Depa PLC (formerly Depa Limited) and its subsidiaries

Directors' report and consolidated financial statements for the year ended 31 December 2018

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Directors' report

Board of director's report

The Board of Directors present their report and audited financial statements of Depa PLC (formally Depa Limited) (the "Company") and its subsidiaries (together referred to as the "Group") for the year ended 31 December 2018.

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.

Financial and operational review and results

Operational review

With key projects secured across a wide range of sectors in its global addressable market, the Group significantly improved its backlog during 2018. Its backlog position remains healthy and diverse across its key operating groups.

Vedder, the Group's European operating segment, secured the entire interior fit-out of three superyachts during 2018. Depa Interiors has continued to diversify its backlog, securing projects in the hospitality, commercial, residential and infrastructure sectors across the Middle East. Deco Group continues to secure luxury retail projects in the Middle East and also secured a commercial fit-out project for a new government client and a package on the Dubai Metro extension. In Asia, Design Studio Group (DSG) has made considerable improvements to its backlog, securing work in Singapore and Malaysia, the Middle East, Thailand and China.

Notable project deliveries include the Dolce & Gabbana, Dior, Valentino, Ralph Lauren, Givenchy, Bottega Veneta and Alexander McQueen boutiques in the new Dubai Mall Fashion Avenue extension. In the first half of 2018, the Group continued to make improvements to its share listing in a bid to enhance share liquidity, terminating its Global Depository Receipt programme and converting its listing currency from US dollars to UAE dirhams, becoming the first company with a local currency listing on the Nasdaq Dubai.

With a view to maximising long-term, sustainable shareholder value, the Group proceeded with its disposal plans for the non-core assets identified during the 2017 Group-wide strategic review; with a disposal worth AED 7.0 million completed in 2018. In addition, a number of other transactions are progressing well.

During the year, the Group has consistently worked on implementing efficiency and productivity improvements, encouraging collaboration and innovation across the it's operations. The Group has been actively pursuing the recovery of its remaining long-outstanding receivable balances and will continue to do so. Despite certain challenges, the outlook for the Group remains positive with the Group continuing to invest in organic growth.

Vedder

Vedder, the Group's European operating group, specialising in the superyacht, residence fit-out and private jet market, generated revenue of AED 378.8 million and profit of AED 32.9 million, an increase in revenue of AED 34.2 million or 10% on 2017 (AED 344.6 million) and a decrease in profit of AED 0.1 million on 2017 (AED 33.0 million). Vedder delivered an EBIT margin of 12.4% (2017: 13.4%).

In March 2018, Vedder announced the award of their largest project to-date, securing an interior fit-out package for a private superyacht worth more than AED 130 million. In July 2018, Vedder announced another contract win of more than AED 74 million, demonstrating the strength of Vedder's reputation the client awarded the entire interior package to Vedder. Vedder secured two additional entire interior packages during October 2018 worth more than AED 150 million in total.

Vedder (continued)

The award of three entire interior packages to Vedder during the year is testament to Vedder's unparalleled project delivery, timely execution and quality craftsmanship. Vedder's continued growth will be further facilitated by the expansion of their Lüdinghausen facilities for which planning permission is currently being sought. This will enable Vedder to provide a higher volume of services to the growing superyacht market.

Depa Interiors

Depa Interiors is the Group's Middle Eastern business providing fit-out services to the hospitality, residential, commercial, and transport and civil infrastructure sectors. Depa Interiors generated revenue of AED 656.2 million (2017: AED 837.4 million) and profit of AED 25.4 million (2017: 131.7 million). Depa Interiors delivered an EBIT margin of 5.7% (2017: 18.7%). The higher levels of revenue, profit and EBIT margin in 2017 is attributable to the recovery of two long outstanding receivables that positively impacted those results.

Following the appointment of Kevin Lewis as Managing Director of Depa Interiors in early 2018, operations have been restructured in order to increase efficiencies across its business, harmonise manufacturing processes and increase collaboration between locations. In addition to Kevin's appointment, Depa Interiors further strengthened its management team with several other key management appointments.

Depa Interiors has focused on diversifying its backlog and has recently secured a significant package of work worth more than AED 110 million for a large scale infrastructure project in Abu Dhabi. This is in addition to an infrastructure package in Riyadh worth more than AED 80 million which was awarded in July 2018. Depa Interiors has also secured significant awards in the hospitality, commercial and residential sectors and has a solid pipeline of prospective work including multiple projects connected to the Expo 2020 development. Depa Interiors' growing backlog coupled with improvements in operations, estimation and the bidding and tendering process will ensure it is well placed to leverage the opportunities in the UAE and other Middle Eastern markets over the coming years.

Deco Group

Middle East-based Deco Group comprises Deco, which is focused on the retail and commercial fit-out sector; carpentry and joinery experts Eldiar and Carrara, which supplies and installs premium marble, stone and granite.

In 2018 Deco Group generated revenue of AED 251.6 million (2017: AED 283.6 million) and profit of AED 22.4 million, an increase of AED 6.1 million or 37% on 2017 (AED 16.3 million). Deco Group delivered an EBIT margin of 9.7%, a significant increase on 2017 (5.9%). The profit and EBIT margin in 2018 was positively impacted by the sale of its leasing rights as part of Carrara's factory consolidation plan, while 2017 was negatively impacted by a select number of loss making projects in Eldiar.

2018 saw Deco deliver several projects for repeat clients, completing the interior fit-out works for the Dolce & Gabbana, Dior, Valentino, Ralph Lauren and Givenchy boutiques for the new Dubai Mall Fashion Avenue extension along with the Bottega Veneta and Alexander McQueen boutiques which are both new clients.

Deco continues its long-term relationship with several major luxury retailers, winning the fit-out of new Chanel boutiques in Dubai Mall, Dubai Airport and New Delhi. Deco also secured the fit-out works for the Gucci and Louis Vuitton boutiques at Mall of the Emirates. During 2018 Deco was awarded the commercial fit-out works for a new government client and Carrara secured a package of works on the Dubai Metro extension.

Whilst some factory enhancements remain ongoing, Carrara's factory consolidation was largely completed during 2018.

DSG

The Group's Asian business, DSG, delivered revenue of AED 454.7 million an increase of AED 87.8 million or 24% on 2017 (AED 366.9 million) and loss of AED 71.5 million (2017 profit: AED 4.7 million).

Whilst DSG's revenue is significantly improved on 2017 and its backlog is also higher than at the start of the year, its overall financial performance lagged the rest of the Group's key operating groups. DSG's 2018 performance was affected by underutilisation of its factories, cost overruns from delays on a Dubai based project and restructuring charges relating to its plans to close its Malaysian factory and its showrooms.

DSG improved its backlog during 2018 and the business continued to secure opportunities both within its target markets of Singapore and Malaysia, as well as the Middle East and other international markets. As part of on-going business development activities, in May 2018, DSG established a joint venture in Thailand in a bid to capitalise on opportunities within the Thai market.

Backlog

During the year the Group secured a number of major contracts, including two large scale infrastructure projects in the Middle East, three entire interior superyacht fit-outs and a number of luxury retail fit-outs for repeat clients. The Group ended the year with backlog of AED 2,109 million, up AED 315 million or 18% on 31 December 2017 (AED 1,794 million).

Outlook

The quality of the Group's secured backlog and pipeline of prospective work, in addition to the market leading positions that its key operating groups maintain and its robust balance sheet, ensures the Group is well positioned to take advantage of organic growth opportunities as they arise. Despite certain challenges, the outlook for the Group remains positive.

Financial performance

During the twelve months to 31 December 2018, the Group generated revenue of AED 1,802.3 million, an increase of AED 2.0 million on 2017 (AED 1,800.3 million). 2017 revenue was positively impacted by the recovery of two major long outstanding receivables.

Expenses in 2018 increased by AED 279.3 million to 1,896.4 million (2017: AED 1,617.1 million). The Group's 2018 expenses include AED 129.6 million of goodwill impairment relating to DSG, AED 8.1 million relating to the closing of DSG's Malaysia facilities and showrooms and AED 3.7 million impairment loss for the associate which was disposed of. 2017 expenses also include the positive impact arising from the recovery of the two major long outstanding receivables.

In the twelve months to 31 December 2018, associates generated a loss of AED 2.5 million (2017: AED 1.4 million). Net finance expense amounted to AED 10.0 million slightly less than the prior year (2017: AED 11.4 million). The Group recognised an income tax expense of AED 18.6 million in 2018 (2017: AED 16.8 million).

