidated financial statements.

	Notes	***31 December 2020 AED'000***	*31 December 2019 AED'000 (Restated)*	*1 January 2019 AED'000 (Restated)*
LIABILITIES				
Non-current liabilities				
Employees' end of service benefits	20	**30,577**	69,320	113,724
Lease liabilities	7	**5,287**	5,778	-
Bank borrowings	19	**-**	-	295,479
		35,864	75,098	409,203
Current liabilities				
Provision for bank liabilities of subsidiaries	22	**1,275,285**	723,379	12,192
Bank borrowings	19	**1,908,773**	1,788,343	1,937,626
Trade and other payables	21	**1,034,663**	1,039,184	3,044,610
Due to related parties	13	**40,989**	34,376	80,057
Lease liabilities	7	**1,213**	1,429	-
Provision for loss of control over subsidiaries	34	**23,874**	813,407	709,405
		4,284,797	4,400,118	5,783,890
Liabilities associated with discontinued operations	33	**163,453**	144,981	465,560
		4,448,250	4,545,099	6,249,450
Total liabilities		**4,484,114**	4,620,197	6,658,653
TOTAL EQUITY AND LIABILITIES		**581,502**	641,229	1,918,659

The consolidated financial statements were approved by the Board of Directors on 30 March 2021 and signed on its behalf by:



Chairman

CEO

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2020

	Notes	***2020 AED'000***	*2019 AED'000*
Continuing operations			
Revenue	4, 23	**182,157**	681,494
Cost of revenue	23	**(164,778)**	(673,489)
Gross profit		**17,379**	8,005
Other income	25	**68,539**	133,294
General and administrative expenses	26	**(68,907)**	(252,480)
Provision for legal cases		**-**	(107,877)
Provision for liabilities related to disposed subsidiaries		**(39,136)**	(137,145)
Share of results of joint venture	9	**5,412**	6,251
Provision for expected credit loss on trade and other receivables	12	**(50,456)**	(57,918)
Reversal of expected credit loss provisions related to disposed of subsidiaries	12	**-**	1,517,778
Gain/(Loss) on disposal of subsidiaries	34, 35	**290,954**	(636,861)
Provision related to subsidiaries with loss of control	34	**(1,568)**	(114,662)
Finance income		**356**	546
Finance costs	27	**(107,954)**	(121,562)
Profit before tax from continuing operations		**114,619**	237,369
Income tax expense and zakat	8	**(1,005)**	(3,070)
Profit from continuing operations		**113,614**	234,299
Discontinued operations			
(Loss)/Profit after tax from discontinued operations	33	**(36,700)**	27,882
PROFIT FOR THE YEAR		**76,914**	262,181
Attributable to:			
Equity holders of the parent		**94,898**	(87,007)
Non-controlling interests		**(17,984)**	349,188
		76,914	262,181
Profit / (Loss) per share			
Basic and diluted (AED)	28	**0.09**	(0.08)

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	***2020***	*2019*
		AED'000	*AED'000*
Profit for the year		**76,914**	262,181
Other comprehensive income items that would be reclassified subsequently to profit or loss			
Currency translation differences		**(3,913)**	3,521
Exchange difference transferred to profit and loss on disposal of foreign operation (Note 34)		**3,355**	1,603
Other comprehensive income for the year		**(558)**	5,124
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**76,356**	267,305
Attributable to:			
Equity holders of the parent		**94,304**	(81,883)
Non-controlling interests		**(17,948)**	349,188
		76,356	267,305

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to the equity holders of the parent								
	Share capital AED'000	*Share premium AED'000*	*Statutory reserve AED'000*	*Other reserve AED'000*	*Accumulated losses AED'000*	*Foreign currency translation reserve AED'000*	*Total AED'000*	*Non -controlling interests AED'000*	*Total AED'000*
Balance at 1 January 2020	1,070,988	3,026	125,760	-	(4,996,454)	(58,604)	(3,855,284)	(123,684)	(3,978,968)
Profit/(Loss) for the year	-	-	-	-	94,898	-	94,898	(17,984)	76,914
Other comprehensive income for the year	-	-	-	-	-	(594)	(594)	36	(558)
Total comprehensive income/(loss) for the year	-	-	-	-	94,898	(594)	94,304	(17,948)	76,356
Balance at 31 December 2020	**1,070,988**	**3,026**	**125,760**	**-**	**(4,901,556)**	**(59,198)**	**(3,760,980)**	**(141,632)**	**(3,902,612)**
Balance at 1 January 2019 (as previously reported)	1,070,988	3,026	125,760	24,543	(4,942,918)	(63,728)	(3,782,329)	(966,593)	(4,748,922)
Prior year adjustment (refer Note 30)	-	-	-	-	8,928	-	8,928	-	8,928
Balance as at 1 January 2019 as restated *	1,070,988	3,026	125,760	24,543	(4,933,990)	(63,728)	(3,773,401)	(966,593)	(4,739,994)
Profit/(Loss) for the year	-	-	-	-	(87,007)	-	(87,007)	349,188	262,181
Other comprehensive income for the year	-	-	-	-	-	5,124	5,124	-	5,124
Total comprehensive income/(loss) for the year	-	-	-	-	(87,007)	5,124	(81,883)	349,188	267,305
Disposal of subsidiaries (Notes 18 & 35)	-	-	-	(24,543)	24,543	-	-	493,721	493,721
Balance at 31 December 2019 (restated *)	1,070,988	3,026	125,760	-	(4,996,454)	(58,604)	(3,855,284)	(123,684)	(3,978,968)

* Certain amounts shown here do not correspond to the 2018 / 2019 consolidated financial statements as previously reported and reflect adjustments made as detailed in Note 30.

The attached notes 1 to 37 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	*For the year ended 31 December* **2020 AED'000**	*2019 AED'000*
Operating activities			
Profit before tax from continuing operations		**114,619**	237,369
(Loss)/profit before tax from discontinued operations	33	**(36,700)**	27,882
Profit before tax		**77,919**	265,251
Adjustments for:			
Depreciation on property and equipment	5	**473**	21,909
Depreciation of investment properties	6	**5,646**	-
Impairment of property and equipment	5	**-**	18,077
Expenses related to disposed subsidiary		**3,811**	-
Expense related to assets held for sale		**19,174**	-
Provision for employees' end of service benefits	20	**2,330**	6,927
Finance cost		**112,341**	130,717
Fair value loss on financial assets at fair value through profit or loss	26	**-**	829
Loss/(Gain) on disposal of property and equipment		**41**	(976)
Loss on disposal of investments	9, 26	**-**	5,875
Write off / (share in profit) of equity accounted investment	9	**(5,412)**	(6,251)
Provision for legal cases		**-**	107,877
Provision for impairment of amounts due from related parties	13, 26	**-**	29,618
Provision for expected credit losses	12	**50,456**	-
Provision for liabilities related to disposed subsidiaries		**39,136**	137,145
Provision for slow moving inventories		**502**	-
Finance income		**(356)**	(546)
Loss/(Gain) on disposal of subsidiaries	34, 35	**(290,954)**	636,861
Impairment of development properties	26	**-**	5,275
Depreciation of right-of-use asset	7	**1,603**	1,699
Write back of provisions		**(24,204)**	(129,503)
Trade and other receivables written off	12, 26	**5,240**	93,615
		(2,254)	1,324,399
Changes in working capital:			
Inventories		**39**	2,410
Trade and other receivables		**(13,811)**	(1,374,727)
Trade and other payables (excluding income tax and interest payable)		**(123,195)**	(496,279)
Due to / from related parties	14	**38,769**	59,114
		(100,452)	(485,083)
Payment of employees' end of service benefits	21	**(4,120)**	(33,395)
Income tax paid		**-**	(5,779)
Net cash (used) in operating activities			
- Continuing operations		**(104,572)**	(524,257)
- Discontinued operations	33	**317**	46
		(104,255)	(524,211)

The attached notes 1 to 37 form part of this consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the year ended 31 December 2020

	Notes	*For the year ended 31 December* **2020** **AED'000**	*2019* *AED'000*
INVESTING ACTIVITIES			
Purchase of property and equipment	5	**(209)**	(1,366)
Proceeds from disposal of property and equipment		**102**	5,124
Proceeds from disposal of investment in an associate	9	**-**	90,125
Proceeds from disposal of subsidiaries	35	**-**	28,757
Provision for subsidiaries with loss of control	34	**1,568**	78,340
Interest received		**356**	546
Net cash generated from investing activities		**1,817**	201,526
FINANCING ACTIVITIES			
Movement in term deposits under lien		**(16,674)**	35,801
Movement in trust receipts and other borrowings	19	**(540,390)**	537,311
Movement in term loans	19	**180,580**	19,998
Bank liabilities of subsidiaries		**-**	114,228
Payment of term loans		**-**	(44,271)
Net cash generated from financing activities			
- Continuing operations		**(376,484)**	663,067
- Discontinued operations	33	**(49,600)**	19,435
		(426,084)	682,502
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		**(528,522)**	359,817
Net foreign currency translation difference		**106**	5,344
Cash and cash equivalents at the beginning of the year		**(94,063)**	(459,224)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	15	**(622,479)**	(94,063)

1 CORPORATE INFORMATION

Drake and Scull International PJSC (the "Company" or the "Parent Company") was incorporated on 16 November 2008 and was registered on 21 January 2009 as a Public Joint Stock Group and currently operates in accordance with the UAE Federal Law No. (2) of 2015. The Company is listed on the Dubai Financial Market.

Federal Decree-Law No. 26 of 2020 which amends certain provisions of Federal Law No. 2 of 2015 on Commercial Companies was issued on 27 September 2020 and the amendments came into effect on 2 January 2021. The Company is in the process of reviewing the new provisions and will apply the requirements thereof no later than one year from the date on which the amendments came into effect.

The address of the Company's registered office is PO Box 65794, Dubai, United Arab Emirates.

The principal activities of the Company and its subsidiaries (together, the "Group") are carrying out contracting work relating to the construction industry, such as electrical, plumbing, oil and gas, air conditioning and sanitation work in the Middle East, Europe, Asia and North Africa region.

