

ABC Engineering (L.L.C)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

	Notes	2020 AED'000	2019 AED'000
Revenue from contracts with customers	3	547,116	976,386
Direct costs	4	(444,227)	(847,602)
Gross profit		102,889	128,784
Impairment loss on financial assets	13	(7,486)	(22,549)
General and administrative expenses	7	(71,543)	(98,416)
Other income	5	8,899	220
Operating profit		32,759	8,039
Finance costs, net	6	(1,320)	(4,007)
Profit for the year		31,439	4,032
Other comprehensive income			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Loss on cash flow hedges	24	-	(6)
Total comprehensive income for the year		31,439	4,026

ABC Engineering (L.L.C)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

2020	2019	AED'000	AED'000
	<i>Notes</i>		
Assets			
Non-current assets			
Property, plant and equipment	9	4,645	6,826
Intangible assets	10	1,328	70
Right of use assets	25	1,353	452
Retention receivables	12	101,861	86,791
		<u>109,187</u>	<u>94,139</u>
Current assets			
Inventories	11	17,774	18,132
Contract assets	12	78,648	83,241
Trade and other receivables	13	105,783	126,815
Due from related parties	21	150,140	267,793
Cash and bank balances	14	3,527	1,282
		<u>355,872</u>	<u>497,263</u>
Total assets		<u><u>465,059</u></u>	<u><u>591,402</u></u>
Equity and liabilities			
Equity			
Share capital	15	10,000	10,000
Statutory reserve	16	5,000	5,000
Retained earnings		34,979	4,007
		<u>49,979</u>	<u>19,007</u>
Non-current liability			
Employees' end of service benefits	18	26,074	25,837
Current liabilities			
Trade and other payables	20	234,230	273,705
Lease liabilities	25	1,356	478
Contract liabilities	12	30,423	35,043
Due to related parties	21	2,385	104,463
Bank borrowings	19	87,131	110,921
Loan from related parties	21	33,481	21,948
		<u>389,006</u>	<u>546,558</u>
Total liabilities		<u>415,080</u>	<u>572,395</u>
Total equity and liabilities		<u><u>465,059</u></u>	<u><u>591,402</u></u>

These financial statements were approved on and signed on behalf of Managers by:

Manager

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

2020	2019	AED'000	AED'000
	<i>Notes</i>		
Cash flows from operating activities			
Profit for the year		31,439	4,032
Adjustments for:			
Depreciation of property and equipment	9	3,407	4,437
Amortization of intangible assets	10	1,353	179
Depreciation on right-of-use assets	25	554	652
Interest on lease liabilities	25	6	27
Movement in cash flow hedge	24	-	(6)
Impairment loss on trade receivables	13	7486	-
Provision for employees' end of service benefits	18	4,576	4,174
Gain on sale of property and equipment	9	(181)	(81)
Finance income	6	-	(408)
Finance cost	6	1,314	4,415
Operating cash flows before payment of employees' end of service benefits and changes in working capital		49,954	17,421
Employees' end of service benefits paid	18	(1,576)	(3,666)
Changes in working capital:			
Inventories		358	2,423
Contract assets		4,593	34,616
Trade and other receivables		13,546	52,606
Due from related parties		117,652	31,993
Trade and other payables		(39,474)	(39,355)
Contract liabilities		(4,620)	(68,435)
Retention receivables		(15,070)	(57,424)
Due to related parties		(104,840)	2,603
Net cash flows generated from/(used in) operating activities		20,523	(27,223)
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(4,840)	(2,440)
Proceeds from sale of property, plant and equipment		1,184	116
Interest received		-	408
Net cash flows used in investing activities		(3,656)	(1,916)
Cash flows from financing activities			
Dividends paid		(467)	(11,841)
Principal payment on lease liabilities		(578)	(661)
Interest on lease liabilities		(6)	(27)
Loan from related parties		11,533	8,783
Drawdown of trust receipts		165,755	34,811
Repayment of trust receipts		(189,590)	-
Interest paid	6	(1,314)	(4,415)
Net cash flows (used in)/generated from financing activities		(14,667)	26,650
Net increase / (decrease) in cash and cash equivalents		2,200	(2,489)
Cash and cash equivalents at the beginning of the year		997	3,486
Cash and cash equivalents at the end of the year	14	3,197	997
Non-cash transactions			

