Depa Limited and its Subsidiaries

Directors' report and
consolidated financial statements
for the year ended 31 December 2017

Contents

Directors' report

Board of director's report

The Board of Directors present their report and audited financial statements of Depa Limited (the "Company") and its subsidiaries (together referred to as the "Group") for the year ended 31 December 2017.

Principal activities

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

Results

During the year ended 31 December 2017, the Group earned revenues of AED 1,800.3 million (2016: AED 1,730.3 million). The Profit for the year amounted to AED 153.6 million (2016: Profit of AED 52.0 million).

Auditors

PricewaterhouseCoopers were appointed as external auditors of the Group for the year ended 31 December 2017. PricewaterhouseCoopers are eligible for reappointment as auditors for 2018 and have expressed their willingness to continue in office.

28 February 2018

Director

Mr. Mohamed Al Mehairi Chairman	**Mr. Roderick Maciver** Vice Chairman

Depa Limited and its Subsidiaries

Consolidated statement of profit or loss

AED million

	Note	2017	2016
Revenue		1,800.3	1,730.3
Expenses	4	(1,617.1)	(1,653.8)
Share of (loss)/profit from associates	10	(1.4)	5.3
Finance income		1.7	1.4
Finance cost		(13.1)	(11.5)
Net - finance cost		(11.4)	(10.1)
Profit before tax		170.4	71.7
Income tax expense	5	(16.8)	(19.7)
Profit for the year		153.6	52.0
Attributable to:			
Equity holders of the Parent		152.3	45.5
Non-controlling interests		1.3	6.5
		153.6	52.0
Earnings per share			
Basic and diluted earnings per share (UAE fils)	6	25	7

Depa Limited and its Subsidiaries

Consolidated statement of comprehensive income

AED million

	Note	2017	2016
Profit for the year		153.6	52.0
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		41.4	2.8
Items not to be reclassified to profit or loss in subsequent periods:			
Actuarial (loss)/gain recognised	21	(0.1)	0.3
Other comprehensive income for the year		41.3	3.1
Total comprehensive income for the year		194.9	55.1
Attributable to:			
Equity holders of the Parent		191.6	47.4
Non-controlling interests		3.3	7.7
		194.9	55.1

Consolidated statement of financial position

AED million

	Note	31 December 2017	31 December 2016
ASSETS			
Cash and bank balances	28	504.3	491.8
Trade and other receivables	13	797.1	818.4
Due from construction contract customers	14	486.8	489.9
Inventories	15	49.8	63.7
Total current assets		1,838.0	1,863.8
Contract retentions		138.1	109.7
Available-for-sale investments	11	17.6	19.1
Property, plant and equipment	7	209.6	211.7
Intangible assets	8	42.5	37.0
Investment properties	12	37.3	40.7
Investment in associates	10	36.0	44.7
Deferred tax assets	5	3.7	1.1
Goodwill	9	297.3	297.3
Total non-current assets		782.1	761.3
Total assets		2,620.1	2,625.1
LIABILITIES			
Trade and other payables	22	1,013.5	1,099.2
Income tax payable	5	17.8	19.3
Borrowings	20	81.6	157.5
Total current liabilities		1,112.9	1,276.0
Employees' end of service benefits	21	76.1	72.7
Retentions		7.2	6.9
Other non-current liabilities		2.0	2.8
Deferred tax liabilities	5	0.2	-
Borrowings	20	25.9	45.6
Total non-current liabilities		111.4	128.0
Total liabilities		1,224.3	1,404.0
Net assets		1,395.8	1,221.1
EQUITY			
Share capital	16	904.6	903.4
Share premium	17	354.1	700.4
Share issuance costs		-	(64.8)
Treasury shares	18	(16.5)	(16.5)
Statutory reserve	19	54.2	51.4
Translation reserve		(1.6)	(41.0)
Other reserve		(1.4)	(5.3)
Retained earnings/(accumulated losses)		103.6	(311.9)
Equity attributable to equity holders of the Parent		1,397.0	1,215.7
Non-controlling interests		(1.2)	5.4
Total equity		1,395.8	1,221.1

The consolidated financial statements were approved for issue by the Board of Directors on 28 February 2018 and signed on its behalf

Chairman	Group Chief Executive Officer	Group Chief Financial Officer

Depa Limited and its Subsidiaries

Consolidated statement of changes in equity

AED million

	Share Capital	Share premium	Share issuance costs	Treasury shares	Statutory reserve	Translation reserve	Other reserve	Retained earnings/ (accumulated losses)	Total	Non-controlling interests	Total
At 1 January 2016	903.4	700.4	(64.8)	(16.5)	51.2	(42.6)	(8.1)	(355.3)	1,167.7	5.1	1,172.8
Profit for the year	-	-	-	-	-		-	45.5	45.5	6.5	52.0
Other comprehensive income	-	-	-	-	-	1.6	0.3	-	1.9	1.2	3.1
Total comprehensive income	-	-	-	-	-	1.6	0.3	45.5	47.4	7.7	55.1
Transfer to statutory reserve	-	-	-	-	0.2	-	-	(0.2)	-	-	-
Employee share scheme	-	-	-	-	-	-	2.5	-	2.5	-	2.5
Dividends paid	-	-	-	-	-	-	-	-	-	(8.9)	(8.9)
Acquisition of non-controlling interest	-	-	-	-	-	-	-	(1.9)	(1.9)	1.5	(0.4)
At 31 December 2016	903.4	700.4	(64.8)	(16.5)	51.4	(41.0)	(5.3)	(311.9)	1,215.7	5.4	1,221.1
Profit for the year	-	-	-	-	-	-	-	152.3	152.3	1.3	153.6
Other comprehensive income	-	-	-	-	-	39.4	(0.1)	-	39.3	2.0	41.3
Total comprehensive income	-	-	-	-	-	39.4	(0.1)	152.3	191.6	3.3	194.9
Transfer to statutory reserve	-	-	-	-	2.8	-	-	(2.8)	-	-	-
New shares issued	1.2	-	-	-	-	-	(1.1)	(0.1)	-	-	-
Employee share scheme	-	-	-	-	-	-	5.1	-	5.1	-	5.1
Dividends paid	-	-	-	-	-	-	-	(15.4)	(15.4)	(9.9)	(25.3)
Adjustment to share premium account (refer note 17)	-	(346.3)	64.8	-	-	-	-	281.5	-	-	-
At 31 December 2017	904.6	354.1	-	(16.5)	54.2	(1.6)	(1.4)	103.6	1,397.0	(1.2)	1,395.8

Consolidated statement of cash flows

AED million

	Note	2017	2016
Operating activities			
Profit before tax		170.4	71.7
Adjustments for:			
Depreciation of property, plant and equipment	7	33.1	36.5
Impairment loss on property, plant and equipment	7	-	0.8
Amortisation of intangible assets	8	5.5	12.1
Gain on disposal of property, plant and equipment		(0.3)	(0.2)
Finance income		(1.7)	(1.4)
Finance cost		13.1	11.5
Allowance for inventory obsolescence	15	3.3	0.7
Net (reversal)/allowance on trade receivables, contract retentions and due from construction contract customers	4	(27.5)	1.9
Gain on sale of investment properties		-	(1.1)
Change in fair value of investment properties	12	3.4	6.3
Other long term provision		5.1	2.5
Impairment loss on available-for-sale investments	11	1.5	2.0
Share of loss/(gain) from associates	10	1.4	(5.3)
Provision for employees' end of service benefits	21	10.3	11.4
Operating cash flows before payment of employees end of service benefits, taxes and changes in working capital		217.6	149.4
Employees' end of service benefits paid	21	(7.0)	(10.3)
Income tax paid		(20.7)	(22.8)
Working capital changes			
Trade and other receivables		49.4	(46.9)
Inventories		10.8	(1.6)
Due from construction contract customers		2.5	(38.6)
Contract retentions		(28.4)	(19.8)
Retentions		0.3	1.0
Trade and other payables		(91.9)	142.9
Other non-current liabilities		(0.8)	0.3
Restricted cash		11.7	(91.7)
Net cash flows from operating activities		143.5	61.9

Consolidated statement of cash flows (continued)