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

		Shareholding %		
Major Subsidiaries	*Principal activities*	*31 December 2020*	*31 December 2019*	*Country of incorporation*
Drake & Scull International LLC (Abu Dhabi)	Contracting work related to mechanical, electrical and sanitary engineering	**100**	100	UAE
Drake & Scull Engineering formerly Drake & Scull Water and Power LLC	Engineering, procurement and construction of Water and Power Infrastructure projects	**100**	100	UAE
Passavant Energy & Environment and its subsidiaries	Developing waste water, water and sludge treatment plants	**100**	100	Germany
Drake & Scull International for Electrical Contracting WLL	Mechanical, electrical contracting and repairing work relating to the construction industry	**100**	100	Kuwait
Drake & Scull International for Contracting SAE	Contracting work relating to mechanical, electrical and sanitary engineering	**100**	100	Egypt
Drake & Scull International LLC (Oman)	Contracting work related to mechanical, electrical and sanitary engineering	**51**	51	Oman
Drake & Scull International (Qatar) WLL *	Mechanical, electrical and plumbing activities	**-**	100	Qatar

* During the year ended 31 December 2018, the Group administratively and operationally lost control over its subsidiary in Qatar. During the year ended 31 December 2020, the Group disposed of its entire stake (legal and economic benefits) in the subsidiary pending transfer of legal ownership which is in progress as at the date of issuance of these consolidated financial statements. Refer Note 34.

The Group operates in various jurisdictions such as Germany, India, Saudi Arabia, Algeria, Jordan and Iraq through branches of the Company or any of its subsidiaries or its branches.

The Group, through Drake and Scull International for Contracting SAE has a 50% interest in a jointly controlled entity with Hassan Allam Sons (Misr Sons Development S.A.E) under a joint arrangement agreement dated 21 July 2011. This is classified as a joint operation in these consolidated financial statements.

1 CORPORATE INFORMATION (continued)

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

Drake and Scull Engineering LLC has a 49% interest in a jointly controlled entity with Al Habtoor Specon LLC (HLS-DSE Joint Venture) under a joint arrangement agreement dated 1 May 2013. This is classified as joint operation in these consolidated financial statements.

The Group, through Passavant Energy & Environment GmbH has a 33% interest in a jointly controlled entity with Equipment Sales and Service Company, and Hinnawi Contracting Company under a joint arrangement agreement dated 09 December 2012. This is classified as joint operation in these consolidated financial statements.

The Group, through Passavant Energy & Environment GmbH has a 35% interest in a jointly controlled entity with Acciona Agua SA under a joint arrangement agreement dated 31 October 2013. This is classified as joint operation in these consolidated financial statements.

The Group, through Passavant Energy & Environment GmbH has a 99% interest in a jointly controlled entity with Acciona Agua SA under a joint arrangement agreement dated 01 June 2017. This is classified as joint operation in these consolidated financial statements.

The Group, through Passavant Energy & Environment GmbH has a 50% interest in a jointly controlled entity with Larsen & Toubro Limited under a joint arrangement agreement dated 12 October 2016. This is classified as joint operation in these consolidated financial statements.

The Group’s interest in certain joint ventures during 2019 held through the entities disposed are included as part of financial information mentioned under Note 36.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 GOING CONCERN

The consolidated financial statements have been prepared on a going concern basis in view of the restructuring initiatives undertaken by the Group.

The Group has earned a profit of AED 77 million during the year ended 31 December 2020 (31 December 2019: AED 262 million), and as of that date, its current liabilities exceeded its current assets by AED 4,067 million (2019 (restated): AED 4,174 million). Furthermore, the Group had negative cash flow from operating activities of AED 104 million for the year ended 31 December 2020 (2019: AED 524 million). These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group’s ability to continue as a going concern and that, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. Should the Group be unable to continue as a going concern, adjustments would have to be made to reduce the value of assets to their recoverable amount, to provide for any liabilities which might arise, and to reclassify non-current assets as current assets and non-current liabilities as current liabilities. However, these financial statements, have been prepared on a going concern basis based on the developments related to restructuring.

The restructuring process was initiated by the Group following the reporting of significant losses in the third quarter of 2018. At that point, the Board of Directors (“Board”) approved the formation of a Restructuring Committee (“RSC”) to develop a comprehensive restructuring plan. During the last quarter of 2018, the Company appointed financial advisors, legal advisors and consultants to carry out an Independent Business Review and, additional financial advisors and legal advisors were appointed during 2019 (consultants and advisors are collectively referred to as the “Advisors”).

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.1 GOING CONCERN (continued)

In early 2019, the Board, Management and the Advisors worked on developing the strategic direction through the pillars of the restructuring strategy. This was adopted and approved by the Board of Directors. This was subsequently presented to the Shareholders and approved at the General Assembly Meeting on 7 May 2019. Once approved, this became the foundation for the strategic direction upon which the future business plan was established. The Board and management continue to implement the strategic direction and the pillars of the restructuring by exiting non-operations and markets.

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

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

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

During 2020, the Board reviewed the Business Plan in light of the Covid-19 pandemic. Management with the support of Advisers produced a revised Business Plan, which was approved by the Board during the third quarter of 2020 and subsequently approved by AGH and their advisers in last quarter of 2020. Throughout the year despite the Covid-19 situation there were several virtual meetings with the AHG and a number of individual banks to discuss the terms of a potential restructuring transaction. As part of this process the key terms of the Restructuring Plan were developed and substantially agreed with the AHG at the end of Q4 of 2020. Throughout 2020, there have been continuing discussion between the Company and the AHG with the aim of a agreeing a restructuring plan.

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

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

The Company held a meeting of its Financial Creditors on 25 February 2021 and Trade Creditors on 1 March 2021 via virtual platform. The Reorganisation Plan was presented by the Company in conjunction with the FRC appointed Expert. The Expert requested the Financial and Trade Creditors to review the plan documents and they will vote on it around the end of April 2021.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 BASIS OF PREPARATION

The consolidated financial statements of the Group for the year ended 31 December 2020 have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The consolidated financial statements have been prepared in United Arab Emirates Dirhams (AED), since this is the currency of the country in which the company is domiciled. All values are rounded to the nearest thousands (000') except otherwise mentioned.

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 judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2.3 BASIS OF CONSOLIDATION

The consolidated financial statements comprise of the financial statements of the Group and its subsidiaries as at 31 December 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. There is no impact on the profit and loss of the comparative period and total equity.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.3 BASIS OF CONSOLIDATION (continued)

Equity accounted investment
A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its joint venture is accounted for using the equity method.

Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated income statement reflects the Group's share of the results of operations of the joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of profit or loss of a joint venture is shown on the face of the consolidated income statement outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the equity accounted investment are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's equity accounted investment. The Group determines at each reporting date whether there is any objective evidence that the equity accounted investment is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the equity accounted investment and its carrying value and recognises the amount in the consolidated income statement in 'share of results of an equity accounted investment'.

Upon loss of significant influence over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised consolidated income statement.

The consolidated financial statements of the Group include the following equity accounted investment:

Name of equity accounted investment and domicile	*% Holding*		*Principal activities*
	2020	*2019*	
MEP Joint Venture, Abu Dhabi*	-	90%	Mechanical, electrical and plumbing work

* Dissolved during the year. Refer Note 9.

2.4 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 3: Definition of a Business
The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS (continued)

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform
The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8 Definition of Material
The amendments provide a new definition of material that states, “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

Conceptual Framework for Financial Reporting issued on 29 March 2018
The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

Amendments to IFRS 16 Covid-19 Related Rent Concessions
On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the consolidated financial statements of the Group.

2.5 STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group’s financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current
In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on its current accounting policies and whether the Group may wish to re-assess covenants in its existing loan agreements.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.5 STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (continued)

Reference to the Conceptual Framework – Amendments to IFRS 3
In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after 1 January 2022, with earlier adoption permitted. The Group must apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9, IAS 39 IFRS 7, IFRS 4 and IFRS 16
In August 2020 the IASB issued Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, (IBOR reform Phase 2) to address the accounting issues which arise upon the replacement of an IBOR with a RFR. IBOR reform Phase 2 includes a number of reliefs and additional disclosures. The reliefs apply upon the transition of a financial instrument from an IBOR to a RFR. Changes to the basis for determining contractual cash flows as a result of interest rate benchmark reform are allowed as a practical expedient to be treated as changes to a floating interest rate, provided that, for the financial instrument, the transition from the IBOR benchmark rate to RFR takes place on an economically equivalent basis. IBOR reform Phase 2 provides temporary reliefs that allow the Group's hedging relationships to continue upon the replacement of an existing interest rate benchmark with an RFR.

The reliefs require the Group to amend the hedge designations and hedge documentation. This includes redefining the hedged risk to reference an RFR, redefining the description of the hedging instrument and/or the hedged item to reference the RFR and amending the method for assessing hedge effectiveness. Updates to the hedging documentation must be made by the end of the reporting period in which a replacement takes place. The reliefs allow that changes to the method for assessing hedge effectiveness due to modifications required by IBOR reform, will not result in the discontinuation of hedge accounting. The Group will apply IBOR reform Phase 2 from 1 January 2021.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue from contracts with customers
Revenue from contracts with customers is recognised when control of the goods and services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is the principal in all of its revenue arrangements as the Group typically controls the goods or services before transferring to the customer. The following specific recognition criteria must also be met before revenue is recognised:

Contract revenue
Revenue from contracts with customers is recognised when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods before transferring to the customer.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled for those goods and services.

The standard introduces a 5-step approach to revenue recognition:
- Step 1 Identify the contract with a customer
- Step 2 Identify the performance obligations in the contract
- Step 3 Determine the transaction price
- Step 4 Allocate the transaction price to the performance obligations in the contract
- Step 5 Recognise revenue as and when the entity satisfies a performance obligation.

The Group recognises revenue over time if any one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
- The Group 's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- 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 obligation completed to date.

For performance obligations where one of the above 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 certain 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 the period of 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.

Variations which are in the nature of extension of existing scope of work are accounted for using cumulative catch up adjustments to the cost of 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.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)
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 income statement when the expected contract costs exceed the total anticipated contract revenue.

The Group combines two or more contracts entered into at or near the same time with the same customer and accounts for the contracts as a single contract if one or more of the following criteria are met:
- 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;
- The amount of consideration to be paid in one contract depends on the price or performance of the other contract; or
- 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 are met, the arrangements are combined and accounted for 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.

Revenue is recognised in the consolidated income statement to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur and the revenue and costs, if applicable, can be measured reliably.

Contract costs
Contract costs comprise direct contract costs and other costs relating to the contracting activity in general and which can be allocated to contracts. In addition, contract costs include other costs that are specifically chargeable to the customer under the terms of the contracts.

Costs that cannot be related to contract activity or cannot be allocated to a contract are excluded from the costs of the construction contracts and are included in general and administrative expenses.

Contract balances

Contract assets
A contract asset is initially recognised for revenue recognised on construction contracts. Upon completion of the contracting work and acceptance by the customer, the amount recognised as contract assets is reclassified to trade receivables.

Contract assets are subject to impairment assessment. Refer to accounting policies on impairment of financial assets in section.

Trade receivable
A receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in Financial instruments – initial recognition and subsequent measurement.

