depa

Depa Limited | Annual Report | 2016

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Contents

Depa is a strategic management company specialising in global interior solutions. Depa's Key Business Units hold market-leading positions in their respective regions, Design Studio, Vedder, Depa Interiors Group and Deco Group. Employing thousands of people worldwide, the Group's operations are centred around three operating hubs: the UAE, Germany and Singapore.

Depa Limited is listed on the Nasdaq Dubai (DEPA:DU) and is head-quartered in Dubai, United Arab Emirates.

In this Annual Report a reference to 'Depa', 'Depa Group', 'The Group', 'we', 'us', or 'our' is a reference to Depa Limited and certain entities that it controls unless otherwise stated.

01 Vision, Mission and Values

Our Vision

Global Interior Solutions

Our Mission

To deliver sustainability, profitability and performance for our clients, shareholders and employees.

Our Values

— Transparency

We will encourage and practice open communication by sharing relevant information and ideas. We will trust and respect each other by promoting inclusive communication.

— Integrity

We will act honestly and respect ourselves, our colleagues and all company stakeholders.

— Accountability

We will take ownership and responsibility for our actions with a positive attitude. We will each commit to what we are responsible for. We will take a can-do approach to all of our tasks.

— Professionalism

We will be consistently productive by working together as a team, sharing knowledge, innovating, collaborating, inspiring and enhancing the overall business. We will embrace and welcome change as a catalyst for creating opportunities. We will work to identify and eliminate risks.

— Exceptional Service

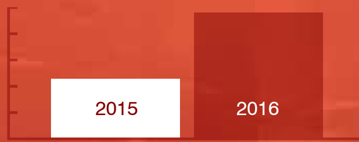
By building strong, sustainable and healthy relationships we will deliver on our promise and enhance our reputation and credibility. We will stay motivated and focused to provide competitive solutions tailored for our clients.

02 Highlights

Robust revenue growth: Revenue of **AED 1,730mn**

- Up AED 90million, 5% on 2015

Gross profit of **AED 324mn**



- Up AED 171million, 112% on 2015
- Gross margin of 19% compared with 9% in 2015

Full year audited net profit of **AED 52mn**

AED 0.07 ▲ 0.51

2015: AED (0.44)

- Up AED 324.7million on 2015
- Four quarters of profit generating earnings per share of AED 0.07.

Strong performance across all four Key Business Units

Design Studio, Vedder, Depa Interiors Group and Deco Group all performed well in 2016

Backlog of AED 1,927mn 1.1x 2016 revenue

Solid net cash position of **AED 278mn**

- Up AED 153.3million, 123% on 2015
- Strong cash generation and robust balance sheet

03 Chairman's Message

Despite continued challenges across the industry, Depa managed to return to profitability and increase revenue in FY2016.

2016 was a transformative year for Depa. The year was spent re-setting the organisation and establishing the base from which to launch a period of sustainable, long-term, profitable growth.

Despite continued challenges across the industry – particularly throughout the GCC – Depa managed to return to profitability and increase revenue in FY2016. Importantly, we further strengthened our balance sheet during the year.

Central to the Group's transformation was the appointment in April 2016 of Group CEO, Hamish Tyrwhitt. In a relatively short period of time, Hamish has made a number of key strategic changes that have had a significant positive impact on the Group. Establishing Depa as a strategic management company, providing strategic direction and oversight of the Group's Key Business Units and investments, has been the central element of these changes.

Our geographic diversity again proved to be a key strength of the Group. Design Studio, our interior fit-out specialist and luxury furniture manufacturer based in Singapore, delivered a stellar result for the year due to the strong performance of its Hospitality and Commercial division. Vedder, our luxury fitout specialist based in Germany, again performed well and secured a number of major superyacht fitout projects that will ensure another strong performance this year.

Closer to home, Deco Group produced another strong result and has established itself as the leading luxury retail fitout specialist in this region. Depa Interiors Group returned an improved result and successfully resolved some significant legacy issues, enabling the business to look forward without being hampered by issues from the past. The successful delivery of Abu Dhabi's iconic new Presidential Palace and Dubai's Opera House were highlights for the year and clearly demonstrated the truly world-class capability of the company.

The outlook for the Group is the most positive it has been for some time. A strong backlog, spread across our four Key Business Units, coupled with our new operating model and a healthy pipeline of prospective opportunities, sees us enter 2017 with confidence.

I'd like to thank the entire Depa team for delivering such a solid result for 2016. With their continued dedication and support, we will continue to deliver sustainable returns for our shareholders in the coming year.

Ibrahim Belselah
Chairman

04 Group Chief Executive Officer's Operational Review

We've built a strong senior leadership team during the year, both at the strategic management company as well as at each of the Key Business Units.

Depa has made tremendous progress in 2016.

We have established Depa as a strategic management company and reorganised the Group, constituting our four Key Business Units and separating our investments and other holdings. Our four Key Business Units (Design Studio, Vedder, Depa Interiors Group and Deco Group) are the Group's central drivers of value for our shareholders.

We have built a strong senior leadership team during the year, both at the strategic management company as well as at each of the Key Business Units. The Group now has a wealth of experience and know-how to drive the business forward in each of its market leading positions.

The year also saw the adoption of our five core values: transparency, integrity, accountability, professionalism and exceptional service. Our values are central to everything we do at Depa and will ensure that the Group delivers for all of our stakeholders: most importantly our clients, our employees and our shareholders.

At a Group level we commenced a number of important initiatives in 2016 to develop improved management systems. These include an enhanced approach to risk management, in particular a new four-gate work winning process that we have begun to roll out. This new gate system will have multiple benefits: a) increased win-rates given more effort can be focused on the projects where the respective Key Business Units have the best chance of success; b) enhanced profitability as the Key Business Units pursue the most financially-rewarding projects; c) additional cost-savings from more efficient use of resources; and d) a more targeted approach to project wins reducing the overall risk profile of the Group.

We began to establish a performance-driven culture across the Group. Central to this was the introduction of a new short-term incentive plan during the year. The plan incentivises and rewards our employees for exceptional performance and, critically, aligns our employees' interests with those of Depa's shareholders. A long-term incentive plan has also been developed in 2016 for roll-out in 2017 which will further align interests of key employees with those of the shareholders. These plans have already driven value-creating behaviour and are key elements of building a performance-driven culture.

The Group has also made strong progress resolving a number of legacy receivables. The resolution of the remainder continues to be a key area of focus. With the momentum that has been built to date, the resolution of many of these items is expected over the course of 2017.

We have commenced a strategic review of all of the Group's businesses and assets with a view to maximising shareholder value creation and returns on equity. As part of this strategic review, the Group will assess its holdings in each of its assets and determine the most appropriate course of action. With a view to maximising returns, the Group will continue to invest primarily in organic growth, while continuously assessing inorganic or acquisitive opportunities against its strategic and financial objectives.

Pleasingly, each of the Group's Key Business Units performed well during the year.

Design Studio

The Group's Asian business, Design Studio had an outstanding year generating revenue of AED 482.3mn and profit of AED 57.3mn, representing a revenue increase of AED 47.2mn or 11% on 2015 (AED 435.1mn) and increase in profit by AED 12.8mn or 29% on 2015 (AED 44.5mn).

The strong result was primarily due to an increased contribution from the Hospitality and Commercial sector, which offset a decline in the Residential sector. These strong results ensured Design Studio maintained its gross margin at 23%, slightly up on 2015 (21%).

In Singapore, Design Studio secured the landmark JW Marriott Singapore South Beach, the Yotel Hotel at Changi International Airport, and the Botanique at Bartley and Visionaire residential project. In Malaysia, key project wins included a luxury resort in Langkawi, the Ritz Carlton Residences in Kuala Lumpur, and an integrated commercial centre in Nusajaya.

Design Studio also secured projects in China, (including Shanghai Bao Shan and Hanking Peak Boulevard residential projects), the United Arab Emirates, and Thailand during the year, as it continues to seek opportunities outside its key markets of Singapore and Malaysia.

Following the year end, Design Studio announced the appointment of a new Chief Executive Officer, Edgar Ramani. Edgar has a wealth of experience and will be focused on growing the business across Asia.

Vedder

The Group's European business, Vedder, which is focused on the superyacht and private jet fit-out market, had another solid year. Vedder generated revenue of AED 298.9mn and profit of AED 16.8mn, representing stable revenue on 2015 (AED 299.3mn) and reduction in profit by AED 2.3mn or 12% on 2015 (AED 19.1mn). The reduction in profit is primarily due to a number of non-recurring general and administrative expenses. Pleasingly, gross margins increased in 2016 to 23% from 21% in 2015.

During 2016, Vedder also completed the merger of its operations, combining a number of functions between its two factories in Ludinghausen and Haidfling, which will help drive efficiencies in 2017.

Vedder celebrated its 125th anniversary during the year, a truly remarkable achievement marked with a commemorative event in Mainz, Germany. Vedder has established itself as the world's leading interior fitout provider for superyachts, and its longevity is testament to the quality of its work.

Vedder secured a number of major projects from the leading European shipyards in 2016. With a healthy backlog of work and a number of significant prospects, Vedder is well poised to deliver this year.

Deco Group

Deco Group comprises Deco, which is focused on high-end retail fit-out; Carrara, which supplies and installs premium marble; and Eldiar, which manufactures quality carpentry and joinery works. Deco Group recorded another strong year generating revenue of AED 275.1mn and profit of AED 21.8mn, representing a revenue increase of an AED 15.4mn or 6% on 2015 (AED 259.7mn) and increase in profit by AED 27.1mn on 2015 (loss: AED 5.3mn).

Highlights for the year included securing and substantially completing Deco's largest contract to date, the new Robinsons department store at Festival City, Dubai, United Arab Emirates. Deco's success on this project may potentially lead to further work for the same client in the future. Deco also secured an additional retail fit-out project in the Dubai Mall, United Arab Emirates for a leading US-based global electronics brand, following their success on a similar project for the same client in 2015.

Deco's focus on the luxury retail fit-out sector has seen it become the interior fit-out provider of choice for this market in the Middle East. Deco's success in the sector has led to a significant portion of their backlog coming from repeat clients.

Eldiar and Carrara continue to make good progress, with Eldiar expanding its customer base and Carrara finalising its plans to consolidate its manufacturing facilities from three to two.

Depa Interiors Group

Depa Interiors Group completed a robust year generating revenue of AED 655.4mn, representing an increase of AED 33.8mn or 5% increase on 2015 (AED 621.6mn). Reported profit in 2016 amounted to AED 3.5mn compared with a loss of AED 169.2mn in 2015, which was primarily caused by a number of claim and unapproved variation order reversals. The 2016 profit was adversely affected by a number of loss making, non-operating entities; adjusting for these: Depa Interiors Group's underlying profit amounted to AED 36.5mn.

Depa Interiors generated gross margin of 11%, a significant improvement on 2015 which was adversely impacted by the abovementioned causes. During 2016, Depa Interiors Group also made significant progress on a number of legacy issues in the United Arab Emirates, Qatar and Azerbaijan which continue to be a priority for the business in 2017.

We expect Expo 2020 to continue to deliver a strong addressable market for the business.

Backlog

During the fourth quarter of 2016, the Group secured a number of new projects, including Robinson Towers in Singapore, Republic of Singapore; the Ritz Carlton in Langkawi, Malaysia; a major infrastructure project in Riyadh, Kingdom of Saudi Arabia; and a hotel in Dubai, United Arab Emirates.

Depa ended the year with a backlog of AED 1,927mn. The backlog remains healthy, representing more than one times 2016 revenue.

Additionally, the Group's new four-gate work winning process is now in place and will enable the Group to better manage its risk profile and increase its focus on the most financially-rewarding projects within its risk parameters.

Following year end, the Group has also received a number of significant awards, including a major project for a government ministry in Riyadh, Kingdom of Saudi Arabia; a luxury hotel in Dubai, United Arab Emirates; and the fit-out of the Dubai Mall Dolce & Gabbana store in Dubai, United Arab Emirates.

Outlook

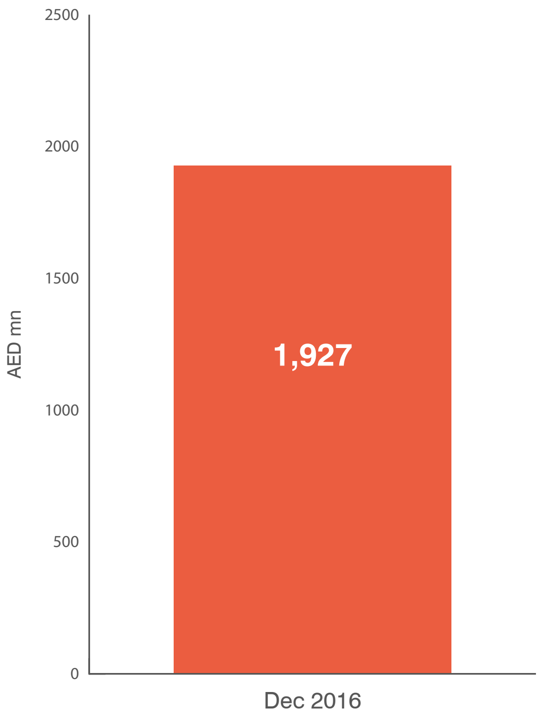
Whilst a number of the Group's key markets remain challenging, the quality and strength of Depa's existing backlog, a solid pipeline of prospective new work and a strong net cash position ensure the Group is well placed to compete in its core markets and navigate risk.

The operational enhancements implemented in 2016 provide the Group with a strong footing to exploit the opportunities available to it in each of its key markets.

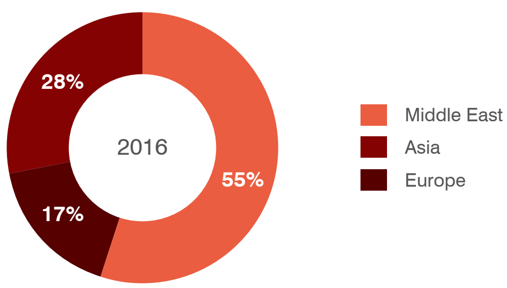
The positive outlook is reflected in the Board of Director's recommendation to reorganise the balance sheet and introduce its dividend policy to pay-out 25% to 50% of yearly earnings.

Hamish Tyrwhitt
Group Chief Executive Officer

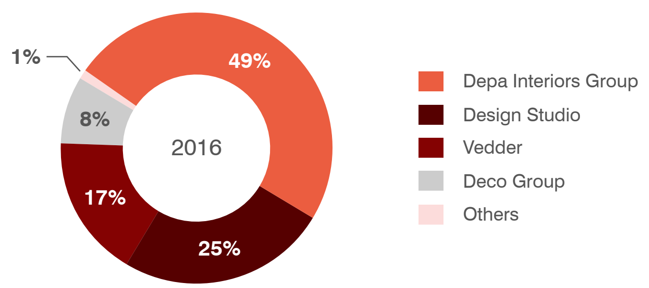
Project Backlog



By Geography



By Key Business Units



05 Financial Review

Financial Performance

For the twelve months to 31 December 2016, Depa generated revenue of AED 1,730.3mn, an increase of AED 89.7mn or 5% on 2015 (AED 1,640.6mn). Strong project progression and project close outs at each of the Hospitality and Commercial sector of Design Studio, Depa Interiors Group and Deco Group underpinned this increase in the revenue.

The restructuring programme which was initiated at the beginning of 2016, along with a number of other initiatives to improve operational performance, have contributed to strong gross profit generation of AED 324.1mn, an increase of AED 171.4mn or 112% on 2015 (AED 152.7mn). The gross profit in 2015 was adversely affected by a number of variation order and claim reversals compared with 2016, which benefited from strong gross profit generation across all of the Group's Key Business Units.
Consequently, the gross margin increased markedly to 19% from 9% in 2015.

Cost control continues to be a key focus of the Group, resulting in general and administrative costs being kept to AED 258.9mn, a reduction of AED 73.6mn or 22% on 2015 (AED 332.5mn), whilst increasing the revenue.

As a result, operating profit amounted to AED 65.2mn, an increase of AED 245.0mn on 2015 (loss: AED 179.8mn).

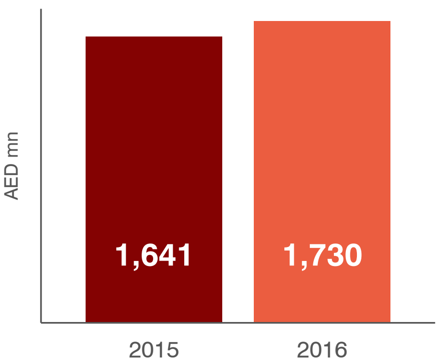
Share of profits in associates amounted to AED 5.3mn, an increase of AED 6.8mn on 2015 (loss: AED 1.5mn). This increase was primarily driven by a strong result in Decolight.

Net finance expense amounted to AED 4.3mn, broadly in line with 2015 (AED 2.8mn).

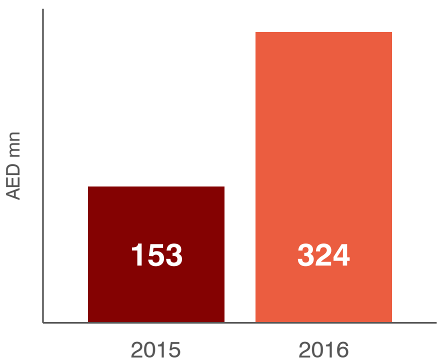
Performance at a glance

Key Financial Metrics

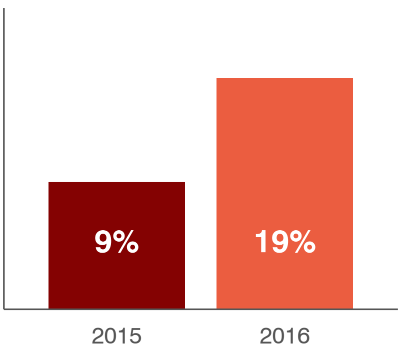
Revenue
AED 1,730mn



Gross Profit
AED 324mn



Gross Margin
19%



Net other income amounted to AED 5.5mn, an increase of AED 81.1mn on 2015 (net other expenses: AED 75.6mn). In 2015 and based on the prevailing conditions at that time, the Group recognised a goodwill impairment charge of AED 85.8mn. No such impairment charge was recorded in 2016 following the Group's detailed annual impairment review. Further details of the impairment tests performed and relevant sensitivities are detailed in the notes to the Group's accounts. 2015 net other expenses also included a reversal in a provision for doubtful debts of AED 31.9mn; an impairment loss on property, plant and equipment of AED 12.5mn; and an impairment loss on investment in associates of AED 14.9mn, with the corresponding amounts in 2016 being minor by comparison.

