

Depa Limited and its subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2015



Global Interior Solutions

BOARD OF DIRECTORS 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 2015.

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 customized furniture, fixtures and equipment, much of which is produced in our in-house facilities.

RESULTS

During the year 2015, the Group earned revenue of AED 1,640,626,717 (2014: AED 1,940,248,855). The loss for the year amounted to AED 272,650,238 (2014: profit of AED 49,123,897).

AUDITORS

Ernst & Young were appointed as external auditors of the Group for the year ended 31 December 2015.

ON BEHALF OF THE BOARD OF DIRECTORS

CHAIRMAN

28 April 2016
Dubai, United Arab Emirates

Depa Limited

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF DEPA LIMITED

We have audited the accompanying consolidated financial statements of Depa Limited (the "Company") and its Subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2015 and the consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and presentation of consolidated financial statements that give a true and fair view 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.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

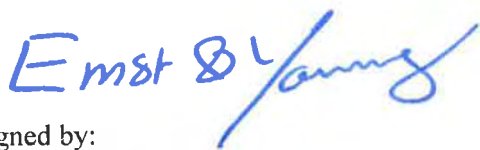
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

For Ernst & Young



Signed by:
Ashraf Abu-Sharkh
Partner

28 April 2016
Dubai, United Arab Emirates

Depa Limited and its subsidiaries

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015

	Notes	2015		2014	
		US\$	AED	US\$	AED
Revenue		446,429,039	1,640,626,717	527,958,872	1,940,248,855
Direct cost		(414,506,032)	(1,523,309,666)	(457,409,001)	(1,680,978,079)
GROSS PROFIT		31,923,007	117,317,051	70,549,871	259,270,776
General and administrative expenses		(78,891,853)	(289,927,653)	(56,378,243)	(207,190,042)
Amortisation and impairment of intangible assets	9	(5,265,892)	(19,352,154)	(4,930,638)	(18,120,096)
Impairment loss on property, plant and equipment	8	(3,408,331)	(12,525,616)	-	-
Impairment loss on investment in associates	11	(4,053,445)	(14,896,409)	(888,507)	(3,265,262)
Impairment loss on available-for-sale investments	12	(323,537)	(1,189,000)	(165,639)	(608,725)
Impairment loss on goodwill	10	(23,353,082)	(85,822,577)	(1,378,462)	(5,065,847)
Share of (loss) / profits from associates	11	(419,112)	(1,540,141)	330,574	1,214,859
Other income	4	13,893,837	51,059,856	11,599,055	42,626,526
Finance cost, net		(754,664)	(2,773,394)	(1,667,437)	(6,127,833)
(LOSS) / PROFIT BEFORE TAX		(70,653,072)	(259,650,037)	17,070,574	62,734,356
Income tax expense	5	(3,537,470)	(13,000,201)	(3,703,527)	(13,610,459)
(LOSS) / PROFIT FOR THE YEAR	6	(74,190,542)	(272,650,238)	13,367,047	49,123,897
Attributable to:					
Equity holders of the Parent		(72,253,786)	(265,532,659)	11,839,047	43,508,497
Non-controlling interests		(1,936,756)	(7,117,579)	1,528,000	5,615,400
		(74,190,542)	(272,650,238)	13,367,047	49,123,897
Earnings per share					
Basic and diluted earnings per share (in USD/AED per share)	7	(0.1189)	(0.4368)	0.0195	0.0716

The attached notes from 1 to 34 form part of these consolidated financial statements

Depa Limited and its subsidiaries

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Note	2015		2014	
		US\$	AED	US\$	AED
(LOSS) / PROFIT FOR THE YEAR		(74,190,542)	(272,650,238)	13,367,047	49,123,897
OTHER COMPREHENSIVE INCOME					
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>					
Exchange differences on translation of foreign operations		(7,031,198)	(25,839,652)	(7,000,998)	(25,728,666)
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>					
Actuarial loss recognised	22	(816,255)	(2,999,736)	(1,376,801)	(5,059,743)
OTHER COMPREHENSIVE LOSS FOR THE YEAR		(7,847,453)	(28,839,388)	(8,377,799)	(30,788,409)
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR		(82,037,995)	(301,489,626)	4,989,248	18,335,488
Attributable to:					
Equity holders of the Parent		(79,526,063)	(292,258,275)	3,802,397	13,973,810
Non-controlling interests		(2,511,932)	(9,231,351)	1,186,851	4,361,678
		(82,037,995)	(301,489,626)	4,989,248	18,335,488

The attached notes from 1 to 34 form part of these consolidated financial statements

