Depa Limited

2017 Annual Report

Contents

Depa Group

Depa Group's mission is to deliver sustainability, profitability and performance to its clients, shareholders and employees through realising its vision of becoming the global leader in interior solutions.

Listed on the Nasdaq Dubai and headquartered in the United Arab Emirates (UAE), Depa provides a solid supporting structure and guidance to its key business units. These key business units are: Depa Interiors; Deco Group (including Eldiar and Carrara); Design Studio Group; and Vedder. Centred around three operating hubs in the UAE, Germany and Singapore, Depa's key business units employ thousands of people worldwide.

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

Depa’s Key Business Units

Vedder
German-based Vedder delivers unique projects for luxury yachts, private residences, hotels, commercial and retail spaces and exclusive specialist projects such as private aircraft. With over 125 years of German engineering experience, Vedder employs more than 350 specialist staff at its two innovative production facilities, providing clients with a truly VIP service.

Depa Interiors
Depa Interiors is a market leader in the fit-out and furnishing of five-star hotels and resorts, luxurious offices, large-scale transport and social infrastructure projects such as airports, metro stations and museums, and residential projects such as apartments, villas and palaces.

Deco Group
Deco Group is one of the most experienced interior contractors and furniture manufacturers in the Middle East, offering high standards of construction, manufacturing, design and project management for the retail and commercial sectors. Deco Group’s services include a range of design solutions, such as interior fit-outs for retail outlets and offices, interior design, joinery works, contract furnishing, refurbishment works and space planning.

Design Studio Group
Design Studio Group is an expert in delivering functional and creative office, hospitality, residential and retail spaces. The company is considered one of Singapore’s premier furniture manufacturers and interior fit-out specialists. Design Studio Group manufactures high-quality interior products for large-scale residential developments and delivers fit-out services for hospitality, commercial and cruise liner clients.

Mission

Global Interior Solutions

Vision

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

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

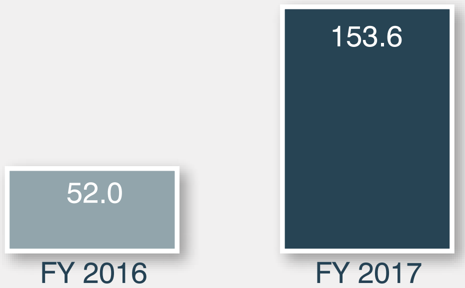
We will be consistently productive by working together as a team, sharing knowledge, innovating, collaborating, inspiring and enhancing the overall business. We will embrace and welcome change as a catalyst for creating opportunities. We will work to identify and eliminate risks.

Exceptional Service

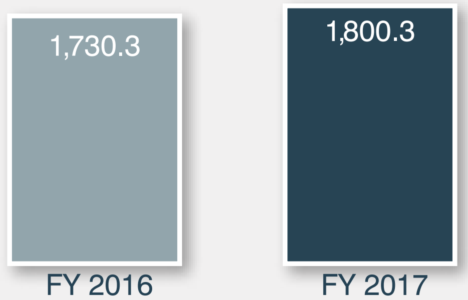
By building strong, sustainable and healthy relationships we will deliver on our promise and enhance our reputation and credibility. We will stay motivated and focused to provide competitive solutions tailored for our clients.

Highlights

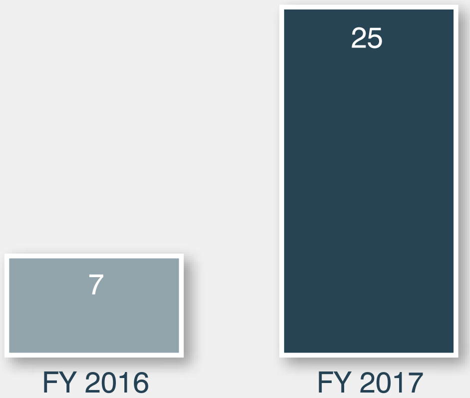
Full year net profit of
AED 153.6mn



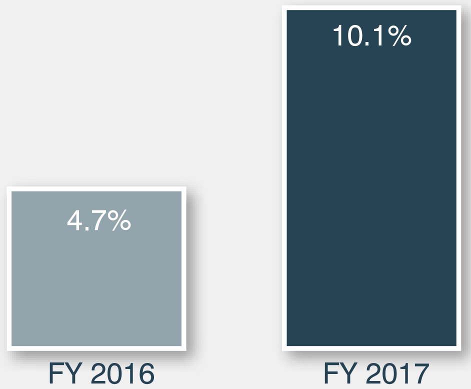
Robust revenue growth:
revenue of AED 1,800.3mn



Earnings per share
UAE 25 fils



Strong margins:
EBIT margin of 10.1%

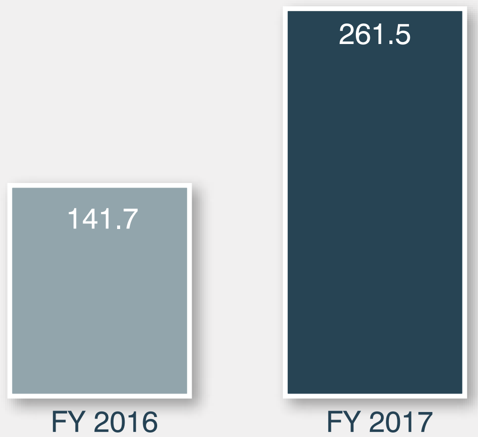


DIVIDEND
UAE 8.5 fils (ordinary) +
UAE 7.0 fils (special)

Healthy backlog of
AED 1,794mn

First dividend since 2010

Robust balance sheet:
AED 261.5mn net cash
(ex-restricted) at year-end



Chairman's Message

Another year of strong performance

It is my pleasure to be able to report on another year of strong performance by Depa. The Group's goal to generate long-term sustainable shareholder value is well underway, with Depa continuing to build on the successful performance of 2016. Notably, Depa paid its first ordinary dividend since 2010 in September 2017. In addition to this, we will be seeking shareholder approval for a final ordinary dividend of UAE 6.0 fils per share plus a special dividend of UAE 7.0 fils per share.

The Group is showing positive trends across several key metrics, delivering robust revenue growth, strong margins and net profit. Management's collection of several long-outstanding receivables has resulted in the Group materially strengthening its balance sheet, meaning that Depa is now well placed to leverage organic and inorganic opportunities for growth in its core markets.

Important corporate initiatives implemented in 2016 and 2017 have delivered results, including several cost saving programmes and increased collaboration between the Group's key business units.

> "The Group is showing positive trends across several key metrics, delivering robust revenue growth, strong margins and net profit."

The Group's geographic diversity has again proven to be a strength, with its European and Middle Eastern key business units performing well in 2017. Pleasingly, Vedder continued its strong performance, securing a number of sizable projects during the year.

Depa Interiors continued to see improvements in financial performance; this was driven by the collection of a number of long-outstanding receivables, underpinned by strong operational performance on its current project portfolio. Deco Group delivered its largest project to date in the Robinsons department store project in Dubai Festival City, and continued to secure projects with several major retail clients. Design Studio Group secured several projects in its primary market of Singapore, as well as winning work in Malaysia, Thailand and China.

A Group-wide strategic review was undertaken in 2017, the result of which demonstrates that the Group is now well positioned to move into a new phase of growth. The focus is now on continued investment in organic growth, with the Board assessing acquisitive opportunities for inorganic growth.

Management will continue to collect outstanding receivables and further improve operational performance, ensuring that the Group retains existing clients and maintains its reputation as a high-end interior manufacturer and fit-out partner of choice. The strategic review also identified several areas of rationalisation which will enhance shareholder value.

The Group's backlog is healthy and the outlook remains positive. Prospects for the Group in its target markets remain strong, with demand for the specialist global interior solutions offered by Depa Group expected to continue.