Contract liabilities
A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Value-added Tax (VAT)
Expenses, and assets are recognised net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and/or
- When receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

Interest income
Interest income is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the consolidated income statement.

Property and equipment
Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the profit or loss as incurred.

Land is not depreciated. Depreciation on other assets is calculated on the straight-line method, at rates calculated to allocate the cost of assets less their estimated residual value over their expected useful lives as follows:

Buildings	over 5-10 years
Machinery	over 2-5 years
Furniture, fixtures and office equipment	over 2-5 years
Motor vehicles	over 3-5 years

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the consolidated income statement when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Investment properties
Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at historical cost less accumulated depreciation and impairment. Fair values are determined based on an annual valuation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)
Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. In determining the amount of consideration from the derecognition of investment property the Group considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any).

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Investment properties are depreciated over a period of 15 years.

Fair value measurement
The Group measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group’s management determines the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted financial assets, and for non-recurring measurement, such as assets held for sale in discontinued operations. The management is comprised of the head of the Group Chief Financial Officer, Group Chief Executive Officer, the managers of each property.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)
External valuers are involved for valuation of significant assets, such as investment properties and unquoted financial assets, and significant liabilities, such as contingent consideration. Involvement of external valuers is determined annually by the management after discussion with and approval by the Company's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuers are normally rotated every three years. The managmeent decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The management also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

On an interim basis, the management presents the valuation results to the Audit Committee and the Group's independent auditors. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the Note 32.

Leases
The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets
The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Office space	2 to 4 years
Building	18 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Lease liabilities (continued)
Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor
Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated income statement due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Contingent rents are recognised as revenue in the period in which they are earned.

Inventories
Inventories are valued at the lower of cost and net realisable value after making due allowance for any obsolete or slow-moving items. Costs are those expenses incurred in bringing each product to its present location and condition and are determined using the first-in, first-out method.

Net realisable value is based on estimated selling price less any further costs to be incurred on completion and disposal.

Financial instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

i) Financial assets (continued)

Initial recognition and measurement (continued)
Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and bank balances, trade and other receivables, financial assets at fair value through profit or loss and amounts due from related parties.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in below categories:
- Financial assets at amortised cost
- Financial assets at fair value through profit or loss

Financial assets at amortised cost
Group's financial assets at amortised cost include:

Accounts receivable
Accounts receivable are stated at original invoice less provision for impairment.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the consolidated income statement.

Due from related parties
Due from related parties are recognised at amortised costs less impairment losses, if any.

Cash and cash equivalents
Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of bank balances net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated income statement.

This category includes investment in real estate fund.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

i) Financial assets (continued)

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's statement of consolidated financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets
The Group recognises an allowance for expected credit losses ("ECL") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation to the asset's original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integrated to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Group considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For trade and other receivables, bank balance and due from related parties, the Group applies a simplified approach in calculating ECLs based on lifetime expected credit losses at each reporting date. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The expected credit losses are recognised in the consolidated income statement.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

ii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, 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 and payables, net of directly attributable transaction costs.

The Group's financial liabilities include bank overdrafts, lease liabilities, accounts payables, accruals, and provision for bank liabilities on disposal of subsidiaries.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Accounts payables and accruals
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Due to related parties
Due to related parties are recognised for amounts to be paid in the future for goods or services received, whether billed by the related party or not.

Loans and borrowings
This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in consolidated income statement when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated income statement. This category generally applies to interest-bearing loans and borrowings.

Derecognition financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated income statement.

iii) 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 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the consolidated income statement in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated income statement unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Development properties

Properties acquired, constructed or in the course of construction for sale are classified as development properties. Such properties are stated at the lower of cost and net realisable value. The cost of development properties includes the cost of land and other related expenditure which are recognised as and when activities that are necessary to get the properties ready for sale are in progress. Net realisable value represents the estimated selling price less costs to be incurred in completing and selling the property. Any gains or losses on sale of development properties are included in other gain/(losses) in the consolidated income statement.

Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-current assets held for sale and discontinued operations (continued)
Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or
- Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of other comprehensive income.

Additional disclosures are provided in Note 33. All other notes to the consolidated financial statements include amounts for continuing operations, unless indicated otherwise.

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.

Where any Group purchases the Group's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Group's equity holders until the shares are cancelled or reissued.

Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, included in equity attributable to the Group's equity holders.

Taxes
Current income tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax
Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxes (continued)

Deferred tax (continued)
Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Employees' end of service benefits
A provision is made for the estimated liability for employees' entitlements to annual leave and related benefits as a result of services rendered by the employees up to the consolidated statement of financial position date. Provision is also made, using actuarial techniques, for the end of service benefits due to employees in accordance with the Labour Laws applicable in the countries in which the Group operates, for their periods of service up to the consolidated statement of financial position date.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employees' end of service benefits (continued)
With respect to its UAE national employees, the Group makes a provision for contributions to be made to the UAE Pension Authority calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due. These 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 provision relating to annual leave and leave passage is disclosed as a current liability and included in trade and other payables, while that relating to end of service benefits is disclosed as a non-current liability.

Foreign currency translation

(a) Functional and presentation currency
Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognised in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

(b) Group entities
On consolidation, the assets and liabilities of foreign operations are translated into AED at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Contingencies
Contingent liabilities are not recognised in the consolidated statement of financial position. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the consolidated statement of financial position but disclosed when an inflow of economic benefits is probable.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Current versus non-current classification
The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is classified as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

3 USE OF ESTIMATES AND JUDGMENTS

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this consolidated financial statement, the significant judgments made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019.

3.1 Critical accounting estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that may affect the reported amount of financial assets and liabilities, revenues, expenses, disclosure of contingent liabilities and the resultant provisions and fair values. Such estimates are necessarily based on assumptions about several factors and actual results may differ from reported amounts. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

a) Cost-to-cost (input method) to measure progress of construction contracts

The Group uses the cost-to-cost (input method) in accounting for its construction contracts. At each reporting date, the Group is required to estimate the stage of completion and costs to complete on its construction contracts. This requires the Group to make estimates of future costs to be incurred, based on work to be performed beyond the reporting date. These estimates also include the cost of potential claims by subcontractors and the cost of meeting other contractual obligations to the customers. Effects of any revision to these estimates are reflected in the period in which the estimates are revised. When the expected contract costs exceeds the total anticipated contract revenue, the total expected loss is recognised immediately, as soon as foreseen, whether or not work has commenced on these contracts. The Group uses its commercial team to estimate the costs to complete of construction contracts. Factors such as delays in expected completion date, changes in the scope of work, changes in material prices, labour costs and other costs are included in the construction cost estimates based on best estimates updated on a regular basis.

3 USE OF ESTIMATES AND JUDGMENTS (continued)

3.1 Critical accounting estimates and assumptions (continued)

(b) Contract variations and claims

Variation orders will have to be accounted for prospectively or as new contracts based on the nature and price of additional products and services requested through these variation orders. The Group includes variable consideration (including claims, re-measurable contract values and discounts) in the transaction price to which it expects to be entitled from the inception of the contract. The amount of variable consideration will have to be restricted to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

(c) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

(d) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. Goodwill and other indefinite life intangibles are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(e) Provision for expected credit losses on trade and other receivables

The Group uses a provision matrix to calculate ECLs for trade and other receivables including prepayments and amounts due from customers on contracts. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade and other receivables is disclosed in Note 12.

As at the date of the consolidated statement of financial position, gross trade and other receivables including prepayments and amount due from customers on contracts were AED 1,066,115 thousand (2019: AED 1,052,237 thousand) and allowance against impairment was AED 769,091 thousand (2019: AED 720,443 thousand). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated income statement.

(f) Leases - Estimating the incremental borrowing rate
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available. The Group estimates the IBR using observable inputs such as the average interest rate on the bank overdraft i.e. 7% p.a.

3 USE OF ESTIMATES AND JUDGMENTS (continued)

3.1 Critical accounting estimates and assumptions (continued)

(g) Useful lives of property and equipment
The Group's management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Judgements
In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Determining the lease term of contracts with renewal and termination options – Group as lessee
In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows exceeding the lease term have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the year ended 31 December 2020, no significant events or significant change in circumstances occurred that caused the management to reassess the lease term.

Classification of property
The Group determines whether a property is classified as an investment property or property and equipment:
- Investment properties comprise properties that are held for long-term rental yields or capital appreciation or both, and that is not occupied by the Group;
- Property and equipment comprise properties that are held for administrative purposes or supply of services.

Assets held for sale
In 2018, Drake & Scull International Oman went into liquidation. Operations of Drake & Scull International Oman are classified as a disposal group held for sale. The Board considered the subsidiary to meet the criteria to be classified as held for sale since the actions to complete the liquidation were initiated.

4 SEGMENT REPORTING

Information regarding the Group's operating segments is set out below in accordance with IFRS 8 "Operating Segments". IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the "Executive management" who are the Chief Operating decision-makers in order to allocate resources to the segment and to assess its performance. Executive management assesses the performance of the operating segments based on revenue.

Business segments
For management purpose, the Group is organised into business units based on their services and has three reportable business segments; Engineering (Mechanical, Electrical and Plumbing), Civil and Others.

The Engineering segment carries out contracting work relating to the construction industry, such as mechanical, electrical, plumbing and sanitation work and contracting work relating to the construction industry, such as infrastructure, water treatment plants, district cooling plants and power plants.

The Civil works segment carries out contracting work relating to the construction industry, such as property construction, sanitation work and real estate activities.

4 SEGMENT REPORTING (continued)

Business segments (continued)

Others segment represents a subsidiary carrying out contracting work in energy and environment industry and the corporate office which carries out strategic planning, management of all subsidiaries, treasury management, mergers and acquisition, corporate branding and investor relations. For segment information disclosure, goodwill and other intangible assets and their amortisation are disclosed under the relevant segment. Sales between segments are carried out at agreed terms. The revenue from external parties reported to the Executive management is measured in a manner consistent with that in the consolidated income statement.

Geographical segments

Executive management considers the geographical distribution of the Group's operations into three main segments; UAE, Saudi Arabia and Others. The Group is presently engaged in carrying out contracting work relating to the construction industry mainly in the United Arab Emirates, Saudi Arabia, Kuwait, Qatar, Egypt, Oman, Germany, Algeria, India, Iraq and Jordan.

Finance cost, finance income, other income are not allocated to individual segment as the underlying instruments are managed by the Group.

