Depa PLC and its subsidiaries

Condensed consolidated interim financial statements and review report for the six month period ended 30 June 2019

Contents

Depa PLC and its subsidiaries

Condensed consolidated interim statement of profit or loss for the six month period ended 30 June 2019

AED million

	Note	2019 (Unaudited)	2018 (Unaudited)
Revenue		648.1	852.2
Expenses	3	(722.8)	(800.2)
Net (provisions)/reversal of allowance for doubtful debts and due from construction contract customers		(118.1)	0.7
Share of loss from associates		(2.9)	(2.8)
Finance income		1.1	0.4
Finance cost		(6.2)	(5.5)
Net - finance cost		(5.1)	(5.1)
(Loss)/profit before tax		(200.8)	44.8
Income tax expense		(5.6)	(9.0)
(Loss)/profit for the period		(206.4)	35.8
Attributable to:			
Owners of Depa PLC		(202.8)	30.9
Non-controlling interests		(3.6)	4.9
		(206.4)	35.8
Earnings per share			
Basic earnings per share (UAE fils)		(33.0)	5.1
Diluted earnings per share (UAE fils)		(33.0)	5.0

Depa PLC and its subsidiaries

Condensed consolidated interim statement of comprehensive income for the six month period ended 30 June 2019

AED million

	2019 (Unaudited)	2018 (Unaudited)
(Loss)/profit for the period	(206.4)	35.8
Other comprehensive income		
Items that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(3.4)	(3.9)
Total comprehensive (loss)/income for the period	(209.8)	31.9
Attributable to:		
Owners of Depa PLC	(206.4)	27.2
Non-controlling interests	(3.4)	4.7
	(209.8)	31.9

Condensed consolidated interim statement of financial position

AED million

	Note	30 June 2019 (Unaudited)	31 December 2018 (Audited)
ASSETS			
Cash and bank balances	4	186.2	381.6
Trade and other receivables	5	683.8	730.1
Due from construction contract customers		651.2	627.4
Inventories		50.9	41.1
Total current assets		1,572.1	1,780.2
Contract retentions		124.9	137.9
Financial assets at fair value through OCI		17.6	17.6
Property, plant and equipment		188.1	195.2
Right-of-use assets	14	24.9	-
Intangible assets		29.5	36.4
Investment properties		36.1	36.0
Investment in associates	7	15.8	19.6
Deferred tax assets		1.4	1.5
Goodwill	6	128.0	167.7
Total non-current assets		566.3	611.9
Total assets		2,138.4	2,392.1
LIABILITIES			
Trade and other payables		949.8	1,074.0
Income tax payable		22.0	20.2
Borrowings	8	124.7	60.5
Total current liabilities		1,096.5	1,154.7
Employees' end of service benefits		76.5	75.5
Retentions		12.4	11.3
Lease liabilities	14	22.0	-
Deferred tax liabilities		0.1	0.1
Borrowings	8	25.8	22.8
Total non-current liabilities		136.8	109.7
Total liabilities		1,233.3	1,264.4
Net assets		905.1	1,127.7
EQUITY			
Share capital		908.9	908.9
Share premium	11	172.1	354.1
Treasury shares		(12.6)	(16.5)
Statutory reserve		60.0	58.6
Translation reserve		(20.1)	(16.5)
Other reserve		(4.7)	(1.0)
Accumulated losses		(172.7)	(146.7)
Equity attributable to equity holders of Depa PLC		930.9	1,140.9
Non-controlling interests		(25.8)	(13.2)
Total equity		905.1	1,127.7

The condensed consolidated interim financial statements were approved for issue by the Board of Directors on **29 August 2019** and signed on its behalf.