The Board has approved several actions to enhance the liquidity of Depa's shares. SHUAA Capital International was appointed as the Group's liquidity provider. The appointment of SHUAA Capital International is expected to provide our shareholders with numerous benefits, including a tighter spread, reduced transaction costs and an improved ability to trade in and out of the Company's shares.

The Board also approved the conversion of Depa's listing currency from US Dollars to UAE Dirhams; this is expected to make Depa's shares more attractive to GCC regional investors, both institutional and retail.

I would like to thank Depa's shareholders for their continued trust. I am optimistic about capitalising on the Group's strong position and look forward to delivering the goal of generating sustainable long-term shareholder value.

Mr. Mohamed Al Mehairi
Non-Executive Chairman | Depa Limited

Group CEO Operational Review

The momentum continues

The momentum created in 2016 has carried through into 2017 and is reflected in the Group's strong performance, setting the Group up well for 2018.

The strategic review completed in 2017 has reinforced the rationale for the 2016 reorganisation of the Group. The strategic review also resulted in the identification of non-core assets and disposal plans have been established for each of these.

During the year, the Group-wide focus on cash collection resulted in several major long-outstanding receivables being collected. The collection of the remaining long-outstanding receivables will continue to be pursued in 2018. However, the Group's focus is less on the past and more on the future: delivering existing projects for our clients and winning new quality projects.

> "The Group's focus is less on the past and more on the future: delivering existing projects for our clients and winning new quality projects."

Depa continued to invest in and grow a strong leadership team, with several key appointments made in the key business units. The Group continued to embed a performance driven culture and completed an organisational review, establishing a consistent and appropriate salary and grading structure across the Group globally. 2018 will see further work in this area deliver savings through an organisational mapping process to identify where each key business unit can achieve efficiencies and productivity savings.

During 2017, the roll-out of the Group's four-gate work winning system was completed and the business is now utilising the system to manage the Group's risk profile. This system provides: a) increased win-rates, given more effort can be focused on the projects with the best chance of success; b) enhanced profitability as the most financially-rewarding projects are pursued; c) 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.

The Group continues to invest in organic growth, while continuously assessing acquisition opportunities against its strategic and financial objectives. The strategic review completed in 2017 identified the areas where organic investment is required and where inorganic growth will be pursued with a view to maximising long-term sustainable shareholder value.

Each of the Group's key business units are individually well placed to deliver success in 2018.

Key Business Units

Vedder

The Group's European business, Vedder, which is focused on the superyacht, private jet and high-net worth residence fit-out market, had a strong year. Vedder generated revenue of AED 344.6mn and profit of AED 33.0mn, representing an increase in revenue of AED 45.7mn or 15% on 2016 (AED 298.9mn) and an increase in profit of AED 16.2mn or 96% on 2016 (AED 16.8mn).

Vedder delivered an EBIT margin of 13.4%, up strongly on 2016 (8.1%). The 2016 merger of Vedder's businesses, between its factories in Ludinghausen and Haidfling, helped to drive efficiencies in 2017.

Vedder is widely recognised as the world's leading interior fit-out service provider for superyachts. Its reputation and longevity is testament to the quality of its work. As a result, Vedder continues to secure major projects from Europe's leading shipyards and in late 2017 won a major residential project in Florida. With Vedder's backlog at record levels and its market leading position, Vedder is well positioned going into 2018.

Depa Interiors

Depa Interiors is the Group's Middle Eastern business providing fit-out services to the hospitality, residential, commercial, and transport and civil infrastructure sectors. 2017 was a strong year for Depa Interiors. The business generated revenue of AED 837.4mn and profit of AED 131.7mn, representing an increase in revenue of AED 182.0mn or 28% on 2016 (AED 655.4mn) and an increase in profit of AED 128.2mn on 2016 (AED 3.5mn).

Depa Interiors delivered an EBIT margin of 18.7%, up strongly on 2016 (3.3%). The improvement in financial performance was driven by the collection of a number of long-outstanding receivables underpinned by strong operational performance on its current project portfolio. The year saw Depa Interiors resolve and receive payment in respect of an iconic Dubai project completed in 2010; and reach settlement and receive payment in respect of a project that was initiated in 2012.

During 2017, Depa Interiors completed a review of its business development and work winning strategy, the result of which was the implementation of a new client relationship management approach which better targets and services major repeat and new clients. This client-driven approach to business development will be developed over the course of 2018.

Depa Interiors secured several major contracts in 2017, including a project for a government ministry in Jeddah, the Double Tree and Hilton Garden Inn in Riyadh and a private beach residence in Abu Dhabi. Depa Interiors continues to pursue a pipeline of opportunities within its addressable market in the UAE, driven by Dubai's preparations for Expo 2020.

Deco Group

Middle East-based Deco Group comprises Deco, which is focused on the high-end retail and commercial fit-out sectors, carpentry and joinery experts Eldiar, and Carrara, which supplies and installs premium marble, stone and granite. Deco Group had yet another good year.

The Group generated revenue of AED 283.6mn, representing an increase in revenue of AED 8.5mn or 3% on 2016 (AED 275.1mn). Profit for the year was AED 16.3mn (2016: AED 21.8mn), with the decrease a result of a select number of loss making projects in Eldiar.

Deco Group delivered an EBIT margin of 5.9% (2016: 8.2%).

2017 saw Deco Group deliver its largest contract to date, the new Robinsons department store at Dubai's Festival City. During the year, Deco Group also completed a retail fit-out project in the Dubai Mall for a leading US-based global electronics brand.

Deco Group has also secured new work on several Dubai Mall stores, including Dolce & Gabbana, Valentino and Bottega Veneta (a new client).

In 2017, Carrara secured premises neighbouring one of its existing factories; Carrara is in the final stages of relocating all of its operations from its other two factories into this sole extended premises. The consolidation of Carrara's factories is expected to generate significant efficiencies and productivity savings.

Additionally, Deco Group is in the process of merging Eldiar's operations with its own, providing Deco Group's high-end retail and commercial offering with Abu Dhabi-based manufacturing facilities. This combination will result in further rationalisation savings over the course of 2018.

Design Studio Group

The Group's Asian business, Design Studio Group, made significant operational progress during the year under its new leadership team. Whilst revenue and profit were down on 2016, Design Studio Group is now much better placed to win work and achieve sustainable cash-backed profit as it enters 2018. In 2017, Design Studio Group generated revenue of AED 366.9mn (2016: AED 482.3mn) and profit of AED 4.7mn (2016: AED 57.3mn).

Design Studio Group delivered an EBIT margin of 1.6%, down on 2016 (14.4%).

Design Studio Group's revenue generation was affected by a slow-down in a number of its key markets, with Singapore contributing significantly less revenue in 2017 than the prior year. From a profit perspective, Design Studio Group saw a number of projects experience cost overruns and reduced margins, impacting current year profit. Material restructuring costs were also incurred during the year in order to reduce manufacturing costs going forward.

From an operational perspective, Design Studio Group merged its Singaporean operations, reorganised its management and restructured its manufacturing facilities during 2017. The business continued to win opportunities both within its target markets of Singapore and Malaysia, as well as the Middle East, Thailand, China and other international markets. Contract wins included the Funan DigitaLife Mall and the Outpost Sentosa Hotel in Singapore; the Citizen M Hotel and Robinsons department store in Kuala Lumpur; and the Shenzhen Hengyu Residences in China.

Group Backlog

During the year, the Group secured a number of major contracts, including a residential project in Florida; a project for a government ministry in Jeddah; a superyacht project in Germany; the Dubai Mall Dolce & Gabbana and Bottega Veneta stores; the Funan DigitaLife Mall and the Outpost Sentosa Hotel in Singapore; the Citizen M Hotel and Robinsons department store in Kuala Lumpur; and the Shenzhen Hengyu Residences in China.