4 SEGMENT REPORTING (continued)

Information about business segments

All figures in AED'000

	For the year ended 31 December 2020				*For the year ended 31 December 2019*				
	Engineering	***Others***	***Inter segment elimination***	***Total***	*Engineering*	*Civil*	*Others*	*Inter segment elimination*	*Total*
Revenue									
External customers *	**62,889**	**119,268**	**-**	**182,157**	247,088	276,060	158,346	-	681,494
Segment (loss)/profit	**(31,008)**	**144,622**	**-**	**113,614**	(127,294)	698,483	(336,890)	-	234,299
Depreciation and amortisation	**355**	**7,367**	**-**	**7,722**	7,448	9,226	6,934	-	23,608
Capital expenditure	**76**	**133**	**-**	**209**	303	272	791	-	1,366
	At 31 December 2020				*At 31 December 2019*				
Segment total assets	**407,587**	**1,016,091**	**(844,761)**	**578,917**	1,488,544	-	4,235,720	(5,084,620)	639,644
Segment total liabilities	**2,016,745**	**2,172,057**	**131,859**	**4,320,661**	6,162,744	-	1,917,587	(3,605,115)	4,475,216

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

4 SEGMENT REPORTING (continued)

Information about geographical segments

All figures in AED'000

	UAE	*Saudi Arabia*	*Others*	*Inter segment elimination*	*Total*
	For the year ended 31 December 2020				
Revenue from external customers	**66,812**	**-**	**115,345**	**-**	**182,157**
	For the year ended 31 December 2019				
Revenue from external customers	115,402	266,688	299,404	-	681,494
	31 December 2020				
Non-current assets	**1,157,441**	**-**	**279,943**	**(1,237,586)**	**199,798**
	31 December 2019				
Non-current assets	1,485,419	-	241,239	(1,456,553)	270,105

Reconciliation of assets:

	2020 AED'000	*2019 AED'000*
Segment assets	**578,917**	639,644
Assets held for sale	**2,585**	1,585
	581,502	641,229

Reconciliation of liabilities:

	2020 AED'000	*2019 AED'000*
Segment liabilities	**4,320,661**	4,475,216
Liabilities associated with discontinued operations	**163,453**	144,981
	4,484,114	4,620,197

5 PROPERTY AND EQUIPMENT

31 December 2020

	Land and buildings AED'000	*Machinery AED'000*	*Furniture, Fixtures and office equipment AED'000*	*Motor vehicles AED'000*	*Capital work-in-progress AED'000*	*Total AED'000*
Cost:						
At 1 January 2020	61,248	34,040	44,846	4,392	1,367	145,893
Additions	-	11	143	55	-	209
Disposals	-	(89)	(1,385)	(159)	(1,367)	(3,000)
Transfers	-	(5,919)	5,919	-	-	-
Currency translation differences	2	288	608	68	-	966
At 31 December 2020	**61,250**	**28,331**	**50,131**	**4,356**	**-**	**144,068**
Depreciation:						
At 1 January 2020	21,564	31,975	44,430	1,260	1,205	100,434
Charge for the year	13	236	308	(84)	-	473
Disposals	-	(81)	(1,379)	(30)	(1,205)	(2,695)
Transfers	-	(5,832)	5,832	-	-	-
Currency translation differences	1	284	608	68	-	961
At 31 December 2020	**21,578**	**26,582**	**49,799**	**1,214**	**-**	**99,173**
Net carrying amount:						
At 31 December 2020	**39,672**	**1,749**	**332**	**3,142**	-	**44,895**

31 December 2019

	Land and buildings AED'000	*Machinery AED'000*	*Furniture, Fixtures and office equipment AED'000*	*Motor vehicles AED'000*	*Capital work-in-progress AED'000*	*Total AED'000*
Cost:						
At 1 January 2019	243,261	170,286	84,705	21,553	2,019	521,824
Additions	4	291	1,051	20	-	1,366
Disposals	(3,511)	(30,108)	(10,522)	(10,376)	-	(54,517)
Transfers to investment property (Note 6)	(153,550)	-	-	-	-	(153,550)
Currency translation differences	(1)	(252)	(250)	(66)	(196)	(765)
Related to disposed subsidiaries	(6,878)	(106,177)	(30,138)	(6,739)	(456)	(150,388)
Impairment loss *	(18,077)	-	-	-	-	(18,077)
At 31 December 2019	61,248	34,040	44,846	4,392	1,367	145,893
Depreciation:						
At 1 January 2019	69,305	151,938	83,785	13,749	1,409	320,186
Charge for the year	14,893	6,240	(506)	1,282	-	21,909
Disposals	(2,349)	(28,932)	(8,712)	(10,376)	-	(50,369)
Transfers to investment property (Note 6)	(53,550)	-	-	-	-	(53,550)
Currency translation differences	-	(162)	(152)	(40)	(190)	(544)
Related to disposed subsidiaries	(6,735)	(97,109)	(29,985)	(3,355)	(14)	(137,198)
At 31 December 2019	21,564	31,975	44,430	1,260	1,205	100,434
Net carrying amount:						
At 31 December 2019	39,684	2,065	416	3,132	162	45,459

5 PROPERTY AND EQUIPMENT (continued)

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

	2020	*2019*
	AED'000	*AED'000*
Cost of sales (Note 23)	**97**	10,332
General and administrative expenses (Note 26)	**376**	11,577
	473	21,909

* Impairment loss represents decrease in value of land and buildings held by the Group (refer Note 26).

6 INVESTMENT PROPERTY

Movement in investment property during the year is as follows:

	2020	*2019*
	AED'000	*AED'000*
As at 1 January	**100,000**	-
Transfers from property and equipment (Note 5)	**-**	100,000
Depreciation charge for the year	**(5,646)**	-
As at 31 December	**94,354**	100,000

Investment property represents the Group's investment in Campco's labour camp building located in Abu Dhabi, UAE. As at 31 December 2019, the Group reassessed its investment in the labour camp building and treated the same as an investment property due to a significant drop in number of its own labours utilising the camp building. The Group has recorded the fair value of the investment property as at date of transfer i.e. 31 December 2019 at AED 100 million which is based on a valuation performed by an accredited independent valuer. The valuation is prepared in accordance with The Royal Institute of Chartered Surveyors (RICS) Valuation -Professional Standards 2014 (the 'Red Book') as published by the Royal Institution of Chartered Surveyors ("RICS") which incorporate the International Valuation Standards Council's International Valuation Standards.

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

Profit arising from investment properties carried at cost as follows:

	2020	*2019*
	AED'000	*AED'000*
Rental income derived from investment properties	**20,132**	-
Direct operating expenses (including repairs and maintenance) generating rental income	**(17,663)**	-
Depreciation on investment properties	**(5,646)**	-
Profit arising from investment properties	**(3,177)**	-

6 INVESTMENT PROPERTY (continued)

Fair value of investment property

	2020 ***AED'000***	*2019* *AED'000*
Carrying amount	**94,354**	100,000
Fair value	**104,500**	100,000

Description of valuation techniques used and key inputs to valuation of investment property:

Significant unobservable inputs:	***2020***	*2019*
Valuation technique	**Capitalisation Method**	DCF Method
- Growth rate	**NA**	1.75% p.a. from 4th year
- Vacancy rate	**20%**	17.5%
- Operational expenses	**NA**	12%
- Discount rate	**12.5%**	10%
- Estimated rental value per bed	**AED 3,352**	
- Ground rent per annum	**AED 475,339**	

7 LEASES

Group as a lessee

The Group has lease contracts in relation to land, office premises and cars used in its operations. The Group's obligation under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased asset.

The Group also has leases of other assets with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for those leases.

Below are the carrying amounts of the right-of-use assets recognized and movements during the year:

	2020 ***AED'000***	*2019* *AED'000*
At 1 January	**7,453**	7,051
Additions during the year	**118**	2,101
Depreciation charge for the year	**(1,603)**	(1,699)
Exchange difference	**218**	-
At 31 December	**6,186**	7,453

7 LEASES (continued)

Group as a lessee (continued)
Set out below is the carrying amount of lease liabilities and the movement during the year:

	2020 ***AED'000***	*2019* *AED'000*
At 1 January	**7,207**	7,051
Additions during the year	**118**	2,101
Accretion of interest	**494**	475
Lease payments	**(1,522)**	(2,420)
Exchange difference	**203**	-
At 31 December	**6,500**	7,207
Current	**1,213**	1,429
Non-current	**5,287**	5,778
	6,500	7,207

Maturity analysis of lease liabilities are disclosed in Note 31.

The following are the amounts recognised in the consolidated income statement:

	2020 ***AED'000***	*2019* *AED'000*
Depreciation expense of right-of-use-assets	**1,603**	1,699
Interest expense on lease liabilities (Note 27)	**494**	475
Expense relating to short-term leases (Note 26)	**978**	5,103
Total amount recognised in consolidated income statement	**3,075**	7,277

The Group had total cash outflows for leases of AED 1,522 thousand during the year (2019: AED 2,420 thousand). The Group also had non-cash additions to right-of-use assets and lease liabilities of AED 118 thousand (2019: AED 2,101 thousand). There are no leases that have not yet commenced at the reporting date.

The Group does not have leases that contains variable payments.

The Group has no lease contracts that include extension and termination options.

8 INCOME TAX AND ZAKAT

The major components of income tax expense are:

	2020 ***AED'000***	*2019* *AED'000*
Current income tax expense:		
Current income tax and zakat charge	**1,005**	3,070
	1,005	3,070

8 INCOME TAX AND ZAKAT (continued)

The gross movement on the deferred income tax assets is as follows:

	2020	*2019*
	AED'000	*AED'000*
Deferred income tax assets:		
At 1 January	**15,106**	12,397
Additions	**-**	2,968
Exchange differences	**1,437**	(259)
At 31 December	**16,543**	15,106

Reconciliation of effective tax rate:

	2020	*2019*
	AED'000	*AED'000*
Effective tax rate from taxable operations		
Taxable (loss)/profit for the year	**4,524**	11,050
Profit before tax from operations which are non-taxable	**73,395**	340,981
Profit before tax	**77,919**	352,031
Total income tax expense during the year	**1,005**	3,070
Effective tax rate on profit from operations which are taxable	**22%**	28%

9 EQUITY ACCOUNTED INVESTMENTS

Investment in Associate:
During 2019, the Group has disposed of its holding in Wahat Al Zaweya Holding PJSC for consideration of AED 90 million.

Movement in investment in associate is as follows:

	2020	*2019*
	AED'000	*AED'000*
At 1 January	**-**	96,000
Sale proceeds during the year*	**-**	(90,125)
Loss on disposal (Note 26)	**-**	(5,875)
	-	-

* Sale proceeds were credited into an account operated in the name of a related party.

