

Depa Limited and its subsidiaries

**Review report and interim condensed
consolidated financial statements**

For the six month period ended 30 June 2014

DEPA LIMITED

Review report and interim condensed consolidated financial statements for the six month period ended 30 June 2014

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF DEPA LIMITED

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Depa Limited and its subsidiaries (the “Group”) as at 30 June 2014, comprising of the interim consolidated statements of financial position as at 30 June 2014 and the related interim consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

We did not carry out such a review in respect of the interim financial statements of a subgroup whose interim financial statements reflect assets, revenue and profit before tax of 13%, 18% and 54%, respectively, of the related Group consolidated totals. The subgroup's interim financial statements were, however, subjected to other more limited procedures carried out by the subgroup's auditor in line with the practices for public companies' interim financial statements in that jurisdiction and consistent with previous years.

Conclusion

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

Other matters

The interim condensed consolidated financial statements of the Group as of 30 June 2013 were reviewed by another auditor whose report dated 23 August 2013 expressed an unqualified conclusion on those interim condensed consolidated financial statements. Also, the consolidated financial statements as of 31 December 2013 were audited by another auditor whose report dated 29 April 2014 expressed an unqualified opinion on those consolidated financial statements.



31 August 2014

Dubai, United Arab Emirates

Depa Limited and its subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

| | Notes | 30 June 2014 (unaudited) US\$ | 31 December 2013 (audited) US\$ | 30 June 2014 (unaudited) AED | 31 December 2013 (audited) AED |
|--|-------|--|--|---------------------------------------|---|
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 4 | 99,584,623 | 105,116,276 | 365,973,490 | 386,302,316 |
| Intangible assets | 5 | 22,436,623 | 24,854,686 | 82,454,589 | 91,340,971 |
| Goodwill | 6 | 105,623,318 | 105,623,318 | 388,165,695 | 388,165,695 |
| Investment in associates | 7 | 17,096,241 | 17,508,034 | 62,828,687 | 64,342,024 |
| Available for sale investments | 8 | 6,150,790 | 6,220,454 | 22,604,153 | 22,860,168 |
| Held to maturity investments | | 2,296,758 | 2,211,688 | 8,440,584 | 8,127,952 |
| Contract retentions | | 26,847,456 | 25,092,832 | 98,664,401 | 92,216,159 |
| Deferred tax asset | | 213,648 | 48,133 | 785,158 | 176,888 |
| Other non-current assets | | 160,667 | 158,398 | 590,450 | 582,111 |
| | | <u>280,410,124</u> | <u>286,833,819</u> | <u>1,030,507,207</u> | <u>1,054,114,284</u> |
| Current assets | | | | | |
| Bank balances and cash | 9 | 99,300,477 | 108,664,893 | 364,929,252 | 399,343,483 |
| Trade receivables and other current assets | 10 | 246,455,915 | 272,278,012 | 905,725,486 | 1,000,621,695 |
| Amount due from customers on construction contracts | 12 | 188,374,142 | 180,126,895 | 692,274,972 | 661,966,340 |
| Investment at fair value through profit or loss | | - | 150 | - | 550 |
| Inventories | | 27,939,242 | 25,402,059 | 102,676,715 | 93,352,568 |
| | | <u>562,069,776</u> | <u>586,472,009</u> | <u>2,065,606,425</u> | <u>2,155,284,636</u> |
| TOTAL ASSETS | | <u><u>842,479,900</u></u> | <u><u>873,305,828</u></u> | <u><u>3,096,113,632</u></u> | <u><u>3,209,398,920</u></u> |
| EQUITY AND LIABILITIES | | | | | |
| Equity | | | | | |
| Share capital | 11 | 245,832,598 | 245,832,598 | 903,434,799 | 903,434,799 |
| Share premium | | 190,576,238 | 190,576,238 | 700,367,674 | 700,367,674 |
| Share issuance costs | | (17,643,619) | (17,643,619) | (64,840,298) | (64,840,298) |
| Treasury shares | | (4,488,071) | (4,488,071) | (16,493,664) | (16,493,664) |
| Statutory reserve | | 12,989,708 | 12,989,708 | 47,737,179 | 47,737,179 |
| Accumulated losses | | (27,587,258) | (34,580,419) | (101,383,175) | (127,083,038) |
| Translation reserve | | 1,601,558 | 1,556,658 | 5,885,724 | 5,720,717 |
| Equity attributable to equity holders of the parent | | <u>401,281,154</u> | <u>394,243,093</u> | <u>1,474,708,239</u> | <u>1,448,843,369</u> |
| Non-controlling interests | | (622,832) | 2,125,867 | (2,288,907) | 7,812,560 |
| Total equity | | <u>400,658,322</u> | <u>396,368,960</u> | <u>1,472,419,332</u> | <u>1,456,655,929</u> |
| Non-current liabilities | | | | | |
| Bank borrowings | 13 | 24,595,875 | 34,491,262 | 90,389,842 | 126,755,390 |
| Provision for employees' end of service benefits | | 17,203,268 | 16,180,819 | 63,222,010 | 59,464,509 |
| Subcontractors' retention | | 854,066 | 3,026,374 | 3,138,689 | 11,121,924 |
| Due to related parties | 15 | 313,336 | 572,498 | 1,151,510 | 2,103,930 |
| Deferred tax liability | | 88,175 | 524,520 | 324,043 | 1,927,612 |
| | | <u>43,054,720</u> | <u>54,795,473</u> | <u>158,226,094</u> | <u>201,373,365</u> |
| Current liabilities | | | | | |
| Bank borrowings | 13 | 57,341,482 | 72,182,931 | 210,729,947 | 265,272,273 |
| Trade payables and other current liabilities | 14 | 341,425,376 | 349,958,464 | 1,254,738,259 | 1,286,097,353 |
| | | <u>398,766,858</u> | <u>422,141,395</u> | <u>1,465,468,206</u> | <u>1,551,369,626</u> |
| TOTAL LIABILITIES | | <u>441,821,578</u> | <u>476,936,868</u> | <u>1,623,694,300</u> | <u>1,752,742,991</u> |
| TOTAL EQUITY AND LIABILITIES | | <u><u>842,479,900</u></u> | <u><u>873,305,828</u></u> | <u><u>3,096,113,632</u></u> | <u><u>3,209,398,920</u></u> |


Director


Director


Acting Chief Executive Officer


Chief Financial Officer

The accompanying notes 1 to 21 form part of these interim condensed consolidated financial statements.

Depa Limited and its subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six month period ended 30 June 2014

| | Notes | Six month period ended 30 June | | Six month period ended 30 June | |
|--|---------------|-----------------------------------|-----------------------------|-----------------------------------|----------------------------|
| | | 2014 (unaudited) US\$ | 2013 (unaudited) US\$ | 2014 (unaudited) AED | 2013 (unaudited) AED |
| | | Revenue | 250,434,040 | 274,886,228 | 920,345,096 |
| Direct costs | (218,334,729) | (239,142,114) | (802,380,128) | (878,847,270) | |
| GROSS PROFIT | | 32,099,311 | 35,744,114 | 117,964,968 | 131,359,617 |
| General and administrative expenses | | (30,193,019) | (24,095,053) | (110,959,344) | (88,549,322) |
| Other income | | 8,743,096 | 1,938,379 | 32,130,878 | 7,123,547 |
| Finance cost | | (961,428) | (946,715) | (3,533,248) | (3,479,176) |
| Finance income | | 285,014 | 84,600 | 1,047,426 | 310,906 |
| Impairment loss on available for sale investment | 8 | (69,664) | - | (256,015) | - |
| Impairment loss on investment in associate | | - | (1,360,544) | - | (5,000,000) |
| Gain on disposal of investment in associate | 7 | - | 1,946,058 | - | 7,151,763 |
| Share of profits / (losses) of associates | | 79,092 | (180,806) | 290,663 | (664,462) |
| PROFIT FOR THE PERIOD BEFORE TAX | | 9,982,402 | 13,130,033 | 36,685,328 | 48,252,873 |
| Income tax expense | 16 | (1,727,499) | (2,609,620) | (6,348,560) | (9,590,352) |
| PROFIT FOR THE PERIOD | | 8,254,903 | 10,520,413 | 30,336,768 | 38,662,521 |
| Attributable to: | | | | | |
| Owners of the parent company | | 7,391,218 | 9,029,894 | 27,162,725 | 33,184,863 |
| Non-controlling interest | | 863,685 | 1,490,519 | 3,174,043 | 5,477,658 |
| | | 8,254,903 | 10,520,413 | 30,336,768 | 38,662,521 |
| Earnings per share | | | | | |
| Basic and diluted earnings per share | | 0.01 | 0.01 | 0.04 | 0.05 |

The accompanying notes 1 to 21 form part of these interim condensed consolidated financial statements.