Depa ended the year with a backlog of AED 1,794mn. The backlog remains healthy, with the Group pursuing a strong pipeline of opportunities in its global addressable market. Dubai's Expo 2020, global superyacht orders, the market leading position of Depa's key business units, together with strong growth in the Group's core markets, provide strong tailwinds for Depa to continue to grow its backlog with attractive, profitable projects.

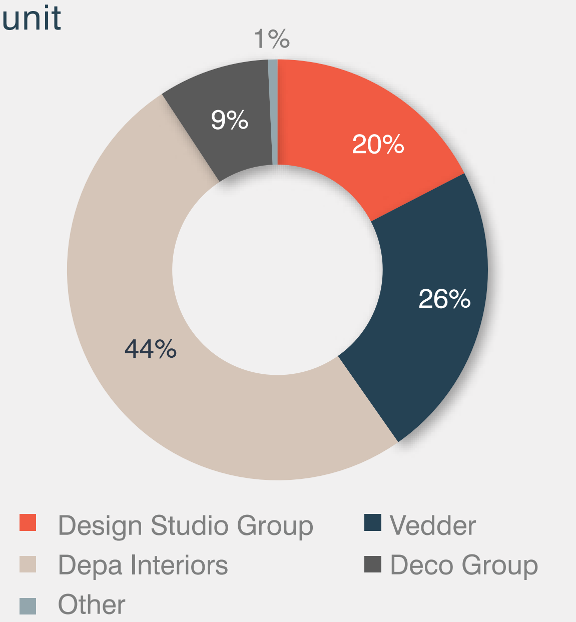
Group Outlook

Depa is now focused on the next phase of its strategy: delivering consistent sustainable top and bottom line growth, cash-backed profit and long-term shareholder value creation. The strong market leading positions enjoyed by each key business unit, together with the financial strength of Depa Group, will enable the Group to take advantage of both organic and inorganic growth opportunities.

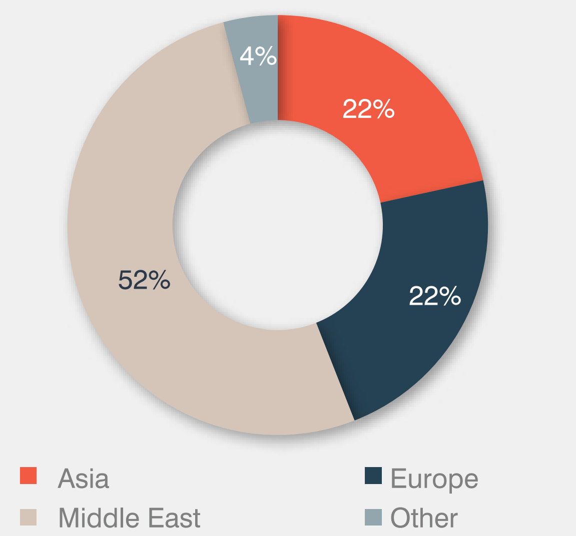
Hamish Tyrwhitt

Executive Director and
Group Chief Executive Officer | Depa Group

Project backlog by key business unit



Project backlog by geography



Financial Review

Financial Performance

2017 saw the Group generate record profits through the resolution and collection of a number of material long-outstanding receivables, underpinned by sound operational performance: the Group generated profit for the period of AED 153.6mn, an increase of AED 101.6mn or 195% on 2016 (AED 52.0mn).

For the twelve months to 31 December 2017, Depa generated revenue of AED 1,800.3mn, an increase of AED 70.0mn or 4% on 2016 (AED 1,730.3mn).

Whilst the Group has made significant progress in collecting payments in respect of a number of long-outstanding receivables, structural issues affecting some of the main contractors in the Middle East remain. As a consequence of the resolution of these long-outstanding receivables, 2017 saw the Group record a AED 27.5mn net reversal of allowances for doubtful debts, at the same time as decreasing its trade receivables balance.

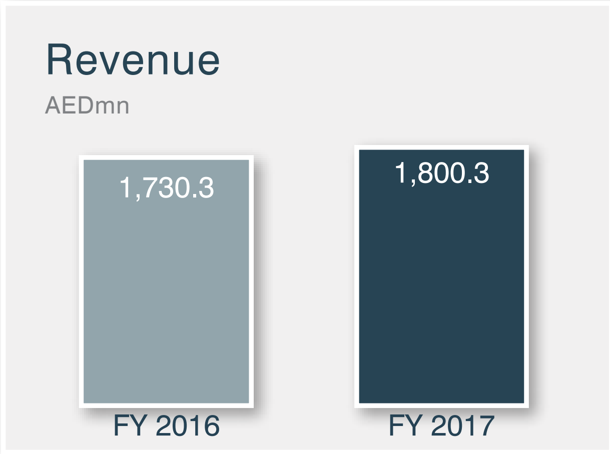
In the twelve months to 31 December 2017, associates generated a small loss of AED 1.4mn, compared to AED 5.3mn profit in 2016.

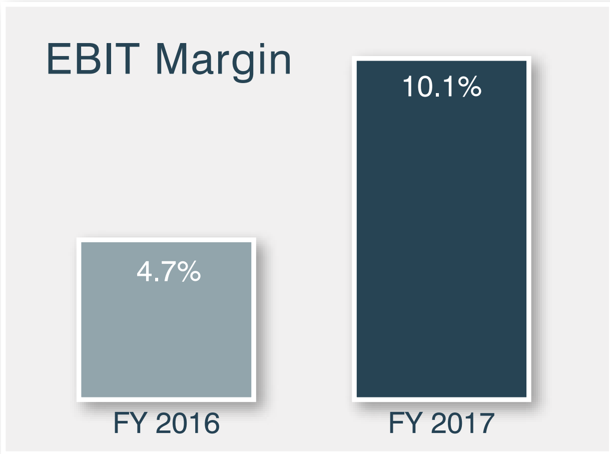
Net finance expense amounted to AED 11.4mn (2016: AED 10.1mn); as a result, the Group generated profit before tax of AED 170.4mn (2016: AED 71.7mn).

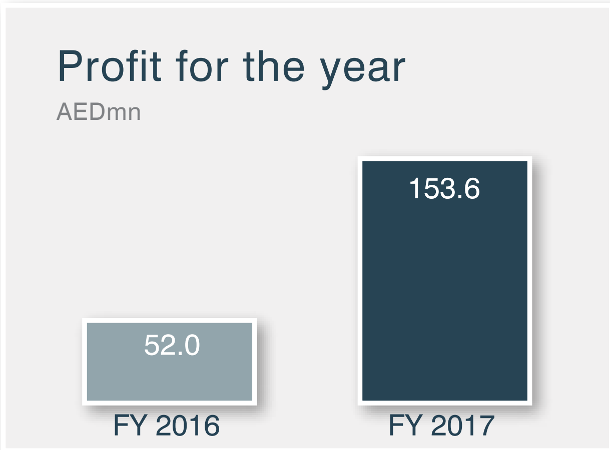
The Group recognised an income tax expense of AED 16.8mn in 2017 (2016: AED 19.7mn). The decrease in tax expense is mainly attributable to the decrease in profit generated in taxable Asian countries in 2017 compared with 2016. Further, the effective tax rate on operations in countries which are taxable decreased to 13% (2016:18%).

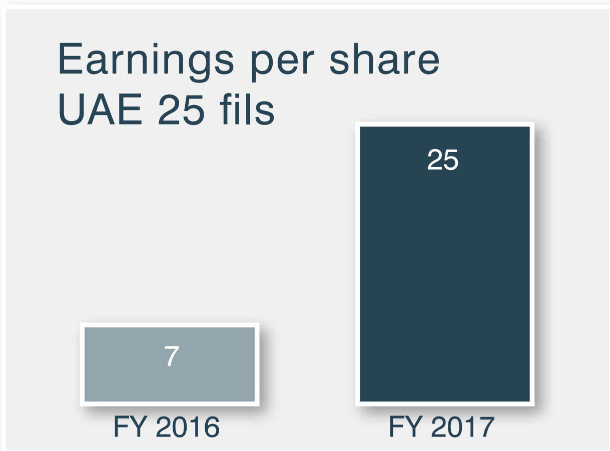
Non-controlling interests amounted to AED 1.3mn compared with AED 6.5mn in 2016. The non-controlling interests primarily relate to the Group’s ownership of Design Studio Group as well as The Parker Company.