Depa Limited and its subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

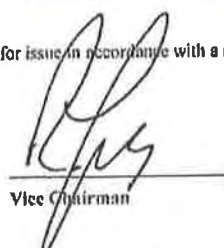
At 31 December 2015

	Notes	2015		2014	
		US\$	AED	US\$	AED
ASSETS					
Non-current assets					
Property, plant and equipment	8	81,358,905	298,993,975	96,184,409	353,477,703
Investment properties	14	1,213,063	4,458,006	1,800,381	6,616,401
Intangible assets	9	15,140,044	55,639,661	20,397,417	74,960,506
Goodwill	10	80,891,774	297,277,271	104,244,857	383,099,848
Investment in associates	11	11,332,046	41,645,269	16,336,496	60,036,621
Available-for-sale investments	12	5,731,277	21,062,443	6,054,814	22,251,443
Held to maturity investments	13	-	-	2,381,793	8,753,089
Contract retentions		24,459,817	89,889,829	19,911,641	73,175,282
Deferred tax assets	5	328,600	1,207,605	305,380	1,122,273
Other non-current assets		-	-	149,159	548,160
		<u>220,455,526</u>	<u>810,174,059</u>	<u>267,766,347</u>	<u>984,041,326</u>
Current assets					
Accounts receivable and other assets	15	210,461,466	773,445,888	270,025,876	992,345,094
Held to maturity investments	13	2,495,213	9,169,907	-	-
Amount due from customers on construction contracts	16	122,820,020	451,363,875	133,164,871	489,380,902
Inventories	17	17,100,399	62,843,968	20,348,544	74,780,898
Cash and bank balances	29	104,197,001	382,923,979	119,978,418	440,920,685
		<u>457,074,099</u>	<u>1,679,747,317</u>	<u>543,517,709</u>	<u>1,997,427,579</u>
TOTAL ASSETS		<u>677,529,625</u>	<u>2,489,921,376</u>	<u>811,284,056</u>	<u>2,981,468,905</u>
EQUITY AND LIABILITIES					
Equity					
Share capital	18	245,832,598	903,434,799	245,832,598	903,434,799
Share premium		190,576,238	700,367,674	190,576,238	700,367,674
Share issuance costs		(17,643,619)	(64,840,298)	(17,643,619)	(64,840,298)
Treasury shares	19	(4,488,071)	(16,493,664)	(4,488,071)	(16,493,664)
Statutory reserve	20	13,918,390	51,150,082	13,623,395	50,065,980
Other reserve		(2,193,056)	(8,059,479)	(1,376,801)	(5,059,743)
Accumulated losses		(96,668,573)	(355,257,011)	(23,773,117)	(87,366,205)
Translation reserve		(11,589,213)	(42,480,107)	(3,103,191)	(18,754,227)
Equity attributable to equity holders of the Parent		<u>317,774,694</u>	<u>1,167,821,996</u>	<u>397,647,432</u>	<u>1,461,354,316</u>
Non-controlling interests		1,356,065	4,983,540	7,670,180	28,187,912
Total equity		<u>319,130,759</u>	<u>1,172,805,536</u>	<u>405,317,612</u>	<u>1,489,542,228</u>
Non-current liabilities					
Bank borrowings	21	21,026,633	43,939,541	25,965,676	95,423,860
Provision for employees' end of service indemnity	22	19,552,836	71,856,670	18,773,989	68,994,408
Subcontractors' retention		1,584,043	5,821,357	586,052	2,153,744
Deferred tax liabilities	5	67,564	248,298	76,918	282,672
Due to related parties	24	661,400	2,430,646	534,593	1,964,628
		<u>42,892,476</u>	<u>124,296,512</u>	<u>45,937,228</u>	<u>168,819,312</u>
Current liabilities					
Accounts payable and accruals	23	266,294,792	978,633,373	303,557,445	1,115,573,608
Bank borrowings	21	49,211,598	214,185,955	56,471,771	207,533,757
		<u>315,506,390</u>	<u>1,192,819,328</u>	<u>360,029,216</u>	<u>1,323,107,365</u>
Total liabilities		<u>358,398,866</u>	<u>1,317,115,840</u>	<u>405,966,444</u>	<u>1,491,926,677</u>
TOTAL EQUITY AND LIABILITIES		<u>677,529,625</u>	<u>2,489,921,376</u>	<u>811,284,056</u>	<u>2,981,468,905</u>

The consolidated financial statements were authorised for issue in accordance with a resolution of the directors on 28 April 2016.



Chairman



Vice Chairman



Chief Financial Officer

The attached notes from 1 to 34 form part of these consolidated financial statements

Depa Limited and its subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

Attributable to equity holders of the Parent

	Share capital AED	Share premium AED	Share issuance costs AED	Treasury shares AED	Statutory reserve AED	Other reserve AED	Accumulated losses AED	Translation reserve AED	Total AED	Non-controlling interests AED	Total AED
At 1 January 2014	903,434,799	700,367,674	(64,840,298)	(16,493,664)	47,737,179	-	(127,083,038)	5,720,717	1,448,843,369	7,812,560	1,456,655,929
Profit for the year	-	-	-	-	-	-	43,508,497	-	43,508,497	5,615,400	49,123,897
Other comprehensive loss	-	-	-	-	-	(5,059,743)	-	(24,474,944)	(29,534,687)	(1,253,722)	(30,788,409)
Total comprehensive income	-	-	-	-	-	(5,059,743)	43,508,497	(24,474,944)	13,973,810	4,361,678	18,335,488
Transfer to statutory reserve	-	-	-	-	2,328,801	-	(2,328,801)	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	(7,719,645)	(7,719,645)
Acquisition of non-controlling interest (note 26)	-	-	-	-	-	-	(1,462,863)	-	(1,462,863)	(2,231,200)	(3,694,063)
Loss of control of subsidiaries (note 30)	-	-	-	-	-	-	-	-	-	25,964,519	25,964,519
At 31 December 2014	903,434,799	700,367,674	(64,840,298)	(16,493,664)	50,065,980	(5,059,743)	(87,366,205)	(18,754,227)	1,461,354,316	28,187,912	1,489,542,228
Loss for the year	-	-	-	-	-	-	(265,532,659)	-	(265,532,659)	(7,117,579)	(272,650,238)
Other comprehensive loss	-	-	-	-	-	(2,999,736)	(23,725,880)	(26,725,616)	(26,725,616)	(2,113,772)	(28,839,388)
Total comprehensive loss	-	-	-	-	-	(2,999,736)	(265,532,659)	(23,725,880)	(292,258,275)	(9,231,351)	(301,489,626)
Transfer to statutory reserve	-	-	-	-	1,084,102	-	(1,084,102)	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	(11,723,298)	(11,723,298)
Acquisition of non-controlling interest (note 26)	-	-	-	-	-	-	(1,274,045)	-	(1,274,045)	(2,249,723)	(3,523,768)
At 31 December 2015	903,434,799	700,367,674	(64,840,298)	(16,493,664)	51,150,082	(8,059,479)	(355,257,011)	(42,480,107)	1,167,821,996	4,983,540	1,172,805,536

The attached notes from 1 to 34 form part of these consolidated financial statements