Depa Limited and its subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six month period ended 30 June 2014

| | <i>Six month period ended</i> <i>30 June</i> | | <i>Six month period ended</i> <i>30 June</i> | |
|--|--|--|---|---|
| | <i>2014</i> <i>(unaudited)</i> <i>US\$</i> | <i>2013</i> <i>(unaudited)</i> <i>US\$</i> | <i>2014</i> <i>(unaudited)</i> <i>AED</i> | <i>2013</i> <i>(unaudited)</i> <i>AED</i> |
| Profit for the period | 8,254,903 | 10,520,413 | 30,336,768 | 38,662,521 |
| Other comprehensive income <i>Other comprehensive income that would be reclassified to profit or loss in subsequent periods:</i> | | | | |
| Exchange difference on translation of overseas operations | 73,238 | (2,076,372) | 269,150 | (7,630,668) |
| Total comprehensive income for the period | 8,328,141 | 8,444,041 | 30,605,918 | 31,031,853 |
| Attributable to: | | | | |
| Owners of the parent company | 7,436,118 | 7,110,626 | 27,327,732 | 26,131,551 |
| Non-controlling interest | 892,023 | 1,333,415 | 3,278,186 | 4,900,302 |
| | 8,328,141 | 8,444,041 | 30,605,918 | 31,031,853 |

The accompanying notes 1 to 21 form part of these interim condensed consolidated financial statements.

Depa Limited and its subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six month period ended 30 June 2014

| | Share capital AED | Share premium AED | Share issuance costs AED | Treasury shares AED | Statutory reserve AED | Accumulated losses AED | Translation reserve AED | Attributable to equity holders of the parent AED | Non-controlling Interests AED | Total AED |
|---|----------------------|----------------------|-----------------------------|------------------------|--------------------------|---------------------------|----------------------------|---|----------------------------------|----------------------|
| Balance at 1 January 2014 | 903,434,799 | 700,367,674 | (64,840,298) | (16,493,664) | 47,737,179 | (127,083,038) | 5,720,717 | 1,448,843,369 | 7,812,560 | 1,456,655,929 |
| Profit for the period | - | - | - | - | - | 27,162,725 | - | 27,162,725 | 3,174,043 | 30,336,768 |
| Other comprehensive income | - | - | - | - | - | - | 165,007 | 165,007 | 104,143 | 269,150 |
| Total comprehensive income for the period | - | - | - | - | - | 27,162,725 | 165,007 | 27,327,732 | 3,278,186 | 30,605,918 |
| Non-controlling interests acquired (Note 2) | - | - | - | - | - | (1,462,862) | - | (1,462,862) | (2,231,200) | (3,694,062) |
| Dividends paid to non-controlling interest | - | - | - | - | - | - | - | - | (11,148,453) | (11,148,453) |
| Balance at 30 June 2014 (unaudited) | 903,434,799 | 700,367,674 | (64,840,298) | (16,493,664) | 47,737,179 | (101,383,175) | 5,885,724 | 1,474,708,239 | (2,288,907) | 1,472,419,332 |

The accompanying notes 1 to 21 form part of these interim condensed consolidated financial statements.

Depa Limited and its subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six month period ended 30 June 2013

| | Share capital AED | Share premium AED | Share issuance costs AED | Treasury shares AED | Employees' stock option plan shares AED | Statutory reserve AED | Retained earnings AED | Translation reserve AED | Attributable to equity holders of the parent AED | Non-controlling interests AED | Total AED |
|---|----------------------|----------------------|-----------------------------|------------------------|--|--------------------------|--------------------------|----------------------------|---|----------------------------------|---------------|
| Balance at 1 January 2013 | 903,434,799 | 700,367,674 | (64,840,298) | (16,493,664) | (6,765,988) | 47,737,179 | 23,508,631 | 11,975,229 | 1,598,923,562 | 14,682,592 | 1,613,606,154 |
| Profit for the period | - | - | - | - | - | - | 33,184,863 | - | 33,184,863 | 5,477,658 | 38,662,521 |
| Other comprehensive income | - | - | - | - | - | - | - | (7,053,312) | (7,053,312) | (577,356) | (7,630,668) |
| Total comprehensive income for the period | - | - | - | - | - | - | 33,184,863 | (7,053,312) | 26,131,551 | 4,900,302 | 31,031,853 |
| Directors' fee | - | - | - | - | - | - | (2,311,595) | - | (2,311,595) | - | (2,311,595) |
| Non-controlling interests acquired (Note 2) | - | - | - | - | - | - | (19,789,921) | - | (19,789,921) | 14,062,316 | (5,727,605) |
| Dividends paid to non-controlling interest | - | - | - | - | - | - | - | - | - | (4,559,902) | (4,559,902) |
| Balance at 30 June 2013 (unaudited) | 903,434,799 | 700,367,674 | (64,840,298) | (16,493,664) | (6,765,988) | 47,737,179 | 34,591,978 | 4,921,917 | 1,602,953,597 | 29,085,308 | 1,632,038,905 |

The accompanying notes 1 to 21 form part of these interim condensed consolidated financial statements.

Depa Limited and its subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six month period ended 30 June 2014

| | | <i>Six month period ended</i> | |
|--|--|-------------------------------|--------------------|
| | | <i>30 June</i> | |
| | | <i>2014</i> | <i>2013</i> |
| | | <i>(unaudited)</i> | <i>(unaudited)</i> |
| <i>Notes</i> | | <i>AED</i> | <i>AED</i> |
| OPERATING ACTIVITIES | | 36,685,328 | 48,252,873 |
| Profit before tax | | | |
| Adjustment for: | | | |
| | Depreciation of property, plant and equipment | 20,439,035 | 19,052,890 |
| | Amortization of intangible assets | 8,886,382 | 10,210,755 |
| | Loss on disposal of property, plant and equipment | 136,930 | - |
| | Impairment on investment in associates | - | 5,000,000 |
| | Share of loss (profits) from associates | (290,663) | 664,462 |
| | Gain on disposal of available for sale investments | - | (7,151,763) |
| | Gain on held to maturity investments | (312,632) | (312,612) |
| | Impairment loss on available for sale investments | 256,015 | - |
| | Finance costs | 3,533,248 | 3,479,176 |
| | Finance income | (1,047,426) | (310,906) |
| | Provision for employees' end of service benefits | 3,757,501 | 1,199,585 |
| | | <u>72,043,718</u> | <u>80,084,460</u> |
| Working capital changes: | | | |
| | Amount due from customers on construction contracts | (30,308,632) | (103,030,064) |
| | Inventories | (9,324,147) | 404,930 |
| | Trade receivables and other current assets | 94,896,209 | (2,273,769) |
| | Contract retentions | (6,448,242) | (35,865,620) |
| | Other non-current assets | (8,339) | 312,142 |
| | Subcontractors' retention | (7,983,235) | 1,194,738 |
| | Due to related parties | (952,420) | 21,817,016 |
| | Trade payables and other current liabilities | (39,919,493) | 30,090,678 |
| Net cash flows from / (used in) operating activities | | <u>71,995,419</u> | <u>(7,265,489)</u> |
| INVESTING ACTIVITIES | | | |
| | Purchase of property, plant and equipment | (3,926,524) | (7,613,952) |
| | Proceeds from disposals of property, plant and equipment | 1,670,662 | 4,488,058 |
| | Finance income received | 1,047,426 | 310,906 |
| | Disposal of investment at fair value through profit or loss | 550 | 232,456 |
| | Disposal of investment in associates | - | 29,216,887 |
| | Paid for additional acquisition of non-controlling interests | (3,694,062) | (5,727,605) |
| | Dividends received | 1,804,000 | 1,353,000 |
| | Movement in fixed deposits | 9,669,696 | - |
| Net cash flows from investing activities | | <u>6,571,748</u> | <u>22,259,750</u> |

The accompanying notes 1 to 21 form part of these interim condensed consolidated financial statements.