As a result of the above, Depa generated basic and diluted earnings per share of UAE 25 fils, an increase of UAE 18 fils on 2016 (UAE 7.0 fils per share).









Cash Flow

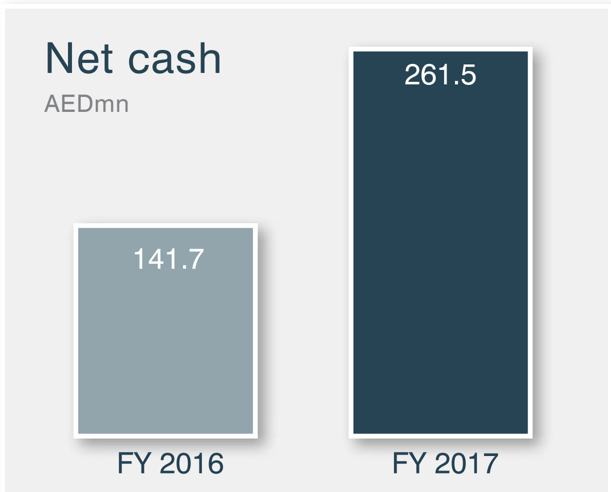
Cash generation throughout the year was boosted by the recovery of long-outstanding receivables. Working capital expanded in the latter half of the year, primarily due to project execution schedules and payment delays being experienced on a few large projects, reducing the Group's overall cash conversion for the year. Consequently, net cash inflows from operating activities increased to AED 143.5mn (2016: AED 61.9mn). This increase is expected to partially unwind over the second half of 2018, with the Group maintaining its sharp focus on cash collections.

Net cash outflows from investing activities for the year amounted to AED 23.5mn (2016: inflow AED 28.7mn). The difference year-on-year primarily relates to cash inflows being recorded in 2016 due to the sale of assets and proceeds from the redemption of held-to-maturity investments and fixed deposits.

During 2017, the Group reduced its funded borrowings by AED 76.7mn (2016: AED 72.1mn) and paid its first ordinary dividend since 2010. Consequently, net cash outflows from financing activities increased to AED 115.1mn (2016: AED 92.5mn).

Foreign exchange differences resulted in an AED 32.7mn positive movement (2016: AED 10.4mn) in the reported cash and cash equivalents. These primarily related to the strengthening of the Singaporean Dollar and Euro against the UAE Dirham.

As a result of the above, the Group ended the year with a net cash position of AED 396.8mn and a net cash position excluding restricted cash of AED 261.5mn, an increase of AED 119.8mn on 2016 (AED 141.7mn).



Financial Position

The Group ensures that it maintains adequate liquidity to meet its requirements and appropriate working capital facilities for all of its needs via its strong bank relationships. Cash and cash equivalents at year end stood at AED 308.6mn (2016: AED 271.0mn).

At year end, equity attributable to equity holders of the parent equated to AED 1,397.0mn, an increase of AED 181.3mn on 2016 (AED 1,215.7mn).

The Group's outstanding ordinary shares at year end amounted to 608,701,656, (issued ordinary shares of 615,567,739 less 6,866,083 treasury shares).

Dividend

2017 saw Depa pay its first ordinary dividend since 2010.

In line with the Group's dividend policy of paying out between 25 per cent and 50 per cent of profits annually, a full year ordinary dividend of UAE 8.5 fils per ordinary share is being recommended for the year ended 31 December 2017 for approval by shareholders at the Annual General Meeting to be convened at 13:00 on 25 April 2018 at Level 35 Vision Tower, Business Bay, Dubai (2016: nil).

Following the payment of an interim ordinary dividend of UAE 2.5 fils in September 2017, the final ordinary dividend for the year would therefore be UAE 6.0 fils per ordinary share, payable on 20 May 2018 with a record date of 6 May 2018 and the shares trading ex-dividend on 3 May 2018.

The Board is also seeking shareholder approval for a special dividend of UAE 7.0 fils per share with the same timings as the final ordinary dividend.

Listing Improvements and Enhanced Share Liquidity

As part of its commitment to deliver long-term sustainable shareholder value, Depa is undertaking a range of initiatives to increase the attractiveness of its shares to regional and international institutional and retail investors, improve liquidity and ensure more efficient pricing of its shares.

On 29 January 2018, Depa announced the appointment of SHUAA Capital International to begin liquidity provision services, in a effort to tighten bid-offer spread andensure sufficient order sizes/ market depth, so investors will have confidence that they may trade in and out of the shares as required.

On 26 February 2018, Depa completed the termination of its Global Depository Receipt programme. The limited liquidity of the programme did not justify the cost.

The conversion of Depa's listing currency on the Nasdaq Dubai trading platform from US Dollars to UAE Dirhams is expected to become effective in March 2018. By removing an often-cited hindrance by regional investors, the redenomination of Depa's listing currency is expected to increase the attractiveness of its shares to regional institutional and retail investor bases and improve liquidity.

In an effort to enhance transparency and investor access, the Group is also committed to making all market disclosures, such as this Annual Report, in both Arabic and English.

Top 10 Projects by Backlog

Project Name	Country	AED mn
Infrastructure works, Riyadh	Kingdom of Saudi Arabia	192
Private yacht interior project	Germany	151
Jumeirah Resort Development, Dubai	United Arab Emirates	94
Private yacht interior project	Germany	90
Double Tree and Hilton Garden Inn Riyadh	Kingdom of Saudi Arabia	80
Residential Project, Palm Beach, Florida	United States of America	65
King Saud University, Riyadh	Kingdom of Saudi Arabia	62
Mandarin Oriental, Kuala Lumpur	Malaysia	62
Luxury Residences, Dubai	United Arab Emirates	50
Private Beach House, Abu Dhabi	United Arab Emirates	43

The Board

The Board has a mix of 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's officers (particularly the Group CEO and Senior Management) to ensure that the interests of Depa 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 and its shareholders.

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

Objectives of the Board

The Board is responsible to shareholders for creating and delivering sustainable value, through Senior Management. It determines the objectives and policies of Depa 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 maintains a system of internal control which provides assurance for 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'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 as a whole because of their strategic, financial or reputation implications or consequences.

Listed below are the matters reserved for Board decision:

Activities/Processes	Approve
Annual Group business plan and operating budget	Board of Directors
Changes relating to Depa's equity capital structure and its listing	Board of Directors
Corporate investments, divestments, liquidations and capital expenditure (capex)	
• Transaction > AED 50mn	Board of Directors
• Transaction > AED 10mn	I&R Committee
• Transaction > AED 5mn	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 members' 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 250mn	Board of Directors
• Project contract > AED 200mn	I&R Committee
• Project contract > AED 150mn	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 350mn funded limits and / or general purpose long-term bilateral debt facility > AED 100mn and / or any debt capital markets transaction	Board of Directors
• Project related facility > AED 200mn funded limits and / or general purpose long-term bilateral debt facility > AED 50mn	I&R Committee
Prosecution, commencement, defence or settlement of litigation, arbitration or an alternative dispute resolution mechanism > AED 1mn or being otherwise material to the interest of the Depa Group	Board of Directors
Forex hedging > AED 5mn 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 L2 employees	Board of Directors

*(subject to shareholder approval for external auditors)

Board Responsibilities

The Board exercises its reasonable business judgement on behalf of shareholders in overseeing Depa generally. In discharging this obligation, directors rely on, amongst other things, Depa's officers, outside advisors and auditors.