ABC Engineering (L.L.C)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

Movement in cash flow hedge (6)

	<i>Share capital AED '000</i>	<i>Statutory reserve AED '000</i>	<i>Cash flow hedge reserve AED '000</i>	<i>Retained earnings AED '000</i>	<i>Total AED '000</i>
As at 1 January 2019	10,000	5,000	6	11,851	26,857
Effect of adoption of IFRS 16	-	-	-	(35)	(35)
As at 1 January 2019	10,000	5,000	6	11,816	26,822
Profit for the year	-	-	-	4,032	4,032
Net loss on cash flow hedges	-	-	(6)	-	(6)
Dividends	-	-	-	(11,841)	(11,841)
As at 31 December 2019	10,000	5,000	-	4,007	19,007
Profit for the year	-	-	-	31,439	31,439
Dividends	-	-	-	(467)	(467)
As at 31 December 2020	10,000	5,000	-	34,979	49,979

ABC Engineering (L.L.C)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

3 Revenue from contracts with customers

3.1 Disaggregated revenue information

Set out below is the disaggregation of the revenue from contracts with customers:

	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>
Geographical market		
Within UAE	<u>547,116</u>	<u>976,386</u>
	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>
Timing of revenue recognition		
Over a period of time		
Projects	354,008	728,580
Annual Maintenance Contracts	105,582	90,843
At a point of time		
Casual Jobs	54,494	72,135
Trading	<u>33,032</u>	<u>84,828</u>
	<u>547,116</u>	<u>976,386</u>

4 Direct costs

	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>
Direct Material	172,748	466,692
Direct Manpower	97,005	115,920
Subcontracting and outsourcing charges	132,134	230,615
Depreciation	1,800	2,458
Reversal of provision for inventories	(1,926)	(1,918)
Others	42,466	33,835
	<u>444,227</u>	<u>847,602</u>

5 Other income

	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>
Provisions no longer required written back	3,715	-
Covid isolation & related services	2,450	-
Management fees	1,870	-
Gain on sale of property, plant and equipment	181	81
Others	<u>683</u>	<u>139</u>
	<u>8,899</u>	<u>220</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

6 Finance costs, net

	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>
Finance costs		
Interest on bank borrowings	1,126	4,388
Interest on lease liabilities (note 25)	6	27
Interest charged on related party balances (note 21)	188	-
	<u>1,320</u>	<u>4,415</u>
Finance income;		
Interest income on related party balances (note 21)	-	(408)
	<u>-</u>	<u>(408)</u>
Finance cost, net	<u><u>1,320</u></u>	<u><u>4,007</u></u>

Interest rate on bank borrowings is disclosed in note 20. Interest on related party balances is at the floating rate of 2.0% to 3.0% (2019: 3.0 % to 3.5%) per annum.

7 General and administrative expenses

	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>
Staff cost (Note 8)	32,262	54,342
Data processing expenses	6,497	6,432
Corporate cost allocation	3,529	4,022
Legal and consultancy charges	3,133	3,681
Depreciation on Property, Plant & Equipment (Note 9)	1,607	1,979
Depreciation on ROU	554	652
Communication	2,936	1,436
Insurance	2,889	3,896
Distribution and warehousing	2,877	3,028
Shared service charges	2,062	1,610
Electricity	1,623	1,649
Stationery	1,473	1,081
Amortization of Intangible assets (Note 10)	1,353	179
Rent	1,095	6,951
Travel	9	1,851
Other expenses	7,644	5,627
	<u>71,543</u>	<u>98,416</u>