Depa Limited and its subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six month period ended 30 June 2014

| | <i>Notes</i> | <i>Six month period ended</i> | |
|---|--------------|-------------------------------|---------------------|
| | | <i>30 June</i> | |
| | | <i>2014</i> | <i>2013</i> |
| | | <i>(unaudited)</i> | <i>(unaudited)</i> |
| | | <i>AED</i> | <i>AED</i> |
| FINANCING ACTIVITIES | | | |
| Dividends paid to non-controlling interests | | (11,148,453) | (4,559,902) |
| Interest paid | | (3,533,248) | (3,479,176) |
| Director's fee | | - | (2,311,595) |
| Net movement in bank borrowings | | (90,907,874) | (64,338,845) |
| Net cash used in financing activities | | (105,589,575) | (74,689,518) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | | (27,022,408) | (59,695,257) |
| Cash and cash equivalents at 1 January | | 387,384,991 | 275,068,832 |
| Exchange differences arising on translation of foreign operations | | 2,277,873 | (7,630,668) |
| CASH AND CASH EQUIVALENTS AT THE PERIOD END | 9 | 362,640,456 | 207,742,907 |

The accompanying notes 1 to 21 form part of these interim condensed consolidated financial statements.

1 GENERAL INFORMATION

Depa Limited (the "Company") is a company limited by shares and registered in accordance with Dubai DIFC Law No. 3 of 2006 and was incorporated on 25 February 2008. Depa Limited is the management company of Depa United Group P.J.S.C. The Company's shares are listed on Nasdaq Dubai.

On incorporation on 25 February 2008, the initial registered paid up capital was US\$ 50,000 divided into 50,000 ordinary shares of US\$ 1 each. The initial paid up capital was subscribed to by The National Investor (PJSC), which at the time of incorporation owned 25,500 ordinary shares of US\$ 1 each, and Mr. Mohammad Sweid, who at the time of incorporation owned 24,500 ordinary shares of US\$ 1 each.

On 31 March 2008, the Company received 99.9% of the shares in Depa United Group P.J.S.C. against an issue and allotment of 460,271,308 ordinary shares of the Company, each with a nominal value of US\$ 0.40.

Pursuant to a shareholders resolution dated 16 April 2008, the shareholders resolved to adopt the Articles and to sub-divide the issued and unissued share capital into 5,000,000,000 ordinary shares of US\$ 0.40 each. The shareholders further resolved, that, with effect from, and conditional upon, the Dubai International Financial Exchange (DIFX) admission and the United Kingdom Listing Authority (UKLA) admission, the Board of Directors be generally authorised to allot 162,992,567 shares with a nominal value of US\$ 0.40 (AED 1.47) through Initial Public Offering.

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

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

The interim condensed consolidated financial information is presented in UAE Dirham (AED) since that is the currency in which the majority of the Group's transactions are denominated. The US Dollars (US\$) amounts, are presented solely for the convenience of the reader of the financial information. The UAE Dirham amounts have been translated at the rate of AED 3.675 to US\$ 1. The translation rate has remained constant throughout the period.

2 BASIS OF PREPARATION

Statement of compliance

This interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") specifically International Accounting Standard 34: "*Interim Financial Reporting*" issued by the International Accounting Standards Board.

Accounting convention

The interim condensed consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments, which are recorded at fair value at the end of each reporting period.

The interim condensed consolidated financial statements does not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2013.

In addition, results for the period from 1 January 2014 to 30 June 2014 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power over the investee to affect its returns.

2 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

The Company reassesses 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 listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities to control the investee unilaterally.

The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company 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 in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Depa Limited and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2014

2 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

Details of the Company's subsidiaries are summarised as follows:

| <i>Name of subsidiary</i> | <i>Proportion of ownership interest and voting power</i> | | <i>Country of incorporation</i> | <i>Principal activities</i> |
|----------------------------|--|-------------------------|---------------------------------|---|
| | <i>30 June 2014</i> | <i>31 December 2013</i> | | |
| Depa United Group P.J.S.C. | 100% | 100% | U.A.E. | Management activities of the holding Company. |

The Company also controls the following subsidiaries through its wholly owned subsidiary Depa United Group P.J.S.C.:

| <i>Name of subsidiary</i> | <i>Proportion of ownership interest and voting power</i> | | <i>Country of incorporation</i> | <i>Principal activities</i> |
|---|--|-------------------------|---------------------------------|--|
| | <i>30 June 2014</i> | <i>31 December 2013</i> | | |
| Depa Interiors L.L.C. | 100% | 100% | U.A.E. | Full scope fit out and furnishing of five star hotels, luxury villas and residential, hospitalities and services |
| Depa Decoration, Contracting & General Maintenance L.L.C. | 100% | 100% | U.A.E. | Interior decoration, contracting and general maintenance services for hotels and other entities |
| Pino Meroni Yacht Interiors L.L.C. | 90% | 90% | U.A.E. | Trading in material and requisites for Yacht upholstery and fabric for curtains and upholstery and trading in decoration and partition materials |
| Eldiar Furniture Manufacturing and Decoration L.L.C. | 100% | 100% | U.A.E. | Manufacturing and sale of wooden doors, wardrobes, furniture decoration |
| Deco Emirates L.L.C. | 100% | 100% | U.A.E. | Building, contracting and decoration activities and trading in furniture and related items and shops interiors |
| Depa Hotels SAE | 91.95% | 91.95% | Egypt | Decoration works, interior and exterior finishing for hotels, motels, tourist villages and Nile cruise ships |
| Pino Meroni Wooden and Metal Industries S A E | 86.17% | 86.17% | Egypt | Manufacturing of wooden and steel furniture |
| Depa Construction L.L.C. | 100% | 100% | U.A.E. | Interior and exterior decoration works and other related activities. |
| Dragoni International L.L.C. | 60% | 60% | U.A.E. | Interior design, furniture manufacturing and supply and fit out of soft and hard furnishings |
| Depa Al Barakah L.L.C. | 80% | 80% | U.A.E. | Contracting of partitions and false ceilings and trading of gypsum products and false ceiling |