As a result of the above, the Group generated profit before tax of AED 71.7mn, an increase of AED 331.4mn on 2015 (loss: AED 259.7mn).

The Group recognised an income tax expense of AED 19.7mn in 2016, an increase of AED 6.7mn or 52% on 2015 (AED 13.0mn); the Group's improved profitability driving the increased tax charge in 2016. Within the Group, Design Studio and Vedder are the two Key Business Units most exposed to corporation tax. The Group's 2016 effective tax rate, on profits subject to tax, stands at 18% (2015: 15%).

Consequently, the Group generated net profit for the year of AED 52.0mn, an increase of AED 324.7mn on 2015 (net loss: AED 272.7mn).

Non-controlling interests ("NCI") amounted to AED 6.5mn, AED 13.7mn up on 2015 (negative: AED 7.2mn). Non-controlling interests primarily relate to Design Studio and The Parker Company.

As a result of the strong gross profit creation, disciplined cost control measures and the non-recurrence of the goodwill impairment charges recognised in 2015, the Group generated net profit after NCI of AED 45.5mn, an increase of AED 311.0mn on 2015 (net loss: AED 265.5mn).

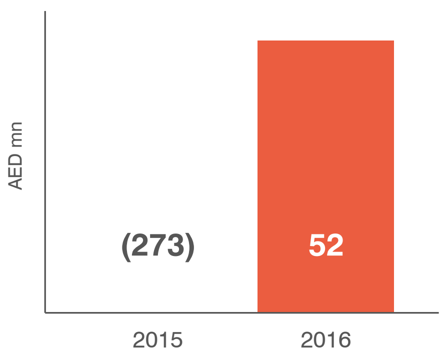
The Group's return to profit in 2016 and emerging track record of four quarters of profit, in a transformative year, is testament to the operational improvements that have been implemented over the course of 2016 and the Group's focus on delivering sustainability. For the year, Depa generated basic and diluted earnings per share of AED 0.07, compared with a net loss of AED 0.44 per share in 2015.

Performance at a glance

Key Financial Metrics

Profit for the Year

AED 52mn



Earnings per share

AED 0.07 ▲ 0.51

2015: AED (0.44)

Cash Flow

Cash generation throughout the year was strong, ending the year with a net cash position of AED 278.1mn, an increase of AED 153.3mn or 123% on 2015 (AED 124.8mn).

Net cash inflows from operating activities amounted to AED 82.3mn, an increase of AED 39.5mn or 92% on 2015 (AED 42.8mn). Whilst the Group experienced an increase in its working capital balance, working capital remains in line with the Group's long-term average; the Group managed its payable days up markedly whilst receivable days have remained stable year on year. Additionally, the majority of the increase exhibited in trade receivables year on year relates to amounts not yet due.

Net cash inflows from investing activities amounted to AED 28.7mn, an increase of AED 56.4mn on 2015 (net outflows: AED 27.7mn). The difference year on year primarily relates to long-term deposit positions at year end. In 2016, the Group also generated AED 4.6mn from net capital expenditure, compared with a net capital expenditure spend of AED 7.0mn in 2015.

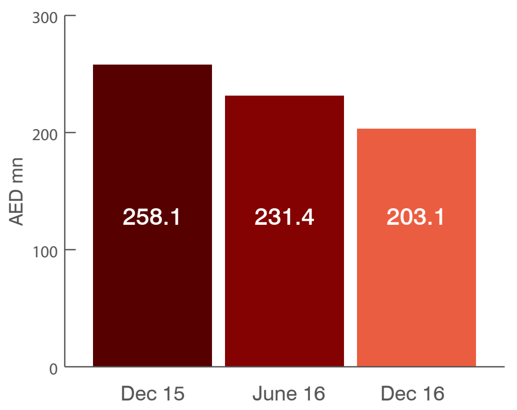
During 2016 the Group reduced its funded borrowings from long-term loans and trust receipts by AED 72.1mn; this compares to AED 21.5mn in 2015 in which a long-term loan of AED 50.0mn was obtained. Consequently, net cash outflows from financing activities amounted to AED 86.4mn, an increase of AED 54.9mn or 174% on 2015 (AED 31.5mn).

Foreign exchange differences resulted in a positive movement in the reported cash and cash equivalents amounting to AED 10.4mn.

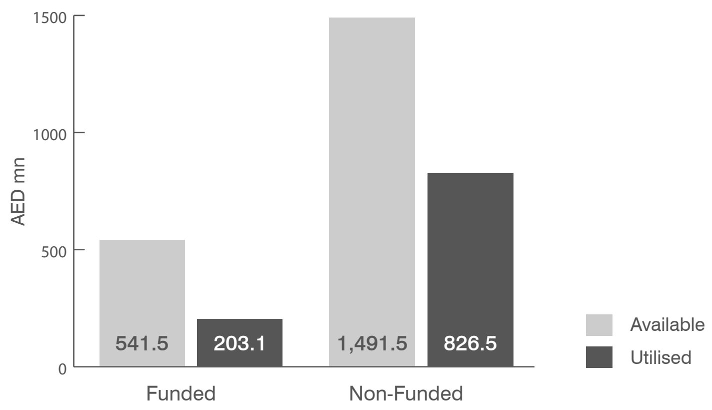
Borrowings and Bank Facilities

- Group continues to deleverage the balance sheet
- Sufficient facilities to meet Group needs

Borrowings



Bank Facilities



Financial Position

The Group ensures that it maintains adequate liquidity to meet its requirements and maintains appropriate working capital facilities for all of its needs via its strong bank relationships. Cash and cash equivalents at year end stood at AED 297.5mn, an increase of AED 35.0mn or 13% on 2015 (AED 262.5mn).

At year end, total equity stood at AED 1,221.1mn, an increase of AED 48.3mn on 2015 (AED 1,172.8mn).

The Group's ordinary shares outstanding during the year amounted to 607,860,365, (outstanding ordinary shares amount to 614,726,448 net of 6,866,083 treasury shares).

It is proposed that a portion of Depa's share premium account be utilised to offset its accumulated losses in full, improving the Group's financial position. This transfer will also enable the Group to commence generating distributable reserves in 2017, from which dividends may be paid following the Group publishing its audited results for the year ended 31 December 2017.

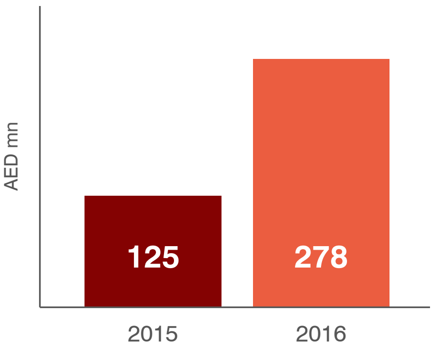
The Board of Directors is recommending that the shareholders approve the use of the share premium account to offset the accumulated losses as well as its share issuance costs reserve at Depa's upcoming general meeting in May 2017.

Dividend Policy

Depa has introduced a dividend policy to pay-out between 25% and 50% of earnings each year, equating to a dividend cover of 2 to 4 times.

Net Cash

AED 278mn



Equity

AED 1,221mn ▲ 48mn

2015: AED 1,173

06 Key Projects

Project Name	Country	AED mn
Infrastructure works, Riyadh	Kingdom of Saudi Arabia	204
W Hotel & Residences, Dubai	United Arab Emirates	142
Hotel, Saadiyat Island, Abu Dhabi	United Arab Emirates	108
Private yacht interior project	Germany	104
Mandarin Oriental, Kuala Lumpur	Malaysia	93
King Saud University, Riyadh	Kingdom of Saudi Arabia	89
Luxury Residences, Dubai	United Arab Emirates	88
Private yacht interior project	Germany	69
Private yacht interior project	Germany	60
Fairmont Hotel & Serviced Apartments, Abu Dhabi	United Arab Emirates	60

Total	**1,017**
Percentage of Total Backlog Projects	**53%**

07 The Board

The Board has a mix of excellent, professionally acclaimed Directors who understand their role of appreciating the issues put forward by senior management and of honestly discharging their fiduciary responsibilities towards Depa's shareholders.

At Depa, there is a clear line of demarcation between the Board's responsibilities and those of senior management.

Role of the Board

The Board has the responsibility of overseeing, counselling and directing Depa Limited's officers (particularly the Group CEO and senior management) to ensure that the interests of Depa Limited and its shareholders are being served. The Board acts on a fully informed basis, in good faith, with due diligence and care, and in the best interests of Depa Limited and its shareholders.

The Board delegates oversight of key areas of responsibility to its Committees who report to the full Board with their analyses, recommendations and/or decisions.

Objectives of the Board

The Board is responsible to the shareholders for creating and delivering sustainable value, through the senior management, of Depa Limited's businesses. It determines the objectives and policies of Depa Limited to deliver such value, providing overall strategic direction within a framework of rewards, incentives and controls. The Board ensures that senior management strikes an appropriate balance between promoting long-term growth and delivering short-term objectives.

The Board is also responsible for ensuring that senior management maintain a system of internal control which provides assurance of effective and efficient operations, accurate financial reporting and compliance with law and regulations. In carrying out this responsibility, the Board has regard to what is appropriate for Depa Limited's business and reputation, the materiality of the financial and other risks inherent in the business and the relative costs and benefits of implementing specific controls.

The Board is also the decision-making body for all other matters of such importance as to be of significance to Depa Limited as a whole because of their strategic, financial or reputation implications or consequences.

Listed below are authorities reserved for the Board of Directors' approval and details as to how it delegate its authority:

Matters	Approve
Annual group business plan and operating budget	Board of Directors
Changes relating to Depa Limited's equity capital structure and its listing	Board of Directors
Corporate investments, divestments, liquidations and capital expenditure (capex) • Transaction > AED 50M • Transaction > AED 10M • Transaction > AED 5M	 Board of Directors I&R Committee Group CEO
Depa Group's activities into a new business or geographic territory outside of the Depa Group's annually approved business plan	I&R Committee
Appointment or removal of external auditors and internal auditors	Board of Directors*
External and internal audit plans	Board of Directors
Issuance of interim and final Depa Group financial statements (including principal accounting policies)	Board of Directors
Board of Directors and committee remuneration	Board of Directors
Charters (terms of reference), membership and delegated authority of board committees and corporate governance manual	Board of Directors
Grant of an individual indemnity to any director or any other person	Board of Directors
Dividends by the company and/or any dividend policy	Board of Directors
Circular(s) to shareholders	Board of Directors
Market releases on (a) interim and final results, (b) any trading statement, or (c) the appointment or resignation of directors	Board of Directors
Policies and systems for the management of risk throughout the Depa Group	Board of Directors
Entering into any project contract • Project contract > AED 250M • Project contract > AED 200M • Project contract > AED 150M	 Board of Directors I&R Committee Group CEO
Appointment of corporate and non-project related consultants/advisors > AED 100K total fees	Board of Directors
Entering into any following facility agreement • Project related facility > AED 350M funded limits and / or general purpose long-term bilateral debt facility > AED 100M and / or any debt capital markets transaction • Project related facility > AED 200M funded limits and / or general purpose long-term bilateral debt facility > AED 50M	 Board of Directors I&R Committee
Prosecution, commencement, defence or settlement of litigation, arbitration or an alternative dispute resolution mechanism > AED 1M or being otherwise material to the interest of the Depa Group	Board of Directors
Forex hedging > AED 5M in value	Board of Directors
Opening and closing of bank account	Board of Directors
Bank signatory matrix and amendments	Board of Directors
Political donations by the Depa Group	Board of Directors
Any amendments to the DoA where there is a change to the delegations provided by the Board of Directors to the Group Chief Executive Officer	Board of Directors
Remuneration and awards for Group Chief Executive Officer and senior management	Board of Directors

*(subject to shareholder approval for external auditors)

Board Responsibilities

The Board has the responsibility of overseeing, counselling and directing Depa Limited's officers (particularly the Group CEO and senior management) to ensure that the interests of Depa Limited and its shareholders are being served. The Board acts on a fully informed basis, in good faith, with due diligence and care, and in the best interests of Depa Limited and its shareholders.

The Board delegates oversight of key areas of responsibility to its Committees who report to the full Board with their analyses, recommendations and/or decisions.

- providing adequate support and resources to senior management and ensuring senior management's objectives and activities are aligned with the expectations and risk identified by the Board;
- promoting Depa Limited's image within the company and the external community;
- approving the corporate strategy and performance objectives of Depa Limited including monitoring and assessing the performance of Depa Limited, the Board, the Committees, senior management and any major projects;
- approving financial reports, the annual report and other public documents/sensitive reports;
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance following consultation with senior management and determining the objectives, duties and powers of the internal control department(s) that shall enjoy adequate independence when performing duties and shall directly report to the Board;
- approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;
- ensuring a formal and transparent Board nomination process, aligning key executive and Board remuneration with the long term interests of Depa Limited and its stakeholders and evaluating the CEO's performance;
- monitoring and managing potential conflicts of interest of senior management, Directors and shareholders, including misuse of corporate assets in related party transactions;
- ensuring that the rights of shareholders are properly safeguarded through appropriate measures that enable the shareholders to exercise their rights effectively, promote effective dialogue with shareholders and other key stakeholders as appropriate, and preventing any abuse or a oppression of minority shareholders; and
- arranging for the preparation, subsequent approval and adoption of a detailed training and induction programme for new Directors and training for existing Directors to enhance their knowledge and to stay up-to-date with regard to market leading practices.

Role of the Directors

The primary objective of all Directors is to constructively challenge and help develop proposals on strategy.

The duties of all Directors include, but are not limited to:

- ensuring Depa Limited's compliance with the DFSA Markets Rules and best practices;
- providing entrepreneurial leadership and assisting in formulating the strategic plans of Depa Limited within a framework of prudent and effective controls enabling risk to be assessed and managed;
- acting in good faith and with care and diligence, in the best interests of Depa Limited and avoiding conflicts in their capacities as Directors from any personal interests;
- making reasonable enquiries to ensure that Depa Limited is operating efficiently, effectively and legally towards achieving its goals;
- encouraging constructive debate in the meetings of the Board and ensuring all relevant issues are given due consideration before a decision is made and monitoring the performance of senior management in meeting agreed goals;
- ensuring that the attainment of corporate goals achieved through measured risk-taking is in line with the corporate risk appetite and also on the integrity of financial information and that financial controls and systems of risk management are robust and defensible; and
- disclosing material events, significant resolutions and clarifying information with regard to the positions and activities of Depa Limited.

Composition of the Board

While forming the Board, consideration is given to maintain an appropriate balance between executive, non-executive and independent Directors. In all cases, it is deliberated whether a Director shall be able to pay adequate time and effort to their Directorship and that such Directorship shall not conflict with their other interests.

Role of the Chairman

It is the Chairman's responsibility to lead the Board and facilitate constructive contribution by all Directors so as to ensure the Board functions effectively in discharging its duties and responsibilities.

The duties of the Chairman at Depa Limited include, but are not limited to:

- ensuring that new Directors receive an appropriate induction on joining the Board;
- ensuring that the Directors continually update their skills and their knowledge and familiarity with Depa Limited required in fulfilling their role both on the Board and its Committees;
- reviewing and agreeing with each Director their training and development needs;
- ensuring that the Board acts efficiently, fulfils its responsibilities and discusses all key issues on a timely basis;
- setting and approving the agenda of each Board meeting, taking into consideration any matter that Directors propose to be included in the meeting agenda. The Chairman may assign this responsibility to the Company Secretary;
- encouraging Directors to participate and engage completely and efficiently in Board meetings in order to ensure that the Board acts in the best interests of Depa Limited;
- adopting suitable procedures to secure efficient communication with shareholders and communicating their views to the Board;
- facilitating effective participation of non-executive Directors and developing constructive relations between executive and non-executive Directors;
- ensuring the Board provides leadership and vision to Depa Limited;
- promoting Depa Limited's image within Depa Limited and to the external community;
- managing Board meetings to ensure that sufficient time is allowed for discussing complex or contentious issues;
- ensuring Board minutes are properly reflecting Board decisions;
- ensuring clear structure for and the effective running of the Committees;
- making certain that the Board has the necessary information to undertake effective decision making and actions;
- developing an ongoing relationship with the Group CEO. As the major point of contact between the Group CEO and the Board, the Chairman should be kept fully informed of matters of interest to Directors;
- ensuring effective communication with shareholders and ensuring that the Directors develop an understanding of the views of the major investors;
- taking the lead in providing a properly constructed induction programme for new Directors that is comprehensive; and
- facilitating in identifying and addressing the development needs of individual Directors, with a view to enhance the overall effectiveness of the Board as a team.

Role of Non-Executive Directors

Depa Limited expects its non-executive Directors to:

- give an opinion in respect of strategic issues, policy, performance, accounting, resources, basic appointments and standards of operation;
- give priority to the interests of Depa Limited and its shareholders in respect of any conflicts of interest;
- monitor Depa Limited's performance in order to achieve agreed objectives and purposes and overseeing performance reports; and
- empower the Board and different Committees through the utilisation of their skills and experience, the diversity of their competencies and qualifications through regular attendance, effective participation and attendance of shareholders' meetings and developing a balanced understanding of shareholders' views.

Independent Directors

The Board considers a Director to be independent upon an assessment of the objective criteria set out in Depa Limited’s confirmation of independence exercise.

The “Sound Judgement Rule”

At Depa Limited, the “Sound Judgement Rule” provides that, if a Director makes a decision in relation to the business of Depa Limited and meets a number of specific requirements, then the Director will be taken to have discharged his duty to act with care and diligence.

The specific requirements that must be met are that:

- A decision made must be in good faith for a proper purpose and shall be in the best interests of Depa Limited;
- a Director should not have a material personal interest in the subject matter of the decision; and
- a Director shall take steps to inform themselves on the subject matter of the decision to the extent that he reasonably believes to be appropriate.