Interest in a Joint-Venture:
The Group had a participating interest of 33.33% in MEP Joint Venture, a joint-venture for mechanical, electrical and plumbing work for a particular project (the "Project"). The Group's interest in the Joint Venture was accounted for using equity method of accounting in these consolidated financial statements as the Group was entitled to 90% of the economic benefits (profits) in this joint venture. In the event of any losses, the same will be shared by the joint venture partners in their participating interest.

During the year ended 31 December 2020, the Group entered into a Subcontract and JV termination agreement with co-venturer to dissolve the joint venture.

9 EQUITY ACCOUNTED INVESTMENTS (continued)

Summarised financial information related to joint venture and reconciliation to the carrying amount of investment in consolidated financial statements are set out below:

	2020 AED'000	*2019 AED'000*
MEP Joint Venture – Carrying value at 31 December	**-**	6,251

Movements in equity accounted investment is as follows:

	2020 AED'000	*2019 AED'000*
As at 1 January	**6,251**	-
Share of results for the period / year	**5,412**	6,251
Transfer to trade receivable and retention on dissolution *	**(11,663)**	-
As at 31 December	**-**	6,251

* The consideration on dissolution of JV is retained by co-venturer and will be received as per the terms of the Subcontract and JV termination agreement.

The joint venture had no contingent liabilities or commitments as at 31 December 2019.

	2019 AED'000
Current assets	263,901
Total assets	263,901
Current liabilities	251,591
Total liabilities	251,591
Net assets	12,310
Total revenue	155,763
Profit for the year	12,310
Elimination of inter-company transaction	(5,364)
	6,946
Group's share of profit @ 90%	6,251

10 NON-CURRENT FINANCIAL ASSETS

	2020 AED'000	*2019 AED'000*
At 1 January	**-**	551
On disposal of subsidiaries (Note 35)	**-**	(551)
	-	-

11 INVENTORIES

	2020 AED'000	*2019 AED'000*
Materials and consumables	**-**	541

Inventories comprise of materials and consumables which are used in carrying out contracting work relating to the construction industry, such as electrical and plumbing items.

The cost of the materials recorded in cost of revenue amounted to AED 41 million (2019: AED 186 million). Refer Note 23.

12 TRADE AND OTHER RECEIVABLES

	2020 AED'000	*2019 AED'000*
Non-current		
Trade receivables and retentions *	**43,126**	103,777
Less: fair value adjustment *	**(5,306)**	(7,941)
	37,820	95,836

	2020 AED'000	*2019 AED'000*
Current		
Trade receivables and retentions *	**653,528**	541,598
Prepayments and other receivables	**102,772**	136,211
Amount due from customers on contracts	**266,599**	270,651
	1,022,899	948,460
Less: Allowance for expected credit loss on:		
- Trade receivables and retentions	**(521,713)**	(471,257)
- Amount due from customers on contracts	**(242,072)**	(241,245)
	259,114	235,958

12 TRADE AND OTHER RECEIVABLES (continued)

	2020 AED'000	*2019 AED'000*
Amount due from customers on contracts comprise:		
Total costs incurred to date	**3,029,168**	10,197,370
Attributable profits less anticipated losses	**(171,026)**	593,080
	2,858,142	10,790,450
Less: Progress billings	**(2,591,543)**	(10,519,799)
Less: Allowance for expected credit loss on due from customers on contracts	**(242,072)**	(241,245)
	24,527	29,406

* Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value. For the non-current trade receivables and retentions, the fair values were calculated based on cash flows discounted at discount rate of 7% (2019: 7%) per annum. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk.

The following table shows the movement in lifetime expected credit loss ("ECL") that has been recognised for trade receivables and retentions in accordance with the simplified approach set out in IFRS 9. During the year, the Group has written off AED 5,240 (2019: AED 93,615) thousand from trade and other receivables (refer Note 26).

Movement lifetime ECL of trade receivables and retentions:

	2020 AED'000	*2019 AED'000*
At 1 January	**471,257**	714,717
Provision for expected credit loss	**50,456**	57,918
Reversal of provision for expected credit loss	**-**	(92,713)
Related to disposal of subsidiaries	**-**	(208,665)
At 31 December	**521,713**	471,257

Movement lifetime ECL of prepayments and other receivables:

	2020 AED'000	*2019 AED'000*
At 1 January	**-**	19,535
Reversal of provision for expected credit loss	**-**	(19,535)
At 31 December	**-**	-

Movement lifetime ECL of amounts due from customers on contract:

	2020 AED'000	*2019 AED'000*
At 1 January	**241,245**	2,236,266
(Reversal) / provision for expected credit loss	**-**	(1,405,530)
Related to disposal of subsidiaries	**-**	(589,491)
Exchange rate difference	**827**	-
At 31 December	**242,072**	241,245

12 TRADE AND OTHER RECEIVABLES (continued)

Reversal of provision for expected credit losses during 2019 include AED 1,518 million relating to certain subsidiaries which are disposed off.

As at 31 December, the ageing of unimpaired trade receivables is as follows:

			Past due but not impaired				
	Total AED'000	*Neither past due nor impaired AED'000*	*<30 days AED'000*	*31-60 days AED'000*	*61-90 days AED'000*	*91-120 days AED'000*	*>120 days AED'000*
2020	**169,635**	**118,554**	**11,506**	**2,864**	**5,301**	**22,333**	**9,077**
2019	166,177	95,836	38,436	13,443	-	18,462	-

The Group's credit period is 90 to 120 days after which trade receivables are considered to be past due. Unimpaired trade receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over trade receivables.

13 RELATED PARTY TRANSACTIONS

Related parties include shareholders, key management personnel, joint venture partners, directors and businesses which are controlled directly or indirectly by the major shareholders or directors or over which they exercise significant management influence (hereinafter referred as "affiliates").

In the normal course of business, the Group has various transactions with its related parties. Transactions are entered into with the related parties on terms and conditions approved by either the Group management or its Board of Directors.

Balances with related parties included in the consolidated statement of financial position are as follows:

Due from related parties:

	2020 AED'000	*2019 AED'000 (Restated)*	*1 January 2019 AED'000 (Restated)*
Joint arrangements	**-**	405	56,852
Affiliates	**19,985**	51,788	11,327
	19,985	52,193	68,179

	2020 AED'000	*2019 AED'000*
Due to related parties:		
Joint arrangements	**24,674**	15,876
Affiliates	**43,597**	45,789
Related to assets held as discontinued operations (Note 33)	**(27,282)**	(27,289)
	40,989	34,376

Amount due from affiliates include AED 18,993 thousand relating to consideration received on sale of an investment in associate (2019: AED 48,655 thousand) (Note 9) which is used to meet working capital requirements.

13 RELATED PARTY TRANSACTIONS (continued)

Significant related party transactions:
There were no significant related party transactions during the year with affiliates (2019: Nil).

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

	2020 ***AED'000***	*2019* *AED'000*
Short term benefits	**1,251**	1,701
Employees' end of service benefits	**46**	58
	1,297	1,759

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expenses have been recognised in the year for bad or doubtful debts.

During the year, the Group has not provided for amounts due from related parties (2019: provision of AED 29,618 thousand) (Note 26).

During 2019, Group has written off a net amount due from subsidiaries of AED 2,281,022 thousand (dues from: AED 2,323,124 thousand and due to: AED 42,102 thousand) relating to amounts due from entities which were disposed off (Note 35).

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 ***AED'000***	*2019* *AED'000*
Investment in a real estate fund	**1,058**	1,058

The fair value of the fund is based on net asset value provided by the fund manager. It represents the liquidation/redemption value assessed by the fund manager based on observable market data.

There was no change in fair values of financial assets at fair value through profit or loss (2019: loss of AED 829 thousand) (refer Note 26).

15 CASH AND BANK BALANCES

	2020 ***AED'000***	*2019* *AED'000*
Cash on hand	**581**	3,867
Cash at bank	**48,583**	42,798
Term deposits	**49,798**	33,124
Cash and bank balances	**98,962**	79,789

Term deposits carry an average interest rate of 1% to 3% (2019: 1% to 3%) per annum.

15 CASH AND BANK BALANCES (continued)

Cash and cash equivalent

	2020 *AED'000*	*2019* *AED'000*
Cash and bank balances	**98,962**	79,789
Less: Term deposits under lien	**(49,798)**	(33,124)
Bank overdrafts (Note 19)	**(581,588)**	(117,436)
Cash and cash equivalent related to discontinued operations (Note 33)	**(90,055)**	(23,292)
Cash and cash equivalents	**(622,479)**	(94,063)

16 SHARE CAPITAL

	2020 *AED'000*	*2019* *AED'000*
Authorised, issued and paid up		
1,070,987,748 ordinary shares of AED 1 each (2019: 1,070,987,748 ordinary shares of AED 1 each) paid in cash	**1,070,988**	1,070,988

(i) Assets and liabilities of Drake and Scull International (LLC) and its subsidiaries, were transferred to Drake and Scull International PJSC as in-kind contribution for a 45% shareholding in the Company.

(iii) During the year ended 31 December 2009, the Company obtained the necessary regulatory approval to undertake a share buy-back program. A total of 32,400 thousand shares were purchased from the market at an average price of AED 0.8834 per share amounting to AED 28,622 thousand. During the year ended 31 December 2013, these shares were re-issued at an average price of AED 0.977 per share amounting to AED 31,648 thousand, recognising a share premium of AED 3,026 thousand.

17 STATUTORY RESERVE

In accordance with the Group's Articles of Association and the UAE Federal Law No. (2) of 2015, 10% of the net profit for each year is required to be transferred to a statutory reserve. Such transfers may be ceased when the statutory reserve equals half of the paid-up share capital of the applicable entities. This reserve is non-distributable except in certain circumstances stipulated by the law. The consolidated statutory reserve reflects transfers made post-acquisition for subsidiary companies together with transfers made by the parent Group.

18 OTHER RESERVE

During the third quarter of the year ended 31 December 2011, the Group acquired the remaining 20% of shares relating to the non-controlling interest in one of its subsidiaries, Gulf Technical Construction Group LLC ("GTCC"). The fair value of the total net identifiable assets of GTCC was AED 160,000 thousand. The 20% shares were owned equally by two individuals. The Group paid one of the shareholders fully in cash and paid the other shareholder partially in cash and settled the remaining balance for 6% shares in another subsidiary, Drake and Scull Construction LLC (a wholly owned subsidiary of the Parent Group).This was subsequently increased to 9.3%.

The difference of AED 24,543 thousand between the total consideration paid/equity transferred and contingent liability assumed of AED 26,862 thousand and the carrying amount of non-controlling interest of AED 51,405 thousand had been credited to other reserves under the consolidated statement of changes in equity.

During the year, Group has disposed of its stake in GTCC and, consequently, the other reserve was transferred to accumulated losses.