Depa Limited and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2014

2 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

| <i>Name of subsidiary</i> | <i>Proportion of ownership interest and voting power</i> | | <i>Country of incorporation</i> | <i>Principal activities</i> |
|---|--|-------------------------|---------------------------------|--|
| | <i>30 June 2014</i> | <i>31 December 2013</i> | | |
| Depamar SARL | 100% | 100% | Morocco | Interior design, decoration works and construction of buildings |
| Depa Mauritius | 100% | 100% | Mauritius | Management activities of holding companies |
| Depa Saudi Contracting and Interior Design L.L.C. | 100% | 100% | Saudi Arabia | Interior decoration, contracting and general maintenance services for hotels and other entities |
| Depa Hungary LLC | 100% | 100% | Hungary | Management activities of holding companies |
| Lindner Depa Interiors L.L.C. | 51% | 51% | U.A.E. | Manufacturing and trading in interior decoration partition and false ceiling products |
| Paragon Creative Middle East L.L.C. | 51% | 51% | U.A.E. | Building, Maquette and model trading |
| The Parker ME FZ L.L.C | 51% | 51% | U.A.E | Procurement services to hospitality industry |
| Depa Jordan Investment W.L.L. | 70% | 70% | Bahrain | Management activities of holding companies |
| Depa Syria for Contracting and Real Estate Developments | 100% | 100% | Syria | Investment in real estate and all related services and activities |
| Depa Industrial Group Maroc | 100% | 100% | Morocco | Manufacturing and sale of wooden doors, wardrobes, furniture decoration |
| Depa Industrial Group (DIG) Dubai | 90% | 90% | U.A.E | Contracting of wooden doors, frames, windows, building metal products and other joinery products as well as manufacture of home furniture |
| Carrara Mideast Industrial Co. L.L.C. | 100% | 100% | U.A.E. | Cutting, processing, polishing and fixing marble and granite. |
| Design Studio Furniture Manufacturer Limited and its subsidiaries * | 89.03% | 88.27% | Singapore | Manufacture, supply and installation of paneling products to residential property projects. Interior fitting-out services to hospitality and commercial projects |

Depa Limited and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2014

2 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

| <i>Name of subsidiary</i> | <i>Proportion of ownership interest and voting power</i> | | <i>Country of incorporation</i> | <i>Principal activities</i> |
|--|--|-------------------------|---------------------------------|--|
| | <i>30 June 2014</i> | <i>31 December 2013</i> | | |
| Depa (U.K) Limited | 100% | 100% | UK | General commercial company |
| Depa Azerbaijan LLC | 100% | 100% | Azerbaijan | Full scope fit out and furnishing of five star hotels, luxury villas and residential, hospitalities and services |
| Projects Division Company (SARLAU) | 100% | 100% | Morocco | Investment in real estate and all related services and activities |
| Lindner Middle East L.L.C. | 51% | 51% | U.A.E. | Trading of false ceilings, building and construction materials, tiles, flooring materials, decoration material and partition |
| Thrislington Gulf L.L.C. | 100% | 100% | U.A.E. | Manufacturing and installation of office partitions |
| Mivan Depa Contracting Bahrain W.L.L. | 100% | 100% | U.A.E. | Importing of décor decor materials and undertaking interior designs and décor contracts. |
| Depa Qatar Company W.L.L. | 100% | 100% | Qatar | Civil construction and related activities |
| Depa India Private Limited | 100% | 100% | India | Full scope fit out and furnishing of five star leasing hotels. |
| Depa India RAK FZE | 100% | 100% | U.A.E. | Trading, imports and exports of carpets, chandeliers, home furnitures, and light fitting and fixtures. |
| Depa SRL | 100% | 100% | Italy | Trading and selling furniture |
| Depa USA Holding Co | 100% | 100% | USA | Hospitality, procurement (this is a holding company only with no operating activities by itself) |
| The Parker Company L.L.C.- USA | 51% | 51% | USA | Hospitality procurement |
| Parker Company Brazil Consultoria Empresarial Ltda | 50.49% | 50.49% | Brazil | Hospitality procurement |
| The Parker Company (Asia) Limited, Hongkong | 51% | 51% | Hongkong SAR | Holding company and hospitality procurement |
| The Parker Company (Shanghai) Limited | 51% | 51% | Hongkong SAR | Hospitality procurement |
| The Parker Company AG - Zurich, Switzerland | 51% | 51% | Switzerland | Hospitality procurement |

Depa Limited and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2014

2 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

| <i>Name of subsidiary</i> | <i>Proportion of ownership interest and voting power</i> | | <i>Country of incorporation</i> | <i>Principal activities</i> |
|--|--|-------------------------|---------------------------------|---|
| | <i>30 June 2014</i> | <i>31 December 2013</i> | | |
| Depa Germany GmbH & Co. KG | 100% | 100% | Germany | Management activities of holding companies |
| Depa Germany Verwaltungs GmbH & Co. KG | 100% | 100% | Germany | Management activities of holding companies |
| Vedder GmbH | 100% | 100% | Germany | Interior work, custom yacht interiors, custom made furniture. |
| Vedder Munich GmbH | 100% | 100% | Germany | Interior work, custom yacht interiors, custom made furniture. |
| Depa Munich GmbH & Co. KG | 100% | 100% | Germany | Management activities of holding companies. |
| Waltersdorfer Solar GmbH | 100% | 100% | Germany | Management activities of holding companies. |

*The Group has entered into an agreement with a non-controlling shareholder in the subsidiary Design Studio, whereby, 7 million shares in the subsidiary will be purchased by the Group in tranches over the years from 2013 to 2015. The non-controlling shareholder is also key management personnel of the subsidiary. During the period, 2 million shares have been acquired (representing 0.76% of the shares) in the subsidiary, for consideration of AED 3.7 million (2013: 3 million shares for a consideration of AED 5.7 million).

Investment in associates are disclosed in note 7.

Details of the Group's interest in Joint operations is summarised as follows:

| | <i>Share in Joint operations</i> | |
|--|----------------------------------|-------------------------|
| | <i>30 June 2014</i> | <i>31 December 2013</i> |
| a) Depa / CCC – SKMC, Morocco joint operation project, UAE | 50% | 50% |
| b) Depa / CCC and GTGCE - The Presidential Palace joint operation project, UAE | 50% | 50% |

Use of estimates and judgements

The preparation of the interim condensed consolidated financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim condensed consolidated financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements of the Group as at and for the year ended 31 December 2013.

Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2013.

3 ACCOUNTING POLICIES

Changes in accounting policies

The accounting policies adopted in the presentation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2013, except for the adoption of new standards and interpretations effective as of 1 January 2014.

The nature and impact of each new standard or amendment is described below:

Investment Entities - Amendments to IFRS 10, IFRS 12 and IAS 27

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10, Consolidated Financial Statements. The exception to consolidation requires investment entities to account for subsidiaries, associates and joint operations at fair value through profit or loss. These amendments have no impact to the Group, since none of entities in the Group qualifies to be an investment entity under IFRS 10.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria of non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact on the Group's financial position or performance.

Recognition and Measurement, Novation of Derivatives and Continuation of Hedge Accounting - Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact to the Group as the Group has no derivatives during the current period.

Recoverable Amounts Disclosure for Non-Financial Assets – Amendments to IAS 36

These amendments remove the unintended consequences of IFRS 13 Fair Value Measurement on the disclosures required under IAS 36 Impairment of Assets. In addition, these amendments require disclosures of the recoverable amounts for the assets of cash-generating units (CGUs) for which an impairment loss has been recognised or reversed during the period. The amendment has no impact on the Group.

IFRIC 21 - Levies

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. The amendments have no impact on the Group.