Consequently, the Group generated a loss for the period of AED 125.2 million (2017 profit: 153.6 million). Excluding the goodwill impairment, the Group generated a profit of AED 4.4 million. Non-controlling interests amounted to positive AED 1.7 million (2017: negative AED 1.3 million). DSG's losses were partially offset by stronger results of a number of other non-wholly owned subsidiaries.

As a result, the Group generated net loss after non-controlling interests of AED 123.5 million (2017 profit: AED 152.3 million).

Cash flow

Net cash outflows from operating activities amounted to AED 13.3 million (2017: inflow AED 143.5 million). 2017 operating cash flows include the recovery of two major long outstanding receivables; whilst project payment timings resulted in an increase in working capital balances of AED 47.1 million in 2018.

Net cash inflows from investing activities for 2018 amounted to AED 8.6 million (2017: outflow AED 23.5 million) with the group realising AED 7.0 million from the disposal of an associate during the period as part of its non-core asset disposal programme.

During 2018, the Group reduced its borrowings by AED 19.6 million excluding overdrafts (2017: AED 76.7 million) and paid a dividend to shareholders of AED 95.4 million (2017: 15.4 million). Consequently, net cash outflows from financing activities for the period were AED 132.6 million (2017: AED 115.1 million).

Foreign exchange differences resulted in an AED 11.6 million negative movement (2017: AED 32.7 million positive impact) in the reported cash and cash equivalents. As a result of the above, the Group ended 2018 with net cash excluding restricted cash of AED 110.8 million (2017: 261.5 million).

Financial position

The Group ensures that it maintains adequate liquidity to meet its requirements and appropriate working capital facilities for all of its needs via its strong bank relationships. Cash and cash equivalents at the 31 December 2018 stood at AED 159.7 million (2017: AED 308.6 million).

At period end, equity attributable to equity holders of the parent equated to AED 1,140.9 million (2017: AED 1,397.0 million). The Group's outstanding ordinary shares at end of 2018 amounted to 611,586,670 (issued ordinary shares of 618,452,753 less 6,866,083 treasury shares).

To improve the financial position as presented in the Group's consolidated financial statements, the Board of Directors is recommending that the shareholders approve the conversion of the share premium account into distributable reserves at the Group's upcoming 2019 general meeting.

Risks and uncertainties

The Group faces risks from a range of sources that could have a material impact on our financial commitments and future financial performance. The principal risks are determined via robust assessment considering our risk context. The principal risks facing the company have not materially changed over the year and include the following:

- *Operational risks: w*ork delivery challenges may result in actual costs increasing above previous estimates; failure to continue to win and / or retain contracts on satisfactory terms and conditions; non delivery of projects to client required standards; ineffective management of contracts; serious injury or fatality being sustained by an employee and / or member of the public; and the retention of key management and personnel.

- *Financial and market risks:* reduced access to the financing facilities necessary to fund the business; inability to maintain a sustainable level of financial performance; interest rate and foreign currency risks; failure to collect major receivables from key clients; and liquidity risks.

- *Strategic risks:* adverse changes in economic, regulatory and / or political conditions in the markets in which the Group operates; unforeseen external events and actions which may affect business development and / or project delivery; and material adverse brand and reputational damage.

The Board recognises that certain risk factors that influence the principal risks are outside of the control of management. The Board is satisfied that these risks are being managed appropriately and consistently with the target risk appetite. The set of principal risks should not be considered as an exhaustive list of all the risks the Group faces.

Directors' report (continued)

Dividend

The Board of Directors approved an interim dividend of UAE 2.6 fils per share on 2 August 2018 (3 August 2017: 2.5 fils per share). The dividend was paid during the year 2018. In light of the Group's financial performance, the Board of Directors is not recommending a final ordinary dividend.

Directors

The Directors who held office during the year, and their Committee memberships and functions as at 31 December 2018, were as follows:

Name & Designation	Date of Appointment or Reappointment	Date of Resignation	Committee Memberships
Mr. Mohamed Al Mehairi *Chairman & Non-Executive Director*	25 April 2018	N/A	N/A
Mr. Roderick Maciver *Vice-Chairman & Independent Non-Executive Director*	14 May 2017	26 June 2018	N/A
Mr. Abdullah Al Turifi *Vice-Chairman & Independent Non-Executive Director*	2 August 2018	N/A	Nomination & Remuneration Committee (Committee Chairman)
Mr. Abdullah Al Mazrui *Non-Executive Director*	25 April 2018	N/A	Investment & Risk Committee (Committee Chairman)
Mr. Khaldoun Al Tabari *Non-Executive Director*	26 May 2016	N/A	N/A
Mr. Marwan Shehadeh *Non-Executive Director*	26 May 2016	N/A	N/A
Mr. Ahmed Ramdan *Independent Non-Executive Director*	26 May 2016	N/A	Nomination & Remuneration Committee (Committee Member); and Investment & Risk Committee (Committee Member)
Mr. Khalifa Al Romaithi *Non-Executive Director*	26 May 2016	N/A	Nomination & Remuneration Committee (Committee Member); and Audit & Compliance Committee (Committee Member)
Mr. Saeed Al Mehairbi *Non-Executive Director*	26 May 2016	N/A	Investment & Risk Committee (Committee Member)
Mr. Hamish Tyrwhitt *Group Chief Executive Officer & Executive Director*	26 May 2016	N/A	N/A

Audit information

Having made the required enquiries, so far as the Directors in office at the date of the signing of this report are aware, there is no relevant audit information of which the auditors are unaware and each Director has taken all reasonable steps to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors

PricewaterhouseCoopers were appointed as external auditors of the Group for the year ended 31 December 2018. PricewaterhouseCoopers are eligible for reappointment as auditors for 2019 and have expressed their willingness to continue in office.

Mr. Mohamed Al Mehairi

Chairman

Mr. Abdullah Salem Al Turifi

Vice Chairman

24 April 2019

Depa PLC (formerly Depa Limited) and its subsidiaries

Consolidated statement of profit or loss

	Note	2018	2017
		AED million	
Revenue		1,802.3	1,800.3
Expenses	4	(1,896.4)	(1,617.1)
Share of loss from associates	10	(2.5)	(1.4)
Finance income		0.7	1.7
Finance cost		(10.7)	(13.1)
Net - finance cost		(10.0)	(11.4)
(Loss)/profit before tax		(106.6)	170.4
Income tax expense	5	(18.6)	(16.8)
(Loss)/profit for the year		(125.2)	153.6
Attributable to:			
Owners of Depa PLC		(123.5)	152.3
Non-controlling interests		(1.7)	1.3
		(125.2)	153.6
Earnings per share			
Basic and diluted (loss)/earnings per share (UAE fils)	6	(20)	25

Consolidated statement of comprehensive income

	Note	AED million 2018	2017
(Loss)/profit for the year		(125.2)	153.6
Other comprehensive (loss)/income			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		(15.8)	41.4
Items not to be reclassified to profit or loss in subsequent periods:			
Actuarial gain/(loss) recognised	20	1.6	(0.1)
Other comprehensive (loss)/income for the year		(14.2)	41.3
Total comprehensive (loss)/income for the year		(139.4)	194.9
Attributable to:			
Owners of Depa PLC		(136.8)	191.6
Non-controlling interests		(2.6)	3.3
		(139.4)	194.9

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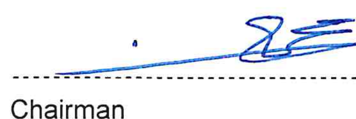
Depa PLC (formerly Depa Limited) and its subsidiaries