Director’s Access to Officers

Directors have full and free access to officers of Depa Limited. All Directors also have access to the advice and services of the Company Secretary, who is responsible to the Board in ensuring that Board procedures are followed and that the applicable rules and regulations are complied with.

Independent Advice and Judgment

The Board and its Committees may request an external consultation (including but not limited to legal, financial or other expert advice) opinion on any issues related to Depa Limited, provided that conflicts of interest shall be avoided.

At Depa Limited, all Directors are expected to bring an independent judgement to bear on issues of strategy, performance, resources, including key appointments and standards of conduct.

Outside Board Memberships

While Depa Limited acknowledges the value in having Directors with significant experience in other businesses and activities, each Director is expected to ensure that other commitments, including outside board memberships, do not interfere with their duties and responsibilities as a member of Depa Limited's Board and that no Director shall sit on a board of Depa Limited’s competitors.

Board Meetings

Board meetings are conducted in an open and inclusive atmosphere that allows for healthy debate between all Directors. Meetings are held upon written convocation of the Chairman (or the Company Secretary on behalf of the Chairman) or upon the written request of at least two-thirds of the Directors.

Board Appointments

Board appointments, since the Company’s most recent general meeting, of the Chairman and non-executive Directors were made on the recommendation of the Nomination & Remuneration Committee. Neither an external consultancy nor an open advertising process was used, rather nominations for appropriate individuals were invited from each Director. Subject to a rigorous vetting procedure, the Board considered this to be the most effective and expedient method to meet its requirements.

Board Agenda, Information Packs and Board Papers

The Chairman establishes the agendas for Board meetings and circulates them to other Directors and/or other relevant persons through the Company Secretary.

Each Director is free to suggest items for the agenda (although inclusion is at the discretion of the Chairman), and each Director is free to raise, at any Board meeting, subjects that are not on the agenda for that meeting.

Information packs regarding Depa Limited’s business and performance are distributed to all Directors prior to Board meetings. In addition, business updates and information regarding recommendations for action by the Board at a meeting are made available to the Board within a reasonable period of time before meetings to allow review, consideration and follow up on any pertinent items.

Board papers are concise stand-alone documents that present the information the Board will require to fully understand the issues being raised and, where required, to make an appropriately informed decision.

Senior management papers may provide the basis for a Board paper, but the Board papers are prepared

Frequency of Meetings

Pursuant to the Depa Limited’s articles of association, the Board shall meet at least once every three months (on a quarterly basis). The Board has, however, resolved to meet at least six times in every financial year.

Duration of Meetings

The length of Board meetings is always made sufficient to give appropriate attention to the issue at hand. Accordingly, Board meetings can vary in duration as appropriate. The key is that the meeting is long enough to cover all matters in appropriate detail.

Matters Arising

The Board may often identify additional information it requires, initiatives it would like senior management to implement or other matters for senior management action or attention.

In order to keep track of these matters, an action items list is maintained by the Company Secretary, updated after each meeting and distributed along with the minutes of the meeting. The action item list contains a brief description of the action to be taken, cross referenced to the relevant item in the minutes.

A review of the action items is a standing item on the Board’s agenda to ensure senior management are progressing with specific tasks in line with the Board’s expectations.

Voting

Board resolutions are adopted by a simple majority of votes of those present or represented. In case of a tie, the Chairman has a casting vote.

Director Continuing Education

All Directors are encouraged to attend, at Depa Limited's expense, Director continuing education programmes. The Company Secretary informs Directors of the exact dates of such programmes.

Director Remuneration

The remuneration of the Board consists of fixed attendance fees as follows:

Role	Delivered Via	Annual Remuneration (AED)
Board Chairman	Fixed Base Retainer	160,000
Director		160,000
Audit & Compliance Committee Chairman	Additional Chairman Retainer	50,000
Nomination & Remuneration Committee Chairman		25,000
Investment & Risk Committee Chairman		50,000
Audit & Compliance Committee Member	Additional Member Retainer	100,000
Nomination & Remuneration Committee Member		50,000
Investment & Risk Committee Member		100,000

Retainers can be paid annually, bi-annually or quarterly. Expenses reimbursed at cost and administrative support provided (for Board & Committee duties). Executive Directors waive their remuneration.

Depa Limited may pay additional amounts to the extent determined by the Nomination and Remuneration Committee for any Director. Such additional fees should be approved by the shareholders at the annual general meetings.

Company Secretary

The Company Secretary plays a significant role in ensuring that meetings are run efficiently and resolutions of the Board are actioned on a timely basis.

The Company Secretary is generally responsible for carrying out the administrative and legislative requirements of the Board. In particular:

- ensuring the timely dissemination of information as it is received;
- ensuring that the Board agenda is developed in a timely and effective manner for review and approval by the Chairman;
- ensuring, in conjunction with the Group CEO, that Board papers are developed in a timely and effective manner;
- ensuring standardised formats for all Board papers and reports;
- coordinating, organising and attending meetings of the Board and shareholders and ensuring that correct procedures are followed;
- drafting and maintaining minutes of Board meetings;
- distributing Board resolutions in an appropriate and timely manner;
- In conjunction with the Group CEO and other senior management, carrying out the instructions of the Board and giving practical effect to the Board's decisions;
- meeting statutory reporting requirements in accordance with relevant legislation; and
- working with the Chairman and the Group CEO to establish and deliver governance practices which are fit for purpose.

08 Board Members

Ibrahim Belselah

Independent Non-Executive Chairman

Mr. Ibrahim Belselah has over thirty years of experience working in senior leadership positions across public and private organisations. He previously served as the Executive Chairman of the Board of Damas International Limited and provided expert counsel to investment banking firm Rothschild Group and Trafigura Beheer B.V., one of the world's largest commodities trading companies, on their strategy in the Middle East.

Among Ibrahim Belselah's career highlights was his service as Lead Counsel to the UAE Government when the World Bank and International Monetary Fund held their 2003 Annual Meetings in Dubai. Additionally, he led on the issuance of the UAE's first Government bond and served as a key team member of the Dubai e-Government Initiative. Mr. Belselah was Chairman of Arabtec Holding P.J.S.C. from 2011 to 2012, and CEO of Abu Dhabi-based Reem Investments between 2005 and 2006. He holds a Masters in Industrial Engineering and MBA from the University of New Haven in the United States.

Roderick Maciver

Vice Chairman and Independent Non-Executive Director

Mr. Roderick Maciver was appointed to the Board of Depa in late 2013; on 8 September 2014 he was nominated Vice Chairman. Mr. Maciver has over 40 years of experience in the construction industry in the Middle East, including periods as a managing Director for Wimpey International and managing Director operations for both Tarmac International and more recently Carillion International. Since retiring from full time employment in 2006, Mr. Maciver has worked as an advisor to various companies, for the past nine years, majorly to Consolidated Contractors Company (CCC). He also sits on the Board of Design Studio Group Limited, a publicly traded company in Singapore.

Mr. Maciver holds an HNC in building (structural engineering).

Hamish Tyrwhitt

BEng (Civil), CPeng, FIEAust, IEHK, FTSE

Executive Director and Group Chief Executive Officer

Mr. Hamish Tyrwhitt was appointed Group Chief Executive Officer in April 2016 following an extensive international search for an exceptional candidate to lead the Depa Group. In June 2016 he was appointed as Director of Design Studio Group (a member of the Depa Group) and since November 2016, Mr. Tyrwhitt he has also held the position of Chief Executive Officer of the Arabtec Group, one of the leading construction and engineering Groups in the Middle East and North Africa.

Mr. Tyrwhitt has three decades of senior leadership experience in the global engineering and construction sectors. Most recently, he was CEO of Asia Resource Minerals Plc, a coal mining company listed in London. Prior to this he was CEO of Australian Securities Exchange-listed Leighton Group (now known as CIMIC Group) with annual revenues of around USD20 billion and operations in more than 20 international markets. In his previous roles, Mr. Tyrwhitt supervised the delivery of numerous multi-billion dollar projects, and as managing Director for Leighton Asia, he ran the business across all of Asia based from their headquarters in Hong Kong.

Mr. Tyrwhitt holds a bachelor's degree in engineering from The University of Western Australia.

Abdullah Al Mazrui

Non-Executive Director

Mr. Abdullah Al Mazrui, previously Chairman of the Board of Directors for Depa, stepped down in May 2013,
becoming a Non-Executive Director. He is the chairman of a number of companies and institutions including Emirates Insurance Company, Mazrui Holdings LLC, International School of Choueifat, Aramex, Jashanmal National Company, National Catering Co., Modecor and The National Investor. Mr. Al Mazrui also sits on the Board of Directors for the following organizations and institutions: Endeavor, Investcorp, Abu Dhabi Economic Council, Dun & Bradstreet and Emirates Specialties Company. He is a member of the advisory Board of EDHEC Business School, France.

Mr. Al Mazrui holds a degree from Chapman University of California, USA.

Khaldoun Rashid Al Tabari

Non-Executive Director

Mr. Khaldoun Tabari joined the Board of Depa in 2013. He is the Vice chairman of Drake & Scull International PJSC (DSI) and has led the development of Depa Limited from a local MEP contractor to a regional leader offering integrated engineering disciplines across MENA, Europe and South Asia. Mr. Tabari also serves as chairman of EFS Facilities Services, Executive Chairman of Vision Investments and a Director of Carbon Holdings Limited.

Mr Tabari graduated in business management from the University of Colorado, USA in 1972.

Marwan Shehadeh

Non-Executive Director

Mr. Marwan Shehadeh was reappointed as a Board Member during the Depa AGM held in May 2013. For more than a decade, Mr. Shehadeh has been working with Al-Futtaim, covering various positions: He is the Group Director for corporate
development of Al-Futtaim Group, the senior executive officer of Al-Futtaim Investment Management Ltd and since 2007 the managing Director of Al-Futtaim Capital. He joined Al-Futtaim in 2003 as Director of finance of Dubai Festival City LLC. Mr. Shehadeh started his career in corporate finance at Chase Manhattan Bank, New York.

Mr. Shehadeh holds a master's degree in international business from the Institute D'Etudes des Relations Internationales, Paris and has completed several general management executive programmes at Harvard Business School.

Ahmed Ramdan

Independent Non-Executive Director

Mr. Ahmed Ramdan, the founder and Group CEO of Roya International LLC, a prominent GCC-based hospitality advisory firm, joined Depa Limited's Board on 7 July 2015. Before establishing Roya International, Mr. Ramdan had a highly successful, 30-year career in hotel management, including running multiple properties on behalf of global hotel brands such as InterContinental Hotels and Le Meridien hotels.

Mr. Ramdan has also served as a key advisor to government institutions on some of the Middle East's most iconic projects, including the Dubai International Financial Centre, Dubai Media City, Jumeirah Beach Residence, as well as Reem Island and Saadiyat Island in Abu Dhabi.

Khalifa Abdulla Al Romaithi

Non-Executive Director

Mr. Khalifa Abdulla Al Romaithi joined Depa Limited's Board as a Non-Executive Director on 25 August 2015. Mr. Al Romaithi brings a breadth of experience in investments. A long-serving employee of the International Petroleum Investment Company (IPIC), he is currently Director, Downstream & Diversified Investments directorate.

Mr. Al Romaithi represents IPIC's interests for a number of its companies, which include Vice Chairman of Nova Chemicals Corporation (Canada), Director of Cosmo Energy Holdings Company Limited (Japan), Director of Qatar and Abu Dhabi Investment Company P.Q.S.C (Qatar) and Director of Aabar Investments PJS (UAE).

In addition, Mr. Al Romaithi is an audit committee and board member of Abu Dhabi National Takaful Co. PSC (UAE) and an audit committee and board member of Arabtec Holding PJSC (UAE).

Mr. Al Romaithi holds a Bachelor of Business Administration (finance concentration) from the University of Portland.

Saeed Al Mehairbi

Non-Executive Director

On 23 August 2015, Mr. Saeed Al Mehairbi was appointed as Non-Executive Director of Depa Limited. Mr. Al Mehairbi's extensive career has been focused on the successful delivery of major projects, primarily in the oil and gas industry. A trained engineer and certified project management professional. He began his career with Abu Dhabi National Oil Company (ADNOC), where he was seconded to the projects department of the Abu Dhabi Company for Onshore Oil Operations (ADCO), before working in ADNOC's Exploration & Production Directorate.

In 2007, Mr. Al Mehairbi joined International Petroleum Investment Company (IPIC), where he currently serves in the key role of Director, projects directorate. On 1 February 2017, he was appointed to lead Aabar Properties PJS. He is also currently serving as a board member of Emirates LNG, Arabtec Holding PJSC, SUMED Egypt, and IPIC Refinery Holding.

09 Connected Persons

The following are Connected Persons as established by DFSA Markets Rule 4.3.2(1)a.

Shareholders of 5% or more	Number of Shares	% of Total Shares Outstanding
Arabtec Holdings PJSC	149,555,275	24.33%
Al Futtaim Capital LLC	85,559,085	13.92%
Union Insurance PSC	70,156,337	11.41%
Mazrui Investments LLC	54,766,513	8.91%
Clarity Fund SPC Ltd	47,432,445	7.72%

Directors	Personal Portfolio	% of Total Shares Issued
Mr. Ibrahim Belselah	0	0.00%
Mr. Roderick Maciver	0	0.00%
Mr. Abdullah Al Mazrui	0	0.00%
Mr. Ahmed Ramadan	0	0.00%
Mr. Khaldoun Tabari	0	0.00%
Mr. Marwan Shehadeh	1,621,098	0.26%
Mr. Saeed Al Mehairbi	0	0.00%
Mr. Khalifa Romaithi	0	0.00%
Mr. Hamish Tyrwhitt	0	0.00%

Senior Management	Personal Portfolio	% of Total Shares Issued
Mr. Hamish Tyrwhitt Group Chief Executive Officer	0	0.00%
Mr. David Holiday Group Chief Legal Officer & Company Secretary	0	0.00%
Mr. Steven Salo Group Chief Financial Officer	0	0.00%
Mr. Chris Gordon Group Chief Strategy, HR & Communications Officer	0	0.00%
Mr. Ali Kathkada Group Chief Information Officer	27,120	0.004%
Mr. Walid Zakaria Chief Executive Officer – Depa Interiors Group	1,260,800	0.20%
Mr. Hugh Bigley Managing Director - Deco Group	0	0.00%
Mr. Marc Koch Managing Director & Chief Financial Officer – Vedder	0	0.00%
Mr. Stefan Radau Managing Director - Vedder	0	0.00%
Mr. Nicolas Held Managing Director - Vedder	0	0.00%

10 Corporate Governance and Risk Management

Board Committees

Depa Limited recognizes that Committees allow Directors to give closer attention to important issues facing the organisation than is possible for the full Board in a scheduled Board meeting.

Committees are an effective way to distribute work between Directors and allow more detailed consideration of specific matters.

The Board decides upon appropriate Committees which shall always include, but not be limited to, the Audit and Compliance Committee and the Nomination and Remuneration Committee and the Committees function on behalf of the Board. The Board is responsible for constituting, assigning, co-opting and fixing terms of service for Committee members and issues the Board “Reserved Matters & Delegations” from time to time which sets out the specific matters which each Committee is authorised to make decisions on.

The Committees report to the Board setting forth the procedures, results and recommendations that the Committee reaches.

Access to Information and Independent Advice

Each Committee has the authority to seek any information it requires from any Depa Limited officer and all officers must comply with such requests.

Each Committee may take such independent legal, financial, remuneration or other advice as it reasonably considers necessary.

Reporting Policy

Each Committee reports on its meetings to the Board.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee’s role is to evaluate the balance of skills, knowledge and experience on the Board and, in light of this evaluation, prepare a description of the role and capabilities required for a particular appointment.

The Nomination and Remuneration Committee is responsible for the review of Depa Limited’s HR framework and compensation programmes. The Committee makes recommendations to the Board on the remuneration, allowances and terms of service of other Depa Limited officers and Directors to ensure they are fairly rewarded for their individual contribution to Depa Limited.

The role of the Nomination and Remuneration Committee is to assist the Board in fulfilling its responsibilities by:

- verifying ongoing suitability of Directors;
- organising and following-up on procedures of nomination to the membership of the Board in line with applicable laws and regulations;

Nomination and Remuneration Committee - Cont.

- advising on individuals qualified to become senior managers by recommendation to the Board; reviewing each proposed nominee's qualifications. Each nominee should be a person of integrity and
- be committed to devoting the time and attention necessary to fulfil his duties to Depa Limited;
- formulating and annually reviewing the policy on granting remunerations, benefits, incentives and salaries to the Directors and senior management and the Nomination and Remuneration Committee will verify that remunerations and benefits granted to the senior management are reasonable and in line with Depa Limited's performance. The Nomination and Remuneration Committee may seek input from individuals on remuneration policies, but no individual is directly involved in deciding their own remuneration;
- determining Depa Limited's needs for qualified staff at the level of the senior management and officers and the basis of their selection;
- formulating, supervising the application and annual review of Depa Limited's HR and training policy;
- reviewing trends in compensation, overseeing the development of new compensation plans and when necessary, recommend the revision of existing plans; and
- cross-checking the remuneration and entitlements of the Group CEO and senior management to ensure they are reasonable and commensurate with the performance of Depa Limited.

Without limitation to the role and responsibilities of the Nomination and Remuneration Committee as set out above, a list of specific matters that the Nomination and Remuneration Committee is authorised to make decisions on and specific matters that the Nomination and Remuneration Committee may only make recommendations on (and for which only the Board may make final decisions) is set out in the "Board Reserved Matters & Delegations".

With respect to senior management, the Nomination and Remuneration Committee reviews and recommends, as appropriate, to the Board:

- succession planning for the Group CEO; and
- recommendations made by the Group CEO for appointments, terminations and succession planning of senior management.

The composition of the Nomination and Remuneration Committee as at 31 December 2016 is as follows:

- Mr Roderick Maciver
- Mr Khaldoun Tabai
- Mr Ahmed Ramdan

Audit and Compliance Committee

The Audit and Compliance Committee monitors the integrity of Depa Limited's financial statements, compliance with DFSA Markets Rules and other significant market regulation applicable to Depa Limited, the internal systems and controls for financial reporting, the adequacy of financial risk management processes, the independence and qualifications of Depa Limited's auditors and the performance of the internal auditors of Depa Limited, the Internal Audit Function and the Compliance and Governance Function.