Group Chief Executive Officer

Group Chief Financial Officer

Depa PLC and its subsidiaries

Condensed consolidated interim statement of changes in equity

AED million

	Share capital	Share premium	Treasury shares	Statutory reserve	Translation reserve	Other reserve	Retained earnings/ (accumulated losses)	Total	Non-controlling interests	Total
At 1 January 2018	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 policies	-	-	-	-	-	-	(25.6)	(25.6)	-	(25.6)
At 1 January 2018 (adjusted)	904.6	354.1	(16.5)	54.2	(1.6)	(1.4)	78.0	1,371.4	(1.2)	1,370.2
Profit for the period	-	-	-	-	-	-	30.9	30.9	4.9	35.8
Other comprehensive loss	-	-	-	-	(3.7)	-	-	(3.7)	(0.2)	(3.9)
Total comprehensive income	-	-	-	-	(3.7)	-	30.9	27.2	4.7	31.9
Employee share scheme	-	-	-	-	-	3.1	-	3.1	-	3.1
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(3.2)	(3.2)
Transfer to statutory reserve	-	-	-	4.2	-	-	(4.2)	-	-	-
New shares issued	4.3	-	-	-	-	(3.9)	(0.4)	-	-	-
Dividends paid	-	-	-	-	-	-	(79.3)	(79.3)	-	(79.3)
At 30 June 2018 (Unaudited)	908.9	354.1	(16.5)	58.4	(5.3)	(2.2)	25.0	1,322.4	0.3	1,322.7
At 1 January 2019	908.9	354.1	(16.5)	58.6	(16.5)	(1.0)	(146.7)	1,140.9	(13.2)	1,127.7
Loss for the period	-	-	-	-	-	-	(202.8)	(202.8)	(3.6)	(206.4)
Other comprehensive loss	-	-	-	-	(3.6)	-	-	(3.6)	0.2	(3.4)
Total comprehensive loss					(3.6)	-	(202.8)	(206.4)	(3.4)	(209.8)
Employee share scheme	-	-	-	-	-	(0.2)	-	(0.2)	-	(0.2)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(1.8)	(1.8)
Transfer to statutory reserve	-	-	-	1.4	-	-	(1.4)	-	-	-
Adjustment to share premium account- note 11	-	(182.0)	-	-	-	-	182.0	-	-	-
New shares issued	-	-	3.9	-	-	(3.5)	(0.4)	-	-	-
Acquisition of non-controlling interest- note 13	-	-	-	-	-	-	(3.4)	(3.4)	2.7	(0.7)
Disposal of non-controlling interests of entities sold	-	-	-	-	-	-	-	-	(10.1)	(10.1)
At 30 June 2019 (Unaudited)	908.9	172.1	(12.6)	60.0	(20.1)	(4.7)	(172.7)	930.9	(25.8)	905.1

Condensed consolidated interim statement of cash flows for the six month period ended

AED million

	Note	30 June 2019 (Unaudited)	30 June 2018 (Unaudited)
Operating activities			
(Loss)/profit before tax		(200.8)	44.8
Adjustments for:			
Depreciation		15.6	15.5
Amortisation of intangible assets		3.1	2.7
Write off of intangibles		4.0	-
Gain on disposal of property, plant and equipment		(0.2)	(0.1)
Share of loss from associates		2.9	2.8
Net provisions/(reversal) of allowance for doubtful debts and due from construction contract customers		118.1	(0.7)
Reversal of liabilities no longer required		(10.2)	(20.3)
Other long term provision		(0.2)	3.1
Impairment of goodwill	6	6.2	-
Impairment of investment in associate	7	-	3.7
Loss on disposal of entities	12	2.8	-
Finance income		(1.1)	(0.4)
Finance cost		6.2	5.5
Provision for employees' end of service benefits		6.7	7.5
Operating cash flows before payment of employees end of service benefits, taxes and changes in working capital		(46.9)	64.1
Employees' end of service benefits paid		(4.0)	(4.1)
Income tax paid		(3.7)	(11.5)
Working capital changes			
Trade and other receivables		(62.7)	(13.3)
Inventories		(11.2)	(12.5)
Due from construction contract customers		(47.9)	(85.5)
Contract retentions		13.0	(18.1)
Retentions		1.0	4.7
Trade and other payables		64.7	98.6
Restricted cash		0.2	(54.8)
Net cash used in operating activities		(97.5)	(32.4)
Investing activities			
Purchase of property, plant and equipment		(9.6)	(10.2)
Disposal of property, plant and equipment		0.3	0.2
Dividend received from associates		0.9	3.1
Purchase of Intangible assets		(0.2)	-
Proceeds from sale of associates		-	7.0
Acquisition of non-controlling interest		(0.7)	-
Increase in long term fixed deposits		(2.0)	(1.1)
Proceeds from disposal of entities- net		25.7	-
Finance income received		1.1	0.4
Net cash generated from / (used in) investing activities		15.5	(0.6)

Condensed consolidated interim statement of cash flows for the six month period ended (continued)

AED million

	30 June 2019 (Unaudited)	30 June 2018 (Unaudited)
Financing activities		
Dividends paid to non-controlling interests	(1.8)	(3.2)
Net movement in bank borrowings	14.3	(8.7)
Dividends paid to the shareholders	-	(79.3)
Finance cost paid	(5.6)	(5.5)
Net cash generated from / (used in) financing activities	6.9	(96.7)
Net decrease in cash and cash equivalents	(75.1)	(129.7)
Exchange differences arising on translation of foreign operations	(3.8)	(0.8)
Cash and cash equivalents at the beginning of the period	159.7	308.6
Cash and cash equivalents at the end of the period	80.8	178.1

Notes to the condensed consolidated interim financial statements for the six month period ended 30 June 2019

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").