AED million

	Note	2017	2016
Investing activities			
Purchase of property, plant and equipment	7	(22.5)	(10.7)
Proceeds from sale of property, plant and equipment		0.3	8.8
Proceeds from sale of intangible assets		-	6.5
Purchase of intangible assets	8	(4.8)	-
Proceeds from sale of investment properties		-	3.2
Dividends received from associates	10	7.3	2.2
Additional investment in subsidiaries		-	(0.4)
Proceeds from redemption of held to maturity investments		-	9.2
(Increase)/decrease in long term fixed deposits		(5.5)	8.5
Finance income received		1.7	1.4
Net cash (used in)/generated from investing activities		(23.5)	28.7
Financing activities			
Dividends paid to non-controlling interests		(9.9)	(8.9)
Dividend paid to the shareholders		(15.4)	-
Repayment of borrowings		(76.7)	(72.1)
Finance cost paid		(13.1)	(11.5)
Net cash used in financing activities		(115.1)	(92.5)
Net increase/(decrease) in cash and cash equivalents		4.9	(1.9)
Effect of foreign exchange difference		32.7	10.4
Cash and cash equivalents at the beginning of the year		271.0	262.5
Cash and cash equivalents at the end of the year	28	308.6	271.0

1. Corporate information

Depa Limited (the "Company") is a company limited by shares and registered in accordance with Companies Law – DIFC Law No. 2 of 2009, as amended, and was incorporated in United Arab Emirates on 25 February 2008. Depa Limited is the management company of Depa United Group P.J.S.C.

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

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

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

2. Summary of significant accounting policies

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

2.1 Basis of Preparation

The consolidated financial statements have been prepared in accordance with and comply with International Financial Reporting Standards ("IFRS") and IFRS Interpretation Committee ("IFRIC") applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention except for investment properties which have been measured at fair value.

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

(a) New standards and amendments adopted by the Group

The following amendments apply for the first time to financial reporting periods commencing on or after 1 January 2017:

- IAS 12 (amendment), 'Income taxes' (effective from 1 January 2017); and
- IAS 7 (amendment), 'Statement of cash flows' (effective from 1 January 2017).

The above amendments do not have a material impact on the consolidated financial statements in the prior or current periods and is not likely to have a material impact on any future periods.

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

(b) New standards not yet adopted

Certain new accounting standards as detailed below, have been published that are mandatory for reporting periods beginning after 1 January 2017 and have not been early adopted by the Group. The Group intends to adopt these standards as and when they become effective.

- IFRS 15, 'Revenue from contracts with customers' (effective from 1 January 2018)

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service is transferred to the customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

2. Summary of significant accounting policies (continued)

(b) New standards not yet adopted (continued)

Management assessed the impact of applying the new standard using a representative sample of contracts for each business unit and has identified following areas which may affect the timing and quantum of revenue recognised in the Group's consolidated financial statements:

- In certain contracts, the application of IFRS 15 may result in the identification of separate performance obligations where both fit-out services, and furniture, fixture and equipment (FF&E) works are provided to the customer for the same or different construction areas. Under IFRS 15, the transaction price for such contracts will be allocated to each performance obligation and revenue will be recognised based on the pattern of transfer of control to the customers of fit out services separately to the FF&E works under each of these performance obligations;
- Certain contracts which are negotiated together for a single commercial objective (e.g. multiple contracts for different areas of the same building) will have to be combined and accounted for as a single contract with the customer under IFRS 15. This will result in a proportionate allocation of the discounts to each contract and identification of separate performance obligations within the combined contract;
- Certain variation orders which require addition of distinct goods and services to the scope at discounted prices will have to be accounted for prospectively and variation orders which require addition of distinct goods and services to the scope at standalone selling prices will have to be accounted for as new contracts with the customers; and
- Contract prices for re-measurable contracts will have to be based on the detailed estimates at the inception of the contract instead of base or maximum price thresholds included in the contracts for revenue recognition.

The Group is currently assessing the quantitative impact of the above mentioned items on its revenue recognised and contract receivables at the transition date.

- IFRS 9, 'Financial instruments' (effective from 1 January 2018)

In July 2014, the IASB issued the final version of IFRS 9 'Financial Instruments' which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9.

Group has assessed the impact of IFRS 9 in relation to estimated expected credit loss for contract receivables. In order to perform the assessment, management have used historical information in relation to revenue, outstanding receivables at year end and impairment expense and calibrated it by using future economic guidance to estimate a provision matrix.

Based on Group's assessment, adoption of IFRS 9 will lead to an immaterial impact on expected credit losses in relation to financial assets.

- IFRS 16, 'Leases' (effective from 1 January 2019)

The IASB has issued a new standard for the recognition of leases. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The mandatory date of adoption for the standard is 1 January 2019.

The Group is in the process assessing the potential impact of the application of IFRS 16 on the amounts reported and disclosures made in these consolidated financial statements.

There are no other new or amended standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2.2 Basis of consolidation

(a) Subsidiaries

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

2. Summary of significant accounting policies (continued)

They are deconsolidated from the date that control ceases.

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

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

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

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

(b) Associates

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

(c) Joint arrangements

Under IFRS 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the consolidated financial statements under the appropriate headings. For details of the joint operations refer to note 29.

(d) Changes in ownership interests

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

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) Functional and presentation currency

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

2. Summary of significant accounting policies (continued)

(b) Transactions and balances

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

(c) Group companies

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

i. assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statement of financial position;

ii. income and expenses for each statement of comprehensive income are translated at average exchange rates during the financial year; and

iii. all resulting exchange differences are recognised as a separate component of equity called "translation reserve".

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

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

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment loss.

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

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

Buildings	6 -15 years
Machinery, plant and equipment	2 - 10 years
Motor vehicles	4 - 5 years
Furniture and office equipment	3 - 5 years

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

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

2.6 Investment properties

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

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

2. Summary of significant accounting policies (continued)

2.7 Goodwill

Goodwill represents the excess of the aggregate of the consideration transferred, amount of any non-controlling interest in the acquired entity and the fair value on the acquisition-date of any previous equity interest in the acquired entity over the fair value of the net identifiable assets at the date of acquisition.

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

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

2.8 Intangible assets

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

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

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

Brand name and rights	15 years
Customer relationships	5 - 10 years
Software	3 - 5 years

2.9 Impairment of non-financial assets

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

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

2.10 Inventories

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

2.11 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories:

- loans and receivables, and
- available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition. Refer to note 32 for details about each type of financial asset.

2. Summary of significant accounting policies (continued)

2.11 Financial assets (continued)

(b) Recognition and measurement

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

Available-for-sale financial assets are carried at fair value. After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as comprehensive income in the available-for-sale reserve until the investment is derecognised or sold, at which time the cumulative gain or loss is recognised in other income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available-for-sale reserve to the consolidated statement of comprehensive income.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated statement of profit or loss as part of other income. Dividend on available-for-sale equity instruments are recognised in the consolidated statement of profit or loss as part of other income when the Group's right to receive payments is established.

Loans and receivables are carried at amortised cost using the effective interest method.

2.12 Impairment of financial assets

(a) Assets carried at amoritsed cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

(b) Assets classified as available-for-sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in consolidated statement of profit or loss – is removed from equity and recognised in consolidated statement of profit or loss.

Impairment losses on equity instruments that were recognised in consolidated statement of profit or loss are not reversed through consolidated profit or loss in a subsequent period.

2.13 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.

2.14 Trade and other receivables

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

2.15 Cash and cash equivalents

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

2. Summary of significant accounting policies (continued)

2.16 Share capital

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

2.17 Trade payables

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

2.18 Provisions

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

2.19 Financial liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss or loans and borrowings, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

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

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

2.20 Bank borrowings

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

2.21 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in consolidated statement of profit or loss in the period in which they are incurred.

2.22 Current and deferred income tax

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

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

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

2. Summary of significant accounting policies (continued)

2.22 Current and deferred income tax (continued)

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

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.23 Employees' end of service benefits

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

The Group provides for a number of post-employment defined benefit plans under several jurisdictions in which the Group operates. These benefits are currently un-funded. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method. Actuarial gains and losses for the defined benefit plans are recognised in full in the period in which they occur in comprehensive income. The past service costs are recognised as an expense in the consolidated statement of comprehensive income. The interest cost component is expensed to the statement of comprehensive income. The defined benefit liability comprises the present value of the defined benefit obligations using a discount rate based on market yield rates. The Group has not currently allocated any assets to such plans.