19 BANK BORROWINGS

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

	2020 ***AED'000***	*2019* *AED'000*
Current		
Term loan	**1,218,571**	1,037,990
Trust receipts and other borrowings	**108,614**	632,917
Bank overdrafts (Note 15)	**581,588**	117,436
	1,908,773	1,788,343

Changes in liabilities arising from financing activities:

31 December 2020

	1 January 2020 ***AED'000***	***Cash flows*** ***AED'000***	***Relating to disposal*** ***AED'000***	***Others*** ***AED'000***	***31 December 2020*** ***AED'000***
Term loans, trust receipts and other borrowings	**1,670,907**	**(343,722)**	-	-	**1,327,185**

31 December 2019

	1 January 2019 *AED'000*	*Cash flows* *AED'000*	*Relating to disposal* *AED'000*	*Others* *AED'000*	*31 December 2019* *AED'000*
Term loans, trust receipts and other borrowings	1,777,697	513,038	(660,530)	40,702	1,670,907

For movement in lease liabilities, refer Note 7.

Interest rates on the term loans were at variable rates and ranging between 2% to 8% (2019: 2% to 6.5%) per annum. Contractual re-pricing dates are set on the basis of 3 months LIBOR/EIBOR.

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

- Lien on motor vehicles and equipment purchased and on certain receivables;
- Mortgage over certain property and equipment;
- Pledge of assets acquired through utilisation of credit facilities; and
- Term deposits of AED 49,798 thousand (2019: AED 33,124 thousand).

The carrying amount of current borrowings approximates their fair value at the reporting date. Long-term borrowings are at market linked variable interest rates and therefore the carrying amounts of non-current borrowings approximate their fair value at the reporting date.

The Group was in breach of the financial covenants in relation to the syndicated Sukuk facility and certain other borrowing facilities. These breaches have rendered the loans to be technically payable on demand and consequently these are classified as current liabilities.

20 EMPLOYEES' END OF SERVICE BENEFITS

The movements in the provision were as follows:

	2020 AED'000	*2019 AED'000*
At 1 January	**69,320**	113,724
Provided during the year	**2,330**	6,927
Transferred to trade payables and accruals (a)	**(21,033)**	-
Write back	**(15,920)**	-
Payments made during the year	**(4,120)**	(33,395)
Disposal of subsidiaries (Note 35)	**-**	(17,936)
At 31 December	**30,577**	69,320

(a) During the year, Group has reclassified EOSB liabilities pertaining to employees who have left the Group to trade payable and accruals.

Employees end of service benefits' charge has been allocated in the consolidated statement of income as follows:

	2020 AED'000	*2019 AED'000*
Contract costs (Note 23)	**855**	5,558
General and administrative expenses (Note 26)	**1,475**	1,369
	2,330	6,927

21 TRADE AND OTHER PAYABLES

	2020 AED'000	*2019 AED'000 (Restated)*	*1 January 2019 AED'000 (Restated)*
Trade payables and accruals	**721,967**	714,377	2,172,697
Amount due to customers on contracts	**74,154**	80,931	161,222
Advances from customers	**70,216**	74,639	710,691
	866,337	869,947	3,044,610
Provision for legal cases	**136,277**	107,877	-
Provision against bond encashments	**22,049**	56,360	-
Provision for additional cost relating to disposal of subsidiaries (Note 34, 35)	**10,000**	5,000	-
	1,034,663	1,039,184	3,044,610

	2020 AED'000	*2019 AED'000*
Amounts due to customers on contracts comprise:		
Progress billings	**1,655,880**	1,598,075
Less: Cost incurred to date	**(1,530,918)**	(1,526,166)
Less: Recognised loss/(profits)	**(50,808)**	9,022
	74,154	80,931

22 PROVISION FOR BANK LIABILITIES OF SUBSIDIARIES

	2020 AED'000	2019 AED'000
Provision for bank liabilities relating to disposed off subsidiaries *	**1,007,440**	560,800
Provision for bond encashment relating to disposed off subsidiaries	**168,670**	48,351
Provision for bank liabilities of discontinued operations *	**99,175**	80,000
Provision for bond encashment related to loss of control of subsidiaries	**-**	34,228
	1,275,285	723,379

These represents provisions created against corporate guarantees and bonds reflected in the books of various entities, which are guaranteed by the Group.

* Interest rates on these loans were at a variable rate between 2% to 8% (2019: 2% to 6.5%) per annum.

23 REVENUE AND COST OF REVENUE

The Group has recognised its entire revenue over a period of time. disaggregated revenue information:

	2020 AED'000	2019 AED'000
Type of revenue from contract with customers		
Engineering	**62,889**	222,274
Civil	**-**	276,060
Others	**99,136**	158,346
	162,025	656,680
Other operating income		
Rental income	**20,132**	24,814
Total revenue	**182,157**	681,494

Set out below is the amount of revenue recognised from:

	2020 AED'000	2019 AED'000
Amounts included in contract liabilities at the beginning of the year	**19,234**	38,122

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are, as follows:

	2020 AED'000	2019 AED'000
Within one year	**303,140**	312,956
More than one year	**95,233**	2,963
	398,373	315,919

23 REVENUE AND COST OF REVENUE (continued)

Cost of revenue

	2020 ***AED'000***	*2019* *AED'000*
Material costs (Note 11)	**41,145**	186,210
Labour and staff costs (Note 24)	**44,409**	149,975
Sub-contracting costs	**57,342**	250,302
Finance cost (Note 27)	**4,387**	9,155
Depreciation (Note 5)	**5,956**	10,332
Employees' end of service benefits (Note 20)	**855**	5,558
Other costs	**10,684**	61,957
	164,778	673,489

24 STAFF COSTS

	2020 ***AED'000***	*2019* *AED'000*
Cost of sales (Note 23)	**44,409**	149,975
General and administrative expenses (Note 26)	**26,754**	49,400
	71,163	199,375

25 OTHER INCOME

	2020 ***AED'000***	*2019* *AED'000*
Gain on disposal of property and equipment	**-**	976
Rental income	**169**	2,059
Sale of scrap	**2,057**	373
Write back of liabilities (a)	**58,840**	129,503
Recovery of balances written off (b)	**4,489**	-
Others	**2,984**	383
	68,539	133,294

(a) The Group assessed during the year that certain provisions and accrual made in earlier years were no longer required and has, accordingly, written back such amounts under other income.

(b) Includes amount of AED 2,412 thousand received from a project in a subsidiary disposed off in previous year.

26 GENERAL AND ADMINISTRATIVE EXPENSES

	2020 AED'000	*2019 AED'000*
Staff costs (Note 24)	**26,754**	49,400
Business development, legal and professional fees	**15,480**	11,783
Restructuring cost	**5,913**	8,898
Write off of trade and other receivables (Note 12)	**5,240**	93,615
Bank charges	**2,087**	335
Employees' end of service benefits (Note 20)	**1,475**	1,369
Depreciation on right-of-use assets (Note 7)	**1,427**	1,699
Repair and maintenance	**1,035**	886
Utilities	**993**	1,985
Expenses related to lease of short term and low value assets (Note 7)	**978**	5,103
Depreciation on property and equipment (Note 5)	**376**	11,577
Provision for impairment of amounts due from related parties (Note 13)	**-**	29,618
Impairment of property and equipment (Note 5)	**-**	18,077
Loss on disposal of equity accounted investments (Note 9)	**-**	5,875
Impairment of development properties	**-**	5,275
Fair value loss on financial assets at fair value through profit or loss	**-**	829
Other expenses	**7,149**	6,156
	68,907	252,480

27 FINANCE COSTS

	2020 AED'000	*2019 AED'000*
Finance costs	**111,847**	130,242
Interest on lease liabilities (Note 7)	**494**	475
	112,341	130,717
Charged to cost of sales (Note 23)	**(4,387)**	(9,155)
	107,954	121,562

28 LOSS PER SHARE

(a) Basic

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

	2020 AED'000	*2019 AED'000*
Profit/(loss)		
Profit/(loss) for the purposes of basic earnings per share being net profit/(loss) attributable to owners of the Parent	**94,898**	(87,007)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**1,070,987,748**	1,070,987,748
Basic and diluted loss per share (AED)	**0.09**	(0.08)

(b) Diluted

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

29 GUARANTEES, COMMITMENTS, AND CONTIGENCIES

	2020	*2019*
	AED'000	*AED'000*
Performance bonds	**644,592**	765,585
Letter of guarantees	**557,116**	767,899
	1,201,708	1,533,484

The various bank guarantees disclosed above were issued by the Group's bankers in the ordinary course of business.

Group has also provided corporate guarantees on behalf of subsidiaries disposed of during the year. Group has recognised provision against these guarantees. Refer Note 22.

Commitments

	2020	*2019*
	AED'000	*AED'000*
Letters of credit for purchase of materials and operating equipment	**18,334**	21,827

Legal contingencies
During 2018, the Group informed DFM that there were material financial violations by the previous management of the Group which are under investigation by the designated authorities in the UAE. The Company is now engaged in civil and criminal cases against the ex-major shareholder, former CEO and Vice Chairman and others. Further, the Company is following up the extradition of the former CEO and Vice Chairman to get him extradited to the UAE following his arrest in Jordan. Criminal complaints were filed against family members of the former CEO and Vice Chairman and other former executive managers with the Abu Dhabi Public Funds Prosecutor's office, which is investigating the matter. The Abu Dhabi Public Funds Prosecutor has accused the former CEO and Vice Chairman for misappropriation, fraud, embezzlement, intentional damage to public funds, profiteering others and forgery.

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

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

30 PRIOR YEAR ADJUSTMENTS AND COMPARATIVE INFORMATION

The Group has restated its consolidated financial statements as previously reported for the years ended 31 December 2018, and 31 December 2019 in order to adjust prior period errors. These prior period errors, as explained below, represent omissions from, and misstatements in, the Group's consolidated financial statements arising from a reliable information that:

- was available when the consolidation finical statement for the year 31 December 2018 and 31 December 2019 were authorized for issue; and
- could reasonably be expected to have been obtained and taken into account in preparation and presentation of those consolidated financials.