The Audit and Compliance Committee maintains free and open communication between its members, external auditors, internal auditors and senior management. The other responsibilities of the Audit and Compliance Committee include:

- monitoring the integrity of the financial statements of Depa Limited, and any formal announcements
- relating to Depa Limited's financial performance, and reviewing significant financial reporting judgments contained in them;
- monitoring and reviewing the effectiveness of the Internal Audit Function and Depa Limited's internal financial risk management controls and systems;

Audit and Compliance Committee - Cont.

- making recommendations to the Board, in relation to the appointment, re-appointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor and ensuring timely reply by the Board on the matters contained in the external auditor's letter;
- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements;
- developing and implementing policies on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm;
- reporting to the Board on matters that in the Audit and Compliance Committee's opinion require action or improvement and to provide recommendations on the necessary steps to be taken;
- coordinating with the Board, senior management and auditors and to meet with the auditors at least once a year;
- ensuring coordination between the internal and external auditors, the availability of necessary resources for proper verification, monitoring the adequacy of internal controls and discussing the same with senior management;
- ensuring that a framework of strong corporate governance and best practice is in place, which is believed to be suitable for Depa Limited; and
- establishing such system whereby officers of Depa Limited can anonymously notify their doubts on potential abnormalities in the financial report or internal controls or any other matter and ensuring proper arrangements for independent and fair investigations of such matters.

Without limitation to the role and responsibilities of the Audit and Compliance Committee as set out above, a list of specific matters that the Audit and Compliance Committee is authorised to make decisions on and specific matters that the Audit and Compliance Committee may only make recommendations on (and for which only the Board may make final decisions) is set out in the "Board Reserved Matters & Delegations".

The composition of the Audit and Compliance Committee as at 31 December 2016 is as follows:

- Mr Edward Quinlan (Chairman)
- Mr Khalifa Al Romaithi
- Mr Saba Sindaha

Investment and Risk Committee

The Investment and Risk Committee monitors and ensures the adequacy of operational and investment risk management processes.

The Investment and Risk Committee is responsible for reviewing internal operational and investment risk matters, including internal policies and procedures on operational and investment risks and matters relating to potential conflicts of interest. The other responsibilities of the Investment and Risk Committee include:

- reviewing and monitoring Depa Limited's internal operational and investment risk management controls and systems;
- reviewing and either approving or making recommendations to the Board for projects with an overall value greater than the threshold set out in the "Board Reserved Matters & Delegations";
- reviewing and either approving or making recommendations to the Board in relation to any proposals to enter into a new jurisdiction outside of the approved annual business plan and in which Depa Limited does not currently operate, in accordance with the "Board Reserved Matters & Delegations";
- monitoring and evaluating the corporate Group structure and all material investment risks, in particular any strategic material acquisitions or disposals above the materiality threshold in the "Board Reserved Matters & Delegations";

Investment and Risk Committee - Cont.

- stepping in to make operational and management decisions on behalf of the Group CEO in circumstances when the Group CEO is subject to a material conflict of interest which the Board has not approved the Group CEO to continue to make decisions on;
- reviewing any internal audits to the extent that such audits cover any operational risk matters; and
- reviewing Depa Limited's capability to identify and manage new types of operational and investment risk.

Without limitation to the role and responsibilities of the Investment and Risk Committee as set out above, a list of specific matters that the Investment and Risk Committee is authorised to make decisions on and specific matters that the Investment and Risk Committee may only make recommendations on (and for which only the Board may make final decisions) is set out in the Board Reserved Matters & Delegations.

The composition of the Investment and Risk Committee as at 31 December 2016 is as follows:

- Mr Ibrahim Belselah (Chairman)
- Mr Marwan Shehadeh
- Mr Roderick Maciver

Attendance

Board of Directors

Present	20 - Mar -16	20 - Apr -16	28 - Apr -16 Teleconference	24 - May -16 Teleconference	14 - Jun -16	28 - Aug -16	24 - Nov -16
Mr. Mohammed Al Fahim (Chairman)	✓	✕	☎	☎	○		
Mr. Ibrahim Belselah					✓	✓	✓
Mr. Roderick Maciver	✓	✓	☎	☎	✓	✓	✓
Mr. Abdullah Al Mazrui	✓	✕	☎	☎	✓	✕	✓
Mr. Khaldoun Tabari	✓	✓	✕	☎	✕	✓	✕
Mr. Marwan Shehadeh	✓	✓	☎	☎	✓	✓	✓
Mr. Mohannad Sweid	✓	✓	☎	○			
Mr. Ahmed Ramdan	✓	✓	✕	✕	✕	✕	✓
Mr. Khalifa Romaithi	✓	✓	☎	☎	✓	✓	✓
Mr. Hamish Tyrwhitt		✓	☎	☎	✓	✓	✓
Mr. Saeed Mehairbi	✕	✕	☎	✕	✓	✓	✓
Attending	Mr. Umar Saleem	Mr. Hamish Tyrwhitt	Mr. Umar Saleem	Mr. Umar Saleem	Mr. Umar Saleem	Mr. Umar Saleem	Mr. David Holiday
	Mr. David Holiday	Mr. Umar Saleem	Mr. David Holiday	Mr. David Holiday	Mr. David Holiday	Mr. David Holday	Mr. Steven Salo
	Mr. Edward Quinlan	Mr. David Holiday	Mr. Edward Quinlan		Mr. Edward Quinlan	Mr. Edward Quinlan	Mr. Chris Gordon
	Mr. Walid Zakaria	Mr. Edward Quinlan				PwC	Mr. Edward Quinlan
	Mr. Ryno Greef						
	Ms. Ghada Bahsoun						
	Ernst & Young						

Present ✓ Resigned ○ Conference Call ☎ Absent ✕

Attendance

Audit & Compliance Committee

Present	16 - Mar -16	13 - Apr -16	20 - Apr -16	30 - May -16	13 - Jun -16	18 - Aug -16	23 - Nov -16
Mr. Edward Quinlan (Chairman)	✓	✓	✓	✓	✓	✓	✓
Mr. Khalifa Al Romaithi	✓	✓	✓	✗	✓	✓	✓
Mr. Saba Sindaha	✓	🖥	🖥	🖥	🖥	✓	✓
Attending	Mr. Umar Saleem	Mr. Mohannad Sweid	Mr. Hamish Tyrwhitt	Mr. Hamish Tyrwhitt	Mr. Hamish Tyrwhitt	Mr. Hamish Tyrwhitt	Mr. Hamish Tyrwhitt
	Mr. Maher Tarazi	Mr. Umar Saleem	Mr. Umar Saleem	Mr. Umar Saleem	Mr. Umar Saleem	Mr. Umar Saleem	Mr. Steven Salo
	Mr. David Holiday	Mr. David Holiday	Mr. David Holiday	Mr. David Holiday	Mr. David Holiday	Mr. David Holiday	Mr. David Holiday
	Mr. Hari James Jose	Mr. Hari James Jose	Ernst & Young		Mr. Hari James Jose	Mr. Hari James Jose	Mr. Hari James Jose
	Ernst & Young	Ernst & Young				KPMG	KPMG
	KPMG	KPMG				PwC	PwC
	PwC						
	Deloitte						

Present ✓ Resigned ○ Video Conference Call 🖥 Absent ✗

Attendance

Nomination & Remuneration Committee

Present	20 - Apr -16	23 - May -16 Teleconference	14 - Jun -16	28 - Aug -16	23 - Nov -16
Mr. Roderick Maciver (Chairman)	✓	☎	✓	✓	✓
Mr. Khaldoun Tabari	✓	☎	✗	✓	✗
Mr. Ahmed Ramdan	✓	☎	✓	✗	✓
Attending	Mr. Hamish Tyrwhitt	Mr. David Holiday	Mr. David Holiday	Mr. David Holiday	Mr. David Holiday
	Mr. Ryno Greeff			Mr. Hamish Tyrwhitt	Mr. Hamish Tyrwhitt
				Willis Towers Watson	Mr. Chris Gordon
					Willis Towers Watson

Steering Committee

Present	17 - Jan -16	3 - Mar -16
Mr. Roderick Maciver (Chairman)	✓	✓
Mr. Mohannad Sweid	✓	✓
Mr. Ahmad Ramdan	✓	✓
Mr. Marwan Shehadeh	✓	✓
Attending	Mr. Walid Zakaria	Mr. Edward Quinlan
	Mr. Umar Saleem	Mr. David Holiday
	Mr. Ryno Greeff	Mr. Umar Saleem
	Mr. David Holiday	Mr. Robert Davies

Present ✓ Resigned ○ Conference Call ☎ Absent ✗

The Group CEO and Senior Management

Depa Limited's business is conducted by its officers and senior management, under the direction of the Group CEO. In carrying out Depa Limited’s business, the Group CEO and senior management are accountable to the Board and ultimately to the shareholders.

Role of the Group CEO

The primary role of the CEO is to define and execute Depa Limited’s vision, mission, values and strategy. The Group CEO is responsible for Depa Limited’s overall operations, profitability and sustainable growth. The Group CEO supervises and develops the operational and business plan and directs Depa Limited and aligns its employees towards the achievement of its objectives.

The Group CEO is expected to achieve sensible business objectives, forecasts and targets set by the Board, and to ensure that all operations are managed efficiently in terms of key resource allocation and profitability.

At Depa Limited, the Group CEO’s specific responsibilities include, but are not limited to, the following:

Strategic Performance

- defining and advocating Depa Limited’s vision, mission and values;
- executing Depa Limited’s overall strategic plans and ensuring that objectives set by the Board are met;
- providing input and ensuring the development of an effective and dynamic organisational and corporate structure that is well suited to Depa Limited’s strategic goals;
- leading critical negotiations and agreements that have a strategic/crucial impact on Depa Limited’s continuity, success or development;
- reviewing proposed acquisitions of any new business ventures, in conjunction with the Board;
- promoting Depa Limited’s image and business objectives to the external community and acting as the public relations officer with regards to establishing and maintaining relations with the market and third parties;
- coordinating with the senior management in formulation of goals and objectives for their respective functions as well as development of budgets;
- reviewing operating results of Depa Limited, comparing results to established objectives and ensuring appropriate measures are taken to correct deviations, if any;
- overseeing the adequacy and soundness of Depa Limited’s financial structure;
- establishing and maintaining relationships with key shareholders; and
- reviewing the developing organisation structures and policies and procedures and endorsing them to the Board.

Reporting Policy

- endorsing the monthly, quarterly, and year-end financial reports and senior management reports;
- endorsing and recommending financial statements to the Audit and Compliance Committee;
- reviewing the reports, recommendation and issues presented by senior management, and providing feedback and direction as required;
- managing a regular reporting process to the Board on Depa Limited’s plans, performance, issues and other important matters;
- performing periodic evaluation of direct reports and ensuring the existence of a continuous self-development programme for senior management; and
- preparing periodic and ad hoc reports to the Board as deemed necessary and reviewing reports prepared by direct reports and other concerned entities and taking actions as necessary.

The Group CEO and Senior Management - Cont.

Internal Audit and Risk Management

- ensuring the existence of proper corporate wide risk management activities and supporting the Investment and Risk Committee in its activities relating to investment and operational risk, and the Audit and Compliance Committee in its activities relating to financial risk;
- supporting the Audit and Compliance Committee to ensure the effectiveness and adequacy of implemented internal audit programmes;
- overseeing the implementation of IT systems and ensuring its effectiveness; and

Other Requirements

- ensuring appropriateness of the legal status of Depa Limited and the adherence to the applicable legal, labour, quality and business requirements and regulations;
- communication and performance evaluation;
- performing the duties of the primary spokesperson for Depa Limited;
- communicating business progress to the Board, shareholders and officers on a regular basis;
- serving as a primary contact for the Board and Committees. In doing so, the Group CEO communicates with the Board and Committees on a regular basis regarding the overall performance and plans of Depa Limited;
- encouraging and regulating internal and external communication and creating a transparent and collaborative working environment;
- ensuring the existence of proper and effective communication across Depa Limited;
  deciding on the recruitment of senior management in consultation with the Nomination and Remuneration Committee;
- establishing performance measures for senior management;
- managing the performance of senior management and assuming responsibility for their development, including regular performance reviews and development plans;
- ensuring the existence of succession plans for all key managerial positions, not within the remit of the Nomination and Remuneration Committee; and
- performing other duties as delegated by the Board and its Committees.

Role of Senior Management

Senior management's primary responsibilities broadly cover the oversight of the day-to-day operations of Depa Limited's business, strategic planning, budgeting, financial reporting and risk management. In fulfilling these responsibilities, senior management must balance the unique relationships between and amongst Depa Limited, its network of officers, investors and partners.

The primary role of senior management is to make decisions about the overall purpose and direction of Depa Limited and to ensure that resources are properly utilised to meet the aims and objectives of Depa Limited. Senior management play an important role in Depa Limited as both leaders and decision-makers.

Performance Evaluation

Board Performance Evaluation

The Board is evaluated by the Nomination and Remuneration Committee pursuant to the "Board Self Evaluation Test" which enables the Directors to anonymously evaluate their collective performance on an annual basis.

Group CEO & Senior Management Performance Evaluation

The Board expects the Group CEO and senior management to achieve annually set business objectives, forecasts and targets and ensure that all operating entities are managed efficiently in terms of key resource allocation and profitability.

Performance Evaluation - Cont.

As the Board and senior management strive for a balance between stakeholder value, growth, and its protection, the key hurdle they face is on how to translate this vision into reality. It is the practice of Depa Limited to operationalise the strategic objectives into measurable (S.M.A.R.T.) KPIs to ensure clear alignment between achievement of the KPIs (performance) and remuneration.

(S.M.A.R.T.) KPIs, including both financial and non-financial measures, are used to provide a useful snapshot of the performance of Depa Limited and link this to the Group CEO's and senior management's annual remuneration via Board approved short term and long term incentive plans. The KPIs used in this regard may include, but are not limited to:

- revenue growth;
- profit growth;
- backlog;
- working capital;
- return on capital and/or equity;
- earnings per share growth;
- number of debtor days outstanding;
- market share or distribution; and
- compliance incidents.

Risk Management and Internal Control

Depa Limited has established tailored processes for identifying, analysing and managing risks which would prevent the company from achieving its business objectives or strategies.

Delegation of Authority Matrix

Depa Limited's delegation of authority matrix is intended to be the guidance for authorization and empowerment, for decisions having financial and/or operational impact on Depa Limited and its operating entities. The key objective of the DoA is to delegate the Group Chief Executive Officer's powers and authorities in a formal manner suitable to the businesses' requirements. Cascading the Group CEO's powers and authorities appropriately throughout Depa Limited and its operating entities ensures:

- Decisions are taken at the correct level of responsibility; and
- Scopes of authority are clearly defined for each position thereby empowering positions to undertake their role properly.

Enterprise Risk Management

Depa Limited is a projects business. Operating entities manage enterprise risk through a stage-gate process by which each project is divided into stages or phases, separated by gates. At each gate, the continuation of the process is decided by an appropriately defined level of authority. Depending on the value of the project, the ultimate decision to proceed to final stage maybe made by an operating entity MD, the Group CEO, the Investment and Risk Committee or the Board only.

The decision is based on the information available at the time, including the business case, risk analysis, and availability of necessary resources.

Internal Audit Function

A progressive Internal Audit Function plays a critical role in providing senior management with an objective and comprehensive view of the business. Internal auditors seek to understand and document business processes, identify risk and controls, and validate that the controls are effective in mitigating risk. Through their reviews, internal auditors confirm adherence to policies, ethical standards and requirements and recommend areas for improvement.

Risk Management and Internal Control - Cont.

Compliance & Governance Function

Effective corporate governance and compliance is essential in ensuring the integrity and transparency of Depa Limited's operations and maintaining the confidence of stakeholders such as investors, clients and officers of Depa Limited. The objective of the Compliance & Governance Function is to take all appropriate measures to prevent Depa Limited suffering any losses due to non-compliance with applicable rules and regulations, codes of conduct, Depa Limited's policies and procedures and standards of best practice. The Compliance & Governance Function shall provide guidance to the Board and senior management on matters relating to corporate governance and compliance. The Compliance & Governance Manager shall be authorised to implement all necessary actions to ensure the achievement of the objectives of an effective Compliance & Governance Function.

Code for Share Dealing, Disclosure Requirements and Continuing Obligations under the DFSA Markets Rules

Directors and senior management may trade in Depa Limited's shares under restricted conditions. They must notify the DFSA, the Compliance & Governance Manager and the Company Secretary of trades in Depa Limited's shares. Rules and procedures implemented by the Board, relating to dealing in Depa Limited's shares are found in the Code for Share Dealing, Disclosure Requirements and Continuing Obligations under the DFSA Markets Rules.

Code of Conduct and Whistleblowing Policy

Sound conduct is essential for the long term continuity and success of Depa Limited. The Code of Conduct and Whistleblowing Policy, implemented by the Board, sets out the guiding principles by which Depa Limited must operate its business in order to achieve honesty and integrity in its dealings with its shareholders, officers, customers and vendors. The Code of Conduct and Whistleblowing Policy applies to the Board, senior management and all officers of Depa Limited.

Corporate Governance Best Practice Standards

Appendix 4 of the DFSA Markets Rules includes a set of Corporate Governance Best Practice Standards which may be adapted by a reporting entity. Other than as disclosed, the Group was in material compliance with these throughout the financial year.

11 Audited Financials

Directors’ report and consolidated financial statements for the year ended 31 December 2016

Directors' Report

Board of Director's Report

The Board of Directors present their report and audited financial statements of Depa Limited (the "Company") and its subsidiaries (together referred to as the "Group") for the year ended 31 December 2016.

Principal Activities

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

Results

During the year ended 31 December 2016, the Group earned revenues of AED 1,730.3 million (2015: AED 1,640.6 million). The Profit for the year amounted to AED 52.0 million (2015: loss of AED 272.7 million).

Auditors

PricewaterhouseCoopers were appointed as external auditors of the Group for the year ended 31 December 2016. PricewaterhouseCoopers are eligible for reappointment as auditors for 2017 and have expressed their willingness to continue in office.