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 213537, Dubai, United Arab Emirates.

2. Basis of preparation

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

Statement of compliance and accounting convention

These condensed consolidated interim financial statements for the six month period ended 30 June 2019 have been prepared in accordance with International Accounting Standard 'IAS 34 Interim Financial Reporting'.

The condensed consolidated interim financial statements have been prepared under the historical cost basis, except for certain investment properties and financial assets classified as fair value through other comprehensive income (FVOCI) which have been measured at fair value.

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018 and any public announcements made by the Group during the interim reporting period.

In addition, results for the period from 1 January 2019 to 30 June 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

Financial risk management

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual consolidated financial statements; therefore, it should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2018. The Group's financial risk management objectives and policies are consistent with those disclosed in the annual consolidated financial statements at and for the year ended 31 December 2018.

There have been no changes in the risk management function or in any risk management policies since the year end.

Liquidity risk factors

Ultimate responsibility for liquidity risk management rests with the board of directors, which has an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and financial liabilities.

Fair values of financial instruments

Financial instruments comprise financial assets and financial liabilities. Financial assets consist of cash and bank balances, accounts receivable and other assets (excluding prepayments and advances to subcontractors and suppliers), amount due from customers on construction contracts and due from related parties. Financial liabilities consist of bank borrowings, accounts payable and accruals, (excluding advances received) subcontractors' retention and due to related parties.

At the period ended, the fair values of financial instruments are not materially different from their carrying values. The fair value of the financial assets and liabilities are considered at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

2. Basis of preparation (continued)

- Cash and bank balances, accounts receivable and other assets (excluding prepayments and advances to subcontractors and suppliers), amount due from customers on construction contracts, due from related parties, bank borrowings, accounts payable and accruals (excluding advances received) subcontractors' retention and due to related parties approximate their carrying amounts, largely due to the short-term maturities of these instruments.
- Long term receivables are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual credit worthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, provisions are taken to account for the expected losses of these receivables. As at 30 June 2019, the carrying amounts of such receivables, net of provisions, are not materially different from their fair values.

Fair values estimation

The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Investment properties and financial assets at FVOCI having fair value of AED 36.1 million (31 December 2018: AED 36.0 million) and AED 17.6 million (31 December 2018: AED 17.6 million) respectively, are classified under Level 3.

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

The fair value stated is determined using valuation methods with parameters not based exclusively on observable market data (Level 3).

Accounting policies

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below:

(a) New standard adopted by the Group

IFRS 16 Leases became applicable for the current reporting period and the Group had to change its accounting policies as a result of adopting of this standard.

The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. The impact of the adoption and the new accounting policies are disclosed in note 14.

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

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Notes to the condensed consolidated interim financial statements for the six month period ended 30 June 2019 (continued)

3. Expenses

AED million

	30 June 2019 (Unaudited)	30 June 2018 (Unaudited)
Personnel costs	249.1	247.3
Sub-contractor costs	241.5	320.6
Material costs	172.0	185.3
Depreciation	15.6	15.5
Impairment of investment in associate (note 7)	-	3.7
Premise rent	2.9	4.4
Registration and legal expenses	2.4	3.8
Impairment of goodwill	6.2	-
Amortisation of intangible assets	3.1	2.7
Write off of intangibles	4.0	-
Sales and marketing expenses	0.1	0.1
Reversal of liabilities no longer required	(10.3)	(20.3)
Gain on disposal of property, plant and equipment	(0.2)	(0.1)
Other expenses	36.4	37.2
	722.8	800.2

4. Cash and cash equivalents

AED million

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Cash on hand	1.3	1.0
Current accounts	156.7	181.9
Short term fixed deposits	9.5	10.4
Term deposits with maturity over three months	2.8	0.8
Restricted cash	15.9	187.5
Cash and bank balances	186.2	381.6
Term deposits with original maturity over three months	(2.8)	(0.8)
Restricted cash	(15.9)	(187.5)
Bank overdraft (note 8)	(86.7)	(33.6)
Cash and cash equivalents	80.8	159.7

Significant decrease in restricted cash was as a result of disposal of subsidiaries during the period (note 12).