Consolidated statement of financial position

		AED million	
		At 31 December	
		2018	2017
ASSETS			
Cash and bank balances	27	381.6	504.3
Trade and other receivables	13	730.1	797.1
Due from construction contract customers	14	627.4	486.8
Inventories	15	41.1	49.8
Total current assets		1,780.2	1,838.0
Contract retentions		137.9	138.1
Financial assets at fair value through OCI	11	17.6	17.6
Property, plant and equipment	7	195.2	209.6
Intangible assets	8	36.4	42.5
Investment properties	12	36.0	37.3
Investment in associates	10	19.6	36.0
Deferred tax assets	5	1.5	3.7
Goodwill	9	167.7	297.3
Total non-current assets		611.9	782.1
Total assets		2,392.1	2,620.1
LIABILITIES			
Trade and other payables	21	1,074.0	1,013.5
Income tax payable	5	20.2	17.8
Borrowings	19	60.5	81.6
Total current liabilities		1,154.7	1,112.9
Employees' end of service benefits	20	75.5	76.1
Retentions		11.3	7.2
Other non-current liabilities		-	2.0
Deferred tax liabilities	5	0.1	0.2
Borrowings	19	22.8	25.9
Total non-current liabilities		109.7	111.4
Total liabilities		1,264.4	1,224.3
Net assets		1,127.7	1,395.8
EQUITY			
Share capital	16	908.9	904.6
Share premium		354.1	354.1
Share issuance costs		-	-
Treasury shares	17	(16.5)	(16.5)
Statutory reserve	18	58.6	54.2
Translation reserve		(16.5)	(1.6)
Other reserve		(1.0)	(1.4)
(Accumulated losses)/retained earnings		(146.7)	103.6
Equity attributable to owners of Depa PLC		1,140.9	1,397.0
Non-controlling interests		(13.2)	(1.2)
Total equity		1,127.7	1,395.8

The consolidated financial statements were approved for issue by the Board of Directors on 24 April 2019 and signed on its behalf by:



Chairman | Group Chief Executive Officer | Group Chief Financial Officer

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Depa PLC (formerly 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	Accumulated losses) / retained earnings	Attributable to owners of Depa PLC	Non-controlling interests	Total
At 1 January 2017	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	-	(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
Change in Accounting Policy	-	-	-	-	-	-	-	(25.6)	(25.6)	-	(25.6)
Loss for the year	-	-	-	-	-	-	-	(123.5)	(123.5)	(1.7)	(125.2)
Other comprehensive income	-	-	-	-	-	(14.9)	1.6	-	(13.3)	(0.9)	(14.2)
Total comprehensive loss	-	-	-	-	-	(14.9)	1.6	(123.5)	(136.8)	(2.6)	(139.4)
Transfer to statutory reserve	-	-	-	-	4.4	-	-	(4.4)	-	-	-
Dividends paid	-	-	-	-	-	-	-	(95.4)	(95.4)	(6.9)	(102.3)
Employee share scheme	-	-	-	-	-	-	2.7	-	2.7	-	2.7
New shares issued	4.3	-	-	-	-	-	(3.9)	(0.4)	-	-	-
Acquisition of NCI	-	-	-	-	-	-	-	(1.0)	(1.0)	(2.5)	(3.5)
At 31 December 2018	908.9	354.1	-	(16.5)	58.6	(16.5)	(1.0)	(146.7)	1,140.9	(13.2)	1,127.7

Consolidated statement of cash flows

	Note	AED million 2018	2017
Operating activities			
(Loss)/profit before tax		(106.6)	170.4
Adjustments for:			
Depreciation of property, plant and equipment	7	32.2	33.1
Amortisation of intangible assets	8	6.2	5.5
Gain on disposal of property, plant and equipment		(0.2)	(0.3)
Finance income		(0.7)	(1.7)
Finance cost		10.7	13.1
Provision on inventory obsolescence	15	0.9	3.3
Net provision/(reversal) on trade receivables, contract retentions and due from construction contract customers	4	4.5	(27.5)
Reversal of liabilities no longer required	4	(39.9)	(2.8)
Change in fair value of investment properties	12	1.3	3.4
Impairment loss on goodwill		129.6	-
Impairment of investment in associates	10	3.7	-
Provision for share based payments		2.7	5.1
Impairment loss	11	-	1.5
Share of loss from associates	10	2.5	1.4
Provision for employees' end of service benefits	20	10.9	10.3
Operating cash flows before payment of employees end of service benefits, taxes and changes in working capital		57.8	214.8
Employees' end of service benefits paid	20	(9.9)	(7.0)
Income tax paid		(14.1)	(20.7)
Working capital changes:			
Trade and other receivables		54.7	49.4
Inventories		7.8	10.8
Due from construction contract customers		(158.4)	2.5
Contract retentions		0.2	(28.4)
Retentions		4.1	0.3
Trade and other payables		98.7	(89.1)
Other non-current liabilities		(2.0)	(0.8)
Restricted cash		(52.2)	11.7
Net cash (used in)/generated from operating activities		(13.3)	143.5

Consolidated statement of cash flows (continued)

	Note	2018	2017
		AED million	
Investing activities			
Purchase of property, plant and equipment	7	(25.0)	(22.5)
Proceeds from sale of property, plant and equipment		3.2	0.3
Purchase of intangible assets	8	(0.1)	(4.8)
Dividends received from associates	10	3.2	7.3
Acquisition of non-controlling interest (NCI)		(1.8)	-
Decrease/(increase) in long term fixed deposits		21.4	(5.5)
Proceeds from sale of associates		7.0	-
Finance income received		0.7	1.7
Net cash generated from/(used in) investing activities		8.6	(23.5)
Financing activities			
Dividends paid to non-controlling interests		(6.9)	(9.9)
Dividends paid to the shareholders		(95.4)	(15.4)
Repayment of borrowings		(19.6)	(76.7)
Finance cost paid		(10.7)	(13.1)
Net cash used in financing activities		(132.6)	(115.1)
Net (decrease)/increase in cash and cash equivalents		(137.3)	4.9
Effect of foreign exchange difference		(11.6)	32.7
Cash and cash equivalents at the beginning of the year		308.6	271.0
Cash and cash equivalents at the end of the year	27	159.7	308.6

1. Corporate information

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

During the year, the Company changed its name from Depa Limited to Depa PLC to comply with new Companies Law which became effective from 5 November 2018. The Company was incorporated in United Arab Emirates on 25 February 2008. Depa PLC 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 new standards became applicable for the current year and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting these standards:

- IFRS 9 "Financial Instruments", and
- IFRS 15 "Revenue from Contracts with Customers".

The impact of the adoption of these standards and the new accounting policies are disclosed in note 2.10, 2.24 and 32.

(b) New standards and amendments not early adopted by the Group

The following standard has been published and is mandatory for the Group's accounting periods beginning after 1 January 2019 or later periods, but have not been early adopted by the Group:

IFRS 16, "Leases" (effective from 1 January 2019)
Management anticipates that this new standard will be adopted in the Group's consolidated financial statements for the year beginning 1 January 2019. IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The Group has set up a project team which has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

As at the reporting date, the Group has non-cancellable operating lease commitments of AED 38.4 million (note 29). Of these commitments, short-term leases and low value leases will both be recognised on a straight-line basis as expense in profit or loss. For the remaining lease commitments, the Group expects to recognise right-of-use assets and lease liabilities of approximately AED 19.1 million on 1 January 2019 as the Group has chosen to apply IFRS 16 retrospectively with the cumulative effect of initially applying the Standard recognised at the date of initial application.

The Group expects that there will be immaterial impact on the consolidated statement of profit and loss and consolidated statement of cash flows.The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the consolidated financial statements.

3. Summary of significant accounting policies (continued)

2.1 Basis of Preparation (continued)

(b) New standards and amendments not early adopted by the Group (continued)

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

3.2 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. 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 23.

(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 28.

(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 PLC.

3.3 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. Summary of significant accounting policies (continued)

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.

(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.

2.5Property, plant and equipment

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

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 - 15 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.

2.6Investment 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.

2. Summary of significant accounting policies (continued)

2.6 Investment properties (continued)

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.

2.7 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, if any. 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
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

The application of IFRS 9 “Financial Instruments” required the management to apply the following new accounting policies:

(a) Classification

The Group classifies its financial assets in the following categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and

2. Summary of significant accounting policies (continued)

2.11 Financial assets (continued)

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition, derecognition 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.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets at fair value through other comprehensive income (FVOCI) are carried at fair value. After initial measurement, the Group presents fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss when the Group's right to receive payments is established.

The Group classifies debt instruments at amortised cost using effective interest rate method. Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

(c) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its financial assets.

For trade receivables and contract assets, the Group applies the simplified approach permitted by IFRS 9 "Financial Instruments", which requires expected lifetime losses to be recognised from initial recognition of the receivables and contract assets (note 32).

(d) Accounting policies applied until 31 December 2017

(i) 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.

(ii) 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 other comprehensive income in other reserves 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 profit and loss.

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

2. Summary of significant accounting policies (continued)

2.11 Financial assets (continued)

(d) Accounting policies applied until 31 December 2017 (continued)

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

(iii) 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.

(iv) 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.

2.12 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.

2.13 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.

2.14 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.

2.15 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.

2.16 Trade payables

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

2.17 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.