Depa Limited and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2014

4 PROPERTY, PLANT AND EQUIPMENT

| | Land and buildings AED | Machinery and equipment AED | Motor vehicles AED | Furniture and office equipment AED | Operating equipment and site tools AED | Site equipment AED | Caravans AED | Capital work in progress AED | Total AED |
|---------------------------------|---------------------------|--------------------------------|-----------------------|---------------------------------------|---|-----------------------|-----------------|---------------------------------|--------------|
| Cost | | | | | | | | | |
| At 1 January 2013 | 257,498,337 | 169,107,723 | 22,198,267 | 71,088,252 | 617,522 | 2,650,995 | 817,349 | 75,053,576 | 599,032,021 |
| Additions for the year | 54,061,266 | 19,706,868 | 1,644,716 | 6,336,750 | 8,875 | 1,446,346 | 2,865 | 1,325,271 | 84,532,957 |
| Disposals for the year | (118,723) | (1,075,842) | (3,396,221) | (5,100,830) | (45,429) | (2,457,677) | (8,673) | (336,972) | (12,540,367) |
| Transfers during the year | 3,300,543 | 5,106,552 | - | 4,933,983 | - | - | - | (13,341,078) | - |
| Translation reserve | (1,734,007) | (653,172) | (19,894) | (279,335) | - | - | - | (662,771) | (3,349,179) |
| At 31 December 2013 (audited) | 313,007,416 | 192,192,129 | 20,426,868 | 76,978,820 | 580,968 | 1,639,664 | 811,541 | 62,038,026 | 667,675,432 |
| At 1 January 2014 | 313,007,416 | 192,192,129 | 20,426,868 | 76,978,820 | 580,968 | 1,639,664 | 811,541 | 62,038,026 | 667,675,432 |
| Additions for the period | 143,973 | 1,961,436 | 342,129 | 1,156,324 | - | 204 | 876 | 321,582 | 3,926,524 |
| Disposals for the period | (99,770) | (317,818) | (730,200) | (4,144,982) | - | - | - | (1,100,000) | (6,392,770) |
| Transfers during the period | 55,067,679 | (737,049) | (93,475) | (232,708) | - | - | - | (55,067,679) | - |
| Translation differences | (604,870) | (737,049) | (93,475) | (232,708) | (10,260) | - | (2,038) | (22,100) | (1,702,500) |
| At 30 June 2014 (unaudited) | 367,514,428 | 193,098,698 | 19,945,322 | 73,757,454 | 570,708 | 1,639,868 | 810,379 | 6,169,829 | 663,506,686 |
| Accumulated depreciation | | | | | | | | | |
| At 1 January 2013 | 77,337,320 | 92,156,289 | 19,014,552 | 43,133,504 | 374,549 | 1,340,496 | 178,021 | - | 233,534,731 |
| Charge for the year | 13,565,559 | 14,595,493 | 1,601,806 | 10,227,258 | 20,393 | 1,588,620 | 61,016 | - | 41,659,945 |
| Transfers | - | 681,528 | - | (681,528) | - | - | - | - | - |
| Disposals | - | (969,756) | (1,506,677) | (3,367,693) | - | (1,299,899) | - | - | (7,144,025) |
| Impairment loss | 13,500,000 | 485,318 | 44,142 | 304,954 | - | - | - | - | 14,334,414 |
| Translation reserve | (190,174) | (568,553) | (172,935) | (39,898) | (40,389) | - | - | - | (1,011,949) |
| At 31 December 2013 (audited) | 104,212,505 | 106,380,319 | 18,980,888 | 49,576,597 | 354,553 | 1,629,217 | 239,037 | - | 281,373,116 |
| At 1 January 2014 | 104,212,505 | 106,380,319 | 18,980,888 | 49,576,597 | 354,553 | 1,629,217 | 239,037 | - | 281,373,116 |
| Charge for the period | 8,033,989 | 7,313,906 | 580,963 | 4,487,129 | 10,132 | - | 12,916 | - | 20,439,035 |
| Eliminated on disposals | - | (294,092) | (726,112) | (3,564,974) | - | - | - | - | (4,585,178) |
| Translation differences | 102,361 | 201,742 | 1,166 | 10,571 | (9,617) | - | - | - | 306,223 |
| At 30 June 2014 (unaudited) | 112,348,855 | 113,601,875 | 18,836,905 | 50,509,323 | 355,068 | 1,629,217 | 251,953 | - | 297,533,196 |
| Carrying amount | | | | | | | | | |
| At 30 June 2014 (unaudited) | 255,165,573 | 79,496,823 | 1,108,417 | 23,248,131 | 215,640 | 10,651 | 558,426 | 6,169,829 | 365,973,490 |
| At 31 December 2013 (audited) | 208,794,911 | 85,811,810 | 1,445,980 | 27,402,223 | 226,415 | 10,447 | 572,504 | 62,038,026 | 386,302,316 |

Depa Limited and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2014

5 INTANGIBLE ASSETS

| | <i>Brand name AED</i> | <i>Customer relationships AED</i> | <i>Contracts on hand AED</i> | <i>Others AED</i> | <i>Total AED</i> |
|---|---------------------------|---|--------------------------------------|-----------------------|----------------------|
| Cost | | | | | |
| 1 January 2013 | 97,586,297 | 76,007,652 | 43,835,120 | 71,139,919 | 288,568,988 |
| 31 December 2013 (audited) | 97,586,297 | 76,007,652 | 43,835,120 | 71,139,919 | 288,568,988 |
| 1 January 2014 | 97,586,297 | 76,007,652 | 43,835,120 | 71,139,919 | 288,568,988 |
| 30 June 2014 (unaudited) | 97,586,297 | 76,007,652 | 43,835,120 | 71,139,919 | 288,568,988 |
| Accumulated amortisation | | | | | |
| 1 January 2013 | 24,647,629 | 51,613,546 | 43,773,807 | 42,506,540 | 162,541,522 |
| Amortisation for the year | 6,522,548 | 6,897,376 | 61,313 | 6,940,274 | 20,421,511 |
| Impairment | 13,148,784 | 1,116,200 | - | - | 14,264,984 |
| 31 December 2013 (audited) | 44,318,961 | 59,627,122 | 43,835,120 | 49,446,814 | 197,228,017 |
| 1 January 2014 | 44,318,961 | 59,627,122 | 43,835,120 | 49,446,814 | 197,228,017 |
| Amortisation for the period | 2,604,171 | 3,261,087 | - | 3,021,124 | 8,886,382 |
| 30 June 2014 (unaudited) | 46,923,132 | 62,888,209 | 43,835,120 | 52,467,938 | 206,114,399 |
| Carrying amount 30 June 2014 (unaudited) | 50,663,165 | 13,119,443 | - | 18,671,981 | 82,454,589 |
| 31 December 2013 (audited) | 53,267,336 | 16,380,530 | - | 21,693,105 | 91,340,971 |

6 GOODWILL

| | <i>30 June 2014 (unaudited) AED</i> | <i>31 December 2013 (audited) AED</i> |
|----------------------------------|---|---|
| Balance at 30 June / 31 December | 388,165,695 | 388,165,695 |

Goodwill is attributable to the anticipated profitability of the acquired subsidiaries.

Depa Limited and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2014

6 GOODWILL (continued)

Goodwill has been allocated for impairment testing purposes to the following cash generating units:

| | <i>30 June 2014 AED Unaudited</i> | <i>31 December 2013 AED Audited</i> |
|-----------|---|---|
| Dubai | 123,576,972 | 123,576,972 |
| Abu Dhabi | 40,398,331 | 40,398,331 |
| Asia | 186,698,204 | 186,698,204 |
| Europe | 37,492,188 | 37,492,188 |
| | <u>388,165,695</u> | <u>388,165,695</u> |

Goodwill is tested for impairment annually or when circumstances indicate the carrying value may be impaired. The Group's impairment test for goodwill and intangible assets with indefinite lives is based on value-in-use calculations that use a discounted cash flow model. The key assumptions used to determine the recoverable amount for the different cash generating units were disclosed in the annual consolidated financial statements for the year ended 31 December 2013.

7 INVESTMENT IN ASSOCIATES

Details of the Group's associates are as follows:

| <i>Name of associate</i> | <i>Principal activities</i> | <i>Place of incorporation and operation</i> | <i>Ownership interest 30 June 2014</i> | <i>Ownership interest 31 December 2013</i> |
|--|--|---|--|--|
| Al Tawasoul Property Development Company | Property management and development | United Arab Emirates | 15.6% | 15.6% |
| Jordan Wood Industries PLC | Manufacturing of furniture | Jordan | 36.41% | 36.41% |
| Decolight Trading LLC | Trading of electrical and decoration materials | United Arab Emirates | 45.1% | 45.1% |
| Polypod Middle East LLC | Assembly of bathroom pods or other types of pods | United Arab Emirates | 40% | 40% |

Although the Group holds less than 20% in Al Tawasoul Property Development Company, the Group exercises significant influence by virtue of its contractual right to appoint one director to the board of the investee.