Opinion of the Directors

The Directors are responsible for the preparation and presentation of the consolidated financial statements and for overseeing the Group's financial reporting process.

In the opinion of the Directors, the consolidated financial statements present truly and fairly, in all material respects, the consolidated financial position of Depa Limited ("the Company") and its subsidiaries (together "the Group") as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Taking into account the financial information of the Company as at 31 December 2016, the Directors believe that the Company has adequate resources to continue as a going concern.

Ibrahim Belselah
Chairman

Roderick Maciver
Vice Chairman

Independent auditor's report to the shareholders of Depa Limited

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Depa Limited ("the Company") and its subsidiaries (together "the Group") as at 31 December 2016, 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 2016;
- the consolidated statement of comprehensive income for the year ended 31 December 2016;
- the consolidated statement of financial position as at 31 December 2016;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

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

Our audit approach

Overview

Key Audit Matters	Recoverability of contract receivable 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 the directors 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 receivable balances Recoverability of contract receivable balances is a key matter for our audit. Even where the receivables have been agreed with the customer either through the original contracts or formal agreements of variations, claims and compensating events, uncertainty remains around the customer's ability to pay their dues to the Group. Contract receivable balances amount to AED 1.1 billion as at 31 December 2016, net of a provision of AED 137 million. Please refer to Note 15 (Trade and other receivables) and Note 16 (Constructions contracts) to the consolidated financial statements for further details.	We have focused on a number of contract receivable balances with the greatest uncertainty around recoverability. We have challenged the judgement applied by management in relation to their assessment of the required provision for impairment of these receivables. In doing so we assessed the likelihood of recoverability based on the available correspondence between the Group and the customer (and, where applicable, the main employer), the individual circumstances of each contract and our knowledge of the industry and the most recently publically available financial information of particular customers. We also considered historical impairment provisions recognised by the Group and the relevant subsequent outcomes.

Key audit matter	*How our audit addressed the key audit matter*
Recoverability of contract receivable balances (continued)	
Associated with this, the Group has commenced arbitration proceedings with two of its customers in order to obtain payment of certified works along with prolongation costs of the relevant completed projects. Management is confident that it will be able to recover these contract receivable balances in full and that no further provision is required in the consolidated financial statements in respect thereof. The Group also has an amount of significant long overdue balances from several customers for completed projects for which the Group is currently in discussion with either the customer or, in some cases, directly with the customer's main employer for the settlement of these balances and believes no further provision is required in respect thereof. In relation to the contracts subject to arbitration and to the projects with significant long overdue balances, AED 146 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 36 million is recorded in the consolidated financial statements. Please refer to Note 3.1 and Note 15 to the consolidated financial statements for further details.	In respect of contracts that are subject to arbitration, we evaluated the probability and timing of recovery of outstanding amounts by reference to the status of contract negotiations and arbitration proceedings along with other supporting documentation. We also made enquires of management-appointed legal counsel in respect of the current status of proceedings. We have ensured appropriate disclosures have been inserted in these consolidated financial statements.
Potential impairment of goodwill Goodwill, which arose on various acquisitions over several years, amounted to AED 297 million as at 31 December 2016. 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 group 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 CGU's.	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 expert which concludes that there is no impairment required as at 31 December 2016. We performed an evaluation of the independence and qualifications of the expert employed by management and reviewed their work including the findings and conclusions of the report.

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

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 recoverable amount is determined using the discounted cash flow model. The Group engaged an independent expert to assist in making the assessment. Please refer to Note 3 (Critical accounting estimates and assumptions) and Note 10 (Goodwill) to the consolidated financial statements where the impairment of non-financial assets has been discussed. The focus on this area due to the significant judgement involved in performing the impairment test and the significant prior year goodwill impairment charge. Given the materiality of goodwill in the Group's statement of financial position, the recognition of any further impairment could have a significant impact on the Group's statement of financial position and on its reported financial performance and earnings per share. In the current year there was no impairment loss recognised against goodwill.	The most significant assumptions in the impairment test were: - future cash flow growth rate; - profit margins; and - discount rate. As indicated in Note 10, of all potential variables the impairment model is the most sensitive to these three assumptions. We tested the impairment model's key assumptions as set out below: *Cash flow growth rate and profit margins* We have tested management's assumptions in relation to the expected future cash flows and management expert's report thereon. The mathematical accuracy of the cash flow model was tested and we also validated the inputs into the model. The inputs include the actual 2016 performance and the expected future growth rate in the Group's cash flows and profit margins. We have agreed the 2016 base data to the Group's accounting records and assessed the reasonableness of the growth rates based on historic performance and published external industry expectations. *Discount rate* Management assumed an average discount rate of 13.5%. We used our valuation knowledge to independently calculate the discount rate, taking into account independently obtained data from contracting companies of similar stage of operations.

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

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 and can span a number of reporting periods. The recognition of revenue and profit on these contracts in accordance with IAS 11 is based on the stage of completion of contract activity. This is assessed by reference to the proportion of contract costs incurred for the work performed at the balance sheet date relative to the estimated total costs of the contract at completion. Revenue on contracts is key audit matter for our audit because of the judgement involved in preparing suitable estimates of the forecasted costs. An error in the contract forecast could result in a material variance in the amount of revenue and subsequently profit or loss recognised to date and therefore in the current period. These judgements include the expected recovery of costs arising from the following: variations to the original contract terms, compensation events, and claims made against the contractor for delays or other additional costs for which the customer is deemed liable. The incorrect inclusion or calculation of these amounts in the contract forecast where there is uncertainty could result in a material error in the level of revenue and subsequently profit or loss recognised by the Group. Please refer to Notes 2.26 (Revenue recognition accounting policy) and Note 3 (Critical accounting estimates and assumptions) to the consolidated financial statements for further details.	We focused our work on those contracts with the greatest estimation uncertainty over the final contract values and therefore revenue and profit outcome. We challenged the judgements applied in management's forecasts, in particular the key assumptions which included the expected recovery from variations, claims and compensation events included in the forecast, and the historical financial performance and forecast out-turn against budget of other contracts of a similar nature and size and industry knowledge. We have had independent meetings with the various commercial teams and obtained documentation in the form of certifications and other relevant third party correspondence to corroborate the explanations provided to us. 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.

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

Other information

Management is responsible for the other information. The other information comprises the Directors' Report (but does not include the financial statements and our auditor's report thereon) which we obtained prior to the date of this auditor's report.

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, 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.

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2015 were audited by another firm of auditors whose report, dated 28 April 2016, expressed an unmodified opinion on those consolidated financial statements.

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 Limited (continued)

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

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

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

Report on other legal and regulatory requirements

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

PricewaterhouseCoopers
23 March 2017

PricewaterhouseCoopers

Murad Nsour
Partner
Place: Dubai, United Arab Emirates

Consolidated Statement of Profit or Loss

	Note	**2016 AED million**	2015 AED million
Revenue		**1,730.3**	1,640.6
Direct cost		**(1,406.2)**	(1,487.9)
Gross profit		**324.1**	152.7
General and administrative expenses		**(258.9)**	(332.5)
Operating profit/(loss)		**65.2**	(179.8)
Share of profit/(loss) from associates	11	**5.3**	(1.5)
Other income	4.1	**17.7**	51.0
Other expenses	4.2	**(12.2)**	(126.6)
Net - other income/(expenses)		**5.5**	(75.6)
Finance income		**1.4**	1.8
Finance cost		**(5.7)**	(4.6)
Net - finance cost		**(4.3)**	(2.8)
Profit/(loss) before tax		**71.7**	(259.7)
Income tax expense	5	**(19.7)**	(13.0)
Profit/(loss) for the year	6	**52.0**	(272.7)
Attributable to:			
Equity holders of the Parent		**45.5**	(265.5)
Non-controlling interests		**6.5**	(7.2)
		52.0	(272.7)
Earnings per share			
Basic and diluted earnings per share (AED)	7	**0.07**	(0.44)

The notes on pages 53 to 98 are an integral part of these consolidated financial statements

Consolidated Statement of Comprehensive Income

	Note	**2016 AED million**	2015 AED million
Profit/(loss) for the year		**52.0**	(272.7)
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**2.8**	(25.8)
Items not to be reclassified to profit or loss in subsequent periods:			
Actuarial gain/(loss) recognised	22	**0.3**	(3.0)
Other comprehensive income/(loss) for the year		**3.1**	(28.8)
Total comprehensive income/(loss) for the year		**55.1**	(301.5)
Attributable to:			
Equity holders of the Parent		**47.4**	(292.2)
Non-controlling interests		**7.7**	(9.3)
		55.1	(301.5)

The notes on pages 53 to 98 are an integral part of these consolidated financial statements

Consolidated Statement of Financial Position

	Note	2016 AED million	2015 AED million
ASSETS			
Non-current assets			
Property, plant and equipment	8	**211.7**	299.0
Investment properties	14	**40.7**	4.5
Intangible assets	9	**37.0**	55.6
Goodwill	10	**297.3**	297.3
Investment in associates	11	**44.7**	41.6
Available-for-sale investments	12	**19.1**	21.1
Contract retentions		**109.7**	89.9
Deferred tax assets		**1.1**	1.2
		761.3	810.2
Current assets			
Trade and other receivables	15	**829.0**	773.4
Held to maturity investments	13	**-**	9.2
Due from construction contract customers	16	**489.9**	451.4
Inventories	17	**63.7**	62.8
Cash and bank balances	28	**481.2**	382.9
		1,863.8	1,679.7
Total assets		**2,625.1**	2,489.9
EQUITY AND LIABILITIES			
EQUITY			
Share capital	18	**903.4**	903.4
Share premium		**700.4**	700.4
Share issuance costs		**(64.8)**	(64.8)
Treasury shares	19	**(16.5)**	(16.5)
Statutory reserve	20	**51.4**	51.2
Other reserve		**(5.3)**	(8.1)
Accumulated losses		**(311.9)**	(355.3)
Translation reserve		**(41.0)**	(42.6)
Equity attributable to equity holders of the Parent		**1,215.7**	1,167.7
Non-controlling interests		**5.4**	5.1
Total equity		**1,221.1**	1,172.8
LIABILITIES			
Non-current liabilities			
Borrowings	21	**45.6**	43.9
Employees' end of service benefits	22	**72.7**	71.9
Retentions		**6.9**	5.9
Deferred tax liabilities		**-**	0.2
Other non-current liabilities	24	**2.8**	2.4
		128.0	124.3
Current liabilities			
Trade and other payables	23	**1,099.2**	956.1
Borrowings	21	**157.5**	214.2
Income tax payable	5	**19.3**	22.5
		1,276.0	1,192.8
Total liabilities		**1,404.0**	1,317.1
Total equity and liabilities		**2,625.1**	2,489.9

The consolidated financial statements were approved for issue by the Board of Directors on 23 March 2017 and signed on its behalf.

Chairman

Director/ Chief Executive Officer

Chief Financial Officer

The notes on pages 53 to 98 are an integral part of these consolidated financial statements

Consolidated Statement of Changes in Equity

	Attributable to Equity Holders of the Parent										
	Share Capital AED million	Share Premium AED million	Share Issuance Costs AED million	Treasury Shares AED million	Statutory Reserve AED million	Other Reserve AED million	Accumulated Losses AED million	Translation Reserve AED million	Total AED million	Non-controlling Interests AED million	Total AED million
At 1 January 2015	903.4	700.4	(64.8)	(16.5)	50.1	(5.1)	(87.4)	(18.9)	1,461.2	28.3	1,489.5
Loss for the year	-	-	-	-	-	-	(265.5)	-	(265.5)	(7.2)	(272.7)
Other comprehensive loss	-	-	-	-	-	(3.0)	-	(23.7)	(26.7)	(2.1)	(28.8)
Total comprehensive loss	-	-	-	-	-	**(3.0)**	**(265.5)**	**(23.7)**	**(292.2)**	**(9.3)**	**(301.5)**
Transfer to statutory reserve	-	-	-	-	1.1	-	(1.1)	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	(11.7)	(11.7)
Acquisition of non-controlling interest	-	-	-	-	-	-	(1.3)	-	(1.3)	(2.2)	(3.5)
At 31 December 2015	**903.4**	**700.4**	**(64.8)**	**(16.5)**	**51.2**	**(8.1)**	**(355.3)**	**(42.6)**	**1,167.7**	**5.1**	**1,172.8**
Profit for the year	-	-	-	-	-	-	45.5	-	45.5	6.5	52.0
Other comprehensive income	-	-	-	-	-	0.3	-	1.6	1.9	1.2	3.1
Total comprehensive income	-	-	-	-	-	**0.3**	**45.5**	**1.6**	**47.4**	**7.7**	**55.1**
Transfer to statutory reserve	-	-	-	-	0.2	-	(0.2)	-	-	-	-
Employee share scheme	-	-	-	-	-	2.5	-	-	2.5	-	2.5
Dividends paid	-	-	-	-	-	-	-	-	-	(8.9)	(8.9)
Acquisition of non-controlling interest	-	-	-	-	-	-	(1.9)	-	(1.9)	1.5	(0.4)
At 31 December 2016	**903.4**	**700.4**	**(64.8)**	**(16.5)**	**51.4**	**(5.3)**	**(311.9)**	**(41.0)**	**1,215.7**	**5.4**	**1,221.1**

The notes on pages 53 to 98 are an integral part of these consolidated financial statements

Consolidated Statement of Cash Flows

	Note	2016 AED million	2015 AED million
Operating activities			
Profit/(loss) before tax		**71.7**	(259.7)
Adjustments for:			
Depreciation of property, plant and equipment	8	**36.5**	39.7
Impairment loss on property, plant and equipment	8	**0.8**	12.5
Amortisation and impairment of intangible assets	9	**12.1**	19.4
Gain on disposal of property, plant and equipment		**(0.2)**	(0.2)
Finance income		**(1.4)**	(1.8)
Finance cost		**5.7**	4.5
Allowance on trade receivables, retentions and unbilled revenue		**4.6**	78.2
Allowance for inventory obsolescence	17	**0.7**	-
Reversal of allowance on trade receivables, retentions and unbilled revenue	4.1	**(2.7)**	(31.9)
Impairment loss on goodwill	10	**-**	85.8
Impairment loss on investment in associates	11	**-**	14.9
Gain on sale of investment properties		**(1.1)**	-
Change in fair value of investment properties	14	**6.3**	-
Other long term provision		**2.5**	-
Impairment loss on available-for-sale investment	12	**2.0**	1.2
Share of (profit)/loss from associates	11	**(5.3)**	1.5
Amortisation of held to maturity investment		**-**	(0.4)
Provision for employees' end of service benefits	22	**11.4**	12.9
Operating cash flows before payment of employees end of service benefits, taxes and changes in working capital		**143.6**	(23.4)
Employees' end of service benefits paid	22	**(10.3)**	(13.0)
Income tax paid		**(22.8)**	(9.1)
Working capital changes			
Trade and other receivables		**(57.5)**	191.1
Inventories		**(1.6)**	11.9
Due from construction contract customers		**(38.6)**	19.5
Contract retentions		**(19.8)**	(16.7)
Other non-current assets		**-**	0.5
Retention		**1.0**	3.7
Trade and other payables		**142.9**	(141.0)
Other non-current liabilities		**0.3**	0.5
Restricted cash		**(54.9)**	18.8
Net cash flows from operating activities		**82.3**	42.8

The notes on pages 53 to 98 are an integral part of these consolidated financial statements

Consolidated Statement of Cash Flows - Cont.

	Note	**2016 AED million**	2015 AED million
Investing activities			
Purchase of property, plant and equipment	8	**(10.7)**	(9.3)
Proceeds from sale of property, plant and equipment		**8.8**	2.3
Proceeds from sale of intangible assets		**6.5**	-
Proceeds from sale of investment properties		**3.2**	2.1
Dividends/payments received from associates	11	**2.2**	1.9
Additional investment in subsidiaries		**(0.4)**	(3.5)
Proceeds from redemption of held to maturity investments		**9.2**	-
Decrease/(increase) in long term fixed deposits		**8.5**	(23.0)
Finance income received		**1.4**	1.8
Net cash flows from/(used in) investing activities		**28.7**	(27.7)
Financing activities			
Decrease in bank guarantee margin		**0.3**	6.2
Proceeds from long term borrowings		**-**	50.0
Dividends paid to non-controlling interests		**(8.9)**	(11.7)
Repayment of borrowings		**(72.1)**	(71.5)
Finance cost paid		**(5.7)**	(4.5)
Net cash flows used in financing activities		**(86.4)**	(31.5)
Net increase/(decrease) in cash and cash equivalents		**24.6**	(16.4)
Net foreign exchange difference		**10.4**	(16.3)
Cash and cash equivalents at the beginning of the year		**262.5**	295.2
Cash and cash equivalents at the end of the year	28	**297.5**	262.5

The notes on pages 53 to 98 are an integral part of these consolidated financial statements

Notes to the Consolidated Financial Statements to the Year End 31 December 2016

1 Corporate Information

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

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

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

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.

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, amendments and interpretations adopted by the Group

Certain new standards and amendments have been issued and are effective from period beginning 1 January 2016:

- IAS 1 (amendment), 'Presentation of financial statements' (effective from 1 January 2016);
- IFRS 11 (amendment), 'Accounting for acquisitions of interests in joint operations' (effective from 1 January 2016);
- IAS 16 (amendment), 'Property, plant and equipment' (effective from 1 January 2016);
- IAS 38 (amendment), 'Intangible assets' (effective from 1 January 2016);
- IAS 19 (amendment), 'Employee benefits' (effective from 1 January 2016);
- IFRS 10 (amendment), 'Consolidated financial statements' (effective from 1 January 2016); and
- IAS 28 (amendment), 'Investments in associates and joint ventures' (effective from 1 January 2016).

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

Notes to the Consolidated Financial Statements to the Year End 31 December 2016 - Cont.

Summary of Significant Accounting Policies - Cont.

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

(b) New and amended standards not yet adopted

Certain new standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning after 1 January 2016 or later periods, but have not been early adopted by the Group:

- IAS 7 (amendment), 'Statement of cash flow' (effective from 1 January 2017);
- IAS 12 (amendment), 'Income taxes' (effective from 1 January 2017);
- IFRS 9, 'Financial instruments' (effective from 1 January 2018);
- IFRS 15, 'Revenue from contracts with customers' (effective from 1 January 2018); and
- IFRS 16, 'Leases' (effective from 1 January 2019).