Depa Limited and its subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOW

For the year ended 31 December 2015

	Notes	2015		2014	
		US\$	AED	US\$	AED
OPERATING ACTIVITIES					
(Loss) / profit before tax		(70,653,078)	(259,650,037)	17,070,574	62,734,356
Adjustments for:					
Depreciation of property, plant and equipment	8	10,791,233	39,657,779	11,144,140	40,954,713
Provision for employees' end of service benefits	22	3,505,976	12,884,461	3,093,629	11,369,083
Gain on disposal of property, plant and equipment		(62,732)	(230,540)	(29,134)	(107,066)
Interest income		(479,185)	(1,761,003)	(712,034)	(2,616,724)
Interest expense		1,233,849	4,534,396	2,379,471	8,744,557
Impairment allowance on trade receivables, retentions and unbilled revenue		21,280,374	78,205,366	3,699,185	13,594,503
Reversal of allowance on trade receivables, retentions and unbilled revenue	4	(8,683,252)	(31,910,947)	(7,423,748)	(27,282,273)
Impairment loss on goodwill	10	23,353,085	85,822,577	1,378,462	5,065,847
Impairment loss on investment in an associates	11	4,053,445	14,896,409	888,507	3,265,262
Impairment loss on available-for-sale investment	12	323,537	1,189,000	165,639	608,725
Share of loss / (profit) from associates	11	419,086	1,540,141	(330,574)	(1,214,859)
Impairment loss on property, plant and equipment	8	3,408,331	12,525,616	-	-
Amortisation of held to maturity investment		(113,420)	(416,818)	(170,105)	(625,137)
Amortisation and impairment of intangible assets	9	5,265,893	19,352,154	4,930,638	18,120,096
		(6,356,857)	(23,361,446)	36,084,650	132,611,083
Working capital changes:					
Trade and other receivables		52,005,347	191,119,630	(19,507,874)	(71,691,437)
Inventories		3,248,145	11,936,930	5,051,248	18,563,338
Due from customers on construction contracts		5,306,799	19,502,484	52,297,440	192,193,091
Contract retentions		(4,548,177)	(16,714,547)	5,181,191	19,040,877
Other non-current assets		149,159	548,160	9,238	33,951
Subcontractors' retention		997,990	3,667,613	(1,730,227)	(6,358,586)
Accounts payable and other liabilities		(38,360,016)	(140,973,044)	(20,924,255)	(76,896,637)
Due to related parties		126,808	466,018	(37,905)	(139,302)
Restricted cash		5,101,676	18,748,657	(11,339,905)	(41,674,150)
Cash from operations		17,670,874	64,940,455	45,083,601	165,682,228
Employees' end of service benefits paid	22	(3,543,384)	(13,021,935)	(1,762,014)	(6,475,402)
Zakat and income tax paid		(2,472,680)	(9,087,098)	(3,248,113)	(11,936,814)
Net cash flows from operating activities		11,654,810	42,831,422	40,073,474	147,270,012
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	8	(2,543,077)	(9,345,806)	(5,611,579)	(20,622,553)
Proceeds from sale of property, plant and equipment		626,056	2,300,754	199,665	733,770
Proceeds from sale of investment property		587,318	2,158,395	-	-
Purchase of intangible assets	9	(8,519)	(31,309)	(473,369)	(1,739,631)
Dividends / payments received from associates	11	531,919	1,954,802	613,605	2,255,000
Additional investment in subsidiaries		(958,848)	(3,523,767)	(1,005,187)	(3,694,063)
Loss of control on subsidiaries, net cash disposed	30	-	-	(1,767,404)	(6,495,209)
(Increase) /decrease in long term fixed deposits		(6,254,618)	(22,985,719)	2,658,845	9,771,257
Interest income received		479,185	1,761,003	712,034	2,616,724
Disposal of investment at fair value through profit or loss		-	-	150	550
Net cash flows used in investing activities		(7,540,585)	(27,711,647)	(4,673,240)	(17,174,155)

The attached notes from 1 to 34 form part of these consolidated financial statements

Depa Limited and its subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOW (continued)

At 31 December 2015

	<i>Notes</i>	<i>2015</i>		<i>2014</i>	
		<i>US\$</i>	<i>AED</i>	<i>US\$</i>	<i>AED</i>
FINANCING ACTIVITIES					
Decrease/(increase) in bank guarantee margin		1,684,435	6,190,298	(1,755,646)	(6,451,998)
Proceeds from long term borrowings		13,605,444	50,000,000	13,605,442	50,000,000
Dividends paid to non-controlling interests		(3,190,013)	(11,723,298)	(2,100,584)	(7,719,645)
Repayment of borrowings		(21,819,761)	(80,187,615)	(25,473,616)	(93,615,538)
Net movement in trust receipts		2,368,736	8,705,103	(7,518,611)	(27,630,896)
Interest paid		(1,233,849)	(4,534,396)	(2,379,471)	(8,744,557)
Net cash flows used in financing activities		<u>(8,585,010)</u>	<u>(31,549,908)</u>	<u>(25,622,486)</u>	<u>(94,162,634)</u>
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS					
		(4,470,785)	(16,430,133)	9,777,748	35,933,223
Net foreign exchange difference		(4,425,505)	(16,263,728)	(4,050,966)	(14,887,300)
Cash and cash equivalents at 1 January		<u>80,327,566</u>	<u>295,203,776</u>	<u>74,600,776</u>	<u>274,157,853</u>
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	29	<u><u>71,431,277</u></u>	<u><u>262,509,915</u></u>	<u><u>80,327,558</u></u>	<u><u>295,203,776</u></u>

The attached notes from 1 to 34 form part of these consolidated financial statements

1 CORPORATE INFORMATION

Depa Limited (the “Company”) is a company limited by shares and registered in accordance with DIFC Law No. 3 of 2006, as repealed and replaced by DIFC Law No. 2 of 2013, and was incorporated on 25 February 2008. Depa Limited is the management company of Depa United Group P.J.S.C. The Company's shares are listed on the Nasdaq Dubai.

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

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

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

2 BASIS OF PREPARATION AND CONSOLIDATION

2.1 BASIS OF PREPARATION

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (IASB), and applicable requirements of UAE Laws.

Functional and presentation currency

The consolidated financial statements are presented in UAE Dirhams (AED) since that is the currency in which the majority of the Group’s transactions are denominated. The US Dollar (US\$) amounts, are presented solely for the convenience of the reader of the consolidated financial statements. The UAE Dirham amounts have been translated at the rate of AED 3.675 to US\$ 1. The translation rate has remained constant throughout the year.