In 2013, the Group has disposed of its investment in Thailand Carpet Manufacturing Public Company Limited for consideration of AED 29,216,887, and has realized a gain on disposal of investment amounting to AED 7,151,763, which has been recognized in the interim condensed consolidated statement of income.

Depa Limited and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2014

7 INVESTMENT IN ASSOCIATES (continued)

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

| | <i>30 June 2014 (unaudited) AED</i> | <i>31 December 2013 (audited) AED</i> |
|--|---|---|
| Balance at the beginning of the period/year | 64,342,024 | 103,537,855 |
| Share of profit, net | 290,663 | 1,652,387 |
| Dividends received | (1,804,000) | (4,783,095) |
| Disposal of investment | - | (22,065,123) |
| Impairment loss | - | (14,000,000) |
| Balance at the end of the period / year | 62,828,687 | 64,342,024 |

8 AVAILABLE FOR SALE INVESTMENTS

The Group has available for sale investments in Saraya Holdings Limited and in Al Futtaim Mena Real Estate Shari'a Development Fund ('Al Futtaim Fund'). The investment in Saraya Holdings Limited has been impaired during the period by AED 256,015, resulting in a carrying value of AED 4,234,650 (2013: AED 4,490,665). The carrying value of the investment in the Al Futtaim Fund is AED 18,369,503 (2013: AED 18,369,503).

Management believes that the carrying value of these investments approximate their fair value.

9 CASH AND CASH EQUIVALENTS

For the purpose of the interim consolidated statement of cash flows, cash and cash equivalents comprise the following:

| | <i>30 June 2014 (unaudited) AED</i> | <i>31 December 2013 (audited) AED</i> |
|--|---|---|
| Cash and bank balances | 263,079,874 | 276,202,211 |
| Short term bank deposits | 101,849,378 | 123,141,272 |
| | 364,929,252 | 399,343,483 |
| Short term deposit with maturity over three months | (2,288,796) | (11,958,492) |
| Cash and cash equivalents | 362,640,456 | 387,384,991 |

Depa Limited and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2014

10 TRADE RECEIVABLES AND OTHER CURRENT ASSETS

| | <i>30 June 2014 (unaudited) AED</i> | <i>31 December 2013 (audited) AED</i> |
|---|---|---|
| Trade receivables | 448,272,476 | 574,330,913 |
| Contract retentions | 223,592,527 | 235,654,070 |
| Advances to subcontractors and suppliers | 138,703,871 | 130,668,709 |
| Due from related parties (Note 15) | 4,559,952 | 5,777,480 |
| Prepayments | 28,602,752 | 21,169,987 |
| Other receivables and current assets | 139,426,367 | 107,500,390 |
| Guarantees encashed by customers | 122,138,502 | 133,614,552 |
| | <u>1,105,296,447</u> | <u>1,208,716,101</u> |
| Less: Allowances for doubtful trade and other receivables | <u>(199,570,961)</u> | <u>(208,094,406)</u> |
| | <u><u>905,725,486</u></u> | <u><u>1,000,621,695</u></u> |

Trade receivables represent amounts due from customers for contract work rendered by the Company and certified by the customers' engineers.

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

Other receivables and current assets balance include refundable deposits amounting to AED 23,557,764 (2013: AED 17,685,945), margins amounting to AED 13,277,626 (2013: AED 20,892,663) and tax receivables amounting to AED 39,399,062 (2013: AED 29,922,465).

The encashed guarantees (advance payment and performance bond guarantees) are related to certain contracts cancelled by the Group's customers in 2012. A significant portion of this balance relates to one of the Group's overseas projects where it was publicly announced by a related party to the Group's customer of the intention to file a claim against the Group. The Group is confident based on legal advice received to date that there is no merit to such a claim. No legal proceeding has been initiated against the Group as of the date of issuance of these interim condensed consolidated financial statements in relation to this claim.

These encashed guarantees were payable on demand, and on payment by the banks concerned, management has recorded these encashed guarantees as receivables, pending resolution of the disputes. In 2013, the Group served its notice of intent to proceed to arbitration in respect of these cancelled contracts. Based on independent expert advice and continuing legal counsel opinions, management have provided an allowance for doubtful debts for all trade receivables, contract retentions and guarantees encashed by customers which, based on management's assessment, may not be recovered in full.

11 SHARE CAPITAL

The share capital as at 30 June 2014 and 31 December 2013 comprises of the following:

| | <i>Value per share US\$</i> | <i>Value per share AED</i> | <i>Number of shares</i> | <i>Value AED</i> |
|-----------------------|-------------------------------------|------------------------------------|-----------------------------|----------------------|
| Authorised | <u>0.40</u> | <u>1.47</u> | <u>5,000,000,000</u> | <u>7,350,000,000</u> |
| Issued and fully paid | <u>0.40</u> | <u>1.4697</u> | <u>614,726,448</u> | <u>903,434,799</u> |

Depa Limited and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2014

12 CONSTRUCTION CONTRACTS

| | <i>30 June 2014 (unaudited) AED</i> | <i>31 December 2013 (audited) AED</i> |
|---|---|---|
| Contracts in progress at end of the reporting period | | |
| Amount due from contract customers included in current assets | 692,274,972 | 661,966,340 |
| Amount due to contract customers included in trade and other payables (Note 14) | <u>(50,772,900)</u> | <u>(71,697,566)</u> |
| | <u>641,502,072</u> | <u>590,268,774</u> |
| Contract cost incurred plus recognised profits less recognised losses to date | 5,452,877,742 | 4,949,260,316 |
| Less: Progress billings | <u>(4,811,375,670)</u> | <u>(4,358,991,542)</u> |
| | <u>641,502,072</u> | <u>590,268,774</u> |

Amount due from contract customers includes amounts which have been recognized as revenue and have not been billed at the end of the reporting period. The balance is net of impairment allowance amounting to AED 30,197,719 (2013: AED 58,795,353).

13 BANK BORROWINGS

| | <i>30 June 2014 (unaudited) AED</i> | <i>31 December 2013 (audited) AED</i> |
|--|---|---|
| Bank overdrafts | 74,964,231 | 81,078,663 |
| Bank loans | 167,453,210 | 217,228,410 |
| Trust receipts and acceptances | <u>58,702,348</u> | <u>93,720,590</u> |
| | <u>301,119,789</u> | <u>392,027,663</u> |
| The borrowings are repayable as follows: | | |
| On demand or within one year | 210,729,947 | 265,272,273 |
| In the second year | 49,048,673 | 61,548,674 |
| In the third year and above | <u>41,341,169</u> | <u>65,206,716</u> |
| | <u>301,119,789</u> | <u>392,027,663</u> |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | <u>(210,729,947)</u> | <u>(265,272,273)</u> |
| Amount due for settlement after 12 months | <u>90,389,842</u> | <u>126,755,390</u> |

Bank overdrafts

The interest rate on the overdrafts varies between EIBOR plus a margin per annum and the bank base rate plus a margin per annum.