The Board's general oversight responsibilities include, but are not limited to:

» providing adequate support and resources to Senior Management and ensuring Senior Management's objectives and activities are aligned with the expectations and risks identified by the Board;

» promoting Depa's image within the Company and the external community;

» approving the corporate strategy and performance objectives of Depa, including monitoring and assessing the performance of Depa, the Board, the Committees and Senior Management;

» approving financial reports, the Annual Report and other public documents;

» 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) for adequate independence when performing duties and direct reporting 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 and its stakeholders and evaluating the Group 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 shareholders to exercise their rights effectively, promote effective dialogue with shareholders and other key stakeholders as appropriate, and preventing any abuse or 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 market leading practices.

The 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's compliance with the DFSA Markets Rules and best practices;

» providing entrepreneurial leadership and assisting in formulating the strategic plans of Depa 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 and avoiding conflicts in their capacities as directors from any personal interests;

» making reasonable enquiries to ensure that Depa 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 that the integrity of financial information and 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.

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 contributions by all directors so as to ensure the Board functions effectively in discharging its duties and responsibilities.

The duties of the Chairman at Depa 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 to fulfil their roles 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;
- 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;
- promoting Depa's image within Depa and to the external community;
- managing Board meetings to ensure that sufficient time is allowed for discussing complex or contentious issues;
- ensuring Board minutes properly reflect 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 on-going 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 the day-to-day matters of interest to directors;
- ensuring effective communication with shareholders and ensuring that the directors develop an understanding of the views of major investors;
- taking the lead in providing a properly constructed induction programme for new directors; and
- facilitating, in identifying and addressing the development needs of individual directors, with a view to enhancing the overall effectiveness of the Board.

Role of Non-Executive Directors

Depa 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 and its shareholders in respect of any conflicts of interest;

» monitor Depa's performance in order to achieve agreed objectives and purposes and oversee 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's confirmation of independence exercise.

The "Sound Judgement Rule"

At Depa, the "Sound Judgement Rule" provides that, if a director makes a decision in relation to the business of Depa 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 be in the best interests of Depa;

» 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. 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 Judgement

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

At Depa, 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 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's Board and that no director shall sit on a board of Depa'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 and 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'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 the meeting to allow review, consideration and follow-up of 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 with the Board's needs in mind.

Frequency of Meetings

Pursuant to Depa'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 sufficient to give appropriate attention to the issues 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 is 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'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:

- Retainers can be paid annually, bi-annually or quarterly. Expenses are reimbursed at cost and administrative support is provided for Board and Committee duties. Executive Directors waive their remuneration.
- Depa may pay additional amounts to the extent determined by the Nomination and Remuneration Committee for any director. Such additional fees are approved by the shareholders at the Annual General Meetings.

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

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.

Board of Directors

Mr. Mohamed Al Mehairi
Non-Executive Chairman

Mr. Mohammed Al Mehairi was appointed as Director and Non-Executive Chairman of Depa Limited in May 2017. Mr. Al Mehairi is the Chief Executive Officer of Aabar Investments PJS, Abu Dhabi, where he has served as a Board Member since February 2009. He also serves as a Board Member of several Aabar portfolio companies including UniCredit S.P.A. Mr. Mehairi has been the Vice Chairman of the Board of Directors of Arabtec Holding PJSC and the Chairman of the Nomination and Remuneration Committee since May 2015. He has previously held various positions, including a director of the Investment Department at the International Petroleum Investment Company (IPIC) where he oversaw and led a platform of investments and development projects within the oil and gas sector as well as a number of diversified investments. Mr. Al Mehairi holds a Bachelor of Business Administration and Finance from the University of Suffolk in Boston, USA.

Mr. Roderick Maciver
Vice Chairman and Independent Non-Executive Director

Mr. Roderick Maciver was appointed to the Board of Depa in late 2013 and 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 Managing Director of Wimpey International and Managing Director, Operations for both Tarmac International and Carillion International. Since retiring from full-time employment in 2006, Mr. Maciver has worked as an advisor to various companies, for the past 10 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).

Mr. Hamish Tyrwhitt
BEng (Civil), CPeng, FIEAust, IEHK, FTSE

Executive Director and Group Chief Executive Officer

Mr. Hamish Tyrwhitt was appointed Group CEO in April 2016 following an extensive international search for an exceptional candidate to lead the Depa Group. In June 2016, he was appointed as a director of Design Studio Group Limited (a member of the Depa Group). Since November 2016, Mr. Tyrwhitt has also held the position of Group CEO 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 CIMIC Group), with an annual revenue of approximately 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, from the company's headquarters in Hong Kong.

Mr. Tyrwhitt holds a Bachelor of Engineering from The University of Western Australia.

Board of Directors

Mr. Abdullah Al Mazrui
Non-Executive Director

Mr. Abdullah Al Mazrui, previously Chairman of the Board of Directors of 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 organisations 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.

Mr. Khaldoun Rashid Al Tabari
Non-Executive Director

Mr. Khaldoun Tabari joined the Board of Depa in 2013. He is an entrepreneur with a business record spanning more than four decades of growth and success globally. He is the Chairman of EMCOR Facilities Services Group Limited, a regional leader in delivering integrated facilities management Services across the Middle East, North Africa, South Asia and Turkey.

Mr. Tabari also serves as Chairman of Vision Investments & Holdings Limited, a Board Member for EFS Facilities Management Services LLC, a Board Member of Carbon Holdings Limited, a Director of EHC Cooperation and a Board Member of Energy Central, Bahrain. He is also an Honorary Member of the Board for the Ramallah Friends School in Palestine.

Mr. Tabari is an alumnus of the University of Colorado USA, holding a degree in Business Management.

Mr. Marwan Shehadeh
Non-Executive Director

Mr. Marwan Shehadeh was reappointed as a Board Member of Depa at the 2013 Annual General Meeting. For more than a decade-and-a-half, Mr. Shehadeh has been working with Al-Futtaim in various positions. He is the Group Director for corporate development of Al-Futtaim Group, a senior executive officer of Al-Futtaim Investment Management Ltd and, since 2007, 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 in International Business from the Institute D'Etudes des Relations Internationales, Paris and has completed several general management executive programmes at Harvard Business School.

Mr. 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 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.

Mr. Khalifa Abdulla Al Romaithi
Non-Executive Director

Mr. Khalifa Abdulla Al Romaithi joined Depa Board as a Non-Executive Director on 25 August 2015. Mr. Al Romaithi brings a breadth of experience in investments. He is currently Executive Director, Midstream, Petroleum & Petrochemicals Platform at Mubadala Investment Company.

Mr. Al Romaithi represents Mubadala's interests for a number of its companies, which include Director of Qatar and Abu Dhabi Investment Company P.Q.S.C. (Qatar), Director of Falah Growth Fund (GP) Limited (Kazakhstan), Director of Aabar Investments PJS (UAE), Director of Arabtec Holding PJSC (UAE), Director of Gulf Energy Maritime (GEM) PJSC (UAE) and Director of SUMED (Egypt).

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.

Mr. Saeed Al Mehairbi
Non-Executive Director

Mr. Saeed Al Mehairbi was appointed as a Non-Executive Director of Depa in August 2015 . Mr. Al Mehairbi's extensive career of 21 years has been focused on the successful delivery of mega projects, primarily in the oil and gas industry. A high calibre engineer and a certified project management professional, he began his career with Abu Dhabi National Oil Company (ADNOC) in 1997, where he was seconded to the projects department of the Abu Dhabi Company for Onshore Oil Operations (ADCO).

In 2007, Mr. Al Mehairbi joined International Petroleum Investment Company (IPIC), where he served in the key role of Director, Projects Directorate. He also represented IPIC's interests as a Board Member of its companies including Oasis International Power, Cosmo Energy Holding, CEPSA, Emirates LNG, Duqm Refinery & Petrochemicals Oman, and Arab Petroleum Pipelines Company (SUMED) in Egypt.