5. Trade and other receivables

AED million

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Trade receivables	371.2	406.9
Contract retentions	191.2	201.6
	562.4	608.5
Less: Allowances for doubtful debts	(204.2)	(116.9)
Net-trade receivable and contract retentions	358.2	491.6
Guarantees encashed by customers	22.8	22.8
Less: Allowances for doubtful debts	(18.2)	(18.2)
Net-guarantee encashed by customers	4.6	4.6
Amounts due from related parties	10.8	10.2
Advances to subcontractors and suppliers	174.4	132.7
Prepayments	41.1	27.1
Other receivables	94.7	63.9
	683.8	730.1

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 Group has an overdue contract balance for a completed project for which the Group is currently in discussion with its customer for the settlement of the outstanding balance and believes no further provision is required. In relation to this project, the Group is carrying AED 37.0 million (31 December 2018: AED 109.0 million in relation to various projects) of gross balances in trade and other receivables and due from construction contract customers against which the Group is carrying a provision of AED 6.0 million (31 December 2018: AED 24.0 million in relation to various projects) in its condensed consolidated interim financial statements.

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

AED million

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
At 1 January	116.9	113.3
Impact of adoption of IFRS 9	-	12.8
Charge for the period/year	97.6	8.4
Disposal of entities	(2.7)	-
Reversal during the period/year	(2.9)	(8.9)
Amounts transferred/written off	(4.7)	(8.7)
Closing balance	204.2	116.9

6. 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

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Depa Interiors	72.6	72.6
Vedder	32.3	32.3
Deco Group	14.9	14.9
Design Studio Group (DSG)	8.2	14.4
The Parker Company	-	17.0
Linder Middle East	-	16.5
	128.0	167.7

Goodwill is tested for impairment annually or when circumstances indicate the carrying value may be impaired. The Group's impairment test for goodwill and intangible assets with indefinite lives is based on discounted cash flow model. The key assumptions used to determine the recoverable amount for the different cash generating units were disclosed in the consolidated financial statements for the year ended 31 December 2018. The Group performed an in house assessment using current forecast and five year projections as at 30 June 2019. The assessment was made by using key assumptions applied at year ended 31 December 2018 as management believes that there is no significant change. Based on the assessment, the management concluded a further impairment amounting to AED 6.2 million in DSG.

During the current period, the Group disposed its investments in The Parker Company Middle East FZ LLC, The Parker Company LLC and Lindner Middle East LLC and accordingly, goodwill related to these entities was derecognised (note 12).

7. Investment in associates

AED million

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
At 1 January	19.6	36.0
Share of loss for the period/year	(2.9)	(2.5)
Impairment of investment in Al Tawasoul Property Development Company	-	(3.7)
Disposal of investment in Al Tawasoul Property Development Company	-	(7.0)
Dividend received	(0.9)	(3.2)
Closing balance	15.8	19.6

8. Borrowings

AED million

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Bank overdrafts (note 4)	86.7	33.6
Bank loans	28.6	33.6
Trust receipts and acceptances	35.2	16.1
	150.5	83.3

8. Borrowings (continued)

	AED million	
	30 June 2019 (Unaudited)	31 December 2018 (Audited)
The borrowings are repayable as follows:		
Within 1 year	124.7	60.5
1- 2 years	3.5	2.8
Later than 2 years	22.3	20.0
	150.5	83.3
Presented in the condensed consolidated statement interim of financial position as:		
Non-current liabilities	25.8	22.8
Current liabilities	124.7	60.5
	150.5	83.3

Bank overdrafts

There were no significant changes in interest rate on the overdraft since the year ended 31 December 2018.

Trust receipts and acceptances

Trust receipts and acceptances are facilities used by the Group for imports. There were no significant changes payment terms and interest rate on the trust receipts and acceptances since the year ended 31 December 2018.

Bank loans

During the current period, the Group obtained a new loan facility of AED 4.4 million (Euro 1.0 million) from a German bank for operational machinery investment. The loan bears a fixed rate of interest per annum of 1% and is repayable in 24 quarterly instalments. As at 30 June 2019, the outstanding balance of the loan was AED 4.3 million (Euro 1.0 million).

The terms of the other bank loans are detailed in the consolidated financial statements for the year ended 31 December 2018.

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 30 June 2019, a subsidiary of the Group was in breach of some of its financial covenants with commercial banks and subsequent to 30 June 2019, it obtained waivers in respect of these. There is no impact of this on the condensed consolidated interim financial statements. The Group is in compliance with all other financial covenants in respect of its banking facilities.