2.18 Financial liabilities

Financial liabilities 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. Summary of significant accounting policies (continued)

2.19 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.

2.20 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.

2.21 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.

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.

2.22 Share-based payments

The Company had 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.

2.23 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.

2. Summary of significant accounting policies (continued)

2.23 Employees' end of service benefits (continued)

The Group provides 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.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in the other reserves in the consolidated statement of changes in equity. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in the consolidated statement of comprehensive income as past service costs.

The interest cost component is expensed to the consolidated statement of comprehensive income and is calculated by applying the discount rate to the balance of the defined benefit obligation. The defined benefit liability comprises the present value of the defined benefit obligations which is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used. 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 Rounding of amounts

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

2.25 Revenue recognition

The application of IFRS 15 "Revenue from contracts with customers" requires management to apply the following new accounting policies:

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 and revenue from sale of goods and procurement services

The Group recognises revenue from contracts with customers based on a five step model as set out in IFRS 15 "Revenue from contracts with customers":

1. Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
3. Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
5. Recognise revenue when (or as) the entity satisfies a performance obligation at a point time or over time.

2. Summary of significant accounting policies (continued)

2.25 Revenue recognition (continued)

(a) Contract revenue and revenue from sale of goods and procurement services (continued)

The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

1. The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
2. The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
3. The Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

For performance obligations where one of the conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied. The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognising revenue. The Group has concluded that for majority of its arrangements, it is either creating or enhancing an asset controlled by the customer or it is creating an asset with no alternative use and has an enforceable right to payment for work completed. Therefore, it meets the criteria to recognise revenue over time and measure progress of its projects through the cost to complete method (input method) as it best depicts the transfer of control of products and services under each performance obligation.

When the Group satisfies a performance obligation by delivering the promised goods or services it creates a contract asset based on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives rise to a contract liability. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

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

Variation orders which require addition of distinct goods and services to the scope at discounted prices are accounted for prospectively and variation orders which require addition of distinct goods and services to the scope at standalone selling prices are accounted for as new contracts with the customers.

Claims are accounted for as variable consideration. They are included in contract revenue using the expected value or most likely amount approach (whichever is more predictive of the amount the entity expects to be entitled to receive) and it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the claim is subsequently resolved. A loss is recognised in the consolidated statement of profit and loss when the expected contract cost exceeds the anticipated contract revenue.

The Group recognises two or more contracts entered into at or near the same time with the same customer and account for the contracts as a single contract under IFRS 15 "Revenue from contracts with customers" if one or more of the following criteria are met:

1. The two or more contracts entered into at or near the same time with the same customer are negotiated as a package, with a single commercial objective;
2. The amount of consideration to be paid in one contract depends on the price or performance of the other contract; or
3. The goods or services promised in the contracts (or some goods or services promised in each of the contracts) are a single performance obligation.

If the above criteria is met, the arrangements are combined and accounted for as a single arrangement for revenue recognition.

Pre-contract cost of obtaining a contract with a customer is recognised as an asset if those costs are expected to be recovered.

The Group provides complete interior fit out solutions to its customers operating in a wide variety of industries as noted in note 1, therefore, the Group assess whether these arrangements can have single or multiple performance obligations under IFRS 15 "Revenue from contracts with customers" based on the nature of interior solutions being offered under that arrangement.

Factors affecting the conclusion whether an arrangement has single or multiple performance obligations can include (among other factors) customer's expectations from the contract, distinct nature of the products and services and

2. Summary of significant accounting policies (continued)

2.25 Revenue recognition (continued)

degree of integration or inter-relation between the various products and services. This assessment requires significant judgement from the Group.

Revenue is recognised in the consolidated statement of profit and loss to the extent that it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

(b) 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.

(c) Dividend income

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

(d) 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.

(e) Accounting policies applied until 31 December 2017

i. 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.

ii. 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.

iii. Procurement services

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

iv. 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.

v. Dividend income

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

vi. 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.

2.26 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. IFRS 16 “Leases” has been published and is mandatory for the Group’s accounting period effective from 1 January 2019. The Group has assessed potential impact of the new standard as disclosed in note 2.1.

2. Summary of significant accounting policies (continued)

2.27 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.

2.28 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company (after adjusting for interest on the convertible bond and other consequential changes in income or expense that would result from the assumed conversion) by the weighted average number of ordinary shares outstanding during the year including the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

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 recognition of revenue and profit over time based on progress of its project through cost to complete 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, labour 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 highly probable that they will result in revenue and a significant reversal in revenue will not occur and which can be reliably measured, this 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.

3. Critical accounting estimates and judgements

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

The Group has filed for legal cases against a customer 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 advance discussions with the customers for the settlement of the outstanding balances and believes no further provision is required.

Collectively and in relation to the above mentioned projects, the Group is carrying AED 109 million (2017: AED 115 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 24 million (2017: AED 16 million) in the consolidated financial statements.

(e) 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 20.

(f) 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.

(g) 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.

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

	AED million	
	2018	2017
Material costs	531.3	474.5
Sub-contractor costs	651.7	578.4
Personnel costs	498.0	477.7
Impairment loss on goodwill	129.6	-
Depreciation (note 7)	32.2	33.1
Premise rent	10.6	9.8
Registration and legal expenses	6.2	5.9
Amortisation (note 8)	6.2	5.5
Impairment of investment in associate (note 10)	3.7	-
Sales and marketing expenses	2.0	2.2
Changes in fair value of investment properties (note 12)	1.3	3.4
Foreign exchange loss	0.4	2.3
Net provision/(reversal) on trade receivables, contract retentions and due from construction contract customers	4.5	(27.5)
Reversal of liabilities no longer required	(39.9)	(2.8)
Gain on sale of fixed assets	(0.2)	(0.3)
Other expenses	58.8	54.9
	1,896.4	1,617.1

5. Income tax expense

The Group is subject to taxation on its operations in Singapore, Germany, Qatar, Egypt, 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	
	2018	2017
Current tax expense	16.6	19.2
Deferred tax expenses	2.0	(2.4)
	18.6	16.8

	AED million	
	2018	2017
Effective tax rate from taxable operations		
Profit before tax from operations which are taxable	103.1	133.7
Loss before tax from operations which are taxable	(76.5)	(19.1)
(Loss)/profit from operations before tax which are not taxable	(133.2)	55.8
(Loss)/profit before tax	(106.6)	170.4
Total income tax expense during the year	18.6	16.8
Effective tax rate on profit from operations which are taxable	18%	13%

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

	AED million	
	2018	2017
(Loss)/profit before tax	(106.6)	170.4
Tax at the domestic rates applicable to profits in countries where the Group operates	2.3	16.1
Tax effect of non-deductible expenses	5.0	1.1
Income not subject to taxation	-	(0.2)
Tax exemption	-	(0.1)
Deduction on tax incentives	-	(0.3)
Excess provision in respect of prior year	2.2	(0.3)
Others	9.1	0.5
	18.6	16.8

(b) Tax balances

The following is the analysis of tax balances presented in the consolidated statement of financial position:

	AED million	
	2018	2017
Deferred tax assets	1.5	3.7
Deferred tax liabilities	0.1	0.2
Current tax liability	20.2	17.8

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 611,346,252 shares (2017: 608,210,902 shares), which represent the outstanding shares of 618,452,753 (refer note 16), net of treasury shares of 6,866,083 (refer note 17).

	2018	2017
Basic earnings per share		
(Loss)/profit attributable to ordinary shareholders in AED million	(123.5)	152.3
Weighted average number of ordinary shares outstanding	611,346,252	608,210,902
Basic earnings per share (UAE fils)	(20)	25
Diluted earnings per share		
(Loss)/profit attributable to ordinary shareholders in AED million	(123.5)	152.3
Weighted average number of ordinary shares outstanding	611,346,252	608,210,902
Adjustment for share awards	3,918,790	4,729,424
Adjusted weighted average number of ordinary shares outstanding	615,265,042	612,940,326
Diluted earnings per share (UAE fils)	(20)	25

Share awards granted to employees during 2016 and 2017 but not yet vested under the Depa PLC long term incentive plan are considered to be potential ordinary shares.