Accounting convention

The consolidated financial statements have been prepared under a historical cost basis, except for investment properties which have been measured at fair value. Historical cost is generally based on fair value of the consideration given in exchange for assets.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2015. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting or similar rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

2 BASIS OF PREPARATION AND CONSOLIDATION (continued)

2.2 BASIS OF CONSOLIDATION (continued)

The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from the contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Depa Limited and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

2 BASIS OF PREPARATION AND CONSOLIDATION (continued)

2.2 BASIS OF CONSOLIDATION (continued)

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

<i>Name of subsidiaries</i>	<i>Country</i>	<i>% Holding</i>		<i>Principal activities</i>
		2015	2014	
Depa United Group P.J.S.C.	U.A.E.	100%	100%	Management activities of the holding Company.
<i>Subsidiaries of Depa United Group P.J.S.C.</i>				
Depa Interiors L.L.C.	U.A.E.	100%	100%	Full scope fit out and furnishing of five star hotels, luxury villas and residential, hospitalities and services
Depa Decoration, Contracting & General Maintenance L.L.C.	U.A.E.	100%	100%	Interior decoration, contracting and general maintenance services for hotels and other entities
Eldiar Furniture Manufacturing and Decoration L.L.C.	U.A.E.	100%	100%	Manufacturing and sale of wooden doors, wardrobes, furniture decoration
Deco Emirates L.L.C.	U.A.E.	100%	100%	Building, contracting and decoration activities and trading in furniture and related items and shops interiors
Depa Hotels SAE	Egypt	91.95%	91.95%	Decoration works, interior and exterior finishing for hotels, motels, tourist villages and Nile cruise ships
Pino Meroni Wooden and Metal Industries S A E	Egypt	86.17%	86.17%	Manufacturing of wooden and steel furniture
Depa Construction L.L.C.	U.A.E.	100%	100%	Interior and exterior decoration works and other related activities.
Dragoni International L.L.C.	U.A.E.	60%	60%	Interior design, furniture manufacturing and supply and fit out of soft and hard furnishings
Depa Al Barakah L.L.C.	U.A.E.	80%	80%	Contracting of partitions and false ceilings and trading of gypsum products and false ceiling
Depamar SARL	Morocco	100%	100%	Interior design, decoration works and construction of buildings
Depa Mauritius	Mauritius	100%	100%	Management activities of holding companies
Depa Saudi Contracting and Interior Design L.L.C.	Saudi Arabia	100%	100%	Interior decoration, contracting and general maintenance services for hotels and other entities
Depa Hungary Kft	Hungary	100%	100%	Management activities of holding companies
Paragon Creative Middle East L.L.C.	U.A.E.	51%	51%	Building, marquette and model trading
Depa Qatar Company W.L.L.	Qatar	100%	100%	Civil construction and related activities
Depa Jordan Investment W.L.L.	Bahrain	70%	70%	Management activities of holding companies
Depa India Private Limited	India	100%	100%	Full scope fit out and furnishing of five star leasing hotels.
Carrara Mideast Industrial Co. L.L.C.	U.A.E.	100%	100%	Cutting, processing, polishing and fixing marble and granite.

Depa Limited and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

2 BASIS OF PREPARATION AND CONSOLIDATION (continued)

2.2 BASIS OF CONSOLIDATION (continued)

<i>Name of subsidiaries</i>	<i>Country</i>	<i>% Holding</i>		<i>Principal activities</i>
		2015	2014	
<i>Subsidiaries of Depa United Group P.J.S.C. (continued)</i>				
Depa India RAK FZE	U.A.E.	100%	100%	Trading, imports and exports of carpets, chandeliers, home furniture, and light fitting and fixtures.
Depa Syria for Contracting and Real Estate Developments	Syria	100%	100%	Investment in real estate and all related services and activities
Depa Industrial Group Maroc	Morocco	100%	100%	Manufacturing and sale of wooden doors, wardrobes, furniture decoration
Depa Industrial Group (DIG) Dubai	U.A.E.	90%	90%	Contracting of wooden doors, frames, windows, building metal products and other joinery products as well as manufacture of home furniture
Pino Meroni Yacht Interiors L.L.C.	U.A.E.	90%	90%	Trading in material and requisites for Yacht upholstery and fabric for curtains and upholstery and trading in decoration and partition materials
Design Studio Group Ltd. (formerly known as "Design Studio Furniture Manufacturer Limited and its subsidiaries")	Singapore	89.8%	89.03%	Manufacture, supply and installation of panelling products to residential property projects. Interior fitting-out services to hospitality and commercial projects
Depa (U.K) Limited	UK	100%	100%	General commercial company
Depa Azerbaijan LLC	Azerbaijan	100%	100%	Full scope fit out and furnishing of five star hotels, luxury villas and residential, hospitalities and services
Projects Division Company (SARLAU)	Morocco	100%	100%	Investment in real estate and all related services and activities
Thrislington Gulf L.L.C.	U.A.E.	100%	100%	Manufacturing and installation of office partitions
Mivan Depa Contracting Bahrain W.L.L.	Bahrain	100%	100%	Importing of décor decor materials and undertaking interior designs and décor contracts.
The Parker ME FZ L.L.C	U.A.E.	51%	51%	Procurement services to hospitality industry
The Parker Company (Shanghai) Limited	Hong Kong SAR	51%	51%	Hospitality procurement
The Parker Company AG – Zurich	Switzerland	51%	51%	Hospitality procurement
Depa SRL	Italy	100%	100%	Trading and selling furniture
Depa USA Holding Co	USA	100%	100%	Hospitality, procurement (this is a holding company only with no operating activities by itself)
The Parker Company L.L.C.- USA	USA	51%	51%	Hospitality procurement
Parker Company Brazil Consultoria Empresarial Ltd	Brazil	50.49%	50.49%	Inactive in the period
The Parker Company (Asia) Limited, Hong Kong	Hong Kong SAR	51%	51%	Holding company and hospitality procurement
Depa Germany Verwaltungs GmbH & Co. KG	Germany	100%	100%	Management activities of holding companies

2 BASIS OF PREPARATION AND CONSOLIDATION (continued)

2.2 BASIS OF CONSOLIDATION (continued)

<i>Name of subsidiaries</i>	<i>Country</i>	<i>% Holding</i>		<i>Principal activities</i>
		<i>2015</i>	<i>2014</i>	
<i>Subsidiaries of Depa United Group P.J.S.C. (continued)</i>				
Depa Germany GmbH & Co. KG	Germany	100%	100%	Management activities of holding companies
Vedder Munich GmbH	Germany	100%	100%	Interior work, custom yacht interiors, custom made furniture.
Depa Munich GmbH & Co. KG	Germany	100%	100%	Management activities of holding companies.
Wallersdorfer Solar GmbH	Germany	100%	100%	Operation of solar panels for the production of electricity.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies are consistent with those used in the previous year except the Group applied, for the first time, certain standards and amendments which resulted in additional disclosures in the consolidated financial statements. The nature and the impact of each new standards and amendments are described below:

New and amended standards and interpretations

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. This amendment is not relevant to the Group, since none of the entities within the Group have defined benefit plans with contributions from employees or third parties.