Management anticipates that these new and revised standards, interpretations and amendments will be adopted in the Group's consolidated financial statements for the year beginning 1 January 2017 or as and when they are applicable. The adoption of these new standards, interpretations and amendments are expected to have a material impact on the consolidated financial statements of the Group in the period of initial application and are currently being assessed by management for the concerned impact on the Group's consolidated financial statements.

2.2 Basis of consolidation

(a) Subsidiaries

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of comprehensive income.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Notes to the Consolidated Financial Statements to the Year End 31 December 2016 - Cont.

Summary of Significant Accounting Policies - Cont.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in consolidated statement of comprehensive income.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date. Any gains or losses arising from such re-measurement are recognised in consolidated statement of comprehensive income.

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 2.3.

(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. Depa Limited has only joint operations.

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 financial statements under the appropriate headings. For details of the joint operations refer to note 29.

(d) Changes in ownership interests

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

Notes to the Consolidated Financial Statements to the Year End 31 December 2016 - Cont.

Summary of Significant Accounting Policies - Cont.

2.3 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:

Name of Subsidiary	Country	Holding % 2016	Holding % 2015	Principal activities
Depa United Group PJSC	United Arab Emirates	**100%**	100%	Strategic management
Subsidiaries of Depa United Group PJSC				
Carrara Mid-East Industrial Co. L.L.C.	United Arab Emirates	**100%**	100%	Cutting, processing, polishing and fixing marble and granite
Deco Emirates Company L.L.C.	United Arab Emirates	**100%**	100%	Building, contracting and decoration activities and trading in furniture and related items and shops interiors
Depa (UK) Limited	United Kingdom	**100%**	100%	General commercial company
Depa Albarakah LLC	United Arab Emirates	**80%**	80%	Contracting of partitions and false ceilings and trading of gypsum products and false ceiling
Depa Azerbaijan LLC	Azerbaijan	**100%**	100%	Full scope fit out and furnishing of five star hotels, luxury villas and residential, hospitalities and services
Depa Construction LLC	United Arab Emirates	**100%**	100%	Interior and exterior decoration works and other related activities
Depa Décor, General Contracting & Maintenance Company LLC	United Arab Emirates	**100%**	100%	Interior decoration, contracting and general maintenance services for hotels and other entities
Depa for Hotels Egypt S.A.E.	Egypt	**92%**	92%	Decoration works, interior and exterior finishing for hotels, motels, tourist villages and Nile cruise ships

Notes to the Consolidated Financial Statements to the Year End 31 December 2016 - Cont.

Summary of Significant Accounting Policies - Cont.

2.3 Subsidiaries - cont.

Name of Subsidiary	Country	Holding % 2016	Holding % 2015	Principal Activities
Subsidiaries of Depa United Group PJSC (continued)				
Depa Germany Verwaltungs GmbH & Co. KG	Germany	**100%**	100%	Management activities of holding companies
Depa Hungary KFT	Hungary	**100%**	100%	Management activities of holding companies
Depa India Private Limited	India	**100%**	100%	Full scope fit out and furnishing of five star leasing hotels
Depa India RAK FZE	United Arab Emirates	**100%**	100%	Trading, imports and exports of carpets, chandeliers, home furniture, and light fitting and fixtures
Depa Industrial Group (DIG) LLC	United Arab Emirates	**100%**	90%	Contracting of wooden doors, frames, windows, building metal products and other joinery products as well as manufacture of home furniture
Depa Industrial Group Maroc s.a.r.l.	Morocco	**100%**	100%	Manufacturing and sale of wooden doors, wardrobes, furniture decoration
Depa Interiors LLC	United Arab Emirates	**100%**	100%	Fit out and furnishing of five star hotels, luxury villas and residential, hospitalities and services
Depa Jordan Investment WLL	Bahrain	**70%**	70%	Management activities of holding companies
Depa Mauritius	Mauritius	**100%**	100%	Management activities of holding companies
Depa Munich KG	Germany	**100%**	100%	Management activities of holding companies
Depa Qatar WLL	Qatar	**100%**	100%	Civil construction and related activities
Depa S.R.L.	Italy	**100%**	100%	Trading and selling furniture

Notes to the Consolidated Financial Statements to the Year End 31 December 2016 - Cont.

Summary of Significant Accounting Policies - Cont.

2.3 Subsidiaries - cont.

Name of Subsidiary	Country	Holding % 2016	Holding % 2015	Principal Activities
Subsidiaries of Depa United Group PJSC (continued)				
DEPA Saudi Arabia for Contracting & Interior Design Ltd	Kingdom of Saudi Arabia	**100%**	100%	Interior decoration, contracting and general maintenance services for hotels and other entities
Depa Syria S.A.E	Syria	**100%**	100%	Investment in real estate and all related services and activities
Depa USA Holding Company	United States of America	**100%**	100%	Holding company
Depamar s.a.r.l.	Morocco	**100%**	100%	Interior design, decoration works and construction of buildings
Design Studio Group Ltd	Singapore	**89.8%**	89.8%	Manufacture, supply and installation of panelling products to residential property projects. Interior fitting-out services to hospitality and commercial projects
Dragoni International LLC	United Arab Emirates	**60%**	60%	Interior design, furniture manufacturing and supply and fit out of soft and hard furnishings
El Diar 2	Mauritius	**100%**	100%	Management activities of holding companies
Eldiar Furniture Manufacturing & Dec Co LLC	United Arab Emirates	**100%**	100%	Manufacturing and sale of wooden doors, wardrobes, furniture decoration
Mivan Depa Contracting (Bahrain) WLL	Bahrain	**100%**	100%	Importing of décor materials and undertaking interior designs and décor contracts

Notes to the Consolidated Financial Statements to the Year End 31 December 2016 - Cont.

Summary of Significant Accounting Policies - Cont.

2.3 Subsidiaries - cont.

Name of Subsidiary	Country	Holding % 2016	Holding % 2015	Principal Activities
Subsidiaries of Depa United Group PJSC (continued)				
Paragon Creative Middle East LLC	United Arab Emirates	**51%**	51%	Building, maquette and model trading
Pino Meroni Wooden and Metal Industries S.A.E.	Egypt	**86%**	86%	Manufacturing of wooden and steel furniture
Project Division Company s.a.r.l.	Morocco	**100%**	100%	Investment in real estate and all related services and activities
The Parker Company (Asia) Ltd	Hong Kong SAR	**51%**	51%	Holding company and hospitality procurement
The Parker Company (Middle East) FZ-LLC	United Arab Emirates	**51%**	51%	Procurement services to hospitality industry
The Parker Company (Shanghai) Ltd	Hong Kong SAR	**51%**	51%	Hospitality procurement
The Parker Company AG	Switzerland	**51%**	51%	Hospitality procurement
The Parker Company LLC USA	United States of America	**51%**	51%	Hospitality procurement
Thrislington Gulf Co. L.L.C.	United Arab Emirates	**100%**	100%	Manufacturing and installation of office partitions
Vedder GmbH	Germany	**100%**	100%	Interior work, custom yacht interiors, custom made furniture
Vedder Munich GmbH*	Germany	**100%**	100%	Interior work, custom yacht interiors, custom made furniture
Wallersdorfer Solar GmbH	Germany	**100%**	100%	Management activities of holding companies

* Vedder Munich Gmbh was merged into Vedder Gmbh effective from 1 January 2016.

Notes to the Consolidated Financial Statements to the Year End 31 December 2016 - Cont.

Summary of Significant Accounting Policies - Cont.

2.4 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.

2.5 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.

2.6 Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the asset.

Summary of Significant Accounting Policies - Cont.

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. All other repairs and maintenance expenses are charged to the consolidated statement profit or loss in the year in which they are incurred.

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 - 5 years
Motor vehicles	4 - 5 years
Furniture and office equipment	3 - 5 years
Operating equipment and site tools	5 years
Site equipment	4 -10 years
Caravans	5 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of profit or loss.

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.

2.7 Investment Properties

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

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of consolidated comprehensive income in the year of retirement or disposal.

Transfers are made to investment properties when, and only when, there is a change in the use evidenced by ending of owner occupation, commencement of operating lease to another party or ending of construction or development. Transfers are made from investment properties when and only when, there is a change in use evidenced by commencement of owner occupation or commencement of development with a view of sale. In such cases, the fair value of the reclassified investment property at reclassification date becomes its cost for accounting purposes, with changes in the fair values included in the statement of consolidated comprehensive income in the year in which it was reclassified.

Notes to the Consolidated Financial Statements to the Year End 31 December 2016 - Cont.

Summary of Significant Accounting Policies - Cont.

2.8 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.

2.9 Intangible Assets

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

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

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

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

2.10 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.

2.11 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.

Notes to the Consolidated Financial Statements to the Year End 31 December 2016 - Cont.

Summary of Significant Accounting Policies - Cont.

2.12 Financial Assets

(a) Classification

The Group classifies its financial assets in the following categories:

- loans and receivables,
- held-to-maturity investments, 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 and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period. Refer note 32 for details about each type of financial asset.

(b) Recognition and measurement

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

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

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

When financial assets securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in consolidated statement of comprehensive income are reclassified to the consolidated statement of profit or loss as gains and losses from investment securities.

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

2.13 Impairment of Financial Assets

(a) Assets carried at amoritsed cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Summary of Significant Accounting Policies - Cont.

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 or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

(b) Assets classified as available-for-sale

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

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

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in consolidated profit or loss, the impairment loss is reversed through consolidated profit or loss.

2.14 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.

2.15 Trade and Other Receivables

Trade receivables are amounts due from customers for services rendered in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated statement of profit or loss. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to the consolidated statement of profit or loss.

2.16 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.

Summary of Significant Accounting Policies - Cont.

2.17 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.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued.

Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2.18 Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

2.19 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. The increase in provisions due to the passage of time are recognised as interest expense. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligation may be small.

2.20 Financial Liabilities

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

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

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of comprehensive income.

Notes to the Consolidated Financial Statements to the Year End 31 December 2016 - Cont.

Summary of Significant Accounting Policies - Cont.

2.21 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.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

2.22 Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

2.23 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. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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.

Notes to the Consolidated Financial Statements to the Year End 31 December 2016 - Cont.

Summary of Significant Accounting Policies - Cont.

Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised. 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.

2.24 Employees' End of Service Benefits

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

The Group provides for a number of post-employment defined benefit plans under several jurisdictions in which the Group operates. These benefits are un-funded. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method. Actuarial gains and losses for the defined benefit plans are recognised in full in the period in which they occur in comprehensive income. The past service costs are recognised as an expense in the consolidated statement of comprehensive income. The interest cost component is expensed to the statement of comprehensive income.

The defined benefit liability comprises the present value of the defined benefit obligations using a discount rate based on market yield rates. The Group has not 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.

2.25 Share-based Payments

During the year, the Group introduced an equity settled share-based compensation plan, 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 Group to employees of its subsidiaries.

2.26 Revenue Recognition

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

Notes to the Consolidated Financial Statements to the Year End 31 December 2016 - Cont.

Summary of Significant Accounting Policies - Cont.

The following specific recognition criteria must also be met before revenue is recognised:

(a) Contract revenue

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

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

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

Losses on contracts are assessed on an individual contract basis and provision is made for the full amount of the anticipated losses, including any losses relating to future work on a contract, in the period in which the loss is first foreseen.

The aggregate of the costs incurred and the profit/loss recognised on each contract is compared against progress billings at the year end. Where the sum of the costs incurred and recognised profit or recognised loss exceeds the progress billings, the balance is shown under as amounts ‘due from construction contract customers’. Where the progress billings exceed the sum of costs incurred and recognised profit or recognised loss, the balance is shown as amounts ‘due to construction contract customers’.

(b) Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity and not to the Group; and
- The costs incurred or to be incurred and amount of revenue in respect of the transaction can be measured reliably.

(c) Procurement services

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

(d) Interest income

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

(e) Dividend income

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

Notes to the Consolidated Financial Statements to the Year End 31 December 2016 - Cont.

Summary of Significant Accounting Policies - Cont.

(f) Rental income

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

2.27 Contract Costs

Contract costs comprise direct contract costs and other costs relating to the contracting activity in general and which can be allocated to contracts. In addition, contract costs include other costs that are specifically chargeable to the customer under the terms of the contracts.

Costs that cannot be related to contract activity or cannot be allocated to a contract are excluded from the direct cost and are included in general and administrative expenses.

2.28 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(a) Group as lessee

Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the consolidated statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(b) Group as lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3 Critical Accounting Estimates and Judgements

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

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

3.1 Critical Accounting Estimates and Assumptions

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

(a) Recognition of revenue from construction contracts

The Group uses the percentage-of-completion method in accounting for its construction contract revenue. Use of the percentage-of-completion method 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. Management considers that this is the most appropriate measure of determining the percentage-of-completion to arrive at the profit to be recognised for the year and to defer profits in excess of the overall estimated contract margin. Since project costs can vary from initial estimates, the reliance on the total project cost estimate represents an uncertainty inherent in the revenue recognition process. Individual project 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 Company uses internal quantity surveyors together with project managers to estimate the costs to complete for construction contracts. Factors such as changes in material prices, labor costs, defects liability costs and other costs are included in the construction cost estimates based on best estimates.

(c) Contract variations

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

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

Management has estimated the recoverability of contract receivables, retentions and amount due from customers and has considered the allowance required. Management has estimated the allowance for contract receivables, retentions and amount due from customers on the basis of prior experience, the current economic environment and the status of negotiations. Estimating the amount of the allowance requires significant judgment and the use of estimates related to the amount and timing of estimated losses based on historical loss experience, current disputes, consideration of current economic trends and conditions and contractor/employer-specific factors, all of which may be susceptible to significant change. An allowance is charged to operations based on management’s periodic evaluation of the factors previously mentioned, as well as other pertinent factors. 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.

Notes to the Consolidated Financial Statements to the Year End 31 December 2016 - Cont.

Critical Accounting Estimates and Judgements - Cont.

The Group has filed arbitrations against its customers to recover unpaid works along with prolongation costs for completed projects. Management is confident that it will be able to recover the receivable balances in full and no further provision is required in the consolidated financial statements. Group also has overdue contract balances for completed projects for which the Group is currently in discussion with either the customer or in some cases directly with the main employer for the settlement of these balances and believes no further provision is required.

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

(e) Property, plant and equipment

The Group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Management has not considered any residual value as it is deemed immaterial. During the year management performed assessments of both the fair value and value in use of property, plant and equipment and recognised the impairment loss amounting to AED 0.8 million (2015: AED 12.5 million) in the consolidated statement of profit or loss.

(f) Intangible assets

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

Management has not considered any residual value as it is deemed immaterial. During the year management performed assessments of both the fair value and value in use of intangible assets and recognised the impairment loss amounting to AED nil (2015: AED 1.2 million) in the consolidated statement of profit or loss.

(g) Employees' end of service benefits

The cost of the end of service benefits and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate and future salary increases. Due to the complexities involved in the valuation and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Further details about the assumptions used are set out in note 22.

(h) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the fair value less cost to sell (FVLC) 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 10 for further details.

Critical Accounting Estimates and Judgements - Cont.

(i) Taxes

Management has assessed the tax position in the jurisdictions it operates having regard to the local tax legislation, decrees issued periodically and related bilateral/international treaties and/or conventions. Interpretation of such legislation, decrees, bilateral/international treaties and/or conventions is not always clear and entails an assessment by fiscal authorities in the country in which the Group operates. Management believes that it is not liable for tax in the jurisdictions other than that provided.

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 establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues, depending on the conditions prevailing in the respective Group company's domicile. As the Group assesses the probability of litigation and subsequent cash outflow with respect to taxes as remote, no contingent liability has been recognised.

3.2 Critical judgements

(a) 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.

4.1 Other Income

	2016 AED million	2015 AED million
Interest income from held-to-maturity investment	**0.7**	1.3
Reversal of doubtful debts provision	**2.7**	31.9
Gain on disposal of property, plant and equipment	**0.3**	0.2
Reversal of other provisions	**7.6**	5.9
Net miscellaneous income	**6.4**	11.7
	17.7	51.0

4.2 Other Expenses

	2016 AED million	2015 AED million
Impairment loss on property, plant and equipment	**0.8**	12.5
Impairment loss on goodwill	**-**	85.8
Impairment loss on investment in associates	**-**	14.9
Impairment loss on available-for-sale investments	**2.0**	1.2
Foreign exchange losses	**9.4**	12.2
	12.2	126.6

Notes to the Consolidated Financial Statements to the Year End 31 December 2016 - Cont.

5 Income Tax

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

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

	2016 AED million	2015 AED million
Current tax	**19.8**	13.1
Deferred tax expense/(income)	**(0.1)**	(0.1)
	19.7	13.0

	2016 AED million	2015 AED million
Effective tax rate from taxable operations		
Profit before tax from operations which are taxable	**110.2**	85.6
Loss before tax from operations which are taxable	**(45.0)**	(94.4)
Profit/(loss) from operations before tax which are not taxable	**6.5**	(250.8)
Profit /(loss) before tax	**71.7**	(259.7)
Total income tax expense during the year	**19.7**	13.0
Effective tax rate on profit from operations which are taxable	**18%**	15%

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

	2016 AED million	2015 AED million
Profit/(loss) before tax	**71.7**	(259.7)
Tax at the domestic rates applicable to profits in the countries where the Group operates	**20.1**	13.2
Tax effect of non-deductible expenses	**0.5**	0.6
Income not subject to taxation	**(0.2)**	(0.1)
Tax exemption	**(0.3)**	(0.4)
Deduction on tax incentives	**(0.2)**	(0.3)
Excess provision in respect of prior year	**(0.0)**	(0.1)
Utilisation of deferred benefit	**(0.1)**	0.1
Others	**(0.1)**	-
	19.7	13.0

(b) Deferred tax balances

The following is the analysis of deferred tax assets/(liabilities) presented in the consolidated statement of financial position:

	2016 AED million	2015 AED million
Deferred tax assets	**1.1**	1.2
Deferred tax liabilities	**-**	(0.2)
	1.1	1.0
Current tax liability		
Current tax liability	**19.3**	22.5

Notes to the Consolidated Financial Statements to the Year End 31 December 2016 - Cont.