30 PRIOR YEAR ADJUSTMENTS AND COMPARATIVE INFORMATION (continued)

In 2020, the Group conducted detailed review of the related party balances and identified a material reconciling item with a related party of AED 8,928 thousand as at 31 December 2018. The Group has adjusted its prior period by restating each of the affected financial statement line items for the prior period as follows:

a) Reconciliation of restatement and previously reported as at 31 December 2018:

	As previously reported AED'000	*Adjustment AED'000*	*Balance as restated AED'000*
Current assets			
Due from related parties	62,964	5,215	68,179
Total adjusted Assets	62,964	5,215	68,179
Equity			
Accumulated losses	(4,942,918)	8,928	(4,933,990)
Total adjusted Equity attributable to equity holders of the parent	(3,782,329)	8,928	(3,773,401)
Non-controlling interests	(966,593)	-	(966,593)
Total adjusted Equity	(4,748,922)	8,928	(4,739,994)
Current liabilities			
Trade and other payables	3,048,323	(3,713)	3,044,610
Total adjusted liability	3,048,323	(3,713)	3,044,610

b) Reconciliation of restatement and previously reported as at 31 December 2019:

	As previously reported AED'000	*Adjustment AED'000*	*Balance as restated AED'000*
Current assets			
Due from related parties	43,265	8,928	52,193
Total adjusted Assets	43,265	8,928	52,193
Equity			
Accumulated losses	(5,005,382)	8,928	(4,996,454)
Total adjusted Equity attributable to equity holders of the Parent	(3,864,212)	8,928	(3,855,284)
Non-controlling interests	(123,684)	-	(123,684)
Total adjusted Equity	(3,987,896)	8,928	(3,978,968)

31 RISK MANAGEMENT

The main risks arising from the Group's financial instruments are interest rate risk, price risk, credit risk, liquidity risk and currency risk. Management of the Group reviews and agrees policies for managing each of these risks which are summarised below:

Interest rate risk
Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair value of financial instruments.

During the year ended 31 December 2020, if interest rates on deposits had been 0.5% higher/lower, the interest income would have been higher/lower by AED 249 thousand (31 December 2019: AED 166 thousand).

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates.

	Increase/ (decrease) in basis points	*Effect on profit for the year AED'000*
Bank borrowings:		
2020	**+50**	**(9,544)**
	-50	**9,544**
2019	+50	(8,942)
	-50	8,942
Provision for bank liabilities of subsidiaries:		
2020	**+50**	**(6,376)**
	-50	**6,376**
2019	+50	(3,616)
	-50	3,616

Market risk
Equity price risk is the risk that the fair values of equity decreases as the result of changes in the levels of equity indices and the value of individual stocks. The non-trading equity price risk exposure arises from the Group's equity investment portfolio.

The effect on quoted equity due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

	Change in equity price 2020 %	*Effect on equity 2020 AED '000*	*Change in equity price 2019 %*	*Effect on equity 2019 AED '000*
Dubai Financial Market	**+/- 10%**	106	+/- 10%	106

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group is exposed to credit risk on its bank balances, trade receivables and due from customers on contracts.

Bank balances
The Group is exposed to credit risk on its bank balances. The Group seeks to limit its credit risk with respect to bank balances by dealing only with reputable banks.

31 RISK MANAGEMENT (continued)

Credit risk (continued)

Trade receivables and due from customers on contract
The amounts of trade receivables and due from customers on contracts are related to significant projects of the Group and mainly due from government entities and other regional companies with high net worth which maintains high credit worthiness and no history of debt defaults.

The Group has a formal procedure of monitoring and follow-up of customers for outstanding trade receivables. The Group assesses internally the credit quality of each customer, taking into account its financial position, past experience and other factors.

At 31 December 2020, the Group had a concentration of credit risk with ten customers (31 December 2019: ten customers) accounting for 71% of the trade receivables (31 December 2019: 74%). Management believes that this concentration of credit risk is mitigated as the Group has long-standing relationships with these customers.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

31 December 2020

			Trade receivables					
				Days past due				
	Contract assets AED '000	***Total AED '000***	***Not due AED '000***	***< 30 days AED '000***	***31 – 60 days AED '000***	***61-90 days AED '000***	***91-120 days AED '000***	***>120 days AED '000***
Gross amount at default	**266,599**	**696,654**	**449,600**	**11,506**	**2,864**	**5,301**	**22,333**	**205,050**
Expected credit loss	**242,072**	**527,019**	**331,046**	-	-	-	-	**195,973**
Net amount	**24,527**	**169,635**	**118,554**	**11,506**	**2,864**	**5,301**	**22,333**	**9,077**
Expected credit loss rate	**90%**	**76%**	**74%**	-	-	-	-	**96%**

31 December 2019

			Trade receivables					
				Days past due				
	Contract assets AED '000	*Total AED '000*	*Not due AED '000*	*< 30 days AED '000*	*31 – 60 days AED '000*	*61-90 days AED '000*	*91-120 days AED '000*	*>120 days AED '000*
Gross amount at default	270,651	645,375	103,777	319,691	13,444	3,277	27,947	177,239
Expected credit loss	241,245	479,198	7,941	281,255	-	3,277	9,486	177,239
Net amount	29,406	166,177	95,836	38,436	13,444	-	18,461	-
Expected credit loss rate	89%	77%	8%	88%	-	100%	34%	100%

The other categories of financial assets do not result in significant credit risk.

31 RISK MANAGEMENT (continued)

Liquidity risk
Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments.

The Group limits its liquidity risk by retaining funds from operation and when it is available.

The table below summarises the maturities of the Group's undiscounted financial liabilities at 31 December, based on contractual payment dates and current market interest rates.

31 December 2020

	Less than 1 year AED'000	***Between 1 year and 5 years AED'000***	***Above 5 years AED'000***	***Total AED'000***
Trade and other payables (excluding advance)	**964,447**	**-**	**-**	**964,447**
Bank borrowings	**2,061,475**	**-**	**-**	**2,061,475**
Due to related parties	**40,989**	**-**	**-**	**40,989**
Lease liabilities	**1,736**	**3,683**	**4,527**	**9,946**
Liabilities associated with disposal of subsidiaries	**1,377,308**	**-**	**-**	**1,377,308**
Total	**4,445,955**	**3,683**	**4,527**	**4,454,165**

31 December 2019

	Less than 1 year AED'000	*Between 1 year and 5 years AED'000*	*Above 5 years AED'000*	*Total AED'000*
Trade and other payables (excluding advance)	964,545	-	-	964,545
Bank borrowings	1,931,410	-	-	1,931,410
Due to related parties	34,376	-	-	34,376
Lease liabilities	1,429	2,241	3,537	7,207
Liabilities associated with disposal of subsidiaries	723,379	-	-	723,379
Total	3,655,139	2,241	3,537	3,660,917

31 December 2018 (Restated)

	Less than 1 year AED'000	*Between 1 year and 5 years AED'000*	*Above 5 years AED'000*	*Total AED'000*
Trade and other payables (excluding advance)	2,333,919	-	-	2,333,919
Bank borrowings	1,902,686	34,940	295,479	2,233,105
Due to related parties	80,057	-	-	80,057
Total	4,316,662	34,940	295,479	4,647,081

Currency risk
Currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities.

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

31 RISK MANAGEMENT (continued)

Currency risk (continued)
The Group's foreign currency monetary assets and liabilities are denominated mainly in Saudi Arabian Riyals, Qatari Riyals, Euro, Kuwaiti Dinars, Omani Riyal, Egyptian Pounds, Indian Rupee, Jordanian Dinar, Iraqi Dinar and Algerian Dinar.

As Saudi Arabian Riyals, Qatari Riyals, Omani Riyals and United Arab Emirates Dirhams (AED) are pegged to US Dollars, the sensitivity considers the effect of a reasonably possible movement of the AED currency rate against the Euro, Kuwaiti Dinars, Indian Rupee, Algerian Dinars, Egyptian Pounds, Iraqi Dinar, Jordanian Dinars with all other variables held constant, on the consolidated statement of income (due to the fair value of currency sensitive monetary assets and liabilities).

At 31 December 2020, if these currencies had weakened/strengthened by 5% against the AED, the losses for the year would have been lower/higher by AED 37 million (31 December 2019: AED 73 million).

Capital management
The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders' value

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the year ended 31 December 2020. Capital comprises share capital, share premium, statutory reserve, other reserve, accumulated losses, foreign currency translation reserve and non-controlling interests and is measured at deficiency of assets of AED 3,902,612 thousand as at 31 December 2020 (2019: deficiency of assets of AED 3,978,968 thousand).

32 FAIR VALUES

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash and bank balances, trade receivables, due from customers on contracts, other financial assets and due from related parties. Financial liabilities consist of bank borrowings, trade and other payables and due to related parties.

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

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

- Cash and bank balances, trade receivables, other financial assets, due from related parties, bank borrowings, trade and other payables and due to related parties and income tax payable approximate their carrying amounts, largely due to the short-term maturities of these instruments.
- Long term receivables and borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors, and individual credit worthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, provisions are taken to account for the expected losses of these receivables. As at 31 December 2020, the carrying amounts of such receivables, net of provisions, are not materially different from their fair values.
- Fair value of non-current receivable, lease liabilities, bank borrowings and other financial liabilities as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debts on similar items, credit risk and remaining maturities.

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

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

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

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

32 FAIR VALUES (continued)

Fair value hierarchy (continued)
The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2020:

	Level 1 AED'000	***Level 2 AED'000***	***Level 3 AED'000***	***Total AED'000***
Assets				
Financial assets at fair value through profit or loss	**-**	**1,058**	**-**	**1,058**
Total assets	**-**	**1,058**	**-**	**1,058**
Liabilities				
Lease liabilities	**-**	**-**	**6,500**	**6,500**
Total liabilities	**-**	**-**	**6,500**	**6,500**

The following table presents the Group's assets and liabilities that are measured at fair value as at 31 December 2019.

	Level 1 AED'000	*Level 2 AED'000*	*Level 3 AED'000*	*Total AED'000*
Assets				
Financial assets at fair value through profit or loss	-	1,058	-	1,058
Total assets	-	1,058	-	1,058
Liabilities				
Lease liabilities	-	-	7,207	7,207
Total liabilities	-	-	7,207	7,207

Fair value disclosures for investment property is in Note 6, along with its valuation techniques and assumptions.

The Group has no liabilities measured at fair value as at 31 December 2019.

There were no transfers between Levels 1, 2 and 3 during the year.

(a) Valuation techniques used to derive Level 2 fair values

(i) Investments carried at fair value through profit or loss
Level 2 investments carried at fair value through profit or loss comprise of investments in fund for which fair value is estimated using net assets value approach. Fair values of investments in fund are determined using the net assets value provided by the fund managers based on the observable market prices of the assets managed by the fund.

At 31 December 2019 and 31 December 2020, the fair values of all other financial assets and liabilities, which are measured at amortised cost approximate their carrying values.

(b) Group's valuation processes

Changes in Level 2 and 3 fair values are analysed at each reporting date during quarterly valuation discussions. As part of this discussion, the team presents a report that explains the reasons for the fair value movements.

There were no changes in the valuation techniques during the year.