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

2.24 Share-based payments

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

2.25 Rounding of amounts

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

2. Summary of significant accounting policies (continued)

2.26 Revenue recognition

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

(a) Contract revenue

Contract revenue is recognised under the percentage-of-completion method. When the outcome of the contract can be reliably estimated, revenue is recognised by reference to the proportion that accumulated costs up to the year-end bear to the estimated total costs of the contract. When the contract is at an early stage and its outcome cannot be reliably estimated, revenue is recognised to the extent of costs incurred up to the year-end which are considered recoverable.

Revenue related to variation orders is recognised when it is probable that the customer will approve the variation and the amount of revenue arising from the variation can be reliably measured.

Claims and incentive payments are recognised as contract revenue when settled or when negotiations have reached an advanced stage such that it is probable that the customer will accept the claim and the amount can be measured reliably.

(b) Sale of goods

Revenue from the sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership and the amount of revenue can be measured reliably.

(c) Procurement services

Procurement services revenue is recognised on a straight-line basis over the term of the contracts.

(d) Interest income

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

(e) Dividend income

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

(f) Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue due to its operating nature.

2.27 Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at lease inception at fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance lease is depreciated over the asset’s useful life or over the shorter of the asset’s useful life and lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease. Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the consolidated statement of financial position based on their nature.

2.28 Dividend

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

3. Critical accounting estimates and judgements

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

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

3.1 Critical accounting estimates and assumptions

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

(a) Recognition of revenue from construction contracts

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

(b) Construction cost estimates

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

(c) Contract variations

Contract variations are recognised as revenue to the extent that it is probable that they will result in revenue which can be reliably measured, which requires the exercise of judgment by management based on prior experience, application of contract terms and relationship with the contract owners.

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

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

The Group has filed arbitration and is in the process of filling legal claim against its customers to recover unpaid works along with prolongation costs for completed projects. Management is confident that it will be able to recover the receivable balances in full based on the external lawyer’s opinion and hence, no further provision is required in the consolidated financial statements. Also the Group has overdue contract balances for completed projects for which the Group is currently in advanced stages of discussion with the customer for the settlement of the outstanding balances and believes no further provision is required.

3. Critical accounting estimates and judgements (continued)

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

Collectively and in relation to above mentioned projects, the Group is carrying AED 115 million (2016: AED 146 million) of gross balances in trade and other receivables and due from customers on contract against which the Group is carrying a provision of AED 19 million (2016: AED 36 million) in its consolidated financial statements.

(e) Property, plant and equipment

The Group's management determines the estimated useful lives of its property, plant 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.

(f) Intangible assets

The Group's management determines the estimated useful lives of its intangible assets for calculating amortisation. This estimate is determined after considering the expected usage of the asset. Management reviews the residual value and useful lives annually and future amortisation charge would be adjusted where the management believes the useful lives differ from previous estimates.

(g) Employees' end of service benefits

The cost of the end of service benefits and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate and future salary increases. Due to the complexities involved in the valuation and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Further details about the assumptions used are set out in note 21.

(h) Impairment of goodwill

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

(i) Taxes

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

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group records provisions based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues, depending on the conditions prevailing in the respective Group company's domicile. As the Group assesses the probability of litigation and subsequent cash outflow with respect to taxes as remote, no contingent liability has been recognised.

3.2 Critical judgements

Joint operations

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

4. Expenses

	2017	2016
	AED million	
Material costs	429.5	415.3
Sub-contractor costs	578.4	613.1
Personnel costs	477.7	455.0
Depreciation of property, plant and equipment (note 7)	33.1	36.5
Premise rent	9.8	10.1
Registration and legal expenses	5.9	17.2
Amortisation of intangible assets (note 8)	5.5	12.1
Foreign exchange loss	2.3	9.4
Sales and marketing expenses	2.2	4.2
Impairment loss on available-for-sale investments (note 11)	1.5	2.0
Net (reversal)/allowance on trade receivables, contract retentions and due from construction contract customers	(27.5)	1.9
Reversal of other provisions	(2.8)	(7.6)
Gain on sale of fixed assets	(0.3)	(0.2)
Other expenses	101.8	84.8
	1,617.1	1,653.8

Notes to the consolidated financial statements for the year ended 31 December 2017 (continued)

5. Income tax expense

The Group is subject to taxation on its operations in Singapore, Germany, Qatar, Egypt, Syria, Kingdom of Saudi Arabia, United States of America, Jordan, United Kingdom, Hungary, India and Morocco.

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

AED million

	2017	2016
Current tax expense	19.2	19.8
Deferred tax income	(2.4)	(0.1)
	16.8	19.7

AED million

	2017	2016
Effective tax rate from taxable operations		
Profit before tax from operations which are taxable	133.7	110.2
Loss before tax from operations which are taxable	(19.1)	(45.0)
Profit from operations before tax which are not taxable	55.8	6.5
Profit before tax	170.4	71.7
Total income tax expense during the year	16.8	19.7
Effective tax rate on profit from operations which are taxable	13%	18%

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

AED million

	2017	2016
Profit before tax	170.4	71.7
Tax at the domestic rates applicable to profits in countries where the Group operates	16.1	20.1
Tax effect of non-deductible expenses	1.1	0.5
Income not subject to taxation	(0.2)	(0.2)
Tax exemption	(0.1)	(0.3)
Deduction on tax incentives	(0.3)	(0.2)
Excess provision in respect of prior year	(0.3)	(0.0)
Utilisation of deferred benefit	-	(0.1)
Others	0.5	(0.1)
	16.8	19.7

(b) Deferred tax balances

The following is the analysis of deferred tax assets presented in the consolidated statement of financial position*:*

AED million

	2017	2016
Deferred tax assets	3.7	1.1
Deferred tax liabilities	0.2	-
Current tax liability	17.8	19.3

Notes to the consolidated financial statements for the year ended 31 December 2017 (continued)

6. Basic and diluted earnings per share

Basic and diluted earnings per share is calculated by using weighted average number of ordinary shares outstanding during the year of 608,210,902 shares (2016: 607,860,365 shares), which represent the outstanding shares of 615,076,985 (refer note 16), net of treasury shares of 6,866,083 (refer note 18).

	2017	2016
Basic earnings per share		
Profit attributable to ordinary shareholders in AED million	152.3	45.5
Weighted average number of ordinary shares outstanding	608,210,902	607,860,365
Basic earnings per share (UAE fils)	25	7
Diluted earnings per share		
Profit attributable to ordinary shareholders in AED million	152.3	45.5
Weighted average number of ordinary shares outstanding	608,210,902	607,860,365
Adjustment for share awards	4,729,424	2,980,922
Adjusted weighted average number of ordinary shares outstanding	612,940,326	610,841,287
Diluted earnings per share (UAE fils)	25	7

Share awards granted to employees under the Depa Limited Long Term Incentive Plan are considered to be potential ordinary shares.

Notes to the consolidated financial statements for the year ended 31 December 2017 (continued)

7. Property, plant and equipment

AED million

	Land and buildings	Machinery, plant and equipment	Motor vehicles	Furniture and office equipment	Capital work-in- progress	Total
Cost						
At 1 January 2016	362.7	184.7	17.8	66.5	9.0	640.7
Transfers	-	-	-	3.3	(3.3)	-
Transfers to investment property	(49.9)	-	-	-	-	(49.9)
Additions	1.1	3.8	0.7	3.3	1.8	10.7
Disposals	(13.5)	(7.8)	(1.5)	(3.1)	-	(25.9)
Exchange differences	(6.4)	(7.8)	(0.3)	(2.7)	0.1	(17.1)
At 31 December 2016	294.0	172.9	16.7	67.3	7.6	558.5
Additions	0.9	4.5	3.3	11.6	2.2	22.5
Disposals	(1.1)	(2.1)	(3.8)	(5.2)	-	(12.2)
Exchange differences	5.4	5.1	(0.6)	3.1	-	13.0
At 31 December 2017	299.2	180.4	15.6	76.8	9.8	581.8
Accumulated depreciation and impairment						
At 1 January 2016	143.7	122.2	16.7	52.5	6.6	341.7
Charge for the year (note 4)	18.8	10.3	0.6	6.8	-	36.5
Transfers to investment property	(5.1)	-	-	-	-	(5.1)
Impairment loss	0.8	-	-	-	-	0.8
Disposals	(5.9)	(7.1)	(1.6)	(2.7)	-	(17.3)
Exchange differences	(2.0)	(5.6)	(0.1)	(2.1)	-	(9.8)
At 31 December 2016	150.3	119.8	15.6	54.5	6.6	346.8
Charge for the year (note 4)	16.4	8.5	0.8	7.4	-	33.1
Disposals	(1.1)	(1.9)	(3.8)	(5.2)	-	(12.0)
Exchange differences	0.4	2.3	(0.1)	1.7	-	4.3
At 31 December 2017	166.0	128.7	12.5	58.4	6.6	372.2
Net carrying amount						
At 31 December 2017	133.2	51.7	3.1	18.4	3.2	209.6
At 31 December 2016	143.7	53.1	1.1	12.8	1.0	211.7