6 Profit for the Year

Profit for the year is stated after charging:

	2016 AED million	2015 AED million
Staff costs	**388.1**	416.5
Depreciation	**36.5**	39.7
Operating leases	**16.3**	18.1

7 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 607,860,365 shares (2015: 607,860,365 shares), which represent the outstanding shares of 614,726,448 (refer note 18), net of treasury shares of 6,866,083 (refer note 19).

	2016	2015
Basic earnings per share		
Profit attributable to ordinary shareholders (AED million)	**45.5**	(265.5)
Weighted average number of ordinary shares outstanding	**607,860,365**	607,860,365
Basic earnings per share (AED)	**0.07**	(0.44)
Diluted earnings per share		
Profit attributable to ordinary shareholders (AED million)	**45.5**	(265.5)
Weighted average number of ordinary shares outstanding	**607,860,365**	607,860,365
Adjustment for share awards	**2,980,922**	-
Adjusted weighted average number of ordinary shares outstanding	**610,841,287**	607,860,365
Diluted earnings per share (AED)	**0.07**	(0.44)

Share awards granted to employees under the Depa Limited Long Term Incentive Plan are considered to be potential ordinary shares. The share awards have not been included in the determination of basic earnings per share.

Notes to the Consolidated Financial Statements to the Year End 31 December 2016 - Cont.

8 Property, Plant and Equipment

	Land and Buildings AED million	Machinery, Plant and Equipment AED million	Motor Vehicles AED million	Furniture and Office Equipment AED million	Operating Equipment and Site Tools AED million	Site Equipment AED million	Caravans AED million	Capital Work-in-progress AED million	Total AED million
Cost									
At 1 January 2015	370.1	189.5	18.9	67.7	0.6	1.7	0.8	7.2	656.5
Transfers	-	0.2	-	-	-	-	-	(0.2)	-
Additions	0.4	1.9	0.9	4.0	-	-	-	2.1	9.3
Disposals	-	(2.8)	(1.7)	(2.5)	-	-	-	-	(7.0)
Exchange differences	(7.8)	(7.2)	(0.3)	(2.7)	-	-	-	(0.1)	(18.1)
At 31 December 2015	362.7	181.6	17.8	66.5	0.6	1.7	0.8	9.0	640.7
Transfers	-	-	-	3.3	-	-	-	(3.3)	-
Transfers to investment property	(49.9)	-	-	-	-	-	-	-	(49.9)
Additions	1.1	3.7	0.7	3.3	-	0.1	-	1.8	10.7
Disposals	(13.5)	(7.7)	(1.5)	(3.1)	-	(0.1)	-	-	(25.9)
Exchange differences	(6.4)	(7.8)	(0.3)	(2.7)	-	0.1	(0.1)	0.1	(17.1)
At 31 December 2016	294.0	169.8	16.7	67.3	0.6	1.8	0.7	7.6	558.5
Accumulated depreciation and impairment									
At 1 January 2015	119.2	115.1	18.0	48.3	0.4	1.7	0.3	-	303.0
Charge for the year	20.0	11.5	0.7	7.3	-	-	0.1	-	39.6
Impairment loss	5.9	-	-	-	-	-	-	6.6	12.5
Disposals	-	(1.8)	(1.7)	(1.4)	-	-	-	-	(4.9)
Exchange differences	(1.4)	(5.2)	(0.3)	(1.6)	-	-	-	-	(8.5)
At 31 December 2015	143.7	119.6	16.7	52.6	0.4	1.8	0.4	6.6	341.7
Charge for the year	18.8	10.0	0.6	6.8	-	0.1	0.2	-	36.5
Transfers to investment property	(5.1)	-	-	-	-	-	-	-	(5.1)
Impairment loss	0.8	-	-	-	-	-	-	-	0.8
Disposals	(5.9)	(7.0)	(1.6)	(2.7)	-	(0.1)	-	-	(17.3)
Exchange differences	(2.0)	(5.6)	(0.1)	(2.1)	-	0.1	(0.1)	-	(9.8)
At 31 December 2016	150.3	117.0	15.6	54.6	0.4	1.8	0.5	6.6	346.8
Net carrying amount									
At 31 December 2016	**143.7**	**52.8**	**1.1**	**12.7**	**0.2**	**-**	**0.2**	**1.0**	**211.7**
At 31 December 2015	219.0	62.0	1.1	13.9	0.2	-	0.4	2.4	299.0

Notes to the Consolidated Financial Statements to the Year End 31 December 2016 - Cont.

Property, Plant and Equipment - Cont.

The depreciation charge has been allocated in the consolidated statement of profit or loss as follows:

	2016 AED million	2015 AED million
Contract cost	**25.9**	28.2
General and administrative expenses	**10.6**	11.5
	36.5	39.7

9 Intangible Assets

	Brand Name AED million	Customer Relationships AED million	Software AED million	Total AED million
Cost				
At 1 January 2015	97.6	76.0	72.9	246.5
Additions	-	-	-	-
At 31 December 2015	97.6	76.0	72.9	246.5
Disposal	-	-	(10.5)	(10.5)
At 31 December 2016	97.6	76.0	62.4	236.0
Accumulated amortisation and impairment				
At 1 January 2015	49.5	66.2	55.8	171.5
Charge for the year	5.3	6.5	6.4	18.2
Impairment	1.2	-	-	1.2
At 31 December 2015	56.0	72.7	62.2	190.9
Charge for the year	5.8	3.3	3.0	12.1
Disposal	-	-	(4.0)	(4.0)
At 31 December 2016	61.8	76.0	61.2	199.0
Net carrying amount:				
At 31 December 2016	**35.8**	**-**	**1.2**	**37.0**
At 31 December 2015	41.6	3.3	10.7	55.6

10 Goodwill

Goodwill has been allocated for impairment testing purposes in the prior year at each individual legal entity level. However, during current year management changed operating and reporting structure of the Group. Accordingly, goodwill allocation has changed 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 CGUs is as follows:

	2016 AED million	2015 AED million
Design Studio Group	**144.0**	144.0
Depa Interiors Group	**72.6**	72.6
Vedder Group	**32.3**	32.3
The Parker Company	**17.0**	17.0
Linder Middle East	**16.5**	16.5
Deco Emirates Group	**14.9**	14.9
	297.3	297.3

Goodwill - Cont.

Annual Test for Impairment

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

Management concurred with the expert's calculation of the value in use of goodwill and concluded no impairment loss is required in 2016 (2015: AED 85.8 million).

Key Assumptions Used for Calculation of Value-in-use

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

- Growth rate;
- Profit margins; and
- Discount rate.

Growth rate: Estimates are based on forecasted growth rates in the industry and historical performance of each cash generating unit. An average growth rate of approximately 5% per annum was used in the estimates.

Profit margins: Estimates are based on assumption of achieving a stabilised level of performance based on the contracts in hand and expected orders. The effect of changes in economic conditions and the level of activity in the construction industry would impact the profit margins.

Discount rate: average discount rates used throughout the assessment period was 13.5% per annum (2015: 14.6% 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.

Sensitivity to Changes in Assumptions

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

11 Investment in Associates

Details of the Group's associates are as follows:

Name of Associate	**Country**	**Holding %**		
		2016	**2015**	**Principal Activities**
Al Tawasoul Property Development Company	United Arab Emirates	**16%**	16%	Property management and development
Decolight Trading LLC	United Arab Emirates	**45%**	45%	Trading of electrical and decoration materials
Jordan Wood Industries PLC (JWICO)	Jordan	**36%**	36%	Manufacturing of furniture
Polypod Middle East LLC	United Arab Emirates	**40%**	40%	Assembly of bathroom pods and other types of pods

Notes to the Consolidated Financial Statements to the Year End 31 December 2016 - Cont.

Investment in Associates - Cont.

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

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

	2016 AED million	2015 AED million
At 1 January	**41.6**	60.0
Share of profit/(loss)	**5.3**	(1.5)
Dividend received	**(2.2)**	(2.0)
Impairment loss	**-**	(14.9)
At 31 December	**44.7**	41.6

No individual associate is material to the Group.

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

	2016 AED million	2015 AED million
Current assets	**122.2**	107.9
Non-current assets	**201.0**	212.6
Total assets	**323.2**	320.5
Current liabilities	**78.5**	72.5
Non-current liabilities	**61.2**	76.8
Total liabilities	**139.7**	149.3
Net assets	**183.5**	171.2
Group's share of net assets of associates	**44.7**	41.6
Total revenue	**225.1**	137.3
Total profit/(loss) for the year	**13.7**	(1.7)
Group's share of profit/(loss) and total comprehensive income of associates	**5.3**	(1.5)

The Group has assessed that the investments in its associates are not impaired as at the year ended 2016 (2015: AED 14.9 million).

12 Availble-for-sale investments

	2016 AED million	2015 AED million
At 1 January	**21.1**	22.3
Impairment loss	**(2.0)**	(1.2)
At 31 December	**19.1**	21.1

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

13 Held to maturity investments

Held to maturity investment represents bonds carried at amortised cost which were redeemed upon maturity on 31 August 2016 (2015: AED 9.2 million).

Notes to the Consolidated Financial Statements to the Year End 31 December 2016 - Cont.

14 Investment Properties

	2016 AED million	2015 AED million
At 1 January	**4.5**	6.6
Transfer from property, plant and equipment	**44.8**	-
Disposal of investment property	**(2.3)**	(2.1)
Net loss on change in fair value and other adjustments	**(6.3)**	-
At 31 December	**40.7**	4.5

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

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

Office space in Dubai is valued using the sales comparison approach. Properties valued using the sales comparison approach take into account comparable properties in close proximity. These values are adjusted for differences in key attributes such as property size and quality of interior fittings. The most significant input into this valuation approach is price per square metre.

The fair value stated in the report is determined using parameter including transactions observable in the market (level 3). Rental income recognised during the year was AED 1 million in the consolidated statement of profit or loss (2015: AED nil).

15 Trade and Other Receivables

	2016 AED million	2015 AED million
Trade receivables	**480.5**	449.0
Contract retentions	**209.9**	195.2
	690.4	644.2
Less: Allowances for doubtful debts	**(92.7)**	(106.3)
Net- trade receivable and retentions	**597.7**	537.9
Guarantees encashed by customers	**74.6**	74.6
Less: Allowances for doubtful debts	**(74.6)**	(74.6)
Net- guarantee encashed	**-**	-
Amounts due from related parties (refer note 24)	**26.2**	19.4
Advances to subcontractors and suppliers	**71.0**	72.9
Prepayments	**22.0**	20.2
Other receivables and current assets	**112.1**	123.0
	829.0	773.4

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

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

The encashed guarantees (advance payment and performance bond guarantees) are related to certain contracts cancelled by a customer in 2012. In 2013, the Group served its notice of intent to proceed to arbitration in respect of these cancelled contracts.

Notes to the Consolidated Financial Statements to the Year End 31 December 2016 - Cont.

Trade and other receivables - Cont.

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

	2016 AED million	2015 AED million
At 1 January	**106.3**	82.2
Charge for the year	**2.5**	46.4
Reversal during the year	**(1.5)**	(18.6)
Amounts transferred/written off	**(14.6)**	(3.7)
At 31 December	**92.7**	106.3

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.

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

	2016 AED million Gross	**2016 AED million Provision**	2015 AED million Gross	2015 AED million Provision
Not yet due	**452.8**	**-**	388.4	-
Due for 91 to 180 days	**16.6**	**-**	34.3	-
Due for 181 to 365 days	**15.5**	**-**	30.7	2.3
Due for more than 365 days	**205.5**	**92.7**	191.0	104.0
	690.4	**92.7**	644.4	106.3

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

The Group has filed arbitrations against its customers to recover unpaid works along with prolongation costs for completed projects. Management is confident that it will be able to recover the receivable balances in full and no further provision is required in the consolidated financial statements. Also Group has overdue contract balances for completed projects for which the Group is currently in discussion with either the customer or in some cases directly with the main employer for the settlement of these balances and believes no further provision is required.

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

16 Construction Contracts

	2016 AED million	2015 AED million
Contracts in progress at end of the reporting period		
Amount due from construction contract customers	**533.8**	500.3
Less: Provision	**(43.9)**	(48.9)
Amount due from construction contract customers included in current assets	**489.9**	451.4
Amount due to construction contract customers included in accounts payable and accruals (refer note 23)	**(34.3)**	(17.2)
	455.6	434.2
Contract cost incurred plus recognised profits less recognised losses to date	**6,741.5**	6,197.8
Less: Progress billings	**(6,285.9)**	(5,763.6)
	455.6	434.2

Amount due from construction contract customers includes amounts which have been recognised as revenue and have not been billed at the end of the reporting period. The Group policy is to bill the customers in accordance with the relevant contract terms, which is generally between 60 to 120 days after completion of the relevant contract works.

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

	2016 AED million	2015 AED million
At 1 January	**48.9**	38.2
Charge for the year	**2.1**	31.8
Reversal during the year	**(1.2)**	(13.2)
Amounts written off	**(5.9)**	(7.9)
At 31 December	**43.9**	48.9

17 Inventories

	2016 AED million	2015 AED million
Raw materials	**66.5**	64.9
Finished goods	**2.2**	1.9
Work in progress	**6.3**	6.9
	75.0	73.7
Less: allowance for slow moving inventories	**(11.3)**	(10.9)
	63.7	62.8

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

	2016 AED million	2015 AED million
At 1 January	**10.9**	11.4
Charge for the year	**0.7**	-
Reversal/(write off) of allowance	**(0.3)**	(0.5)
At 31 December	**11.3**	10.9

Allowance for slow moving inventory is charged to direct cost.

Notes to the Consolidated Financial Statements to the Year End 31 December 2016 - Cont.

18 Share Capital

The share capital as at 31 December 2016 and 2015 comprises of the following:

	2016 AED million	2015 AED million
Authorised shares:		
5,000,000,000 ordinary shares of AED 1.47 (US$ 0.40) each	**7,350**	7,350
Issued and fully paid shares:		
614,726,448 ordinary shares of AED 1.47 (US$ 0.40) each	**903.4**	903.4

19 Treasury Shares

At 31 December 2016 and 2015, the number of treasury shares held was 6,866,083 amounting to AED 16,493,664.

The fair value of the treasury shares at the reporting date is AED 8.8 million (2015: AED 10.7 million).

20 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.

21 Borrowings

	2016 AED million	2015 AED million
Bank overdrafts	**57.0**	39.9
Bank loans	**81.6**	143.4
Trust receipts and acceptances	**64.5**	74.8
	203.1	258.1
The borrowings are repayable as follows:	**157.5**	214.2
Within 1 year	**19.5**	19.5
Between 1- 2 years	**26.1**	24.4
After 2 years	**203.1**	258.1
Presented in the consolidated statement of financial position as:		
Non-current liabilities	**45.6**	43.9
Current liabilities	**157.5**	214.2
	203.1	258.1

Bank Overdrafts

The interest rate on the overdrafts varies between EIBOR plus 2.7% to 5.0% per annum (2015: EIBOR plus 2.7% to 4.0%) and the bank base rate plus a margin per annum.

Borrowings - Cont.

Bank loans

These loans comprise the following:

- In 2013, the Group obtained a loan facility of AED 90 million from an United Arab Emirates bank for working capital purposes. The loan bears an interest of 3 months EIBOR plus 3.5% and is repayable in 12 quarterly instalments from 2 January 2014. At 31 December 2016, the outstanding balance was nil (2015: AED 30 million).

- In 2013, the Group obtained two separate loans facilities from a German bank to finance the purchase of fixed assets of Loher amounting to EUR 5.5 million and EUR 2.5 million. The loans bear a fixed rate of interest per annum of 2.75% and are payable in 120 monthly instalments, ending 30 May 2023. The outstanding balance of the loan as at 31 December 2016 was AED 18.5 million (EUR 4.8 million) (2015: AED 20.2 million (EUR 4.9 million)) and AED 7.8 million (EUR 2 million) (2015: AED 8.9 million (EUR 2.1 million)), respectively. The loans are secured by way of a charge on the land known as Wallersdorf Str. 17 in Haidlfing.

- 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 2016, the outstanding balance of the loan was AED 0.7 million (EUR 0.2 million) (2015: AED 1.0 million (EUR 0.3 million)).

- In 2014, the Group obtained a loan facility of AED 50 million from an United Arab Emirates bank. The loan bears an interest rate of 3 months EIBOR plus 3.5% per annum. The loan is repayable in 12 equal quarterly instalments beginning March 2015. At 31 December 2016, the outstanding balance is AED 16.7 million (2015: AED 33.3 million).

- In 2015, the Group obtained a loan facility of AED 50 million from an United Arab Emirates bank. The loan bears an interest rate of 3 months EIBOR plus 3.0% per annum. The loan is repayable in 11 equal quarterly instalments beginning May 2016. At 31 December 2016, the outstanding balance was 37.8 million (2015: AED 50 million).

The Group has various debt covenants related to its facilities which require maintaining certain financial ratios within stipulated limits as required by the banks. These financial ratios address the liquidity and capital structure of the Group (refer note 25).

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 4.5% to 7.0% per annum (2015: 4.5% to 8.0% per annum).

Securities

The majority of the Group bank facilities are secured by corporate guarantee. However, a number of the German bank loans are secured by land and buildings amounting to AED 30.5 (2015: AED 32.6 million) and equipment amounting to AED 4.7 (2015: AED 5.1 million).

22 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.

Notes to the Consolidated Financial Statements to the Year End 31 December 2016 - Cont.

Employees' End of Service Benefits - Cont.

The following tables summarise the components of net benefit expense recognised in the consolidated statement of comprehensive income:

	2016 AED million	2015 AED million
Net benefit expense		
Current service cost	**8.3**	9.1
Interest cost	**3.1**	3.8
Net expense recognised in the consolidated statement of profit or loss	**11.4**	12.9
Net actuarial losses recognised in consolidated statement of comprehensive income	**(0.3)**	3.0

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

	2016 AED million	2015 AED million
At 1 January	**71.9**	69.0
Current service cost	**8.3**	9.1
Interest cost	**3.1**	3.8
Benefits paid during the year	**(10.3)**	(13.0)
Actuarial losses recognised in consolidated statement of comprehensive income	**(0.3)**	3.0
At 31 December	**72.7**	71.9

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

	2016	2015
Discount rate per annum compound	**3.5%**	5%
Salary increase rate per annum compound		
Staff and workers	**3.0%**	4.5%

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.