2.4 STANDARDS ISSUED NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

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. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities. The Group is in the process of analysing the detailed impact of IFRS 9.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and OCI. The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Group is an existing IFRS preparer, this standard would not apply.

2 BASIS OF PREPARATION AND CONSOLIDATION (continued)

2.4 STANDARDS ISSUED NOT YET EFFECTIVE (continued)

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any significant impact on the Group.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, when the IASB finalises their amendments to defer the effective date of IFRS 15 by one year. Early adoption is permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. These amendments must be applied prospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

2 BASIS OF PREPARATION AND CONSOLIDATION (continued)

2.4 STANDARDS ISSUED NOT YET EFFECTIVE (continued)

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Group as the Group does not issue separate financial statements.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 *Presentation of Financial Statements* clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

2.5 ANNUAL IMPROVEMENTS

Annual Improvements 2012-2014 Cycle

These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

2 BASIS OF PREPARATION AND CONSOLIDATION (continued)

2.5 ANNUAL IMPROVEMENTS (continued)

Annual Improvements 2012-2014 Cycle (continued)

IFRS 7 Financial Instruments: Disclosures

(i) Servicing contracts The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

IAS 19 Employee Benefits

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

IAS 34 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively.

These amendments are not expected to have any impact on the Group.

3 SIGNIFICANT ACCOUNTING POLICIES

In the application of the Group's accounting policies, which are described in Note 2, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if, the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Significant Accounting Judgements in applying Group accounting policies

The following are the critical judgments, apart from those involving estimations described below, that the management have made in the process of applying the Group's accounting policies and have the most significant effect on the amounts recognised in the consolidated financial statements.

Business combinations

In accordance with International Financial Reporting Standards, on acquisition of a subsidiary or business operation, the Group is required to allocate the cost of the business combination by recognising, at fair value, the acquiree's identifiable assets, liabilities and contingent liabilities that meet certain recognition criteria. In doing so, management have exercised their judgment, based on experience and knowledge of the industry, in determining the applicability of the recognition criteria, including the separability of intangible assets, the forecasting horizon, the appropriate discount rate, the amortisation timetable and the impairment tests to be applied in future. The Directors are satisfied that these judgments have resulted in a fair and reasonable estimate of the fair value of the identifiable assets (including intangible assets), liabilities and contingent liabilities at the date of the acquisitions made.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant Accounting Judgements in applying Group accounting policies (continued)

Joint operations

The Group reports its interests in jointly controlled entities as joint operations which management considers appropriately recognises the substance of the business arrangements.

Classification of investment properties

The Group determines whether a property is classified as an investment property or property, plant and equipment. Investment properties comprises land and buildings which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation or where the intention of the Group is not yet clear.

Property, plant and equipment comprise property, land and buildings which are occupied substantially for use by, or in the operations of the Group.

Impairment of available-for-sale financial asset

The Group follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Classification of investment in securities

As described in Note 3, investments are classified as either held for trading or available-for-sale. In judging whether investments are held for trading or available-for-sale ("AFS"), management has considered the detailed criteria for determination of such classification as set out in IAS 39 Financial Instruments: Recognition and Measurement. Management is satisfied that its investment in securities is appropriately classified as AFS investments.

Breach of banking covenants

The Group is in compliance with the majority of agreed financial covenants in respect of banking facilities; however, a few financial covenants with commercial banks are in breach. None of the facilities concerned have been withdrawn to date. Management is confident based on in-house legal opinion obtained that the breach of these covenants does not impact the validity of the project finance which is in place. Management meet with the banks monthly or quarterly as part of their risk management strategy and all the concerned banks are aware of the breaches which impact their facilities and management is confident, based on the ongoing dialogue with the concerned banks, that they will be able to re-negotiate the terms and financial covenants set out in respect of these facilities and that there is no impact of these breaches on the guarantees that are currently in place with various contractors and employers nor on the consolidated financial statements.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Allowances for 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 changes in key management leading negotiations on the recovery of long outstanding receivables, unbilled revenue and retentions. Estimating the amount of the allowance requires significant judgment and the use of estimates related to the amount and timing of estimated losses based on historical loss experience, current disputes, consideration of current economic trends and conditions and contractor/employer-specific factors, all of which may be susceptible to significant change. An allowance is charged to operations based on management's periodic evaluation of the factors previously mentioned, as well as other pertinent factors. To the extent actual outcomes differ from management estimates, additional allowance for doubtful debts or reversal of excess provisions could be made that could adversely or positively affect earnings or the financial position in future periods.

At the reporting date, gross trade receivables were AED 449,010,454 (2014: AED 527,451,215), and the provision for doubtful debts was AED 180,910,134 (2014: AED 156,799,444). Any difference between the amounts actually collected in a future period and the amounts expected, will be recognised in the consolidated statement of profit or loss in that period.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Key sources of estimation uncertainty (continued)

Allowance for inventory obsolescence

Management has estimated the recoverability of inventory balances and considered the allowance required for inventory obsolescence based on the current economic environment and best obsolescence history. Estimating the amount of the allowance for stock obsolescence requires significant judgment and the use of estimates related to the provision for amortisation based on historical loss experience and consideration of current interior design market trends, all of which may be susceptible to significant change. A provision for stock obsolescence is charged to contract costs based on management's periodic evaluation of the factors previously mentioned, as well as other pertinent factors. To the extent actual outcomes differ from management estimates, additional provision for stock obsolescence could be required that could adversely affect earnings or financial position in future periods.

At the reporting date, gross inventories were AED 73,786,718 (2014: AED 86,176,368), with provisions for old and obsolete inventories of AED 10,942,750 (2014: AED 11,395,470). Any difference between the amounts actually realised in a future period and the amounts expected, will be recognised in the consolidated statement of profit or loss in that period.