Notes to the consolidated financial statements for the year ended 31 December 2017(continued)

8. Intangible assets

AED million

	Brand name and rights	Customer Relationships	Software	Total
Cost				
At 1 January 2016	97.6	76.0	72.9	246.5
Disposals	-	-	(10.5)	(10.5)
At 31 December 2016	97.6	76.0	62.4	236.0
Additions	11.0	-	-	11.0
At 31 December 2017	108.6	76.0	62.4	247.0
Accumulated amortisation				
At 1 January 2016	56.0	72.7	62.2	190.9
Charge for the year (note 4)	5.8	3.3	3.0	12.1
Disposals	-	-	(4.0)	(4.0)
At 31 December 2016	61.8	76.0	61.2	199.0
Charge for the year (note 4)	5.1	-	0.4	5.5
At 31 December 2017	66.9	76.0	61.6	204.5
Net carrying amount:				
At 31 December 2017	41.7	-	0.8	42.5
At 31 December 2016	35.8	-	1.2	37.0

9. Goodwill

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

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

AED million

	2017	2016
Design Studio Group	144.0	144.0
Depa Interiors Group	72.6	72.6
Vedder Group	32.3	32.3
The Parker Company	17.0	17.0
Linder Middle East	16.5	16.5
Deco Emirates Group	14.9	14.9
	297.3	297.3

(a) Annual test for impairment

The Group has carried out an impairment test for goodwill at year end and has concluded that no impairment is required. For this purpose, the recoverable amount of each group of cash generating units has been estimated and is based on higher of fair value less cost to sell or value in use calculated using cash flow projections approved by senior management and Board of Directors covering a five-year period. An independent expert was employed by the Group to assess the values.

Management concurred with the expert's calculation and concluded no impairment loss is required in 2017 (2016: Nil).

9. Goodwill (continued)

(b) Key assumptions used

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

- Growth rate; and
- Discount rate.

Growth rate: Estimates are based on historic performance, approved business plan and backlog at 31 December 2017. An average growth rate of approximately 10% per annum was used in the estimates.

Discount rate: Average discount rates used throughout the assessment period was 13.6% per annum (2016: 13.5% per annum), reflecting the cash generating units estimated weighted average cost of capital and specific market risk profile and cost of debt. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

(c) Sensitivity to changes in assumptions

With regard to the assessment of recoverable value, management believes that no reasonably possible change in any of the above key assumptions (growth rate and discount rate) would cause the carrying value of the cash generating units, including goodwill, to materially exceed its recoverable amount.

10. Investment in associates

Details of the Group's associates are as follows:

		Holding %		
Name of associate	Country	2017	2016	Principal activities
Al Tawasoul Property Development Company	United Arab Emirates	16%	16%	Property development
Decolight Trading LLC	United Arab Emirates	45%	45%	Trading
Jordan Wood Industries PLC (JWICO)	Jordan	36%	36%	Manufacturing
Polypod Middle East LLC	United Arab Emirates	40%	40%	Non-operating

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 directors to the board of the investee.

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

AED million	2017	2016
At 1 January	44.7	41.6
Share of (loss)/profit	(1.4)	5.3
Dividend received	(7.3)	(2.2)
At 31 December	36.0	44.7

No individual associate is material to the Group.

10. Investment in associates (continued)

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

AED million

	2017	2016
Current assets	120.7	122.2
Non-current assets	196.4	201.0
Total assets	317.1	323.2
Current liabilities	101.4	78.5
Non-current liabilities	36.8	61.2
Total liabilities	138.2	139.7
Net assets	178.9	183.5
Group's share of net assets of associates	36.0	44.7
Total revenue	241.6	225.1
Total (loss)/profit for the year	(4.2)	13.7
Group's share of (loss)/profit and total comprehensive income of associates	(1.4)	5.3

The Group has assessed that the investments in its associates are not impaired as at the year ended 2017 (2016: nil).

11. Available-for-sale investments

AED million

	2017	2016
At 1 January	19.1	21.1
Impairment loss (note 4)	(1.5)	(2.0)
At 31 December	17.6	19.1

The Group has available-for-sale investments in Saraya Holdings Limited and in Al Futtaim Mena Real Estate Shari'a Development Fund. The investments are carried at cost as the investments do not have a quoted market price in an active market and its fair value cannot be reliably estimated.

12. Investment properties

AED million

	2017	2016
At 1 January	40.7	4.5
Transfer from property, plant and equipment	-	44.8
Disposal of investment property	-	(2.3)
Net loss due to change in fair value and other adjustments	(3.4)	(6.3)
At 31 December	37.3	40.7

The Group's investment properties consist of residential villas in Morocco, office space in Dubai and a plot of land in Ajman.

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

Notes to the consolidated financial statements for the year ended 31 December 2017(continued)

12. Investment properties (continued)

The fair value stated in the report is determined using valuation methods with parameters not based exclusively on observable market data (level 3). Rental income recognised during the year was AED 1.4 million in the consolidated statement of profit or loss (2016: AED 1.0 million).

13. Trade and other receivables

AED million

	2017	2016
Trade receivables	446.8	480.5
Contract retentions	176.8	209.9
	623.6	690.4
Less: Allowances for doubtful debts	(103.8)	(92.7)
Net- trade receivable and contract retentions	519.8	597.7
Guarantees encashed by customers	27.7	74.6
Less: Allowances for doubtful debts	(27.7)	(74.6)
Net- guarantee encashed by customers	-	-
Amounts due from related parties (refer note 23)	11.1	26.2
Advances to subcontractors and suppliers	167.5	116.5
Prepayments	23.8	22.0
Other receivables	74.9	56.0
	797.1	818.4

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

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

During current year, the disputed amounts relating to a contract cancelled by a customer in 2012 and a long overdue balance was amicably settled through out of court settlements.

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

AED million

	2017	2016
At 1 January	92.7	106.3
Charge for the year	23.6	2.5
Reversal during the year	(4.8)	(1.5)
Amounts transferred/written off	(7.7)	(14.6)
At 31 December	103.8	92.7

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

13. Trade and other receivables (continued)

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

AED million

	2017 Gross	2017 Provision	2016 Gross	2016 Provision
Not yet due	379.9	-	452.8	-
Due for 91 to 180 days	17.7	-	16.6	-
Due for 181 to 365 days	28.5	-	15.5	-
Due for more than 365 days	197.5	103.8	205.5	92.7
	623.6	103.8	690.4	92.7

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

The Group has filed arbitration and is in the process of filling legal claim against its customers to recover unpaid works along with prolongation costs for completed projects. Management is confident that it will be able to recover the receivable balances in full based on the external lawyer's opinion and hence, no further provision is required in the consolidated financial statements. Also the Group has overdue contract balances for completed projects for which the Group is currently in advanced stages of discussion with the customer for the settlement of the outstanding balances and believes no further provision is required.

Collectively and in relation to above mentioned projects, the Group is carrying AED 115.0 million (2016: AED146.0 million) of gross balances in trade and other receivables and due from customers on contract against which the Group is carrying a provision of AED 19.0 million (2016: AED 36.0 million) in its consolidated financial statements.