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 2017	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
Additions	1.3	8.8	1.1	9.0	4.8	25.0
Disposals	(1.8)	(39.3)	(3.9)	(7.8)	-	(52.8)
Exchange differences	(2.2)	(4.2)	(0.5)	(2.1)	-	(9.0)
At 31 December 2018	296.5	145.7	12.3	75.9	14.6	545.0
Accumulated depreciation and impairment						
At 1 January 2017	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
Charge for the year (note 4)	17.1	7.3	1.0	6.8	-	32.2
Disposals	(1.8)	(39.0)	(3.9)	(5.1)	-	(49.8)
Exchange differences	(0.5)	(2.8)	(0.1)	(1.4)	-	(4.8)
At 31 December 2018	180.8	94.2	9.5	58.7	6.6	349.8
Net carrying amount						
At 31 December 2018	115.7	51.5	2.8	17.2	8.0	195.2
At 31 December 2017	133.2	51.7	3.1	18.4	3.2	209.6

8. Intangible assets

	AED million Brand name and rights	Software	Total
Cost			
At 1 January 2017	97.6	62.4	160.0
Additions	11.0	-	11.0
At 31 December 2017	108.6	62.4	171.0
Additions	-	0.1	0.1
At 31 December 2018	108.6	62.5	171.1
Accumulated amortisation			
At 1 January 2017	61.8	61.2	123.0
Charge for the year (note 4)	5.1	0.4	5.5
At 31 December 2017	66.9	61.6	128.5
Charge for the year (note 4)	5.8	0.4	6.2
At 31 December 2018	72.7	62.0	134.7
Net carrying amount:			
At 31 December 2018	35.9	0.5	36.4
At 31 December 2017	41.7	0.8	42.5

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 2018	2017
Design Studio Group (note 9.1)	14.4	144.0
Depa Interiors	72.6	72.6
Vedder	32.3	32.3
The Parker Company	17.0	17.0
Linder Middle East	16.5	16.5
Deco Group	14.9	14.9
	167.7	297.3

(a) Annual test for impairment

The Group has carried out an impairment test for goodwill at year end. For impairment test, the recoverable amount of each group of cash generating units has been estimated and is based on the higher of fair value less cost to sell or value in use calculated using cash flow projections approved by senior management covering a five-year period. Independent experts were employed by the Group to assess the values.

9. Goodwill (continued)

Management concurred with the expert's calculation and concluded that an impairment loss amounting to AED 129.6 million (2017: nil) should be recorded during the year as a result of downturn in the performance of one of the operating segment (note 26) of the Group i.e. Design Studio Group (DSG).

(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, backlog and prospective projects at 31 December 2018. An average growth rate of approximately 5% (2017: 10%) per annum was used in the estimates.

Discount rate: Average discount rates used throughout the assessment period was 10.9% per annum (2017: 13.6% per annum), reflecting the cash generating units estimated weighted average cost of capital and specific market risk profile and cost of debt. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

(c) Sensitivity to changes in assumptions

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

9.1 Impairment loss

During the year, the Group has estimated the recoverable amount of DSG (group of CGUs) lower than the carrying amount of net assets (including intangibles) by AED 129.6 million. The recoverable amount has been estimated based on value-in-use calculation which is higher of fair value less cost to sell or value in use calculated using cash flow projections.

Value in use has decreased due to a downturn in performance of the operating segment during the year which is mainly due to cost-overruns from delays, underutilisation of the factories and restructuring charges associated with the manufacturing facilities in the Group.

The management has used weighted average cost of capital i.e. discount rate equal to 11.9% in computation of value in use.

Had management used weighted average cost of capital i.e. discount rate equal to 10.8%, the impairment would have decreased by AED 27.1 million.

10. Investment in associates

Details of the Group's associates are as follows:

		Holding %		
Name of associate	Country	2018	2017	Principal activities
Al Tawasoul Property Development Company	United Arab Emirates	-	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

During the year, the Group sold its investment in Al Tawasoul Property Development Company.

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

	AED million	
	2018	2017
At 1 January	36.0	44.7
Share of loss	(2.5)	(1.4)
Impairment of investment in Al Tawasoul Property Development Company	(3.7)	-
Disposal of investment in Al Tawasoul Property Development Company	(7.0)	-
Dividend received	(3.2)	(7.3)
At 31 December	19.6	36.0

No individual associate is material to the Group.

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

	AED million	
	2018	2017
Current assets	64.4	120.7
Non-current assets	29.8	196.4
Total assets	94.2	317.1
Current liabilities	42.0	101.4
Non-current liabilities	2.3	36.8
Total liabilities	44.3	138.2
Net assets	49.9	178.9
Group's share of net assets of associates	19.6	36.0
Total revenue	82.4	241.6
Total loss for the year	(7.7)	(4.2)
Group's share of loss and total comprehensive income of associates	(2.5)	(1.4)

As at 31 December 2018, the Group has assessed that the investments in its associates are not impaired (2017: nil).

There no material contingencies and commitments in Group's associates' financial information.

11. Financial assets at fair value through OCI

	AED million	
	2018	2017
At 1 January	17.6	19.1
Impairment loss	-	(1.5)
At 31 December	17.6	17.6

The Group has equity investments classified as fair value through OCI. The Group has elected to present changes in respect of the fair value of equity investments in other comprehensive income (OCI). Previously, the investment were carried at cost.

12. Investment properties

	AED million	
	2018	2017
At 1 January	37.3	40.7
Net loss due to change in fair value	(1.3)	(3.4)
At 31 December	36.0	37.3

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 firm 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.

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 (2017: AED 1.4 million).

13. Trade and other receivables

	AED million	
	2018	2017
Trade receivables	406.9	456.3
Contract retentions	201.6	176.8
	608.5	633.1
Less: Allowances for doubtful debts	(116.9)	(113.3)
Net- trade receivable and contract retentions	491.6	519.8
Guarantees encashed by customers	22.8	18.2
Less: Allowances for doubtful debts	(18.2)	(18.2)
Net- guarantee encashed by customers	4.6	-
Amounts due from related parties (refer note 22)	10.2	11.1
Advances to subcontractors and suppliers	132.7	167.5
Prepayments	27.1	23.8
Other receivables	63.9	74.9
	730.1	797.1

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.

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

	AED million	
	2018	2017
At 1 January	113.3	92.7
Impact of adoption of IFRS 9 (note 32)	12.8	-
Charge for the year	8.4	23.6
Reversal during the year	(8.9)	(4.8)
Amounts transferred - net	(8.7)	1.8
At 31 December	116.9	113.3

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			
	2018		2017	
	Gross	Provision	Gross	Provision
Not yet due	173.1	6.6	379.9	-
Due for 0 to 180 days	178.1	5.2	17.7	-
Due for 181 to 365 days	28.4	6.3	28.5	-
Due for more than 365 days	228.9	98.8	207.0	113.3
	608.5	116.9	633.1	113.3

Provision balance includes AED 29.1 million (2017: AED 28.5 million) relating to contract retention receivables.

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 for legal cases against a customer 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 its 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 discussion with the customers for the settlement of the outstanding balances and believes no further provision is required.

Collectively and in relation to the above mentioned projects, the Group is carrying AED 109.0 million (2017: AED115.0 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 24.0 million (2017: AED 16.0 million) in its consolidated financial statements.

14. Due from construction contract customers

	AED million	
	2018	2017
Contracts in progress at end of the reporting period		
Amount due from construction contract customers	674.0	514.7
Less: Allowances for doubtful debts	(46.6)	(27.9)
Amount due from construction contract customers included in current assets	627.4	486.8
Amount due to construction contract customers included in trade and other payables (refer note 21)	(35.6)	(20.1)
	591.8	466.7
Contract cost incurred plus recognised profits less recognised losses to date	7,650.1	7,254.2
Less: Progress billings	(7,058.3)	(6,787.5)
	591.8	466.7

Amount due from construction contract customers includes amounts which have been recognised as revenue and have not been certified or invoiced 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	
	2018	2017
At 1 January	27.9	43.9
Impact of adoption of IFRS 9 (note 32)	12.8	-
Charge for the year	9.7	6.1
Reversal during the year	(4.7)	(5.5)
Amounts transferred/written off	0.9	(16.6)
At 31 December	46.6	27.9

15. Inventories

	AED million	
	2018	2017
Raw materials	49.8	55.6
Finished goods	3.0	4.5
Work in progress	1.6	4.3
	54.4	64.4
Less: Allowances for slow moving inventories	(13.3)	(14.6)
	41.1	49.8

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

	AED million	
	2018	2017
At 1 January	14.6	11.3
Charge for the year	0.9	3.3
Amounts writen off	(2.2)	-
At 31 December	13.3	14.6

16. Share capital

The share capital as at 31 December 2018 and 2017 comprises of the following:

	AED million	
	2018	2017
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:		
618,452,753 ordinary shares (2017: 615,567,739) of AED 1.47 (US$ 0.40) each	908.9	904.6

17. Treasury shares

At 31 December 2018 and 2017, 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 6.4 million (2017: AED 7.8 million).