8 Staff cost

	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>
Salaries	61,160	70,032
Other benefits	63,531	232,918
Employees end of service benefits (note 18)	4,576	4,174
	<u>129,267</u>	<u>307,124</u>
	<u><u>129,267</u></u>	<u><u>307,124</u></u>
	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>
Direct costs	97,005	252,782
General and administrative expenses (Note 7)	32,262	54,342
	<u>129,267</u>	<u>307,124</u>
	<u><u>129,267</u></u>	<u><u>307,124</u></u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

9 Property, plant and equipment

	<i>Leasehold improvements AED '000</i>	<i>Machinery and equipment AED '000</i>	<i>Vehicles AED '000</i>	<i>Scaffolding equipment AED '000</i>	<i>Total AED '000</i>
Cost					
At 1 January 2019	5,126	8,785	14,984	27,694	56,589
Additions	1,294	-	2,440	-	1,086
Disposals	(4)	60	(323)	-	(327)
At 31 December 2019	6,416	9,871	14,661	27,754	58,702
Additions	442	369	-	415	1,226
Disposals	-	-	(1,356)	-	(1,356)
At 31 December 2020	6,858	10,240	13,305	28,169	58,572
Accumulated depreciation					
At 1 January 2019	4,407	7,636	13,560	22,127	47,730
Charge for the year	615	438	927	2,457	4,437
Disposals	(4)	-	(287)	-	(291)
At 31 December 2019	5,018	8,074	14,200	24,584	51,876
Charge for the year	677	616	313	1,801	3,407
Disposals	-	-	(1,356)	-	(1,356)
At 31 December 2020	5,695	8,690	13,157	26,385	53,927
Net book amount					
At 31 December 2020	1,163	1,550	148	1,784	4,645
At 31 December 2019	1,398	1,797	461	3,170	6,826

The depreciation on property, plant and equipment has been allocated in the statement of comprehensive income as follows:

	<i>2020 AED '000</i>	<i>2019 AED '000</i>
Direct costs	1,800	2,458
General and administrative expenses (note 7)	1,607	1,979
	3,407	4,437

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

10 Intangible assets

	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>
Cost:		
At 1 January	1,539	1,539
Net addition for the year	2,611	-
At 31 December	4,150	1,539
	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>
Accumulates Amortization:		
At January 1	1,469	1,290
Charge for the year	1,353	179
At 31 December	2,822	1,469
Net book value:		
At 31 December	1,328	70

The amortization of intangible assets has been allocated in the statement of comprehensive income as follows:

	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>
Direct costs	-	-
General and administrative expenses (note 7)	1,353	179
	1,353	179

11 Inventories

	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>
Goods held for resale	32,738	33,552
Goods in transit	845	2,316
	33,583	35,868
Provision for slow moving inventories	(15,809)	(17,736)
	17,774	18,132
Movements in the provision for slow moving inventories were as follows:		
	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>
At 1 January	17,736	19,654
Reversal of provision for inventories (note 4)	(1,926)	(1,918)
At 31 December	15,810	17,736

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

12 Contract assets, contract liabilities and retentions

	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>
Contract assets		
Contract assets	112,540	118,772
Less: Provision on contract asset	(33,892)	(35,531)
	<u>78,648</u>	<u>83,241</u>

The ageing of contract assets is as follows:

2020	Total AED'000	0 - 90	91 - 120	120-365	365+
Contract Assets	102,033	46,434	5,641	16,818	33,140
Less: Provision	(33,892)			(752)	(33,140)
	68,141	46,434	5,641	16,066	-
WIP	10,507				
Contract Assets, net	78,648				

2019

Contract Assets	106,984	38,462	3,710	25,841	38,971
Less: Provision	(35,531)	-	-	(481)	(35,050)
Contract Assets, net	71,453	38,462	3,710	25,360	3,921
WIP	11,788				
Contract Assets, net	83,241				

The aggregate amount of sale price allocated to performance obligations that are unsatisfied / partially satisfied in 2020 is AED 166,106 thousand (2019: AED 368,129 thousand). The Company expects to recognise revenue from these unsatisfied performance obligations over a period of 1 to 3 years.

Contract liabilities

Liabilities relation to customer advances	16,394	35,043
Other contract liability	14,029	-
	<u>30,423</u>	<u>35,043</u>