9. 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 below:

(a) Commercial transactions

The Group receives and provides services to related parties in the normal course of business at mutually agreed prices. These services consist of construction/fit-out work, leasing office space or land, use of specialised skills on certain projects, and use of employees. 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 revenue, expenses and management remuneration.

Trade and other payables include amounts due to related parties amounting to AED 1.3 million as at 30 June 2019 (31 December 2018: AED 1.2 million).

Trade and other receivables (note 5) and due from construction contract customers includes amounts due from related parties amounting to AED 254.7 as at 30 June 2019 (31 December 2018: AED 267.5 million).

AED million

	30 June 2019 (Unaudited)	30 June 2018 (Unaudited)
Related party transactions		
Entities with common ownership and/or management		
Revenue	47.1	87.6
Expenses	85.0	95.2

(b) Compensation of key management personnel

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

AED million

	30 June 2019 (Unaudited)	30 June 2018 (Unaudited)
Short-term compensations	4.2	4.6
End of service benefits	0.3	0.3
Employee share scheme	-	3.1
Director's fees	1.2	1.2
	5.7	9.2

10. Commitments and contingencies

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
	AED million	
Letters of credit	42.2	22.1
Letters of guarantee	665.4	666.7
Security cheques issued	6.6	2.7

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

The Group has no committed capital expenditures as at 30 June 2019 (31 December 2018: nil).

The security cheques were issued in lieu of performance bonds.

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.

11. Share premium

In line with the Board of Directors recommendation and following the provision of article of association of the Company, a special resolution was passed by the shareholders during the General Assembly convened on 12 June 2019 to reduce the accumulated losses by using the share premium account. Accordingly, share premium amounting to AED 182.0 million was offset against the accumulated losses of AED 182.0 million as at the date of approval.

12. Disposal of entities

During current period, the Group sold its investments in Lindner Middle East LLC, The Parker Company Middle East FZ LLC and The Parker Company LLC. The detail of sale is as follows:

	AED million
Consideration	50.7
Carrying amount of net assets sold	(63.6)
Non-controlling interest	10.1
Loss on sale	(2.8)

At the time of the sale the fair value of the consideration was determined to be AED 50.7 million. The carrying amounts of assets and liabilities as at 30 April 2019 were:

	AED million
Property and equipment and other non-current assets	1.3
Trade and other receivables	25.9
Inventories	1.4
Cash and other bank balance (including restricted cash)	185.4
Goodwill	33.5
Total assets	**247.5**
Trade and other payables	182.3
Employees' end of service benefits	1.6
Total liabilities	**183.9**
Net assets	**63.6**

13. Acquisition of non-controlling interest

During the period, the Group acquired non-controlling interest of Depa Hotels Egypt SAE and Pino Meroni Wooden and Metal Industries SAE for AED 0.7 million, increasing its ownership interest to 100%.

14. Change in accounting policy

This note explains the impact of the adoption of IFRS 16 Leases on the Group's consolidated financial statements and discloses the new accounting policies that have been applied from 1 January 2019 as stated in note 2.

The Group has adopted IFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 January 2019.

14.1 Impact of adoption

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.2% to 6.6%. The Group does not have any material finance leases.

(i) Measurement of lease liabilities

	AED million
Operating lease commitments disclosed as at 31 December 2018	49.7
Discounted using the lessee's incremental borrowing rate at the date of initial application	(1.3)
(Less): short-term leases recognised on a straight-line basis as expense	(20.2)
(Less): low-value leases recognised on a straight-line basis as expense	(0.3)
Lease liability recognised as at 1 January 2019	27.9
Current lease liabilities	4.3
Non-current lease liabilities	23.6
	27.9

Lease liabilities recognised as at 30 June 2019

Current lease liabilities*	3.8
Non-current lease liabilities	22.0
	25.8

*included in trade and other payables.

14. Change in accounting policy (continued)

(ii) Measurement of right-of-use assets

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018. Certain associated right-of-use assets were measured on a retrospective basis as if the new rules had always been applied. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of asset:

AED million

	30 June 2019 (Unaudited)	1 January 2019 (Unaudited)
Properties	24.4	26.6
Equipment	0.5	0.7
Total right-of-use assets	24.9	27.3

(iii) Adjustments recognised in the consolidated statement of financial position on 1 January 2019

The change in accounting policy affected the following items in the consolidated statement of financial position on 1 January 2019:

- right-of-use assets – increase by AED 27.3 million
- lease liabilities – increase by AED 27.9 million

The impact on retained earnings on 1 January 2019 was not material to the consolidated financial statements of the Group.