18. 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.

19. Borrowings

	AED million	
	2018	2017
Bank overdrafts (note 27)	33.6	38.2
Bank loans	33.6	28.7
Trust receipts and acceptances	16.1	40.6
	83.3	107.5
The borrowings are repayable as follows:		
Within 1 year	60.5	81.6
1- 2 years	2.8	2.6
Later than 2 years	20.0	23.3
	83.3	107.5
Presented in the consolidated statement of financial position as:		
Non-current liabilities	22.8	25.9
Current liabilities	60.5	81.6
	83.3	107.5

(a) Bank overdrafts

The interest rate on the overdrafts varies between EIBOR plus 2.5% to 6.0% per annum (2017: EIBOR plus 2.7% to 6.0%) 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 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 facilities as at 31 December 2018 was AED 18.1 million (EUR 4.5 million) (2017: AED 19.9 million (EUR 4.5 million) and AED 7.3 million (EUR 1.7 million) (2017: AED 8.2 million (EUR 1.9 million)), respectively. The loans are secured by way of a charge on the land.

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 2018, the outstanding balance of the loan was AED 0.2 million (EUR 0.05 million) (2017: AED 0.6 million (EUR 0.2 million)).

19. Borrowings (continued)

iii. In 2018, the Group obtained a loan facility of SGD 3.0 million from a Singapore bank for working capital purposes. The facility is a short term revolving loan with a tenor of 3 months and bearing interest at the rate of SIBOR plus 1.5%. As at 31 December 2018, the outstanding balance of the loan was AED 8.0 million (SGD 3.0 million) (2017: nil).

(c) 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 (2017: EIBOR plus 2.5% to 3.5% per annum).

(d) Security

The majority of the Group bank facilities are secured by corporate guarantee. However, the German bank loans are secured by land and buildings amounting to AED 32.2 million (2017: AED 34.5) and equipment amounting to AED 3.8 million (2017: AED 4.0 million).

(e) 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.

As at 31 December 2018, DSG (subsidiary of Depa PLC) was in breach of one of its financial covenants with a commercial bank and subsequent to 31 December 2018, it was able obtain waiver of the breach on accepting revised banking facilities and a new conditions. There is no impact of this breach on the consolidated financial statements. The Group is in compliance with all other financial covenants in respect of its banking facilities.

20. 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	
	2018	2017
Current service cost	8.7	8.0
Interest cost	2.2	2.3
Net expense recognised in the consolidated statement of profit or loss	10.9	10.3
Net actuarial gain/(loss) recognised in consolidated statement of comprehensive income	(1.6)	0.1

20. Employees' end of service benefits (continued)

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

	AED million	
	2018	2017
At 1 January	76.1	72.7
Current service cost	8.7	8.0
Interest cost	2.2	2.3
Benefits paid during the year	(9.9)	(7.0)
Actuarial (gain)/loss recognised in consolidated statement of comprehensive income	(1.6)	0.1
At 31 December	75.5	76.1

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

	AED million	
	2018	2017
Discount rate per annum compound	3.9%	3.2%
Salary increase rate per annum compound		
Staff and workers	2.0%	2.0%

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.

21. Trade and other payables

	AED million	
	2018	2017
Trade payables	179.9	178.6
Amounts due to related parties (refer note 22)	21.5	14.9
Advances received	465.7	444.6
Subcontractor/supplier retentions	62.8	75.8
Accrued expenses	134.2	108.4
Amount due to construction contract customers (refer note 14)	35.6	20.1
Other payables	174.3	171.1
	1,074.0	1,013.5

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 complied with the terms.

22. 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.

22. 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	
	2018	2017
Amounts due from related parties (refer note 13)		
Joint Operations		
Amounts due from joint operating partners	-	0.8
Entities with common ownership and/or management		
Lindner AG	8.9	9.0
Decolight Trading LLC	0.5	-
Others	0.8	1.3
	10.2	11.1
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	142.8	146.9
AF Construction LLC	128.5	128.2
Al Futtaim Trading Company LLC	3.2	13.5
	274.5	288.6
Less: Allowances for doubtful debts	(7.0)	(6.7)
	267.5	281.9

22. Related parties (continued)

	AED million	
	2018	2017
Amounts due to related parties (refer note 21)		
Joint Operations		
Amounts due to joint operating partners	9.5	8.9
Lindner Fassaden GmbH	11.2	5.2
Entities with common ownership and/or management		
Jordan Wood Industries PLC	0.8	0.8
	21.5	14.9
Amounts included in advances received are the following related party balances including amount due to customers on construction contracts		
Entities with common ownership and/or management		
Arabtec Construction LLC (formerly Al Futaim Carrillion LLC)	-	1.2
	-	1.2
Amounts included in other non-current liabilities		
Due to a related party	-	2.0

	AED million	
	2018	2017
Related party transactions		
Entities with common ownership and/or management		
Revenue	156.9	325.6
Expenses	161.7	250.9

22. Related parties (continued)

(b) Compensation of key management personnel

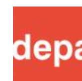
The remuneration of directors and other key members of management of the Group during the year were as follows:

	AED million	
	2018	2017
Short-term compensation	9.5	8.8
End of service benefits	0.6	0.6
Employee share scheme	2.7	5.1
Directors' fees	2.3	2.2
	15.1	16.7

23. 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	2018	2017	Principal activities
Depa United Group PJSC	United Arab Emirates	100%	100%	Strategic management
Depa Beta Investments LLC	United Arab Emirates	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	100%	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



23. Subsidiaries (continued)

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
Project Division Company sarl	Morocco	100%	100%	Real estate
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
Design Studio Group Ltd	Singapore	90%	90%	Holding company
Design Studio Asia Pte. Ltd.	Singapore	100%	100%	Holding company
DSG Manufacturing Singapore Pte.Ltd	Singapore	100%	100%	Contracting
DSG Manufacturing Malaysia Sdn. Bhd.	Malaysia	100%	100%	Contracting
DS Project Management Sdn.Bhd.	Malaysia	100%	100%	Contracting
DS Interior Decoration (Middle East) LLC	United Arab Emirates	100%	100%	Contracting
Design Studio (China) Pte. Ltd.	Singapore	100%	100%	Holding company

23. Subsidiaries (continued)

DS (Huizhou) Home Furnishing Co., Ltd	China	100%	100%	Contracting
DSG Asia Holdings Pte. Ltd.	Singapore	100%	100%	Holding company
DSG Projects Singapore Pte. Ltd.	Singapore	100%	100%	Contracting
DDS Contracts & Interior Solutions (Thailand) Co., Ltd	Thailand	69%	69%	Contracting
DSG Projects Malaysia Sdn. Bhd.	Malaysia	100%	100%	Contracting
DDS Contracts & Interior Solutions (Vietnam) Co., Ltd	Vietnam	100%	100%	Contracting
Design Studio Lanka (Private) Limited	Sri Lanka	100%	100%	Contracting
DSG (Thailand) Co., Ltd	Thailand	100%	95%	Contracting
Design Studio Furniture(Shanghai) Co., Ltd	China	100%	100%	Contracting
DS Interior Contracts & Renovation (Shanghai) Co., Ltd	China	100%	100%	Contracting
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
Depa India Private Limited	India	100%	100%	Contracting
Depa India RAK FZE	United Arab Emirates	100%	100%	Supply

24. Commitments and contingencies

	AED million	
	2018	2017
Letters of credit	22.1	62.9
Letters of guarantee	666.7	741.7
Security cheques issued	2.7	1.0

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 (2017: nil).

The security cheques were issued in lieu of performance guarantee.

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.

25. 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

	2018	2017
DSG	10%	10%

(b) Accumulated balances of material non-controlling interest

	AED million	
	2018	2017
DSG	16.9	26.2

(c) (Loss)/profit allocated to material non-controlling interest.

	AED million	
	2018	2017
DSG	(7.4)	0.5

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 comprehensive income of DSG.

	AED million	
	2018	2017
Revenue	454.7	366.9
(Loss)/profit before tax	(67.3)	5.5

(e) Summarised consolidated statement of financial position of DSG.

	AED million	
	2018	2017
Current assets	326.9	290.4
Current liabilities	218.0	117.1
Non-current assets	67.2	84.3
Non-current liabilities	0.1	0.2

(f) Summarised consolidated statement of cash flows of DSG.