14. Due from construction contract customers

AED million

	2017	2016
Contracts in progress at end of the reporting period		
Amount due from construction contract customers	514.7	533.8
Less: Allowances for doubtful debts	(27.9)	(43.9)
Amount due from construction contract customers included in current assets	486.8	489.9
Amount due to construction contract customers included in trade and other payables (refer note 22)	(20.1)	(34.3)
	466.7	455.6
Contract cost incurred plus recognised profits less recognised losses to date	7,254.2	6,741.5
Less: Progress billings	(6,787.5)	(6,285.9)
	466.7	455.6

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

14. Due from construction contract customers (continued)

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

AED million

	2017	2016
At 1 January	43.9	48.9
Charge for the year	6.1	2.1
Reversal during the year	(5.5)	(1.2)
Amounts written off	(16.6)	(5.9)
At 31 December	27.9	43.9

15. Inventories

AED million

	2017	2016
Raw materials	55.6	66.5
Finished goods	4.5	2.2
Work in progress	4.3	6.3
	64.4	75.0
Less: Allowances for slow moving inventories	(14.6)	(11.3)
	49.8	63.7

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

AED million

	2017	2016
At 1 January	11.3	10.9
Charge for the year	3.3	0.7
Reversal during the year	-	(0.3)
At 31 December	14.6	11.3

16. Share capital

The share capital as at 31 December 2017 and 2016 comprises of the following:

AED million

	2017	2016
Authorised share capital:		
5,000,000,000 ordinary shares of AED 1.47 (US$ 0.40) each	7,350.0	7,350.0
Issued and fully paid share capital:		
615,567,739 ordinary shares (2016: 614,726,448) of AED 1.47 (US$ 0.40) each	904.6	903.4

17. Share premium

A special resolution was passed by the shareholders during the General Assembly convened on 14 May 2017 to reduce the accumulated losses and share issuance costs by using the share premium account. Accordingly, share premium amounting to AED 346.3 million was offset against the accumulated losses of AED 281.5 million and share issuance costs of AED 64.8 million as at the date of approval.

Notes to the consolidated financial statements for the year ended 31 December 2017(continued)

18. Treasury shares

At 31 December 2017 and 2016, the number of treasury shares held was 6,866,083 amounting to AED 16.5 million.

The fair value of the treasury shares at the reporting date is AED 7.8 million (2016: AED 8.8 million).

19. Statutory reserve

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

20. Borrowings

	AED million	
	2017	2016
Bank overdrafts (note 28)	38.2	57.1
Bank loans	28.7	81.6
Trust receipts and acceptances	40.6	64.4
	107.5	203.1

The borrowings are repayable as follows:		
Within 1 year	81.6	157.5
1- 2 years	2.6	19.5
Later than 2 years	23.3	26.1
	107.5	203.1

Presented in the consolidated statement of financial position as:		
Non-current liabilities	25.9	45.6
Current liabilities	81.6	157.5
	107.5	203.1

(a) Bank overdrafts

The interest rate on the overdrafts varies between EIBOR plus 2.7% to 6.0% per annum (2016: EIBOR plus 2.7% to 5.0%) and the bank base rate plus a margin per annum.

(b) Bank loans

These loans comprise the following:

i. In 2013, the Group obtained two separate loans facilities from a German bank to finance the purchase of fixed assets of Loher amounting to EUR 5.5 million and EUR 2.5 million. The loans bear a fixed rate of interest per annum of 2.75% and are payable in 120 monthly instalments, ending 30 May 2023. The outstanding balance of the loan as at 31 December 2017 was AED 19.9 million (EUR 4.5 million) (2016: AED 18.5 million (EUR 4.8 million)) and AED 8.2 million (EUR 1.9 million) (2016: AED 7.8 million (EUR 2.0 million)), respectively. The loans are secured by way of a charge on the land known as Wallersdorf Str. 17 in Haidlfing.

20. Borrowings (continued)

ii. In 2013, the Group obtained a loan facility of EUR 0.4 million from a German bank for working capital purposes. The loan bears a fixed rate of interest per annum of 2.75% and is repayable in 72 monthly instalments. As at 31 December 2017, the outstanding balance of the loan was AED 0.6 million (EUR 0.1 million) (2016: AED 0.7 million (EUR 0.2 million)).

iii. In 2014, the Group obtained a loan facility of AED 50 million from an United Arab Emirates bank. The loan bears an interest rate of 3 months EIBOR plus 3.5% per annum. The loan is repayable in 12 equal quarterly instalments beginning March 2015. During 2017 the loan was fully repaid (2016: AED 16.7 million).

iv. In 2015, the Group obtained a loan facility of AED 50 million from an United Arab Emirates bank. The loan bears an interest rate of 3 months EIBOR plus 3.0% per annum. The loan is repayable in 11 equal quarterly instalments beginning May 2016. During 2017 the loan was fully repaid (2016: AED 37.8 million).

(a) Trust receipts and acceptances

Trust receipts and acceptances are one of the financing facilities used by the Group for imports. The buyer promises to hold the goods received in the name of the bank arranging the financing. The bank retains title to the goods until the debt is settled. The payment terms vary between 30 and 180 days and are subject to interest rates ranging from EIBOR plus 2.5% to 3.5% per annum (2016: EIBOR plus 2.5% to 3.5% per annum).

(b) Security

The majority of the Group bank facilities are secured by corporate guarantee. However, a number of the German bank loans are secured by land and buildings amounting to AED 34.5 (2016: AED 30.5 million) and equipment amounting to AED 4.0 million (2016: AED 4.7 million).

(c) Covenants

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

The Group is in compliance with agreed financial covenants in respect of its banking facilities.

21. Employees' end of service benefits

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

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

AED million

	2017	2016
Current service cost	8.0	8.3
Interest cost	2.3	3.1
Net expense recognised in the consolidated statement of profit or loss	10.3	11.4
Net actuarial losses/(income) recognised in consolidated statement of comprehensive income	0.1	(0.3)

21. Employees' end of service benefits (continued)

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

AED million

	2017	2016
At 1 January	72.7	71.9
Current service cost	8.0	8.3
Interest cost	2.3	3.1
Benefits paid during the year	(7.0)	(10.3)
Actuarial loss/(income) recognised in consolidated statement of comprehensive income	0.1	(0.3)
At 31 December	76.1	72.7

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

AED million

	2017	2016
Discount rate per annum compound	3.2%	3.5%
Salary increase rate per annum compound		
Staff and workers	2.0%	3.0%

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

22. Trade and other payables

AED million

	2017	2016
Trade payables	178.6	234.6
Amounts due to related parties (refer note 23)	14.9	30.8
Advances received	444.6	417.8
Subcontractor/supplier retentions	75.8	82.0
Accrued expenses	108.4	155.6
Amount due to construction contract customers (refer note 14)	20.1	34.3
Other payables	171.1	144.1
	1,013.5	1,099.2

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

23. Related parties

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

The Group maintains significant balances with related parties which arise from commercial transactions. The types of related party transactions are described overleaf.

23.Related parties (continued)

(a) Commercial transactions

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

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

AED million

	2017	2016
Amounts due from related parties (refer note 13)		
Joint Operations		
Amounts due from joint operating partner – Lindner Depa Interiors LLC	-	22.4
Amounts due from joint operating partner – Lindner Middle East LLC	0.5	1.4
Amounts due from joint operating partner – Depa/CCC and GTGCE	0.3	1.2
Entities with common ownership and management		
Lindner AG	9.0	-
Others	1.3	1.2
	11.1	26.2
Amounts included in trade receivables, contract retention and amounts due from customers on construction contracts are the following related party balances		
Entities with common ownership and/or management		
Arabtec Construction LLC	146.9	200.7
Al Futtaim Carrillion LLC	128.2	79.9
Al Futtaim Trading Company LLC	13.5	22.6
Al Futtaim Engineering Egypt SAE	-	0.5
	288.6	303.7
Less: Allowances for doubtful debts	(6.7)	(9.4)
	281.9	294.3

Notes to the consolidated financial statements for the year ended 31 December 2017(continued)