23 Trade and Other Payables

	2016 AED million	2015 AED million
Trade payables	**234.6**	222.4
Amounts due to related parties (refer note 24)	**30.8**	28.7
Advances received	**373.0**	299.6
Subcontractor / suppliers retentions	**82.0**	86.7
Accrued expenses	**200.4**	196.0
Amount due to construction contract customers (refer note 16)	**34.3**	17.2
Other payables	**144.1**	105.5
	1,099.2	956.1

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

Notes to the Consolidated Financial Statements to the Year End 31 December 2016 - Cont.

24 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 and non-commercial transactions. The types of related party transactions are described below.

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 parties 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 costs of sales and management remuneration.

Amounts due from related parties (refer note 15)	**2016 AED million**	2015 AED million
Joint Operations		
Amounts due from joint operating partner – Lindner Depa Interiors LLC	**22.4**	14.7
Amounts due from joint operating partner – Lindner Middle East LLC	**1.4**	0.5
Amounts due from joint operating partner – CCEP & GTGCE	**1.2**	0.5
Other related parties		
Entities with common ownership and management		
Others	**1.2**	3.7
	26.2	19.4
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 management		
Arabtec Construction L.L.C., United Arab Emirates	**200.7**	194.7
Al Futtaim Trading Company L.L.C	**22.6**	-
Drake & Scull International, United Arab Emirates*	**-**	33.2
HAMG Real Estate LLC, United Arab Emirates*	**-**	5.5
Al Futtaim Engineering Egypt SAE, Egypt	**0.5**	9.6
Al Futtaim Carrillion LLC, United Arab Emirates	**79.9**	3.3
	303.7	246.3
Less: Allowance for doubtful related party receivables	**(9.4)**	(18.6)
	294.3	227.7

*As at 31 December 2016, Drake & Scull International and HAMG Real Estate LLC are not related parties.

Notes to the Consolidated Financial Statements to the Year End 31 December 2016 - Cont.

Related Parties - Cont.

	2016 AED million	2015 AED million
Amounts due to related parties (refer note 23)		
Joint Operations		
Amounts due to joint operating partner – CCC	**5.8**	5.2
Other related parties		
Entities with common ownership and management		
Lindner AG, Germany	**5.8**	10.9
Jordan Wood Industries PLC, Jordan	**0.7**	0.8
Other	**0.1**	-
Loans from related parties		
Lindner Fassaden GmbH, Germany	**18.4**	11.8
	30.8	28.7
Included in advances received are the following related party balances including amount due to customers on construction contracts		
Entities with common ownership and management		
Al Futtaim Trading Company L.L.C	**15.0**	-
Arabtec Construction L.L.C., United Arab Emirates	**2.4**	7.1
Al Futtaim Engineering Egypt SAE, Egypt	**8.0**	0.7
	25.4	7.8
Shown under non-current liabilities		
Due to a related party	**2.8**	2.4

The loan from Lindner Fassaden GmbH, Germany is due for repayment in 2017 and bears interest at 2.0% per annum (2015: 2.0% per annum).

	2016 AED million	2015 AED million
Related party transactions		
Entities with common ownership and/or management		
Revenue	**83.2**	119.0
Direct cost	**18.1**	21.7
Finance cost	**0.3**	0.1
Sale of property, plant and equipment	**13.5**	-

Compensation of Key Management Personnel

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

	2016 AED million	2015 AED million
Short-term compensations	**8.2**	8.8
End of service benefits	**0.5**	0.7
Employee share scheme	**2.5**	-
Director's fees	**1.6**	1.4
	12.8	10.9

Notes to the Consolidated Financial Statements to the Year End 31 December 2016 - Cont.

25 Commitments and Contingencies

	2016 AED million	2015 AED million
Letters of credit	**98.1**	65.7
Letters of guarantee	**800.3**	680.5
Security cheques issued	**3.6**	17.7

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

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

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

The Group has no committed capital expenditures for the year (2015: nil).

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

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

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. For further details please refer to note 3.1.

26 Material Partly-owned Subsidiaries

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

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

	2016 AED million	2015 AED million
Design Studio Group Ltd.	**10.2%**	10.2%

(b) Accumulated balances of material non-controlling interest

	2016 AED million	2015 AED million
Design Studio Group Ltd.	**28.3**	26.9

(c) Profit allocated to material non-controlling interest

	2016 AED million	2015 AED million
Design Studio Group Ltd.	**5.8**	4.5

Material Partly-owned Subsidiaries - Cont.

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

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

	2016 AED million	2015 AED million
Revenue	**482.3**	435.1
Gross profit	**108.8**	92.8
Profit before tax	**70.1**	52.4

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

	2016 AED million	2015 AED million
Current assets	**382.2**	293.6
Current liabilities	**187.4**	110.1
Non-current assets	**85.0**	94.0
Non-current liabilities	**-**	-

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

	2016 AED million	2015 AED million
Operating	**47.2**	66.2
Investing	**(1.9)**	(2.3)
Financing	**(44.4)**	(49.3)
Increase in cash and cash equivalents	**0.9**	14.6

27 Segment Information

In the prior year, the Group was operating as three distinct business segments; contracting, manufacturing and procurement consulting. However, during the current year, the Group has been reorganised into four key business units: Design Studio, Vedder, Depa Interiors Group 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 for the purposes of resource allocation and assessment of segment performance. The prior year numbers have been re-arranged to conform to the current year presentation. The principal products and services of each of these businesses are as follows:

Design Studio

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

Vedder

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

Notes to the Consolidated Financial Statements to the Year End 31 December 2016 - Cont.

Segment Information - Cont.

Depa Interiors Group

- 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.

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.

Investments and others

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

Notes to the Consolidated Financial Statements to the Year End 31 December 2016 - Cont.

Segment Information - Cont.

The following is the analysis of the Group's segments as at 31 December 2016 and 2015:

	Design Studio AED million	**Vedder** AED million	**Depa Interiors Group** AED million	**Deco Group** AED million	**Investments and others** AED million	**Eliminations** AED million	**Total** AED million
31 December 2016							
Revenue	**482.3**	**298.9**	**655.4**	**275.1**	**77.4**	**(58.8)**	**1,730.3**
Gross profit	**108.8**	**68.3**	**73.0**	**41.6**	**33.8**	**(1.4)**	**324.1**
Reportable segment profit/(loss)	**57.3**	**16.8**	**3.5**	**21.8**	**(37.8)**	**(9.6)**	**52.0**
Depreciation	**9.5**	**3.3**	**9.8**	**7.8**	**6.1**	**-**	**36.5**
Amortisation	**-**	**-**	**2.6**	**-**	**9.5**	**-**	**12.1**
Reportable segment assets	**467.2**	**413.4**	**1,345.3**	**287.5**	**3,412.4**	**(3,300.7)**	**2,625.1**
Reportable segment liabilities	**187.4**	**275.0**	**1,347.8**	**164.7**	**305.6**	**(876.5)**	**1,404.0**
Capital expenditure	**2.4**	**2.3**	**2.3**	**2.4**	**1.0**	**-**	**10.4**
31 December 2015							
Revenue	435.1	299.3	621.6	259.7	86.6	(61.7)	1,640.6
Gross profit	92.8	62.2	(64.3)	23.8	38.4	-	152.9
Reportable segment profit/(loss)	44.5	19.1	(169.2)	(5.3)	(64.3)	(97.5)	(272.7)
Depreciation	10.6	3.4	10.5	8.1	7.1	-	39.7
Amortisation	-	-	-	-	18.2	-	18.2
Reportable segment assets	387.6	387.0	1,183.1	275.9	3,390.2	(3,133.9)	2,489.9
Reportable segment liabilities	110.1	263.8	1,197.7	184.5	280.8	(719.8)	1,317.1
Capital expenditure	3.1	2.1	1.2	1.4	1.5	-	9.3

Notes to the Consolidated Financial Statements to the Year End 31 December 2016 - Cont.

Segment Information - Cont.

The following is the analysis of the Group's segments profit or loss for the year ended 31 December 2016 and 2015:

	Design Studio AED million	Vedder AED million	Depa Interiors Group AED million	Deco Group AED million	Investments and others AED million	Eliminations AED million	Total AED million
31 December 2016							
Revenue	**482.3**	**298.9**	**655.4**	**275.1**	**77.4**	**(58.8)**	**1,730.3**
Direct costs	**(373.5)**	**(230.6)**	**(582.4)**	**(233.5)**	**(43.6)**	**57.4**	**(1,406.2)**
Gross profit	**108.8**	**68.3**	**73**	**41.6**	**33.8**	**(1.4)**	**324.1**
General and administrative expenses	**(39.7)**	**(51.0)**	**(68.6)**	**(26.6)**	**(71.9)**	**(1.1)**	**(258.9)**
Share of profit/(loss) from associates	**-**	**-**	**-**	**-**	**5.3**	**-**	**5.3**
Net-other income/(expenses)	**0.6**	**6.9**	**12.1**	**6.8**	**(13.4)**	**(7.5)**	**5.5**
Net-finance cost	**0.4**	**(1.2)**	**(12.3)**	**-**	**8.4**	**0.4**	**(4.3)**
Income tax expense	**(12.8)**	**(6.2)**	**(0.7)**	**-**	**-**	**-**	**(19.7)**
Profit / (loss) for the year	**57.3**	**16.8**	**3.5**	**21.8**	**(37.8)**	**(9.6)**	**52.0**
31 December 2015							
Revenue	435.1	299.3	621.6	259.7	86.6	(61.7)	1,640.6
Direct costs	(342.4)	(237.1)	(685.9)	(236.0)	(48.3)	61.8	(1,487.9)
Gross profit/(loss)	92.7	62.2	(64.3)	23.7	38.3	0.1	152.7
General and administrative expenses	(41.3)	(43.5)	(133.5)	(31.4)	(99.2)	16.4	(332.5)
Share of profit/(loss) from associates	-	-	-	-	(1.5)	-	(1.5)
Net-other income/(expenses)	0.6	5.9	37	4.4	(9.5)	(114.0)	(75.6)
Net finance cost	0.4	(0.9)	(7.9)	(2.0)	7.6	-	(2.8)
Income tax	(7.9)	(4.6)	(0.5)	-	-	-	(13.0)
Profit / (loss) for the year	44.5	19.1	(169.2)	(5.3)	(64.3)	(97.5)	(272.7)

Depa Interiors Group profit includes AED 33 million of losses from non-operating entities (2015: AED 71.2 million).

Notes to the Consolidated Financial Statements to the Year End 31 December 2016 - Cont.

28 Cash and Cash Equivalents

	2016 AED million	2015 AED million
Cash on hand	**5.1**	5.7
Current accounts	**318.5**	268.9
Short term fixed deposits	**31.0**	27.8
Term deposits	**16.7**	25.2
Restricted cash	**109.9**	55.0
Margin money	**-**	0.3
Cash and bank balances	**481.2**	382.9
Short term deposits with maturity over three months	**(16.7)**	(25.2)
Restricted cash	**(109.9)**	(55.0)
Margin money	**-**	(0.3)
Bank overdraft (refer note 21)	**(57.1)**	(39.9)
Cash and cash equivalents	**297.5**	262.5

29 Joint operations

The Group has interest in the following joint operations:

Name of Joint Operations	**Country**	**Holding % 2016**	**Holding % 2015**	**Principal activities**
Depa/CCC – SKMC	Morocco	**50%**	50%	Contracting
Depa/CCC and GTGCE - The Presidential Palace	United Arab Emirates	**50%**	50%	Contracting
Lindner Depa Interiors LLC	United Arab Emirates	**51%**	51%	Manufacturing and trading in interior decoration partition and false ceiling products
Lindner Middle East LLC	United Arab Emirates	**51%**	51%	Trading of false ceilings, building and construction materials, decoration materials and partitions

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.

	2016 AED million	2015 AED million
Current assets	**179.5**	163.6
Non-current assets	**0.1**	15.3
Current liabilities	**163.6**	163.0
Non-current liabilities	**0.3**	0.2
Contingent liabilities	**0.9**	17.9
Revenue	**68.3**	149.6
Expenses	**64.5**	139.6
Income for the year	**3.8**	10.0

Notes to the Consolidated Financial Statements to the Year End 31 December 2016 - Cont.

30 Operating Lease Arrangements

At the reporting date, the Company had an outstanding commitment under a non-cancellable property lease, which falls due as follows:

	2016 AED million	2015 AED million
Due within 1 year	**10.3**	9.5
Due within 2 to 5 years	**5.8**	8.9
Longer than 5 years	**43.9**	44.5
	60.0	62.9

31 Financial Risk Management

31.1 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 oversee the management of these risks. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

(a) 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 2016, if these had weakened/strengthened by 10% against the AED, the profit for the year would have been higher/lower by AED 35.8 million (2015: AED 34.0 million).

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

	2016		2015	
	Liabilities AED million	**Assets AED million**	Liabilities AED million	Assets AED million
Azerbaijan New Mana't	**22.4**	**0.2**	23.8	0.3
Bahraini Dinar	**13.0**	**6.2**	13.0	6.5
British Pound	**14.7**	**-**	18.4	3.2
Egyptian Pound	**44.5**	**16.0**	52.4	34.0
Euro	**282**	**422.5**	263.5	389.2
Indian Rupee	**19.6**	**16.4**	13.3	9.8
Moroccan Dirham	**43.0**	**48.0**	55.0	59.7
Qatari Riyal	**74.3**	**106.6**	95.2	109.8
Saudi Riyal	**150.3**	**82.2**	139.3	82.1
Singaporean Dollar	**183.6**	**459.3**	110.1	386.6
Syrian Pound	**2.3**	**1.3**	1.3	1.1
US Dollar	**105.7**	**136.7**	50.1	76.8

Notes to the Consolidated Financial Statements to the Year End 31 December 2016 - Cont.

Financial Risk Management - Cont.

(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's unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. 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 of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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

At 31 December 2016, if interest rates on borrowings had been 0.5% higher/lower with all other variables held constant, profit for the year would have been AED 0.1 million (2015: AED 0.2 million) lower/higher, mainly as a result of higher/lower interest expense.

(b) Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities including contract, retention and trade receivables, due from related parties and bank balances. Trade and contract receivables consist of a number of customers, spread across diverse industries and geographical areas. The terms of payment are specified in formal signed contracts with customers.

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

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 and other receivables from the Group's twenty largest customers is AED 256 million (2015: AED 238 million) at the end of the reporting period. Management is confident that the concentration of credit risk at the year-end will not result in a loss to the business as these customers have an established track record of meeting their financial commitments.

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

Notes to the Consolidated Financial Statements to the Year End 31 December 2016 - Cont.

Financial Risk Management - Cont.

(c) 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.

	Less than 12 months AED million	**1 to 5 years AED million**	**>5 years AED million**	**Total AED million**
As at 31 December 2016				
Trade and other payables (including retentions and excluding advances)	**726.2**	**6.9**	**-**	**733.1**
Borrowings	**160.5**	**30.9**	**18.1**	**209.5**
Other non-current liabilities	**-**	**2.8**	**-**	**2.8**
	886.7	**40.6**	**18.1**	**945.4**

	Less than 12 months AED million	1 to 5 years AED million	>5 years AED million	Total AED million
As at 31 December 2016				
Trade and other payables (including retentions and excluding advances)	656.5	5.9	-	662.4
Borrowings	220.7	24.0	22.1	266.8
Other non-current liabilities	-	2.4	-	2.4
	877.2	32.3	22.1	931.6

31.2 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 2016 and 2015.

Financial Risk Management - Cont.

31.3 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 2016.

	Level 1 AED million	**Level 2 AED million**	**Level 3 AED million**	**Level 4 AED million**
Assets for which fair values are disclosed				
Investment properties	-	-	**40.7**	**40.7**
Total assets	-	-	**40.7**	**40.7**

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2015.

	Level 1 AED million	**Level 2** AED million	**Level 3** AED million	**Total** AED million
Assets for which fair values are disclosed				
Investment properties	-	-	4.5	4.5
Total assets	-	-	4.5	4.5

Notes to the Consolidated Financial Statements to the Year End 31 December 2016 - Cont.

32 Financial Instruments

Financial instruments comprise financial assets and financial liabilities as follows:

	Assets at FVPL AED million	Financial assets at amortised cost AED million	Total AED million
Financial assets 2016			
Trade and other receivables (including retentions)*	**-**	**845.7**	**845.7**
Available-for-sale investments	**19.1**	**-**	**19.1**
Investment in associates	**-**	**44.7**	**44.7**
Cash and bank balances	**-**	**481.2**	**481.2**
	19.1	**1,371.6**	**1,390.7**
2015			
Trade and other receivables (including retentions)*	-	590.4	590.4
Held to maturity investments	-	9.2	9.2
Available-for-sale investments	21.1	-	21.1
Investment in associates	-	41.6	41.6
Cash and bank balances	-	328.9	328.9
	21.1	970.1	991.2

* Excluding prepayments and advances to subcontractors and suppliers

	Liabilities at amortised cost AED million	Total AED million
Financial liabilities		
2016		
Trade and other payables (including retentions)**	**733.1**	**733.1**
Other non-current liabilities	**2.8**	**2.8**
Borrowings	**203.1**	**203.1**
	939.0	**939.0**
2015		
Trade and other payables (including retentions)**	662.4	662.4
Other non-current liabilities	2.4	2.4
Borrowings	258.1	258.1
	922.9	922.9

** Excluding advances received

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

Notes to the Consolidated Financial Statements to the Year End 31 December 2016 - Cont.

33 Reclassification

The following corresponding numbers have been re-arranged to conform to current year presentation;

- AED 18.8 million of direct costs have been reclassified as general and administrative expenses
- AED 12.2 million of general and administrative expenses have been reclassified as non-operating expenses.

33 Approval of Consolidated Financial Statements

The consolidated financial statements were approved by management and authorised for issue on 23 March 2017.