	AED million	
	2018	2017
Operating	(54.2)	(13.3)
Investing	(8.4)	(7.7)
Financing	10.6	(48.1)
Decrease in cash and cash equivalents	(52.0)	(69.1)

26. Segment information

The Group is organised in four key business units: DSG, 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) DSG

- 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

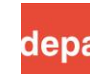
- Interior fit-out solutions, including contracting, manufacturing and supply, specialising in luxury hotels, villas, residential, hospitality and public buildings.
- Primarily operates in the Middle East.

(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.



26.Segment information (continued)

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

AED million

	DSG	Vedder	Depa Interiors	Deco Group	Investments and others	Eliminations	Total
31 December 2018							
Reportable segment assets	394.2	372.6	1,639.0	401.8	3,528.9	(3,944.4)	2,392.1
Reportable segment liabilities	218.0	172.7	1,489.1	242.5	468.2	(1,326.1)	1,264.4
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 2018							
Revenue – internal	11.1	-	-	34.2	-	(45.3)	-
Revenue – external	443.6	378.8	656.2	217.4	106.3	-	1,802.3
Expenses	(521.8)	(331.9)	(619.1)	(227.6)	(110.4)	(85.6)	(1,896.4)
Share of loss from associates	-	-	-	-	(2.5)	-	(2.5)
Net finance (cost)/income	(0.2)	(1.6)	(10.6)	(1.6)	4.0	-	(10.0)
Income tax expense	(4.2)	(12.4)	(1.1)	-	(0.9)	-	(18.6)
(Loss)/profit for the year	(71.5)	32.9	25.4	22.4	(3.5)	(130.9)	(125.2)
Owners of Depa PLC	(64.3)	32.9	29.4	22.4	(13.0)	(130.9)	(123.5)
Capital expenditure	8.9	5.9	4.7	3.5	2.0	-	25.0
Depreciation	6.5	4.0	9.6	6.6	5.5	-	32.2
Amortisation	-	-	-	0.7	5.5	-	6.2
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 (cost)/income	(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 year	4.7	33.0	131.7	16.3	(23.4)	(8.7)	153.6
Owners of Depa PLC	4.2	33.0	135.1	16.3	(27.6)	(8.7)	152.3
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

The Group recorded revenue amounting to AED 1,698.7 million over time and the remaining AED 103.6 million was recognised at a point in time. Point in time revenue is recorded only in the Investment and others segment.

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

27. Cash and cash equivalents

	AED million	
	2018	2017
Cash on hand	1.0	4.4
Current accounts	181.9	330.4
Short term fixed deposits	10.4	12.0
Term deposits with maturity over three months	0.8	22.2
Restricted cash	187.5	135.3
Cash and bank balances	381.6	504.3
Term deposits with maturity over three months	(0.8)	(22.2)
Restricted cash	(187.5)	(135.3)
Bank overdraft (refer note 19)	(33.6)	(38.2)
Cash and cash equivalents	159.7	308.6

27.1 Net debt reconciliation

	2018	2017
Cash and cash equivalents (excluding overdraft)	193.3	346.8
Borrowings - repayable within one year (including overdrafts)	(60.5)	(81.6)
Borrowings - repayable after one year	(22.8)	(25.9)
Net	110.0	239.3
Cash and liquid investments (excluding overdraft)	193.3	346.8
Borrowings – fixed interest rates	(25.5)	(28.7)
Borrowings – variable interest rates	(57.8)	(78.8)
Net	110.0	239.3

28. Joint operations

The Group has interest in the following joint operations:

		Holding %		Principal activities
Name of associate	Country	2018	2017	
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.

28. Joint operations (continued)

	AED million	
	2018	2017
Current assets	56.8	125.5
Non-current assets	0.1	0.1
Current liabilities	19.8	44.9
Non-current liabilities	0.5	0.4
Revenue	41.3	90.4
Expenses - net	(29.6)	(1.6)
Profit for the year	11.7	88.8

29. Operating lease arrangements

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

	AED million	
	2018	2017
Within 1 year	5.3	10.0
1-5 years	12.1	12.6
Later than 5 years	21.0	37.1
	38.4	59.7

30. 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 2018, if these had strengthened/weakened by 10% against the AED, the net equity for the year would have been higher/lower by AED 23.1 million (2017: AED 23.9 million).

30. 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			
	2018		2017	
	Assets	Liabilities	Assets	Liabilities
Azerbaijan New Mana't	0.2	22.6	0.2	22.5
Bahraini Dinar	5.0	20.7	8.8	16.9
British Pound	-	16.3	-	17.2
Egyptian Pound	24.0	54.8	11.8	43.5
Euro	301.5	172.4	280.5	158.9
Indian Rupee	22.5	21.1	14.1	16.1
Moroccan Dirham	46.6	37.1	42.7	44.1
Qatari Riyal	50.1	43.3	73.1	55.3
Saudi Riyal	138.0	110.3	110.4	77.9
Singaporean Dollar	407.3	231.7	339.2	132.1
Syrian Pound	1.4	0.7	0.4	1.2
US Dollar	218.7	171.1	143.4	114.1

ii. 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.

iii. 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.

The Group is not exposed to significant cash flows and fair value interest rate risk.

iv. 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, amount due from customers 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.

30. 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 50% (2017: 51%) 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.

v. 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 2018				
Trade and other payables (including retentions and excluding advances)	608.3	11.3	-	619.6
Borrowings	63.1	8.4	14.4	85.9
	671.4	19.7	14.4	705.5
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

(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 2018 and 2017.

30. Financial risk management (continued)

(c) Fair value estimation

Financial instruments comprise financial assets and financial liabilities.

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 2018.

	AED million			
	Level 1	Level 2	Level 3	Total
Assets for which fair values are disclosed as at 31 December 2018				
Investment properties	-	-	36.0	36.0
Financial assets at FVOCI	-	-	17.6	17.6
Total	-	-	53.6	53.6
Assets for which fair values are disclosed 31 December 2017				
Investment properties	-	-	37.3	37.3
Total	-	-	37.3	37.3

31.Financial instruments

Financial instruments comprise financial assets and financial liabilities as follows:

	AED million		
	Financial assets at fair value through OCI	Financial assets at amortised cost	Total
Financial assets			
As at 31 December 2018			
Trade and other receivables (including subcontractor/supplier retentions)*	-	708.2	708.2
Financial assets at fair value through OCI	17.6	-	17.6
Investment in associates	-	19.6	19.6
Cash and bank balances	-	381.6	381.6
	17.6	1,109.4	1,127.0

	AED million		
	Available-for-sale investments	Financial assets at amortised cost	Total
As at 31 December 2017			
Trade and other receivables (including subcontractor/supplier retentions)*	-	743.9	743.9
Financial assets at fair value through OCI	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

31. Financial instruments (continued)

	AED million
	Liabilities at amortised cost
Financial liabilities	
As at 31 December 2018	
Trade and other payables (including retentions)**	619.6
Borrowings	83.3
	702.9
As at 31 December 2017	
Trade and other payables (including retentions)**	576.1
Other non-current liabilities	2.0
Borrowings	107.5
	685.6

* Excluding prepayments and advances to subcontractors and suppliers

** excluding advance received

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

32. Change in accounting policies

Impact on the financial statements

This note explains the impact of the adoption of IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

As a result of the changes in the Group's accounting policies, opening retained earnings of the financial statements has to be adjusted. IFRS 9 and IFRS 15 were adopted without restating comparative information in accordance with its transitional provisions. The reclassifications and the adjustments arising from the new standards are therefore not reflected in the restated consolidated statement of financial position as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018. The adjustments are explained below:

32.1 IFRS 15 "Revenue from Contracts with Customers"

32.1.1 Impact of adoption

The IASB has issued a new standard for the recognition of revenue. IFRS 15 "Revenue from Contracts with Customers" outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes IAS 11 which covers construction contracts and IAS 18 which covers contracts for goods. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

The Group has adopted IFRS 15 "Revenue from Contracts with Customers" from 1 January 2018 and applied the cumulative effect approach in accordance with the transitional provision of IFRS 15. Following practical expedients available under the cumulative effect approach of IFRS 15 have been opted by the Group:

32. Change in accounting policies (continued)

32.1 IFRS 15 “Revenue from Contracts with Customers” (continued)

32.1.1 Impact of adoption (continued)

- The requirements of the new standard have been applied to contracts that are not completed as at the date of initial application (1 January 2018); and
- The Group has not restated the contracts in accordance with the revenue standard for contract modifications which took place before the date of initial application.