(iv) Impact on segment disclosures and earnings per share

Segment assets and segment liabilities at 30 June 2019 all increased as a result of the change in accounting policy. There was no material impact on the segment profit for period ended 30 June 2019.

Lease liabilities are now included in segment liabilities. The following segments were affected by the change in policy:

AED million

	Segment lease liabilities	Segment right-of-use assets
Depa Interiors	11.4	11.2
Deco Group	7.2	7.2
DSG	7.2	6.5
Total	25.8	24.9

There was no material impact on earnings per share and segment earnings for the six month period ended 30 June 2019.

14. Change in accounting policy (continued)

(v) Practical expedients applied

In applying IFRS 16 Leases for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application.

14.2 Group's leasing activities and its accounting policies

The Group leases various lands, buildings, offices, warehouses, equipment and cars. Rental contracts are typically made for fixed periods but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not typically impose any covenants.

Until 2018, leases of property and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to statement of profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to statement of 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 right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received; and
- any initial direct costs, and restoration costs.

14. Change in accounting policy (continued)

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in statement of profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office equipment and furniture.

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are mutually exercisable and not only by the Group and or the respective lessor.

15. Segment information

The Group is organised in four key business units: DSG, Vedder, Depa Interiors and 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, who is the Group Chief Executive Officer, 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.

With effect from 30 June 2019, Investment and others segment includes non-operational entities.

15.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 / adjustments	Total
30 June 2019							
Reportable segment assets	399.1	408.6	1,639.3	407.6	3,353.6	(4,069.8)	2,138.4
Reportable segment liabilities	271.0	220.1	1,639.3	248.4	313.0	(1,458.5)	1,233.3
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
30 June 2019							
Revenue – internal	1.3	-	-	7.7	-	(9.0)	-
Revenue – external	137.8	164.5	217.6	100.2	28.0	-	648.1
Expenses	(168.4)	(154.2)	(255.5)	(106.1)	(41.4)	2.8	(722.8)
Provisions for allowance for doubtful debts and due from construction contract customers	(18.6)	(3.8)	(92.5)	-	-	(3.2)	(118.1)
Share of loss from associates	-	-	-	-	(2.9)	-	(2.9)
Net finance income/(cost)	(0.4)	(0.7)	(7.1)	(0.8)	3.9	-	(5.1)
Income tax expense	(1.8)	(3.3)	(0.2)	0	(0.3)	-	(5.6)
Profit/(loss) for the period	(50.1)	2.5	(137.7)	1.0	(12.7)	(9.4)	(206.4)
Capital expenditure	1.6	5.1	1.9	1.0	-	-	9.6
Depreciation	3.0	1.8	5.5	3.4	1.9	-	15.6
Amortisation	-	-	-	0.4	2.7	-	3.1
30 June 2018							
Revenue – internal	16.1	-	-	22.2	-	(38.3)	-
Revenue – external	232.1	161.3	312.2	99.0	47.6	-	852.2
Expenses	(241.7)	(141.2)	(289.4)	(104.5)	(58.1)	34.7	(800.2)
Reversal of allowance for doubtful debts and due from construction contract customers	-	-	0.7	-	-	-	0.7
Share of loss from associates	-	-	-	-	(2.8)	-	(2.8)
Net finance income/(cost)	-	(0.7)	(5.4)	(1.0)	2.0	-	(5.1)
Income tax expense	(2.9)	(5.2)	-	-	(0.9)	-	(9.0)
Profit/(loss) for the period	3.6	14.2	18.1	15.7	(12.2)	(3.6)	35.8
Capital expenditure	5.3	1.9	1.2	0.7	1.1	-	10.2
Depreciation	3.5	2.0	4.7	3.2	2.1	-	15.5
Amortisation	-	-	-	-	2.7	-	2.7

The Group recorded revenue amounting to AED 620.1 million over time and the remaining AED 28 million was recognised at a point in time. Point in time revenue is recorded only in the Investment and others segment.

Report on review of condensed consolidated interim financial statements to the shareholders of Depa PLC

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Depa PLC and its subsidiaries (the 'Group') as of 30 June 2019 and the related condensed consolidated interim statements of profit or loss, comprehensive income, changes in equity and cash flows for the six month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

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

Conclusion

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

PricewaterhouseCoopers
29 August 2019

PricewaterhouseCoopers

Murad Nsour
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