Currently, he serves as a Senior Advisor to the CEO Office of Mubadala's Alternative Investments and Infrastructure sector. He was seconded by Mubadala to lead Aabar Properties PJS. He is a Board Member of Arabtec Holding PJSC and Abu Pakistan Holdings (Private) Limited.

Mr. Al Mehairbi holds a Master degree in Quality Management from Wollongong University in Dubai, UAE, and a Bachelor of Engineering Management from Abu Dhabi Men's College.

Connected Persons

Shareholders of 5% or more	Number of Shares	% of Total Shares Outstanding
Al Futtaim Capital LLC	163,313,849	26.53%
Arabtec Holding PJSC	149,555,275	24.30%
Mazrui Investments LLC	54,766,513	8.90%
Clarity Fund SPC Ltd	47,432,445	7.71%

Directors	Personal Portfolio	% of Total Shares Issued
Mr. Mohamed Al Mehairi	0	0.00%
Mr. Roderick Maciver	0	0.00%
Mr. Abdullah Al Mazru'i	0	0.00%
Mr. Ahmed Ramdan	0	0.00%
Mr. Khaldoun Tabari	21,827,808	3.55%
Mr. Marwan Shehadeh	1,621,098	0.26%
Mr. Saeed Al Mehairbi	0	0.00%
Mr. Khalifa Romaithi	0	0.00%
Mr. Hamish Tyrwhitt	1,013,514	0.16%

Senior Management (L1 & L2)	Personal Portfolio	% of Total Shares Issued
Mr. Hamish Tyrwhitt Group CEO	1,013,514	0.16%
Mr. David Holiday Group Chief Legal Officer and Company Secretary	0	0.00%
Mr. Steven Salo Group Chief Financial Officer	0	0.00%
Mr. Chris Gordon Group Chief Strategy, HR and Communications Officer	0	0.00%
Mr. Ali Katkhada Group Chief Information Officer	27,120	0.004%
Mr. Walid Zakaria Chief Executive Officer – **Depa Interiors**	1,260,800	0.20%
Mr. Hugh Bigley Managing Director – **Deco**	55,268	0.009%
Mr. Marc Koch Managing Director and 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%
Mr. Edgar Ramani CEO – **Design Studio Group**	0	0.00%

Corporate Governance and Risk Management

Board Committees

Depa recognises 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 always include, but are not be limited to, the Audit and Compliance Committee and the Nomination and Remuneration Committee. These 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 and Delegations" from time to time. This sets out the specific matters on which each Committee is authorised to make decisions on.

Each Committee reports to the Board, setting forth the procedures, results and the 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 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's HR framework and compensation programmes. The Committee makes recommendations to the Board on the remuneration, allowances and terms of service of other Depa officers and directors to ensure they are fairly rewarded for their individual contribution to Depa.

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

» verifying on-going suitability of directors;

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

» 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 their duties to Depa;

» formulating and annually reviewing the policy on granting remunerations, benefits, incentives and salaries to the directors and Senior Management. The Nomination and Remuneration Committee verifies that remunerations and benefits granted to Senior Management are reasonable and in line with Depa'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's needs for qualified staff at the level of Senior Management and officers and the basis of their selection;

» formulating and supervising the application and annual review of Depa's HR and training policy;

» reviewing trends in compensation, overseeing the development of new compensation plans and, when necessary, recommending 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.

Without limitation to the role and responsibilities of the Nomination and Remuneration Committee as set out above, a list of specific matters on which the Nomination and Remuneration Committee is authorised to make decisions and specific matters on which the Nomination and Remuneration Committee may only make recommendations (and for which only the Board may make final decisions) is set out in the "Board Reserved Matters and 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 2017 is as follows:

- Mr. Roderick Maciver (Chairman)
- Mr. Khaldoun Tabari
- Mr. Ahmed Ramdan

Audit and Compliance Committee

The Audit and Compliance Committee monitors the integrity of Depa's financial statements, compliance with DFSA Markets Rules and other significant market regulation applicable to Depa, the internal systems and controls for financial reporting, the adequacy of financial risk management processes, the independence and qualifications of Depa's auditors, and the performance of the internal auditors of Depa, 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, and any formal announcements relating to Depa's financial performance, and reviewing significant financial reporting judgements contained in them;
- monitoring and reviewing the effectiveness of the Internal Audit Function and Depa's internal financial risk management controls and systems;
- 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, 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 that is believed to be suitable for Depa; and
- establishing such a system whereby officers of Depa 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 on which the Audit and Compliance Committee is authorised to make decisions and specific matters on which the Audit and Compliance Committee may only make recommendations (and for which only the Board may make final decisions) is set out in the "Board Reserved Matters and Delegations".

The composition of the Audit and Compliance Committee as at 31 December 2017 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'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 and Delegations";
- reviewing and either approving or making recommendations to the Board in relation to any proposals to enter into a new jurisdiction outside the approved annual business plan and in which Depa does not currently operate, in accordance with the "Board Reserved Matters and 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 and Delegations";
- 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 and for which the Board has not approved the Group CEO to continue to make decisions;
- reviewing any internal audits to the extent that such audits cover any operational risk matters; and
- reviewing Depa's capability to identify and manage new types of operational and investment risks.

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

The composition of the Investment and Risk Committee as at 31 December 2017 is as follows:

- Mr. Roderick Maciver
- Mr. Marwan Shehadeh

Attendance

Board of Directors

Present	6-Feb-17	23-Mar-17	2-Apr-17	14-May-17	3-Aug-17	2-Nov-17
Mr. Ibrahim Belselah (Chairman [Resigned])	✓	✓	x	✓	○	○
Mr. Mohamed Al Mehairi (Chairman)					✓	✓
Mr. Roderick Maciver	✓	✓	☎	✓	✓	✓
Mr. Abdullah Al Mazrui	☎	✓	☎	✓	✓	✓
Mr. Khaldoun Tabari	✓	✓	✓	✓	x	Ms. Zeina Tabari (alternate of Mr. Khaldoun Tabari)
Mr. Marwan Shehadeh	✓	✓	☎	x	✓	✓
Mr. Ahmed Ramdan	✓	✓	x	✓	✓	✓
Mr. Khalifa Romaithi	☎	✓	x	✓	✓	✓
Mr. Hamish Tyrwhitt	✓	✓	✓	✓	✓	✓
Mr. Saeed Mehairbi	☎	x	x	✓	✓	✓
Attending	Mr. David Holiday	Mr. David Holiday	Mr. David Holiday	Mr. David Holiday	Mr. David Holiday	Mr. David Holiday
	Mr. Steven Salo	Mr. Steven Salo	Mr. Steven Salo	Mr. Steven Salo	Mr. Steven Salo	Mr. Steven Salo
	Mr. Chris Gordon	Mr. Chris Gordon	Mr. Robert Davies	Mr. Edward Quinlan	Mr. Edward Quinlan	Mr. Edward Quinlan
	Mr. Edward Quinlan	Mr. Edward Quinlan	Mr. Edward Quinlan			

KEY ✓ Present x Absent ☎ Conference Call ○ Resigned

Attendance

Audit and Compliance Committee

Present	2-Feb-17	22-Mar-17	11-May-17	1-Aug-17	2-Nov-17
Mr. Edward Quinlan (Chairman)	✓	✓	✓	✓	✓
Mr. Khalifa Al Romaithi	✓	✓	☎	✓	✓
Mr. Saba Sindaha	✓	✓	✓	✓	✓
Attending	Mr. Hamish Tyrwhitt	Mr. Hamish Tyrwhitt	Mr. Hamish Tyrwhitt	Mr. Hamish Tyrwhitt	Mr. Hamish Tyrwhitt
	Mr. David Holiday	Mr. David Holiday	Mr. David Holiday	Mr. David Holiday	Mr. David Holiday
	Mr. Steven Salo	Mr. Steven Salo	Mr. Steven Salo	Mr. Steven Salo	Mr. Steven Salo
	Mr. Hari Jose James	Mr. Hari Jose James	Mr. Hari Jose James	Mr. Hari Jose James	Mr. Hari Jose James