13 BANK BORROWINGS (continued)

Bank loans

These comprise the following:

- A term loan of AED 80,000,000 was taken in 2010 bearing a fixed rate of interest per annum and is repayable in 48 monthly instalments. At 30 June 2014, the outstanding balance was AED 3,876,839 (31 December 2013: AED 17,242,736).
- In 2012, the Group obtained a loan from a local bank amounting to AED 211,000 bearing interest at a fixed rate per annum (2012: fixed rate of interest per annum) and maturing in 2014. The interest and principal are payable on a monthly basis. The loan has been fully repaid during the period ended 30 June 2014 (31 December 2013: AED 14,945).
- In 2012, the Group obtained a loan facility amounting to AED 60,000,000 for working capital purposes. The loan bears an interest rate of 3 months EIBOR plus a margin, subject to a minimum interest rate per annum. The loan is repayable in 12 equal quarterly instalments. At 30 June 2014, the outstanding balance was AED 25,000,000 (31 December 2013: AED 35,000,000).
- In 2012, the Group obtained a loan facility amounting to AED 60,000,000 for working capital purposes. The loan bears interest at a fixed rate and is repayable in 36 equal monthly instalments. At 30 June 2014, the outstanding balance was AED 23,333,333 (31 December 2013: AED 33,333,333).
- In 2013, the Group obtained a loan facility of AED 90,000,000 from a local bank for working capital purposes. The loan bears an interest of 3 months EIBOR plus a margin and is repayable in 12 quarterly instalments from 2 January 2014. The balance as at 30 June 2014 was AED 75,000,000 (31 December 2013: AED 90,000,000).
- The Group obtained two separate loans during 2013 in Germany to finance the purchase of fixed assets of Loher amounting to EUR 5,500,000 and EUR 2,500,000, respectively. The loans bear a fixed rate of interest per annum and are payable in 120 monthly instalments, ending 30 May 2023. The outstanding balance of the loan as at 30 June 2014 was EUR 5,308,489 (AED 26,595,530) (31 December 2013: EUR 5,413,568 (AED 27,368,293)) and EUR 2,374,991 (AED 11,898,705) (31 December 2013: EUR 2,443,578 (AED 12,353,508)) respectively. The loan is secured by way of a charge on the land known as Wallersdorf Str. 17 in Haidlfing.
- During 2013, the Group obtained EUR 400,000 loan in Germany to finance its working capital requirement. The loan is payable in 72 monthly instalments of EUR 6,220. The balance as at 30 June 2014 was EUR 348,741 (AED 1,747,262) (2013: EUR 378,913 (AED 1,915,595)).

Trust receipts

Trust receipts are one of the financing facilities used by the Group for imports. The buyer promises to hold the goods received in the name of the bank arranging the financing, although the bank retains title to the goods until the debt is settled. These facilities are obtained from local banks and the payment terms vary between 30 to 180 days and are subject to interest rates ranging from 3.5% to 6.5% (2013: 4% to 8%) per annum.

The Group has various debt covenants related to its facilities which require maintaining certain financial ratios within stipulated limits as required by the banks (refer note 17).

Depa Limited and its subsidiaries

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14 TRADE PAYABLES AND OTHER CURRENT LIABILITIES

| | <i>30 June 2014 (unaudited) AED</i> | <i>31 December 2013 (audited) AED</i> |
|---|---|---|
| Trade payables | 191,765,492 | 262,960,128 |
| Advances received | 452,914,709 | 407,404,368 |
| Sub-contractors' retentions | 71,429,867 | 71,807,970 |
| Accrued expenses | 176,887,171 | 242,970,190 |
| Due to related parties (Note 15) | 73,967,015 | 104,017,514 |
| Amount due to customers on construction contracts (Note 12) | 50,772,900 | 71,697,566 |
| Income tax payable | 18,369,629 | 15,552,834 |
| Other payables | 218,631,476 | 109,686,783 |
| | <u>1,254,738,259</u> | <u>1,286,097,353</u> |

The average credit period on purchases of goods is 60-120 days. No interest is charged on the trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

15 RELATED PARTIES

Related parties include the shareholders, directors and key management personnel of the Company and entities in which they have the ability to control or joint control and / or exercise a significant influence. The Group maintains significant balances with these related parties which arise from commercial transactions as follows:

| | <i>Six month period ended 30 June</i> | |
|--|---|-------------------------------------|
| | <i>2014 (unaudited) AED</i> | <i>2013 (unaudited) AED</i> |
| Key management remuneration | 19,630,786 | 16,952,206 |
| Purchases | 70,342,003 | 105,151,625 |
| Revenue | 114,691,813 | 92,560,236 |
| Amounts due from related parties (Note 10) | | |
| <i>Joint Operations</i> | | |
| Amounts due from partner of joint operations | 346,311 | - |
| <i>Other related parties</i> | | |
| <i>Entities with common ownership and management</i> | | |
| Decolight Trading Co. L.L.C., United Arab Emirates | - | 3,199,536 |
| Al Tawasoul Property Development Company L.L.C., United Arab Emirates | 10,539 | - |
| Others | 3,646,434 | 2,021,276 |
| <i>Receivable from key management Personnel</i> | 556,668 | 556,668 |
| | <u>4,559,952</u> | <u>5,777,480</u> |

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15 RELATED PARTIES (continued)

| | <i>30 June 2014 (unaudited) AED</i> | <i>31 December 2013 (audited) AED</i> |
|--|---|---|
| <i>Included in trade receivables, contract retentions and amounts due from / (to) customers on construction contracts are the following related party balances</i> | | |
| <i>Entities with common ownership and management</i> | | |
| Arabtec Construction L.L.C., United Arab Emirates | 111,030,353 | 129,332,351 |
| Drake & Scull International., United Arab Emirates | 109,122,131 | 84,584,358 |
| HAMG Real Estate LLC, United Arab Emirates | 21,119,131 | 17,481,474 |
| Al Futtaim Engineering Egypt SAE, Egypt | 13,385,560 | 19,911,982 |
| | <u>254,657,175</u> | <u>251,310,165</u> |
| Less: Allowance for doubtful related party receivables | (1,435,000) | (1,435,000) |
| | <u>253,222,175</u> | <u>249,875,165</u> |

The allowance for doubtful debts relates to work performed for a related party, where the Group was acting as a subcontractor in a back to back arrangement for the ultimate customer.

| | <i>30 June 2014 (unaudited) AED</i> | <i>31 December 2013 (audited) AED</i> |
|---|---|---|
| Amounts due to related parties (Note 14) | | |
| <i>Joint Operations</i> | | |
| Amounts due to partner of joint operations | 17,457,219 | 8,597,154 |
| <i>Other related parties</i> | | |
| <i>Entities with common ownership and management</i> | | |
| Decolight Trading Co. L.L.C., United Arab Emirates | 1,042,955 | - |
| Al Tawasoul Property Development Company L.L.C., | - | 261,313 |
| Lindner AG Germany | 30,414,777 | 69,309,897 |
| Mazrui Holding L.L.C. | 186,348 | 186,348 |
| Jordan Wood Industries PLC, Jordan | 1,752,234 | 2,521,454 |
| <i>Loans from related parties</i> | | |
| Lindner Fassaden GmbH ,Germany | 23,113,482 | 23,141,348 |
| | <u>73,967,015</u> | <u>104,017,514</u> |
| <i>Included in advances received are the following related party balances</i> | | |
| <i>Entities with common ownership and management</i> | | |
| Arabtec Construction L.L.C., United Arab Emirates | 9,805,738 | 11,458,986 |
| Drake & Scull International, United Arab Emirates | 33,600,212 | 405,850 |
| Al Futtaim Engineering Egypt SAE, Egypt | 1,411,540 | 2,456,764 |
| | <u>44,817,490</u> | <u>14,321,600</u> |
| Shown under non-current liabilities | | |
| Due to a shareholder | <u>1,151,510</u> | <u>2,103,930</u> |

Loans from Lindner Fassaden GmbH, Germany are due for repayment in October 2014 and bear interest at 2 % per annum (2013: 2% per annum).