23. Related parties (continued)

AED million

	2017	2016
Amounts due to related parties (refer note 22)		
Joint Operations		
Amounts due to joint operating partner – CCC	-	5.8
Amounts due to joint operating partner – Lindner Depa Interiors LLC	8.9	-
Entities with common ownership and management		
Lindner AG	-	5.8
Jordan Wood Industries PLC	0.8	0.7
Other	-	0.1
Loans from related parties		
Lindner Fassaden GmbH	5.2	18.4
	14.9	30.8
Amounts included in advances received are the following related party balances including amount due to customers on construction contracts		
Entities with common ownership and management		
Al Futtaim Trading Company LLC	-	15.0
Arabtec Construction LLC	1.2	2.4
Al Futtaim Engineering Egypt SAE	-	8.0
	1.2	25.4
Amounts included in other non-current liabilities		
Due to a related party	2.0	2.8

AED million

	2017	2016
Related party transactions		
Entities with common ownership and management		
Revenue	325.6	83.2
Expenses	250.9	18.1
Finance cost	-	0.3
Sale of property, plant and equipment	-	13.5

Notes to the consolidated financial statements for the year ended 31 December 2017(continued)

23. Related parties (continued)

(b) Compensation of key management personnel

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

AED million

	2017	2016
Short-term compensation	8.8	8.2
End of service benefits	0.6	0.5
Employee share scheme	5.1	2.5
Directors' fees	2.2	1.6
	16.7	12.8

24. Subsidiaries

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

		Holding %		
Name of subsidiary	Country	2017	2016	Principal activities
Depa United Group PJSC	United Arab Emirates	100%	100%	Strategic management
Subsidiaries of Depa United Group PJSC				
Carrara Mid-East Industrial Co. LLC	United Arab Emirates	100%	100%	Contracting
Deco Emirates Company LLC	United Arab Emirates	100%	100%	Contracting
Depa (UK) Limited	United Kingdom	100%	100%	Contracting
Depa Albarakah LLC	United Arab Emirates	80%	80%	Contracting
Depa Azerbaijan LLC	Azerbaijan	100%	100%	Contracting
Depa Construction LLC	United Arab Emirates	100%	100%	Contracting
Depa Décor, General Contracting & Maintenance Company LLC	United Arab Emirates	100%	100%	Contracting
Depa for Hotels Egypt SAE	Egypt	92%	92%	Contracting
Depa Germany Verwaltungs GmbH & Co. KG	Germany	100%	100%	Holding company
Depa Hungary KFT	Hungary	100%	100%	Holding company

24. Subsidiaries (continued)

Depa India Private Limited	India	100%	100%	Contracting
Depa India RAK FZE	United Arab Emirates	100%	100%	Supply
Depa Industrial Group (DIG) LLC	United Arab Emirates	100%	100%	Manufacturing
Depa Industrial Group Maroc sarl	Morocco	100%	100%	Manufacturing
Depa Interiors LLC	United Arab Emirates	100%	100%	Contracting
Depa Jordan Investment WLL	Bahrain	70%	70%	Holding company
Depa Mauritius	Mauritius	100%	100%	Holding company
Depa Munich KG	Germany	100%	100%	Holding company
Depa Qatar WLL	Qatar	100%	100%	Contracting
Depa SRL	Italy	100%	100%	Supply
DEPA Saudi Arabia for Contracting & Interior Design Ltd	Kingdom of Saudi Arabia	100%	100%	Contracting
Depa Syria SAE	Syria	100%	100%	Real estate
Depa USA Holding Company	United States of America	100%	100%	Holding company
Depamar Sarl	Morocco	100%	100%	Contracting
Design Studio Group Ltd	Singapore	89.8%	89.8%	Contracting
Dragoni International LLC	United Arab Emirates	60%	60%	Contracting
El Diar 2	Mauritius	100%	100%	Holding company
Eldiar Furniture Manufacturing & Dec Co LLC	United Arab Emirates	100%	100%	Manufacturing
Mivan Depa Contracting (Bahrain) WLL	Bahrain	100%	100%	Supply
Paragon Creative Middle East LLC	United Arab Emirates	51%	51%	Trading
Pino Meroni Wooden and Metal Industries SAE	Egypt	86%	86%	Manufacturing

depa

Notes to the consolidated financial statements for the year ended 31 December 2017(continued)

24. Subsidiaries (continued)

Project Division Company sarl	Morocco	100%	100%	Real estate
The Parker Company (Asia) Ltd	Hong Kong SAR	51%	51%	Holding company
The Parker Company (Middle East) FZ-LLC	United Arab Emirates	51%	51%	Procurement
The Parker Company (Shanghai) Ltd	Hong Kong SAR	51%	51%	Procurement
The Parker Company AG	Switzerland	51%	51%	Procurement
The Parker Company LLC USA	United States of America	51%	51%	Procurement
Thrislington Gulf Co. LLC	United Arab Emirates	100%	100%	Contracting
Vedder GmbH	Germany	100%	100%	Contracting
Vedder Munich GmbH	Germany	100%	100%	Holding company
Wallersdorfer Solar GmbH	Germany	100%	100%	Holding company

25. Commitments and contingencies

AED million

	2017	2016
Letters of credit	62.9	98.1
Letters of guarantee	741.7	800.3
Security cheques issued	1.0	3.6

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

The Group has no committed capital expenditures for the year (2016: nil).

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

Legal cases

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

26. Material partly-owned subsidiaries

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

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

	2017	2016
Design Studio Group Ltd.	10.2%	10.2%

(b) Accumulated balances of material non-controlling interest

AED million

	2017	2016
Design Studio Group Ltd.	26.2	28.3

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

AED million

	2017	2016
Design Studio Group Ltd.	0.5	5.8

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

(d) Summarised consolidated statement of profit or loss of Design Studio Group Ltd.

AED million

	2017	2016
Revenue	366.9	482.3
Profit before tax	5.5	70.1

(e) Summarised consolidated statement of financial position of Design Studio Group Ltd.

AED million

	2017	2016
Current assets	290.4	382.2
Current liabilities	117.1	187.4
Non-current assets	84.3	85.0
Non-current liabilities	0.2	-

(f) Summarised statement of cash flows of Design Studio Group Ltd.

AED million

	2017	2016
Operating	(13.3)	47.2
Investing	(7.7)	(1.9)
Financing	(48.1)	(44.4)
(Decrease)/increase in cash and cash equivalents	(69.1)	0.9

27. Segment information

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

(a) Design Studio

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

(b) Vedder

- Interior fit-out solutions, including contracting, manufacturing and supply, specialising in luxury super yachts, private jets and residences.
- Primarily operates in Europe.

(c) Depa Interiors

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

(d) Deco Group

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

(e) Investments and others

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

27.Segment information (continued)

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

AED million

	Design Studio	Vedder	Depa Interiors	Deco Group	Investments and others	Eliminations	Total
31 December 2017							
Reportable segment assets	374.7	353.6	1,322.5	317.1	3,455.2	(3,203.0)	2,620.1
Reportable segment liabilities	117.3	160.8	1,179.2	179.3	340.1	(752.4)	1,224.3
31 December 2016							
Reportable segment assets	467.2	413.4	1,345.3	287.5	3,412.4	(3,300.7)	2,625.1
Reportable segment liabilities	187.4	275.0	1,347.8	164.7	305.6	(876.5)	1,404.0
31 December 2017							
Revenue - internal	56.1	-	-	46.3	-	(102.4)	-
Revenue - external	310.8	344.6	837.4	237.3	75.9	(5.7)	1,800.3
Expenses	(361.2)	(298.4)	(680.8)	(266.8)	(96.3)	86.4	(1,617.1)
Share of loss from associates	-	-	-	-	(1.4)	-	(1.4)
Net finance income/(cost)	(0.2)	(1.3)	(20.9)	(0.5)	(1.5)	13.0	(11.4)
Income tax expense	(0.8)	(11.9)	(4.0)	-	(0.1)	-	(16.8)
Profit/(loss) for the period	4.7	33.0	131.7	16.3	(23.4)	(8.7)	153.6
Capital expenditure	8.9	2.1	5.2	4.2	2.1	-	22.5
Depreciation	9.1	4.4	9.2	6.5	3.9	-	33.1
Amortisation	-	-	-	-	5.5	-	5.5
31 December 2016							
Revenue - Internal	15.7	-	-	43.1	-	(58.8)	-
Revenue - external	466.6	298.9	655.4	232.0	77.4	-	1,730.3
Expenses	(412.6)	(274.7)	(633.8)	(252.6)	(128.9)	48.8	(1653.8)
Share of profit from associates	-	-	-	-	5.3	-	5.3
Net finance income/(cost)	0.4	(1.2)	(17.4)	(0.7)	8.4	0.4	(10.1)
Income tax expense	(12.8)	(6.2)	(0.7)	-	-	-	(19.7)
Profit/(loss) for the period	57.3	16.8	3.5	21.8	(37.8)	(9.6)	52.0
Capital expenditure	2.4	2.3	2.3	2.4	1.0	-	10.4
Depreciation	9.5	3.3	9.8	7.8	6.1	-	36.5
Amortisation	-	-	2.6	-	9.5	-	12.1