Key ✓ Present x Absent ☎ Conference Call

Attendance

Nomination and Remuneration Committee

Present	3-Feb-17	23-Mar-17	14-May-17	2-Aug-17	22-Oct-17
Mr. Roderick Maciver (Chairman)	✓	✓	✓	✓	✓
Mr. Khaldoun Tabari	✓	✓	✓	✓	✓
Mr. Ahmed Ramdan	✓	✓	✓	✓	✓
Attending	Mr. Hamish Tyrwhitt	Mr. Hamish Tyrwhitt	Mr. Hamish Tyrwhitt	Mr. Hamish Tyrwhitt	Mr. Hamish Tyrwhitt
	Mr. David Holiday	Mr. David Holiday	Mr. David Holiday	Mr. David Holiday	Mr. David Holiday
	Mr. Chris Gordon	Mr. Chris Gordon	Mr. Chris Gordon	Mr. Chris Gordon	Mr. Chris Gordon

Key ✓ Present x Absent ☎ Conference Call

Attendance

Investment and Risk Committee

Present	5-Feb-17
Mr. Ibrahim Belselah (Chairman [resigned])	✓
Mr. Roderick Maciver	✓
Mr. Marwan Shehadeh	x
Attending	Mr. Hamish Tyrwhitt
	Mr. David Holiday
	Mr. Steven Salo

Key ✓ Present x Absent

The Group CEO and Senior Management

Depa's business is conducted by its officers and Senior Management, under the direction of the Group CEO. In carrying out Depa'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's vision, mission, values and strategy.

The Group CEO is responsible for Depa's overall operations, profitability and sustainable growth. The Group CEO supervises and develops the operational and business plan, directs Depa 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, the Group CEO's specific responsibilities include, but are not limited to, the following:

Strategic Performance:

» defining and advocating Depa's vision, mission and values;

» executing Depa'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's strategic goals;

» leading critical negotiations and agreements that have a strategic/crucial impact on Depa's continuity, success or development;

» reviewing proposed acquisitions of business ventures, in conjunction with the Board;

» promoting Depa's image and business objectives to the external community and acting as the public relations officer with regard to establishing and maintaining relations with the market and third parties;

» coordinating with Senior Management in formulation of goals and objectives for their respective functions as well as development of budgets;

» reviewing operating results of Depa, comparing results to established objectives and ensuring appropriate measures are taken to correct deviations, if any;

» overseeing the adequacy and soundness of Depa'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 management reports;
- endorsing and recommending financial statements to the Audit and Compliance Committee;
- reviewing the reports, recommendations and issues presented by Senior Management, and providing feedback and direction as required;
- managing a regular reporting process to the Board on Depa'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.

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; and
- overseeing the implementation of IT systems and ensuring their effectiveness.

Other Requirements:

- ensuring appropriateness of the legal status of Depa 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;
- 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;
- 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;
- 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'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, 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 and to ensure that resources are properly utilised to meet the aims and objectives of Depa. Senior Management plays an important role in Depa 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 and Senior Management Performance Evaluation

The Board expects the Group CEO and Senior Management to achieve annually set business objectives (KPIs), forecasts and targets and ensure that all key business units are managed efficiently in terms of key resource allocation and profitability.

As the Board and Senior Management strive for a balance between stakeholder value, growth, and its protection, the key hurdle they face is how to translate this vision into reality. It is the practice of Depa 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 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 for 2017 were:

» revenue growth;

» profit growth;

» return on capital and/or equity;

» backlog growth;

» net cash improvement; and

» general and administrative expense reduction.

Risk Management and Internal Control

Depa 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's delegation of authority matrix is intended to be the guidance for authorisation and empowerment for decisions that have a financial and/or operational impact on Depa and its key business units. The key objective of the DoA is to delegate the Group CEO powers and authorities in a formal manner suitable to the businesses' requirements. Cascading the Group CEO's powers and authorities appropriately throughout Depa and its key business units 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 roles properly.

Enterprise Risk Management

Depa is a projects business. Key business units 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 the final stage may be made by a key business unit 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.

Compliance and Governance Function

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

During 2017, all Compliance and Governance Function policies were reviewed and refreshed and all Senior Management completed the Depa Compliance and Governance training programme.

Share Trading Policy

Rules and procedures implemented by the Board relating to dealing in Depa's shares are found in the Share Trading Policy. The Share Trading Policy applies to all Board Members, Senior Management and employees at all levels.

The Compliance and Governance Function maintains a list of insiders as per the DFSA Market Rules. All insiders are required to commit to the Policy's obligations and prohibition on the sharing of inside information.

The Share Trading Policy sets out the restricted conditions under which insiders may trade in Depa's shares. Any Board Member or employee wishing to trade in Depa shares must notify the Compliance and Governance Manager. All insider share dealings in Depa shares during 2017 have been disclosed as per the DFSA Market Rules.

As specified in the Share Trading Policy, share trading blackout periods are maintained prior to the release of Depa's full year and half year financial results announcements.

Related Party Policy

Depa has obligations to ensure appropriate processes are in place to control related party transactions and potential conflicts of interest which may arise from such transactions. The related party Policy sets out the requirements that all employees must comply with in relation to related party transactions. The Compliance and Governance Function maintains an updated list of Related Parties which is available on the Group's portal and incorporated into the Group's procurement and proposal management platforms.

Investor Relations and Disclosure Policy

Depa is committed to the highest level of transparency and communication both with shareholders and the wider market. The Group and its employees have an obligation to keep the market and shareholders accurately and promptly informed of inside information, including material events. The Investor Relations and Disclosure Policy sets out the disclosure obligations of the Group and and the material events that trigger a disclosure obligation.

Employee Conduct and Whistleblowing Policy

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

Depa Limited
Audited Financials

Directors' Report

Board of Director's Report

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

Principal Activities

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

Results

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

Auditors

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

28 February 2018

Director

Mr. Mohamed Al Mehairi
Chairman

Mr. Roderick Maciver
Vice Chairman

Consolidated statement of profit or loss

AED million

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

Consolidated statement of comprehensive income

AED million

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

Consolidated statement of financial position

AED million

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

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

Chairman   Group Chief Executive Officer   Group Chief Financial Officer

Consolidated statement of changes in equity

AED million

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

Consolidated statement of cash flows

AED million

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

Consolidated statement of cash flows (continued)

AED million

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

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

1. Corporate information

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

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

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

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

2. Summary of significant accounting policies

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

2.1 Basis of Preparation

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

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

(a) New standards and amendments adopted by the Group

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

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

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

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

(b) New standards not yet adopted

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

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

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

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

2. Summary of significant accounting policies (continued)

(c) New standards not yet adopted (continued)

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

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

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

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

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

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

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

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

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

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

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

2.2 Basis of consolidation

(a) Subsidiaries

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

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

2. Summary of significant accounting policies (continued)

They are deconsolidated from the date that control ceases.