Useful lives of property, plant and equipment and intangible assets

The Group's management determines the estimated useful lives of its property, plant and equipment and intangible assets for calculating depreciation and amortisation respectively. 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 and amortisation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Management has not considered any residual value as it is deemed immaterial. During the year management performed assessments of both the fair value and value in use of property, plant and equipment and intangible assets and recognised the impairment loss amounting to AED 13,749,920 (2014: nil) in consolidated statement of profit or loss.

Revenue on construction contracts

The Group uses the percentage-of-completion method in accounting for its construction contract revenue. Use of the percentage-of-completion method requires the Group to estimate the proportion of work performed as a proportion of contract costs incurred for work performed to date to the estimated total contract costs. Management considers that this is the most appropriate measure of determining the percentage-of-completion to arrive at the profit to be recognised for the year and to defer profits in excess of the overall estimated contract margin. Since project costs can vary from initial estimates, the reliance on the total project cost estimate represents an uncertainty inherent in the revenue recognition process. Individual project budgets are reviewed regularly with project leaders to ensure that cost estimates are based upon up to date and as accurate information as possible, and take into account any relevant historic performance experience. Effects of any revision to these estimates are reflected in the year in which the estimates are revised.

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. Contract variations amounting to AED 13 million have been considered during the year, as part of contract value of a project.

Contract claims

Contract claims are recognised as revenue only when management believes that an advanced stage of negotiation has been reached and the revenue can be estimated with reasonable certainty. The amount of claim recognised as part of revenue for the year is nil (2014: AED 46 million) which pertain to KAPSARC project. Management reviews the judgement related to these contract claims periodically and adjustments are made in the future periods, if assessments indicate that such adjustments are appropriate.

Fair value of other financial instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment and estimation is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Key sources of estimation uncertainty (continued)

Construction cost estimates

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

Defects liability provisions

The Company generally offers a one year warranty for defects for work carried out. Management estimate the related provision for future warranty claims based on historical warranty claim information, as well as recent trends that might suggest that past cost information may differ from future claims. These costs are included in estimated contract costs.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the fair value less cost to sell (FVLC) or value-in-use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value which necessarily involves making numerous estimates and assumptions regarding revenue growth, operating margins, tax rates, appropriate discount rates and working capital requirements. These estimates will likely differ from future actual results of operations and cash flows, and it is possible that these differences could be material. During the year management performed assessments of goodwill and recognised the impairment loss amounting to AED 85,822,577 (2014: 5,065,847) in consolidated statement of profit or loss. The carrying amount of goodwill at the end of the reporting period was AED 297,277,271 (2014: AED 383,099,848).

Recoverability of intangible assets

During the year, management considered the recoverability of the intangible assets arising from the Group's business combinations, which included in its statement of financial position at 31 December 2015 at AED 55,639,661 (2014: AED 74,960,506). This situation will be closely monitored, and adjustments made in future periods, if future assessments indicate that such adjustments are appropriate.

Fair value of available-for-sale investments

The Group records available-for-sale investments at fair value. For publicly traded investments this is based on market prices, however the Group is required to estimate the fair value for investments in private securities. The Group is required to make significant judgments in estimating these values and bases its estimate on available financial statements and information provided by investment managers.

Provision for taxes

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

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

Non-current retentions

Non-current retentions receivable and payable are restated at their fair value at each period end by discounting at the Company's effective deposit and borrowing rates respectively, which management considered to be the appropriate discount rates for these assets and liabilities.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Key sources of estimation uncertainty (continued)

Employees' end of service indemnity

The cost of the end of service benefits and the present value of these benefits 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 given in Note 22.

Business combinations and goodwill

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that represent ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Business combinations that took place prior to 1 January 2010 were accounted for in accordance with the previous version of IFRS 3.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

Goodwill arising on the acquisition of a subsidiary or jointly controlled entity represents the excess of the cost of acquisition over the Group's assets in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost). 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 that are acquired separately.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates (continued)

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no re-measurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are eliminated to the extent of interests in the relevant associate.

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly.
- Its liabilities, including its share of any liabilities incurred jointly.
- Its revenue from the sale of its share of the output arising from the joint operation.
- Its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenue and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Interests in joint operations (continued)

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

Upon loss of joint control, the Group measures and recognises its remaining investment at its fair value. The difference between the carrying amount of the investment upon loss of joint control and the fair value of the remaining investment and proceeds from disposal is recognised in profit or loss. When the remaining investment constitutes significant influence, it is accounted for as an investment in associate.

Revenue recognition

The Group's revenue is primarily derived from construction revenue.

Revenue from construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as the proportion of contract costs incurred for work performed to date to the estimated total contract costs. Variations in contract work are recognised to the extent that it is probable that they will result in revenue and such revenue can be reliably measured. Claims and incentive payments are included to the extent that it is probable that the customer will accept the claim and the amount can be measured reliably.

Changes in estimates used in the determination of the amount of revenue and expenses are recognised in the consolidated statement of income in the period in which the change is made.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which these are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Revenue from procurement services

The procurement contracts require the Group to perform an indeterminate number of acts over a specified period of time including negotiating with vendors, tracking the progress of each purchase order, and monitoring the delivery process. Therefore, revenue is recognised on a straight-line basis over the term of the contracts as this is the best method to represent each contract's stage of completion.

The Group also derives revenue by charging vendors a fee for the use of the Group's purchase order tracking software. The fees are based on the value of the merchandise ordered. Fees from vendors are earned and recognised when the vendors ship the merchandise ordered through the Group's purchase order tracking software to the Group's customers.

Revenue from sale of goods

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

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group; and,
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Dividend and interest income

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

Contract costs

Contract costs comprise direct costs such as materials, labour and overheads, and other costs attributable to contract activity in general and which can be allocated to a specific contract. In addition, contract costs include costs that are specifically chargeable to the customer under the terms of the contract.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Amounts due from/to customers on construction contracts

Amounts due from/to customers on construction contracts is the difference between the revenue recognised based on percentage-of-completion and the actual amount certified or billed. Amount due from customers on construction contracts represents excess of revenue recognised based on percentage of completion over actual amount certified or billed. Amount due to customers on construction contracts represents excess of actual amount certified or billed over revenue recognised based on percentage of completion.