33 DISCONTINUED OPERATIONS

During 2018, two subsidiaries of the Group namely Drake & Scull International Oman & DSWE India went into liquidation. The liquidation of these entities was expected to be completed within a year from the reporting date.

During the year, the Group changed its position with regards to the disposal of DSWE India and has made a bid to acquire the entity. The bid is still pending approval by the relevant authorities as of the date of authorization of these consolidated financial statements. DSWE India is currently under liquidation whereby the proceedings are managed, supervised, and controlled by the relevant regulator in India. Accordingly, the investment has been classified under loss of control over subsidiary under Note 34.

Balances relating to the Group's investment in Drake & Scull International Oman (2019: Drake & Scull International Oman and DSWP India) under liquidation are as follows:

	2020	*2019*
	AED'000	*AED'000*
Income statement		
Other income	**1,397**	40,702
General and administrative expenses	**(38,097)**	(12,820)
(Loss)/profit from discontinued operations	**(36,700)**	27,882

	2020	*2019*
	AED'000	*AED'000*
Financial position		
ASSETS		
Property and equipment	**248**	469
Cash and bank balances	**2,337**	1,116
	2,585	1,585
LIABILITIES		
Other payables	**2,581**	2,476
Trade and other payables	**38,343**	38,352
Bank borrowings	**95,247**	76,864
Due to related parties (Note 13)	**27,282**	27,289
	163,453	144,981

Cash and cash equivalent related to discontinued operations:

	2020	*2019*
	AED'000	*AED'000*
Cash and bank balances	**2,337**	1,116
(Less) bank overdrafts	**(92,392)**	(24,408)
	(90,055)	(23,292)

33 DISCONTINUED OPERATIONS (continued)

	2020 AED'000	*2019 AED'000*
Cash flows from discontinued operations		
Operating	**317**	46
Investing	**-**	-
Financing	**(49,600)**	19,435
Exchange difference	**48**	-
	(49,235)	19,481

34 PROVISION FOR LOSS OF CONTROL OVER SUBSIDIARIES

The Group administratively and operationally lost control over its subsidiaries, Drake & Scull International WLL Qatar (DSI WLL), during 2018 and DSWE India during 2019. Accordingly, investments in these subsidiaries were classified as investment carried at fair value through profit or loss.

Management has determined that the investments' fair values were deemed to be nil due to their operating and financial conditions. Notwithstanding, provisions equivalent to the net liabilities of the investments at the time of loss of control were retained until such time when further information is available or until further developments take place.

Amounts recognised in the consolidated financial statements of the Group are as follows:

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

	31 December 2019 AED'000		
	DSI WLL, Qatar	*DSWE, India*	*Total*
Balance at 1 January 2019	709,405	-	709,405
Transfer during the year	-	5,904	5,904
Additional provision during the year	96,228	18,434	114,662
Others	(16,564)	-	(16,564)
Balance at 31 December 2019	789,069	24,338	813,407

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

* The Group entered into a Sale and Purchase Agreement to dispose of its entire stake in Drake & Scull International (Qatar) WLL.

In accordance with the terms of the agreement, the date of actual transfer of control over the entities' operating and financial activities was 30 June 2020. Further as per SPA, the agreement is irrevocable by either parties and is legally binding and effective in the local jurisdictions in which the subject entity is legally domiciled.

34 PROVISION FOR LOSS OF CONTROL OVER SUBSIDIARIES (continued)

Effect of disposal of subsidiary on the consolidated financial statement of the Group as of 31 December 2020:

	AED'000
Provision for loss of control over subsidiaries as at 31 December 2019	**789,069**
Fair value loss (exchange difference)	**447**
Provision for loss of control over subsidiary as at the date of disposal	**789,516**
Provision for additional cost relating to disposal (Note 21)	**(5,000)**
Provision for bond encashed and bank liabilities guaranteed by the Parent	**(493,562)**
Net gain on disposal of subsidiary	**290,954**

35 DISPOSAL OF SUBSIDIARIES

On 22 December 2019, the Group entered into a Sale and Purchase Agreement to dispose of its entire stake in Drake and Scull Construction LLC, Drake and Scull Construction Jordan, Drake and Scull Construction Algeria, Gulf Technical Construction Group LLC, Drake and Scull Construction Group LLC, International Centre for Contracting Co. Ltd and Drake and Scull International Saudia Group Limited.

In accordance with the terms of the agreement, the date of actual transfer of control over the entities' operating and financial activities was 22 December 2019. Further as per SPA, the agreement is irrevocable by either parties and is legally binding and effective in the local jurisdictions in which the subject entities are legally domiciled.

Effect of disposal of subsidiaries on the consolidated financial statement of the Group as of 22 December 2019.

	2019 *AED'000*
ASSETS	
Non-current assets	
Property and equipment (Note 5)	13,190
Non-current financial assets (Note 10)	551
	13,741
Current assets	
Inventories	16,113
Development properties	2,250
Trade and other receivables	2,224,738
Due from related parties	557,923
Cash and bank balance	23,904
	2,824,928
TOTAL ASSETS	**2,838,669**

35 DISPOSAL OF SUBSIDIARIES (continued)

	2019 *AED'000*
Liabilities	
Non-current liabilities	
Employees' end of service benefits (Note 20)	17,936
	17,936
Current liabilities	
Bank borrowings	713,191
Trade and other payable	1,845,469
Due to related parties	2,982,296
	5,540,956
TOTAL LIABILITIES	**5,558,892**
Total net liabilities	2,720,223
Attributable to non-controlling interests	(493,721)
Net liabilities attributable to Group **	**2,226,502**
Consideration receivable on disposal*	19,618
Net intercompany receivables written off (Note 13)	(2,281,022)
Provision for additional cost relating to disposal (Note 21)	(5,000)
Provision for bond encashed and bank liabilities guaranteed by the Parent (Note 22)	(596,959)
Net loss on disposal of subsidiaries	**(636,861)**

** Includes cumulative translation difference recorded in consolidated statement of other comprehensive income of AED 1,603 thousand.

Analysis of cash flow:	
Total consideration received*	**-**
Bank overdraft disposed of on disposal of subsidiaries	**28,757**
Net cash flow on disposal of subsidiaries	**28,757**

*As at 31 December 2019, the consideration of AED 19,618 thousand is receivable and shown under other receivable.

During 2019, the Group has disposed of its holdings in below joint operations which were entered into through the above subsidiaries. These were classified as joint operation in the consolidated financial statements for the year ended 31 December 2018.

- The Group, through Gulf Technical Construction Group LLC had a 50% interest in Ranya Test Joint Venture, a joint arrangement with Ranya General Contracting Group LLC under a joint arrangement agreement dated 12 August 2005.

35 DISPOSAL OF SUBSIDIARIES (continued)

- The Group, through Drake and Scull International Saudi Co. LLC has a 50% interest in a joint control with Specon Saudi LLC under a joint arrangement agreement dated 14 February 2013. This was classified as joint operation in these consolidated financial statements.

- The Group, through Drake and Scull Construction Group LLC had a 50% interest in a jointly controlled project with Consolidated Contractors Group S.A.L (Offshore) (CCC) under a joint arrangement agreement dated 27 September 2011.

- The Group, through Drake and Scull Construction Group LLC – Saudi Arabia had a 50% interest in a jointly controlled project with Saudi Arabia Construction Co (SACC – DSC JV) under a joint arrangement agreement dated 15 October 2012.

- The Group, through Drake and Scull Construction LLC had a 50% interest in a joint venture with John Sisk and Sons Construction LLC, (SISK-DSC-SMH-Joint Venture) under a joint arrangement agreement dated 25 November 2012.

- The Group, through Drake and Scull Construction Group LLC had a 33% interest in a jointly controlled project with Consolidated Contractors Group S.A.L (Offshore) and Arabtec Construction LLC under a joint arrangement agreement dated 10 June 2013.

Transfer of legal ownership of these entities is still in progress as at the date of issuance of these consolidated financial statements.

36 DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTEREST

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

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

Subsidiaries	***Country of incorporation***	***2020 %***	*2019 %*
Drake and Scull International LLC (Oman) (DSI Oman)	Oman	**49%**	49%

b) Accumulated balances of material non-controlling interests:

	2020 AED'000	*2019 AED'000*
Drake and Scull International LLC (Oman)	**(141,632)**	(123,648)

c) Loss allocated to material non-controlling interests:

	2020 AED'000	*2019 AED'000*
Drake and Scull International LLC (Oman)	**(17,984)**	13,662
Drake and Scull International KSA	**-**	270,386
Gulf Technical Construction Company LLC	**-**	3,677
Drake and Scull Construction PJSC KSA	**-**	65,247
International Center for Contracting Co. Ltd	**-**	(281)

36 DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTEREST (continued)

The summarised financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

d) Summarised income statement

31 December 2020

	DSI Oman AED'000	***DSI KSA AED'000***	***GTCC AED'000***	***DSC KSA AED'000***	***ICCC AED'000***
Other income	**1,397**	**-**	**-**	**-**	**-**

31 December 2019

	DSI Oman AED'000	*DSI KSA AED'000*	*GTCC AED'000*	*DSC KSA AED'000*	*ICCC AED'000*
Revenue	-	25,184	-	241,503	-
Gross profit	-	(19,291)	(164)	37,322	(7,708)
Other income	40,702	572	(9,802)	1,911	1,618

e) Summarised statement of financial position for DSI Oman

	2020 AED'000	*2019 AED'000*
Total assets	**2,585**	1,764
Total liabilities	**163,453**	144,981

37 COVID-19 ASSESSEMENT

On 11 March 2020, the World Health Organization made an assessment that the outbreak of a coronavirus (COVID-19) can be characterized as a pandemic. As a result, businesses have subsequently seen reduced customer traffic and, where governments mandated, temporary suspension of travel and closure of recreation and public facilities.

To alleviate the negative impact of the COVID-19 pandemic, the UAE Government, Central Bank and other independent jurisdictions and regulators have taken measures and issued directives to support businesses and the UAE economy at large, including extensions of deadlines, facilitating continued business through social-distancing and easing pressure on credit and liquidity in the UAE.

The situation, including the government and public response to the challenges, continue to progress and rapidly evolve. Therefore, the extent and duration of the impact of these conditions remain uncertain and depend on future developments that cannot be accurately predicted at this stage, and a reliable estimate of such an impact cannot be made at the date of authorisation of these financial statements. Notwithstanding, these developments could impact our future financial results, cash flows and financial position.

Certain trade licenses of the Group subsidiaries are not renewed as at the date of approval of these consolidated financial statements. However, the Group is managing the business based on the applicable laws and regulations in which the subsidiaries are domiciled. Management is in the process to renew the trade licenses after seeking necessary approval from respective authorities.