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

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

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

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

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

(b) Associates

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

(c) Joint arrangements

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

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

(d) Changes in ownership interests

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

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) Functional and presentation currency

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

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

2. Summary of significant accounting policies (continued)

(b) Transactions and balances

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

(c) Group companies

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

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

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

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

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

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

2.5 Property, plant and equipment

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

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

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

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

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

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

2.6 Investment properties

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

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

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

2. Summary of significant accounting policies (continued)

2.7 Goodwill

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

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

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

2.8 Intangible assets

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

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

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

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

2.9 Impairment of non-financial assets

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

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

2.10 Inventories

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

2.11 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories:

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

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

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

2. Summary of significant accounting policies (continued)

2.11 Financial assets (continued)

(b) Recognition and measurement

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

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

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

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

2.12 Impairment of financial assets

(a) Assets carried at amoritsed cost

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

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

(b) Assets classified as available-for-sale

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

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

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

2.14 Trade and other receivables

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

2.15 Cash and cash equivalents

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

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

2. Summary of significant accounting policies (continued)

2.16 Share capital

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

2.17 Trade payables

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

2.18 Provisions

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

2.19 Financial liabilities

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

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

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

2.20 Bank borrowings

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

2.21 Borrowing costs

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

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

2.22 Current and deferred income tax

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

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

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

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

2. Summary of significant accounting policies (continued)

2.22 Current and deferred income tax (continued)

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

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

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

2.23 Employees' end of service benefits

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

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

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

2.24 Share-based payments

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

2.25 Rounding of amounts

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

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

2. Summary of significant accounting policies (continued)

2.26 Revenue recognition

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

(a) Contract revenue

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

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

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

(b) Sale of goods

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

(c) Procurement services

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

(d) Interest income

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

(e) Dividend income

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

(f) Rental income

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

2.27 Leases

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

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

2.28 Dividend

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

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

3. Critical accounting estimates and judgements

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

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

3.1 Critical accounting estimates and assumptions

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

(a) Recognition of revenue from construction contracts

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

(b) Construction cost estimates

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

(c) Contract variations

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

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

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

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

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

3. Critical accounting estimates and judgements (continued)

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

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

(f) 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.

(g) 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.

(h) Employees' end of service benefits

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

(i) Impairment of goodwill

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

(j) Taxes

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

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

3.2 Critical judgements

(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.

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

4. Expenses

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

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

5. Income tax expense

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

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

AED million

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

AED million

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

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

AED million

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

(b) Deferred tax balances

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

AED million

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

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

6. Basic and diluted earnings per share

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

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

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

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

7. Property, plant and equipment

AED million

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

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

8. Intangible assets

AED million

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

9. Goodwill

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

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

AED million

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

(a) Annual test for impairment

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

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

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

9. Goodwill (continued)

(b) Key assumptions used

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

- Growth rate; and
- Discount rate.

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

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

(c) Sensitivity to changes in assumptions

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

10. Investment in associates

Details of the Group's associates are as follows:

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

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

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

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

No individual associate is material to the Group.

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

10. Investment in associates (continued)

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

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

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

11. Available-for-sale investments

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

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

12. Investment properties

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

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

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

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

12. Investment properties (continued)

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

13. Trade and other receivables

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

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

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

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

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

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

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

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

13. Trade and other receivables (continued)

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

AED million

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

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

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

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

14. Due from construction contract customers

AED million

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

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

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

14. Due from construction contract customers (continued)

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

AED million

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

15. Inventories

AED million

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

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

AED million

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

16. Share capital

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

AED million

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

17. Share premium

A special resolution was passed by the shareholders during the General Assembly convened on 14 May 2017 to reduce the accumulated losses and share issuance costs by using the share premium account.

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

Accordingly, share premium amounting to AED 346.3 million was offset against the accumulated losses of AED 281.5 million and share issuance costs of AED 64.8 million as at the date of approval.

18. Treasury shares

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

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

19. Statutory reserve

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

20. Borrowings

		AED million
	2017	2016
Bank overdrafts (note 28)	38.2	57.1
Bank loans	28.7	81.6
Trust receipts and acceptances	40.6	64.4
	107.5	203.1
The borrowings are repayable as follows:		
Within 1 year	81.6	157.5
1- 2 years	2.6	19.5
Later than 2 years	23.3	26.1
	107.5	203.1
Presented in the consolidated statement of financial position as:		
Non-current liabilities	25.9	45.6
Current liabilities	81.6	157.5
	107.5	203.1

(a) Bank overdrafts

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

(b) Bank loans

These loans comprise the following:

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

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

20. Borrowings (continued)

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

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

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

(a) Trust receipts and acceptances

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

(b) Security

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

(c) Covenants

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

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

21. Employees' end of service benefits

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

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

AED million

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

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

21. Employees' end of service benefits (continued)

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

AED million

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

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

AED million

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

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

22. Trade and other payables

AED million

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

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

23. Related parties

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

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

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

23. Related parties (continued)

(a) Commercial transactions

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

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

AED million

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

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

23. Related parties (continued)

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

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

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

23. Related parties (continued)

(b) Compensation of key management personnel

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

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

24. Subsidiaries

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

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

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

24. Subsidiaries (continued)

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

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

24. Subsidiaries (continued)

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

25. Commitments and contingencies

AED million

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

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

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

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

Legal cases

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

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

26. Material partly-owned subsidiaries

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

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

	2017	2016
Design Studio Group Ltd.	10.2%	10.2%

(b) Accumulated balances of material non-controlling interest

AED million

	2017	2016
Design Studio Group Ltd.	26.2	28.3

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

AED million

	2017	2016
Design Studio Group Ltd.	0.5	5.8

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

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

AED million

	2017	2016
Revenue	366.9	482.3
Profit before tax	5.5	70.1

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

AED million

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

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

AED million

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

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

27. Segment information

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

(a) Design Studio

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

(b) Vedder

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

(c) Depa Interiors

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

(d) Deco Group

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

(e) Investments and others

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

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

27.Segment information (continued)

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

AED million

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

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

28. Cash and cash equivalents

AED million

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

29. Joint operations

The Group has interest in the following joint operations:

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

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

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

AED million

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

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

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

30. Operating lease arrangements

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

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

31. Financial risk management

(a) Financial risk factors

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

Market risk

i. **Foreign exchange risk**

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

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

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

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

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

31. Financial risk management (continued)

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

AED million

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

ii. Price risk

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

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

iii. Cash flow and fair value interest rate risk

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

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

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

iv. Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group, and arises principally from the Group's trade and other receivables 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.

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

31. Financial risk management (continued)

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

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

v. **Liquidity risk**

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

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

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

AED million

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

(b) Capital management

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

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

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

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

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

31. Financial risk management (continued)

(c) Fair value estimation

Financial instruments comprise financial assets and financial liabilities.

i. Fair value hierarchy

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

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

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

AED million

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

32. Financial instruments

Financial instruments comprise financial assets and financial liabilities as follows:

AED million

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

AED million

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

* Excluding prepayments and advances to subcontractors and suppliers

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

32. Financial instruments (continued)

AED million

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

** excluding advance received

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

33. Dividend

(a) Interim dividend

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

(b) Final dividend

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

34. Reclassification

The following amounts have been re-classified;

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

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

35. Approval of consolidated financial statements

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

Independent auditor's report to the shareholders of Depa Limited

Report on the audit of the consolidated financial statements

Our opinion

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

What we have audited

The Group's consolidated financial statements comprise:

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

Basis for opinion

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

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

Independence

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

PricewaterhouseCoopers Limited, License no. CL0215
Al Fattan Currency House, Tower 1, Level 8, Unit 801, DIFC, PO Box 11987, Dubai - United Arab Emirates
T: +971 (0)4 304 3100, F: +971 (0)4 346 9150, www.pwc.com/me

pwc

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

Our audit approach

Overview

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

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

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

Key audit matters

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

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

pwc

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

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

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

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 consolidated financial statements and our auditor's report thereon) which we obtained prior to the date of this auditor's report, and the Group's annual report which is expected to be made available to us after that date.

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

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

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

PricewaterhouseCoopers
28 February 2018

PricewaterhouseCoopers

Murad Nsour
Partner
Place: Dubai, United Arab Emirates

depa

Depa Limited
Unit 35, 3/F, Building 10,
Gate Village, Dubai International
Financial Centre
P.O. Box: 56338, Dubai, UAE

Depa Group Corporate Office
35th Floor, Vision Tower
Business Bay, Dubai, UAE

Tel +971 4446 2100
www.depa.com | info@depa.com