16 INCOME TAX

The Group calculates income tax expense using the tax rate that would be applicable to expected total annual earnings, i.e., the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

The major components of income tax expense in the interim condensed consolidated statement of comprehensive income are:

| | <i>"Six-month" period ended 30 June</i> | |
|---|---|------------------|
| | 2014 | 2013 |
| | AED | AED |
| Income taxes | | |
| Current income tax expense | 8,560,399 | 6,037,209 |
| Deferred tax (income) expense relating to the origination and (reversal) of temporary differences | (2,211,839) | 3,553,143 |
| | 6,348,560 | 9,590,352 |

The Group is subject to taxation on its operations in Egypt, Morocco, Kingdom of Saudi Arabia, Singapore, China, Hungary and Germany. Income in these countries are subject to tax at rates ranging between 10 % to 35 %.

17 CONTINGENCIES AND COMMITMENTS

| | 30 June 2014 (unaudited) AED | 31 December 2013 (audited) AED |
|-------------------------|---|---|
| Letters of credit | 106,378,519 | 99,672,970 |
| Letters of guarantee | 825,171,304 | 814,412,495 |
| Security cheques issued | 29,629,226 | 28,054,846 |

Letters of credit are issued by various financial institutions which the Group deals with and they provide an irrevocable payment undertaking to suppliers against complying documents as stated in the letters of credit. The facilities are mainly initiated to facilitate dealings with foreign suppliers.

Letters of guarantee are issued by various financial institutions and they mainly take the form of performance bond and advance payment guarantees. The Group issues various guarantees to clients for whom projects are executed, whereby if the Group fails to execute according to specifications laid out by the client, the latter is guaranteed compensation for monetary losses.

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

The security cheques were issued in lieu of performance bond for projects.

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17 CONTINGENCIES AND COMMITMENTS (continued)

The Group is in compliance with majority of agreed financial covenants in respect of banking facilities, however, a few financial covenants with commercial banks are in breach. Bank facilities have been renewed in these banks without any reduction in limits and none of the facilities have been withdrawn to date. Management meets with the banks on a monthly and quarterly basis as part of their risk management strategy and all the concerned banks are fully aware of such breaches.

Legal cases

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

18 SEGMENT INFORMATION

Business segment information

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

For management purposes, the Group is organized into three operating business segments: contracting, manufacturing and procurement. These businesses are the basis on which the Group reports its primary segment information to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance. The principal products and services of each of these businesses are as follows:

Construction

- Interior fit outs of hotels, villas, residential hospitalities
- Decoration works, interior and exterior furnishing for hospitalities and cruise ships

Manufacturing

- Wooden doors, wardrobes, furniture and decoration
- Interior decoration partitions, false ceilings
- Cutting, processing, polishing of marble and granite

Procurement

- Procurement services to hospitalities for FFE & OSE.

The following table shows the Group's primary segment analysis:

| | <i>30 June 2014 (unaudited)</i> | | | |
|--|---------------------------------|------------------------------|----------------------------|----------------------|
| | <i>Contracting AED</i> | <i>Manufacturing AED</i> | <i>Procurement AED</i> | <i>Total AED</i> |
| Revenues | <u>480,583,943</u> | <u>468,799,783</u> | <u>16,787,700</u> | <u>966,171,426</u> |
| Gross profit | <u>24,403,519</u> | <u>80,813,212</u> | <u>10,734,713</u> | <u>115,951,444</u> |
| Reportable segment profit for the period | <u>17,848,933</u> | <u>35,110,280</u> | <u>1,940,422</u> | <u>54,899,635</u> |
| Depreciation | <u>5,378,692</u> | <u>10,522,419</u> | <u>98,979</u> | <u>16,000,090</u> |

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18 SEGMENT INFORMATION (continued)

| | 30 June 2014 (unaudited) | | | Total AED |
|---|----------------------------|----------------------|--------------------|---------------|
| | Contracting AED | Manufacturing AED | Procurement AED | |
| Amortisation | - | 28,654 | - | 28,654 |
| Reportable segment assets | 1,629,064,895 | 1,260,649,066 | 77,503,574 | 2,967,217,535 |
| Reportable segment liabilities | 1,558,896,596 | 711,783,447 | 53,822,679 | 2,324,502,722 |
| Capital expenditure | 539,955 | 2,020,059 | - | 2,560,014 |
| | | | | |
| | 30 June 2013 (unaudited) | | | Total AED |
| | Contracting AED | Manufacturing AED | Procurement AED | |
| Revenues | 703,022,802 | 367,280,875 | 17,871,754 | 1,088,175,431 |
| Gross profit | 68,434,642 | 56,688,477 | 6,236,498 | 131,359,617 |
| Reportable segment profit for the period | 34,827,371 | 19,635,428 | 1,439,727 | 55,902,526 |
| Depreciation | 8,538,405 | 10,159,833 | 354,652 | 19,052,890 |
| Amortisation | - | - | 357,399 | 357,399 |
| | | | | |
| | 31 December 2013 (audited) | | | Group AED |
| | Contracting AED | Manufacturing AED | Procurement AED | |
| Reportable segment assets | 1,754,040,181 | 1,237,801,959 | 81,839,860 | 3,073,682,000 |
| Reportable segment liabilities | 1,662,113,854 | 679,511,214 | 58,816,945 | 2,400,442,013 |
| Capital expenditure | 4,682,535 | 67,811,672 | 16,311 | 72,510,518 |

18 SEGMENT INFORMATION (continued)

Reconciliation of reportable segment revenues, profit or loss, assets and liabilities

| | <i>Six month period ended</i> | |
|---|-------------------------------|-----------------------|
| | <i>30 June</i> | <i>30 June</i> |
| | <i>2014</i> | <i>2013</i> |
| | <i>AED</i> | <i>AED</i> |
| | <i>(Unaudited)</i> | <i>(Unaudited)</i> |
| Revenues | | |
| Total revenues for reportable segments | 966,171,426 | 1,088,175,431 |
| Elimination of intersegment revenues | (45,826,330) | (77,968,544) |
| Group's revenues | <u>920,345,096</u> | <u>1,010,206,887</u> |
| Profit | | |
| Total profit for reportable segments | 54,899,635 | 55,902,526 |
| Other corporate expenses | (22,549,343) | (10,683,752) |
| Elimination of intersegment expenses | (2,013,524) | (6,556,253) |
| Group's profit | <u>30,336,768</u> | <u>38,662,521</u> |
| | <i>At 30 June</i> | <i>At 31 December</i> |
| | <i>2014</i> | <i>2013</i> |
| | <i>AED</i> | <i>AED</i> |
| | <i>(Unaudited)</i> | <i>(Audited)</i> |
| Assets | | |
| Total assets for reportable segments | 2,967,217,535 | 3,073,682,000 |
| Corporate assets | 773,562,863 | 812,977,239 |
| Elimination of intersegment receivables | (644,666,766) | (677,260,319) |
| Group's assets | <u>3,096,113,632</u> | <u>3,209,398,920</u> |
| Liabilities | | |
| Total liabilities for reportable segments | 2,324,502,722 | 2,400,442,013 |
| Corporate liabilities | 31,451,049 | 29,561,297 |
| Elimination of intersegment payables | (732,259,471) | (677,260,319) |
| Group's liabilities | <u>1,623,694,300</u> | <u>1,752,742,991</u> |

19 SEASONALITY OF RESULTS

The Group has three operating segments: contracting, manufacturing and procurement.

The results for the six-month period ended 30 June 2014 reflect the results of the Group's continuing projects and new projects commenced during the period and are not significantly affected by any seasonal or cyclical operations.

Management has concluded that this does not constitute "highly seasonal" as considered by IAS 34 Interim Financial Reporting.

20 COMPARATIVE FIGURES

Prior period figures shown in the interim condensed consolidated statement of cash flows have been reclassified, wherever necessary, to conform to the current presentation of the interim condensed consolidated statement of cash flows. In addition, prior period details and figures were added in the operating activities in order to be comparable to the details shown at the end of the current period.

21 APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial information was approved by management and authorised for issue on 31 August 2014.