28. Cash and cash equivalents

AED million

	2017	2016
Cash on hand	4.4	5.1
Current accounts	330.4	292.0
Short term fixed deposits	12.0	31.0
Term deposits with maturity over three months	22.2	16.7
Restricted cash	135.3	147.0
Cash and bank balances	504.3	491.8
Term deposits with maturity over three months	(22.2)	(16.7)
Restricted cash	(135.3)	(147.0)
Bank overdraft (refer note 20)	(38.2)	(57.1)
Cash and cash equivalents	308.6	271.0

29. Joint operations

The Group has interest in the following joint operations:

		Holding %		
Name of associate	Country	2017	2016	Principal activities
Depa/CCC – SKMC	Morocco	50%	50%	Contracting
Depa/CCC and GTGCE	United Arab Emirates	50%	50%	Contracting
Lindner Depa Interiors LLC	United Arab Emirates	51%	51%	Contracting
Lindner Middle East LLC	United Arab Emirates	51%	51%	Supply

The Group is entitled to a proportionate share of the joint operation assets and revenue and bears a proportionate share of the liabilities and expenses.

The following amounts are included in the Group's consolidated financial statements as a result of the Group's rights to the assets, returns, and obligations for liabilities relating to the joint operations.

AED million

	2017	2016
Current assets	125.5	179.5
Non-current assets	0.1	0.1
Current liabilities	44.9	163.6
Non-current liabilities	0.4	0.3
Contingent liabilities	-	0.9
Revenue	90.4	68.3
(Income)/expenses*	(1.6)	64.5
Profit for the year	88.8	3.8

* Income includes settlements as disclosed in note 13 to the consolidated financial statements.

30. Operating lease arrangements

At the reporting date, the Company had outstanding commitments under non-cancellable operating leases, which fall due as follows:

AED million

	2017	2016
Within 1 year	10.0	10.3
1-5 years	12.6	5.8
Later than 5 years	37.1	43.9
	59.7	60.0

31. Financial risk management

(a) Financial risk factors

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

Market risk

i. Foreign exchange risk

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

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

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

At 31 December 2017, if these had strengthened/weakened by 10% against the AED, the net equity for the year would have been higher/lower by AED 23.9 million (2016: AED 22.6 million).

31. Financial risk management (continued)

The carrying amounts of the Group's foreign currency denominated assets and liabilities at the reporting date are as follows:

AED million

	2017 Assets	2017 Liabilities	2016 Assets	2016 Liabilities
Azerbaijan New Mana't	0.2	22.5	0.2	22.4
Bahraini Dinar	8.8	16.9	6.1	13.0
British Pound	-	17.2	-	14.7
Egyptian Pound	11.8	43.5	13.1	44.5
Euro	280.5	158.9	358.2	282.0
Indian Rupee	14.1	16.1	16.0	19.6
Moroccan Dirham	42.7	44.1	42.1	43.0
Qatari Riyal	73.1	55.3	106.6	74.3
Saudi Riyal	110.4	77.9	91.3	150.3
Singaporean Dollar	339.2	132.1	414.1	183.6
Syrian Pound	0.4	1.2	1.3	2.3
US Dollar	143.4	114.1	135.1	105.7

i. Price risk

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

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

ii. Cash flow and fair value interest rate risk

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

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

At 31 December 2017, if interest rates on borrowings had been 0.5% higher/lower with all other variables held constant, profit for the year would have been AED 0.04 million (2016: AED 0.1 million) lower/higher, mainly as a result of higher/lower interest expense.

iii. Credit risk

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

31. Financial risk management (continued)

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location. Trade receivables from the Group's twenty largest customers is AED 233.0 million (2016: AED 256.0 million) at the end of the reporting period. Management is confident that the concentration of credit risk at the year-end will not result in a loss to the business as these customers have an established track record of meeting their financial commitments.

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

iv. Liquidity risk

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

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

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the consolidated statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

AED million

	Less than 12 months	1 to 5 years	>5 years	Total
As at 31 December 2017				
Trade and other payables (including retentions and excluding advances)	568.9	7.2	-	576.1
Borrowings	82.3	9.3	18.7	110.3
Other non-current liabilities	-	2.0	-	2.0
	651.2	18.5	18.7	688.4
As at 31 December 2016				
Trade and other payables (including retentions and excluding advances)	681.4	6.9	-	688.3
Borrowings	160.5	30.9	18.1	209.5
Other non-current liabilities	-	2.8	-	2.8
	841.9	40.6	18.1	900.6

(b) Capital management

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

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

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

The Group was net cash positive as at 31 December 2017 and 2016.

Notes to the consolidated financial statements for the year ended 31 December 2017 (continued)

31. Financial risk management (continued)

(c) Fair value estimation

Financial instruments comprise financial assets and financial liabilities.

i. Fair value hierarchy

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

Level 1: Measurement is made by using quoted prices (unadjusted) from an active market.
Level 2: Measurement is made by means of valuation methods with parameters derived directly or indirectly from observable market data.
Level 3: Measurement is made by means of valuation methods with parameters not based exclusively on observable market data.

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2017.

AED million

	Level 1	Level 2	Level 3	Total
Assets for which fair values are disclosed				
Investment properties				
As at 31 December 2017	-	-	37.3	37.3
As at 31 December 2016	-	-	40.7	40.7

32. Financial instruments

Financial instruments comprise financial assets and financial liabilities as follows:

AED million

	Assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
Financial assets As at 31 December 2017			
Trade and other receivables (including subcontractor/supplier retentions)*	-	743.9	743.9
Available-for-sale investments	17.6	-	17.6
Investment in associates	-	36.0	36.0
Cash and bank balances	-	504.3	504.3
	17.6	1,284.2	1,301.8

AED million

	Assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
As at 31 December 2016			
Trade and other receivables (including subcontractor/supplier retentions)*	-	789.6	789.6
Available-for-sale investments	19.1	-	19.1
Investment in associates	-	44.7	44.7
Cash and bank balances	-	491.8	491.8
	19.1	1,326.1	1,345.2

* Excluding prepayments and advances to subcontractors and suppliers

32. Financial instruments (continued)

AED million

	Liabilities at amortised cost	Total
Financial liabilities As at 31 December 2017		
Trade and other payables (including retentions)**	576.1	576.1
Other non-current liabilities	2.0	2.0
Borrowings	107.5	107.5
	685.6	685.6
As at 31 December 2016		
Trade and other payables (including retentions)**	688.3	688.3
Other non-current liabilities	2.8	2.8
Borrowings	203.1	203.1
	894.2	894.2

** excluding advance received

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

33. Dividend

Interim dividend

The Board of Directors approved an interim dividend of 2.5 fils per share on 3 August 2017 (2016: nil). The dividend was paid during the year 2017.

Final dividend

The Board of Directors has proposed a final ordinary dividend of UAE 6 fils per share and special dividend of UAE 7 fils per share on 28 February 2018. The proposed final ordinary and special dividends are subject to shareholder approval at the annual general meeting and have therefore not been recognised as liability in these consolidated financial statements. The total estimated payment in respect of the final ordinary dividend is AED 36.5 million and of the special dividend is AED 42.6 million.

34. Reclassification

The following amounts have been re-classified;

- During the current year, the Group has changed the presentation of the consolidated statement of profit or loss by adopting the nature of expense method of presentation as the Group believes that presenting the consolidated statement of profit and loss by nature is more meaningful to the users of the financial statements. As per the new presentation, total expenses for the year include direct cost amounting to AED 1,433.7 million (31 December 2016: AED 1,400.2 million).
- During the current year other receivables amounting to AED 45.5 million have been reclassified to advances to subcontractors and suppliers, accrued expenses amounting to AED 44.8 million have been reclassified to advances received and expenses amounting to AED 5.8 million have been reclassified to finance cost to conform to current year presentation.
- AED 26.5 million of cash in current accounts and AED 10.6 million of margin money in other receivables as at 31 December 2016 have been reclassified to restricted cash to conform to current year presentation.