The Group has assessed the impact of applying the new standard on the Group’s consolidated financial statements and has identified following areas that were affected:

(i) Combination of contracts

The Group is required to combine two or more contracts entered into at or near the same time with the same customer and account for the contracts as a single contract under IFRS 15 if one or more of the following criteria are met:

1. The two or more contracts entered into at or near the same time with the same customer are negotiated as a package, with a single commercial objective;
2. The amount of consideration to be paid in one contract depends on the price or performance of the other contract; or
3. The goods or services promised in the contracts (or some goods or services promised in each of the contracts) are a single performance obligation.

During the impact assessment exercise of IFRS 15, the Group has identified arrangements which meet the above criteria. These arrangements have been combined and accounted for as a single arrangement for revenue recognition but the impact on the consolidated financial statements is not material.

(ii) Accounting for multiple performance obligations under a single contract

The Group provides complete interior fit-out solutions to its customers operating in a wide variety of industries as noted in note 1. These arrangements can have single or multiple performance obligations under IFRS 15 based on the nature of interior solutions being offered under that arrangement. Factors affecting the conclusion whether an arrangement has single or multiple performance obligations can include (among other factors) customer’s expectations from the contract, distinct nature of the products and services and degree of integration or inter-relation between the various products and services. This assessment requires significant judgement from the Group.

The Group accounted for majority of its arrangements as a single performance obligation under the previous revenue recognition framework. It has analysed all its open arrangements at the initial application date to assess whether these have single or multiple performance obligations. Certain contracts were identified where the Group had multiple performance obligations within a single contract but the impact of allocating the transaction price and recognising revenue separately for each performance obligation is not resulting in a material adjustment to the revenue for the period ended 31 December 2018 and opening retained earnings at 1 January 2018.

There were no other areas which impacted the revenue recognised by the Group at the initial application date and for the year ended 31 December 2018.

32. Change in accounting policies (continued)

32.2 IFRS 9 “Financial Instruments” (continued)

32.2.1 Impact of adoption (continued)

(i) Classification and measurement

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 “Financial Instruments” from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. The new accounting policies are set out in note 2. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

The adjustments for each individual line item of the statement of financial position are shown below. Line items that were not affected by the changes have not been included. As a result, the subtotals and totals disclosed in the table below cannot be compared with those disclosed in the consolidated statement of financial position.

	AED million		
	31 December 2017	IFRS 9	1 January 2018
Consolidated statement of financial position (extract)			
Non-current assets			
Available-for-sale investments	17.6	(17.6)	-
Financial assets at fair value through OCI (FVOCI)	-	17.6	17.6
Current assets			
Trade and other receivables	797.1	(12.8)	784.3
Due from construction contract customers	486.8	(12.8)	474.0
Total assets	1,301.5	(25.6)	1,275.9
Equity			
Retained earnings	103.6	(25.6)	78.0

There is no impact on the earnings per share of the Group.

On 1 January 2018 (the date of initial application of IFRS 9), the Group’s management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. Management determines classification at initial recognition.

The Group has reclassified available-for-sale investments to fair value through other comprehensive income (FVOCI) category. The Group has elected to present changes in respect of the fair value of equity investments in other comprehensive income (OCI). The investment was previously classified as available-for-sale investment, because these are long-term strategic investments which are not expected to be sold in the short to medium term.

The management has concluded that there are no material reclassifications of financial assets other than disclosed above.

32. Change in accounting policies (continued)

32.2 IFRS 9 “Financial Instruments” (continued)

32.2.1 Impact of adoption (continued)

(ii) Impairment of financial assets

The Group has the following types of financial assets that are subject to IFRS 9’s new expected credit loss model:

- trade receivables;
- Retentions; and
- amounts due from construction contract customers.

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group’s retained earnings and equity is disclosed above.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The Group applies the simplified approach permitted by IFRS 9 to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables, retentions and amounts due from construction contract customers.

To measure the expected credit losses, the Group has concluded expected loss rates for trade receivables, retentions and amounts due from construction contract customers which have been segregated based on credit risk characterises. Based on expected loss rates, the loss allowance as at 1 January 2018 was determined for trade receivables, retentions and amounts due from construction contract customers for each segment separately and ranges up to 42% depending on the ageing buckets in which the trade receivables, retentions and amounts due from construction contract customers fall.

The loss allowances for trade receivables, retentions and amounts due from construction contract customers as at 31 December 2017 reconcile to the opening loss allowances on 1 January 2018 as follows:

AED million	Total
At 31 December 2017 – calculated under IAS 39	141.2
Amounts adjusted	25.6
Opening loss allowance as at 1 January 2018 – calculated under IFRS 9	166.8

The loss allowances increased by a further AED 12.8 million to AED 126.1 million for trade receivables and retentions and by AED 12.8 million to AED 40.7 million for amounts due from construction contract customers. The increase would have been AED 25.6 million lower under the incurred loss model of IAS 39. The impact of expected credit loss model is not material during the year ended 31 December 2018.

Trade receivables, retentions and amounts due from construction contract customers are written off when there is no reasonable expectation of recovery.

33. Dividend

Interim dividend

The Board of Directors approved an interim dividend of UAE 2.6 fils per share on 2 August 2018 (3 August 2017: 2.5 fils per share). The dividend was paid during the year 2018.

Final dividend

The Board of Directors are not recommending a final ordinary dividend.

34. Corresponding figures

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

Independent auditor's report to the shareholders of Depa PLC (formerly Depa Limited) and its subsidiaries

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 PLC (formerly Depa Limited) ("the Company") and its subsidiaries (together "the Group") as at 31 December 2018, 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 2018;
- the consolidated statement of comprehensive income for the year ended 31 December 2018;
- the consolidated statement of financial position as at 31 December 2018;
- 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.

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 balances amount to AED 1.3 billion as at 31 December 2018, before a provision of AED 164 million for doubtful accounts (net AED 1.1 billion). 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 balances with the significant uncertainty around recoverability, based on the age, expected losses and materiality of the outstanding debt, known disputes and the existence of arbitration proceedings. We have 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 external sources, in particular the correspondence between the Group and the customer concerned, the individual circumstances of each contract and our knowledge of the industry and the most recent 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 balances (continued) Associated with the recoverability of contract balances, in 2016 the Group commenced legal cases 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 balances in full and that no further provision is required in the consolidated financial statements in respect thereof. The Group also has 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. In relation to the contracts subject to legal proceedings and to the projects with significant long-overdue balances, AED 109 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 24 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.	In respect of contracts that are subject to legal cases, we evaluated the probability and timing of recovery of outstanding amounts by reference to the status of negotiations and legal proceedings along with other supporting documentation. We also made inquiries of management-appointed legal counsel in respect of the current status of proceedings. We also assessed the appropriateness of the accounting policies and disclosures made in the consolidated financial statements.
Potential impairment of goodwill Goodwill, which arose on various acquisitions over several years, amounted to AED 167 million as at 31 December 2018 (2017: AED 297 million). Goodwill is not subject to annual amortisation. 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 management's assessment of the potential impairment of goodwill, and reviewed it for alignment with the provisions of IAS 36. We obtained the report issued by the Group's external experts. 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 independent experts 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 focused on this area due to the significant management judgement involved in performing the impairment test. The most significant assumptions in the impairment test were cash flow growth rate and discount rate. 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, management recorded an impairment amounting to AED 130 million in one of its group of cash generating unit against goodwill. There was no further impairment loss recognised against goodwill.	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 2018 operating performance and the expected future growth rate in the Group's cash flows and profit margins. We have agreed the 2018 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 2018. *Discount rate* Management assumed an average discount rate of 10.9%. We independently recalculated the discount rate, taking into account data from contracting companies of a similar nature of operations. We also assessed the appropriateness of the accounting policies and disclosures made in the consolidated financial statements.

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 IFRS 15 – Revenue from Contracts with Customer is overtime, based on progress of its projects through cost to complete method. 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 a key audit matter 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 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 profit or loss recognised by the Group. Please refer to Notes 2.25 (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 of 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. We also assessed the appropriateness of the accounting policies and disclosures made in the consolidated financial statements..

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.

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 PLC (formerly as Depa Limited) and its subsidiaries (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. 5 of 2018.

PricewaterhouseCoopers
24 April 2019

PricewaterhouseCoopers

Murad Nsour
Partner
Place: Dubai, United Arab Emirates