Borrowing costs

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

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

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

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, production and conversion costs and other costs necessary to bring the inventory to the Group's location and condition. In the case of manufactured inventory and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

When the net realisable value of the inventories is lower than the cost, the Group provides for an allowance for the decline in the value of the inventory and recognises the write-down as an expense in profit or loss. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognized as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Foreign currencies

For the purpose of these consolidated financial statements UAE Dirhams (AED) is the presentation currency of the Group. The functional currency of the Company is also AED.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

Transactions in currencies other than AED (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign subsidiaries are expressed in AED using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the translation reserve. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the profit or loss in the period in which they are incurred.

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	3% - 15%
Machinery and equipment	10% - 50%
Motor vehicles	20% - 25%
Furniture and office equipment	20% - 33.33%
Operating equipment and tools	20%
Site equipment	10% - 25%
Caravans	20%

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.

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

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

Capital work in progress

Properties or assets in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes all direct costs attributable to the design and construction of the property including related staff costs, and for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. When the assets are ready for intended use, the capital work in progress is transferred to the appropriate property, plant and equipment category and is depreciated in accordance with the Group's policies.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 income statement in the year in which they arise.

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

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

Intangible assets

Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful lives are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

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

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

Brand name	15 years
Customer relationships	5 - 10 years
Contracts on hand	Over the expected period of the contract
Other	Over the life of the asset

Impairment of tangible and intangible assets excluding goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of tangible and intangible assets excluding goodwill (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Employee benefits

An accrual is made for the estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by eligible employees up to the end of the year.

Employees' end of service indemnity

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

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

The defined benefit liability comprises the present value of the defined benefit obligations using a discount rate based on market yield rates. The Group has not allocated any assets to such plans.

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

Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation at the end of the reporting period, using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of receivable can be measured reliably.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances, and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Financial assets at FVTPL

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future;
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in the consolidated profit or loss. The net gain or loss recognised in the consolidated profit or loss incorporates any dividend or interest earned on the financial asset.

Held-to-maturity investments

Commercial paper with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

AFS financial assets

Unlisted shares and listed redeemable notes held by the Group that are traded in an active market are classified as being AFS and are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in equity with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in the consolidated profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in the consolidated profit or loss for the period.

Dividends on AFS equity instruments are recognised in the consolidated profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in the consolidated profit or loss, and other changes are recognised in equity.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Trade receivables

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For unlisted shares classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including redeemable notes classified as AFS and finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the consolidated profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the consolidated profit or loss to the extent that the carrying amount of the investment, at the date the impairment is reversed, does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised through profit or loss are not reversed through the consolidated profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

De-recognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'. The Group does not have any financial liabilities classified as FVTPL. Trade and other payables are classified as 'other financial liabilities' and are carried at nominal values.

Other financial liabilities

Other financial liabilities include balances due to banks and loans and are initially measured at fair value, net of transaction costs and include trade and other payables benefits which are carried at nominal values.

Other financial liabilities initially recorded at fair value are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Treasury shares

Treasury shares are deducted from equity. No gain or loss is recognised on the purchase, sale, issuance or cancellation of the treasury shares. Any consideration paid or received is recognised directly in equity.

Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Depa Limited and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Offsetting

Financial assets and financial liabilities are only 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 the Group intends to settle on a net basis.

Contingencies

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Liabilities which are probable are recorded in the consolidated financial statement under accounts payable and accruals. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

4 OTHER INCOME

	2015 AED	2014 AED
Reversal of allowance for doubtful debts and due from customers	31,910,947	27,282,273
Interest income from held-to-maturity investment	1,333,816	1,542,224
Gain on disposal of property, plant and equipment	230,540	107,066
Reversal of other provisions	5,920,263	1,332,835
Miscellaneous income	11,664,290	12,362,128
	<u>51,059,856</u>	<u>42,626,526</u>

5 INCOME TAX

	2015 AED	2014 AED
Current tax	13,119,907	14,511,820
Deferred tax income	(119,706)	(901,361)
	<u>13,000,201</u>	<u>13,610,459</u>
Effective tax rate from taxable operations		
Profit before tax from operations which are taxable	85,559,940	97,455,532
Loss before tax from operations which are taxable	(94,396,259)	(16,317,168)
Losses from operations before tax which are not taxable	(250,813,718)	(18,404,008)
(Loss) / profit before tax	<u>(259,650,037)</u>	<u>62,734,356</u>
Total income tax expense during the year	<u>13,000,201</u>	<u>13,610,459</u>
Effective tax rate on profit from operations which are taxable	<u>15%</u>	<u>14%</u>

Relationship between tax expense and accounting profit:

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

	2015 AED	2014 AED
(Loss) / profit before tax	<u>(259,650,037)</u>	<u>62,734,356</u>

Depa Limited and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

5 INCOME TAX (continued)

Relationship between tax expense and accounting profit (continued)

	<i>2015</i>	<i>2014</i>
	<i>AED</i>	<i>AED</i>
Tax at the domestic rates applicable to profits in the countries where the Group operates	13,176,910	15,268,566
Tax effect of non-deductible expenses	566,530	649,198
Income not subject to taxation	(58,791)	(37,677)
Tax exemption	(368,779)	(226,060)
Deduction on tax incentives	(334,039)	(101,437)
Excess provision in respect of prior year	(53,446)	(556,454)
Utilisation of deferred benefit	96,203	(562,251)
Others	(24,387)	(823,426)
	<u>13,000,201</u>	<u>13,610,459</u>

Deferred tax balances

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

	<i>2015</i>	<i>2014</i>
	<i>AED</i>	<i>AED</i>
Deferred tax assets	1,207,605	1,122,273
Deferred tax liabilities	(248,298)	(282,672)
	<u>959,307</u>	<u>839,601</u>
Current tax liability		
Current tax liability included in accounts payable and accruals (note 23)	<u>22,515,680</u>	<u>18,482,871</u>

Depa Limited and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

5 INCOME TAX (continued)

The following are the deferred tax liabilities and assets recognised by the Group and the movements thereon

	Differences in depreciation AED	Unrealised foreign exchange AED	Intangible assets AED	Other general provision AED	Total AED
Deferred tax assets (net)					
At 1 January 2014	176,888	-	-	-	176,888
Credit / (charged) to profit or loss for the year	757,081	(55,492)	-	(58,267)	643,322
Others	(12,301)	-	-	304,629	292,328
Exchange differences	17,333	-	-	(7,598)	9,735
At 31 December 2014	939,001	(55,492)	-	238,764	1,122,273
Credit to profit or loss for the year	13,569	-	-	-	13,569
Others	(40,235)	10,380	-	123,606	93,751
Exchange differences	(21,753)	3,592	-	(3,827)	(21,988)
At 31 December 2015	890,582	(41,520)	-	358,543	1,207,605