Notes to the consolidated financial statements for the year ended 31 December 2017 (continued)

35. Approval of consolidated financial statements

The consolidated financial statements were approved by Board of Directors and authorised for issue on 28 February 2018.

Independent auditor's report to the shareholders of Depa Limited

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Depa Limited ("the Company") and its subsidiaries (together "the Group") as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:
- the consolidated statement of profit or loss for the year ended 31 December 2017;
- the consolidated statement of comprehensive income for the year ended 31 December 2017;
- the consolidated statement of financial position as at 31 December 2017;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

Independent auditor's report to the shareholders of Depa Limited (continued)

Our audit approach

Overview

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

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	*How our audit addressed the key audit matter*
Recoverability of contract balances	
Recoverability of contract balances is a key matter for our audit. Even where the receivables have been agreed with the customer either through the original contracts or formal agreements of variations, claims and compensating events, uncertainty remains around the customer's ability to pay their dues to the Group. Contract receivable balances amount to AED 1.1 billion as at 31 December 2017, before a provision of AED 132 million for doubtful accounts (net AED 986 million). Please refer to Note 13 (Trade and other receivables) and Note 14 (Due from construction contract customers) to the consolidated financial statements for further details.	We have focused on the contract receivable balances with the greatest uncertainty around recoverability, based on the age and materiality of the outstanding debt, known disputes and the existence of arbitration proceedings. We have extensively discussed the judgements applied by management in relation to their assessment of the required provision for impairment of these individual receivables, and have corroborated management's assertions by reference to all available external sources, in particular the available correspondence between the Group and the customer concerned, the individual circumstances of each contract and our knowledge of the industry and the most recently publically available financial information of particular customers. We also considered historical impairment provisions recognised by the Group and the relevant subsequent outcomes.

Key audit matter	***How our audit addressed the key audit matter***
Recoverability of contract receivable balances (continued)	
Associated with this, in 2016 the Group commenced arbitration proceedings against one of its customers in order to obtain payment of certified works along with prolongation costs of the relevant completed project. Management is confident that it will be able to recover these contract receivable balances in full and that no further provision is required in the consolidated financial statements in respect thereof.	In respect of contracts that are subject to arbitration, we evaluated the probability and timing of recovery of outstanding amounts by reference to the status of negotiations and arbitration proceedings along with other supporting documentation. We also made enquires of management-appointed legal counsel in respect of the current status of proceedings.
The Group also has an amount of significant long overdue balances from several customers for completed projects for which the Group is currently in discussion with the customer for the settlement of these balances and believes no further provision is required in respect thereof.	We have tested the disclosures made by management in relation to the contract balances included in these consolidated financial statements, for compliance with International Financial Reporting Standards.
In relation to the contracts subject to arbitration and to the projects with significant long-overdue balances, AED 115 million (gross) is reflected in trade and other receivables and due from construction contract customers (a portion of which is due from related parties), against which a provision of AED 19 million is recorded in the consolidated financial statements. Please refer to Note 3 (Critical accounting estimates and assumptions) and Note 13 (Trade and other receivables) to the consolidated financial statements for further details.	
Potential impairment of goodwill	
Goodwill, which arose on various acquisitions over several years, amounted to AED 297 million as at 31 December 2017. Goodwill is not subject to annual amortisation.	We obtained management's assessment of the potential impairment of goodwill, and reviewed it for alignment with the provisions of IAS 36.
Goodwill is tested annually for impairment or whenever there is an impairment indicator. Goodwill is allocated across the Group's cash generating units or groups of cash generating units. Management identified each of its operations as the lowest level for which there are separately identifiable cash flows, i.e. the cash generating units.	We obtained the report issued by the Group's external expert which concludes that there is no further impairment required as at 31 December 2017. We performed an evaluation of the independence and qualifications of the expert employed by management together with the scope of their work and reviewed their work including the findings and conclusions of their report.

Key audit matter	***How our audit addressed the key audit matter***
Potential impairment of goodwill (continued)	
The Group determines the recoverable amount of goodwill as the higher of fair value less costs of disposal and value in use. The Group engaged an independent expert to assist in making the assessment. Please refer to Note 3 (Critical accounting estimates and assumptions) and Note 9 (Goodwill) to the consolidated financial statements where the impairment of non-financial assets has been discussed. We focussed on this area due to the significant management judgement involved in performing the impairment test. Given the materiality of goodwill in the Group's statement of financial position, the recognition of any further impairment could have a significant impact on the Group's statement of financial position and on its reported financial performance and earnings per share. In the current year there was no further impairment loss recognised against goodwill.	The most significant assumptions in the impairment test were future cash flow growth rate and discount rate. As indicated in Note 9, of all potential variables the impairment model is the most sensitive to these two assumptions. We tested the impairment model's key assumptions as set out below: *Cash flow growth rate* We have tested management's assumptions in relation to the expected future cash flows and management's expert's report thereon. The mathematical accuracy of the cash flow model was tested and we also tested the inputs into the model. The inputs include the actual 2017 operating performance and the expected future growth rate in the Group's cash flows and profit margins. We have agreed the 2017 base data to the Group's accounting records and assessed the reasonableness of the growth rates based on historic performance, approved business plan and contract order book at 31 December 2017. *Discount rate* Management assumed an average discount rate of 13.6%. We independently recalculated the discount rate, taking into account independently obtained data from contracting companies of a similar stage of operations. We tested that the related disclosures in the consolidated financial statements are consistent with the requirements of International Financial Reporting Standards.

Key audit matter	*How our audit addressed the key audit matter*
Revenue recognition from long-term contracts	
The Group enters into contracts, many of which are complex and long-term, spanning a number of reporting periods. The recognition of revenue and profit on these contracts in accordance with IAS 11 is based on the stage of completion of contract activity. This is assessed by reference to the proportion of contract costs incurred for the work performed at the balance sheet date relative to the estimated total costs of the contract at completion. Revenue on contracts is key audit matter for our audit because of the judgement involved in preparing suitable estimates of the forecasted future costs to complete each contract. An error in the contract forecast could result in a material variance in the amount of revenue and subsequently profit or loss recognised to date and therefore in the current period. These judgements include the expected recovery of costs arising from the following: variations to the original contract terms, compensation events, and claims made against the contractor for delays or other additional costs for which the customer is deemed liable. The incorrect inclusion or calculation of these amounts in the contract forecast where there is uncertainty could result in a material error in the level of revenue and subsequently profit or loss recognised by the Group. Please refer to Notes 2.26 (Revenue recognition accounting policy) and Note 3 (Critical accounting estimates and assumptions) to the consolidated financial statements for further details.	We focused our work on a sample of contracts that we deemed to have the greatest estimation uncertainty over the final contract values and therefore revenue and profit outcome. We challenged the judgements applied in management's forecasts, in particular the key assumptions which included the expected recovery from variations, claims and compensation events included in the forecast, and the historical financial performance and forecast out-turn against budget of other contracts of a similar nature and size and industry knowledge. We have had independent meetings with the various commercial teams for each contract we selected and obtained documentation in the form of certifications and other relevant third party correspondence to corroborate the explanations provided to us. With respect to cost incurred during the year, we tested a sample of costs by agreeing it to supporting documentation. We inspected correspondence with customers concerning variations, claims and compensation events, and obtained third party estimates of these from legal experts contracted by the Group, if applicable, to assess whether this information was consistent with the estimates made.

Other information

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

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

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

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards 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.

Independent auditor's report to the shareholders of Depa Limited (continued)

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

Independent auditor's report to the shareholders of Depa Limited (continued)

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

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

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

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

Report on other legal and regulatory requirements

Further, we report that the Company's financial statements have been properly prepared in accordance with the applicable provisions of the Companies Law – DIFC Law No. 2 of 2009, as amended.

PricewaterhouseCoopers
28 February 2018

PricewaterhouseCoopers

Murad Nsour
Partner
Place: Dubai, United Arab Emirates