	Differences in depreciation AED	Unrealised foreign exchange AED	Intangible assets AED	Other general provision AED	Total AED
Deferred tax liabilities					
At 1 January 2014	237,341	51,581	(34,733)	1,673,423	1,927,612
(Credit)/charged to profit or loss for the year	(221,968)	(44,394)	33,295	(24,971)	(258,038)
Others	-	-	-	(1,333,933)	(1,333,933)
Exchange differences	(9,444)	(7,187)	1,438	(37,776)	(52,969)
At 31 December 2014	5,929	-	-	276,743	282,672
(Credit)/charged to profit or loss for the year	(5,929)	-	-	-	(5,929)
Exchange differences	-	-	-	(28,445)	(28,445)
At 31 December 2015	-	-	-	248,298	248,298

6 (LOSS) / PROFIT FOR THE YEAR

(Loss) / profit for the year is stated after charging:

	2015 AED	2014 AED
Staff costs	<u>416,494,580</u>	<u>481,777,028</u>
Depreciation	<u>39,657,779</u>	<u>40,954,713</u>
Operating leases	<u>18,076,360</u>	<u>23,200,157</u>

7 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the parent company by the weighted average number of ordinary shares outstanding during the year of 607,860,365 shares (2014: 607,860,365 shares), which represent the outstanding shares of 614,726,448 (note 18), net of treasury shares of 6,866,083 (note 19). There are no dilutive items. Basic and diluted earnings per share is same.

Depa Limited and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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8 PROPERTY, PLANT AND EQUIPMENT

2015	Land and buildings AED	Machinery and equipment AED	Motor vehicles AED	Furniture and office equipment AED	Operating equipment and site tools AED	Site equipment AED	Caravans AED	Capital work-in-progress AED	Total AED
Cost:									
At 1 January 2015	370,140,119	189,520,105	18,891,526	67,653,768	570,553	1,721,021	808,961	7,195,975	656,502,028
Transfers	-	216,424	-	-	-	-	-	(216,424)	-
Additions	409,902	1,878,379	881,980	3,982,897	-	49,178	-	2,143,470	9,345,806
Disposals	-	(2,826,157)	(1,656,394)	(2,462,390)	-	(42,351)	-	-	(6,987,292)
Exchange differences	(7,848,610)	(7,184,592)	(285,476)	(2,745,900)	(25,623)	-	(6,115)	(78,511)	(18,174,827)
At 31 December 2015	362,701,411	181,604,159	17,831,636	66,428,375	544,930	1,727,848	802,846	9,044,510	640,685,715
Depreciation:									
At 1 January 2015	119,266,901	115,126,446	18,065,961	48,261,982	363,730	1,672,348	266,957	-	303,024,325
Charge for the year	20,072,762	11,451,096	631,259	7,282,211	7,532	77,735	135,184	-	39,657,779
Impairment loss	5,900,000	-	-	-	-	-	-	6,625,616	12,525,616
Disposals	-	(1,776,656)	(1,656,394)	(1,441,677)	-	(42,351)	-	-	(4,917,078)
Exchange differences	(1,405,140)	(5,243,054)	(313,049)	(1,606,727)	(24,466)	-	(6,466)	-	(8,598,902)
At 31 December 2015	143,834,523	119,557,832	16,727,777	52,495,789	346,796	1,707,732	395,675	6,625,616	341,691,740
Net carrying amount:									
At 31 December 2015	218,866,888	62,046,327	1,103,859	13,932,586	198,134	20,116	407,171	2,418,894	298,993,975

Depa Limited and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

8 PROPERTY, PLANT AND EQUIPMENT (continued)

2014	Land and buildings AED	Machinery and equipment AED	Motor vehicles AED	Furniture and office equipment AED	Operating equipment and site tools AED	Site equipment AED	Caravans AED	Capital work-in-progress AED	Total AED
Cost:									
At 1 January 2014	313,007,416	192,192,129	20,426,868	76,978,820	580,968	1,639,664	811,541	62,038,026	667,675,432
Transfers	55,067,678	-	-	-	-	-	-	(55,067,678)	-
Additions	13,092,793	3,865,786	422,942	2,800,663	-	129,497	-	310,872	20,622,553
Disposals	(2,411,302)	(1,294,620)	(1,587,798)	(7,454,927)	-	(48,140)	-	-	(12,796,787)
Exchange differences	(8,616,466)	(5,216,381)	(164,833)	(1,977,760)	(10,415)	-	(2,580)	(85,245)	(16,073,680)
Assets disposed on loss of control	-	(26,809)	(205,653)	(2,693,028)	-	-	-	-	(2,925,490)
At 31 December 2014	370,140,119	189,520,105	18,891,526	67,653,768	570,553	1,721,021	808,961	7,195,975	656,502,028
Depreciation:									
At 1 January 2014	104,212,505	106,380,319	18,980,888	49,576,597	354,553	1,629,217	239,037	-	281,373,116
Charge for the year	18,274,592	13,155,773	1,067,494	8,331,163	18,132	77,735	29,824	-	40,954,713
Disposals	(2,411,302)	(1,269,615)	(1,554,498)	(6,900,064)	-	(34,604)	-	-	(12,170,083)
Exchange differences	(808,894)	(3,136,255)	(222,270)	(1,054,036)	(8,955)	-	(1,904)	-	(5,232,314)
Assets disposed on loss of control	-	(3,776)	(205,653)	(1,691,678)	-	-	-	-	(1,901,107)
At 31 December 2014	119,266,901	115,126,446	18,065,961	48,261,982	363,730	1,672,348	266,957	-	303,024,325
Net carrying amount:									
At 31 December 2014	250,873,218	74,393,659	825,565	19,391,786	206,823	48,673	542,004	7,195,975	353,477,703

Net book value of land and buildings amounting to AED 32.6 million (2014: AED 37.6 million) and equipment amounting to AED 5.1 million (2014: AED 6.0 million) are secured by the bank as collateral for loans (Note 21).

Depa Limited and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

8 PROPERTY, PLANT AND EQUIPMENT (continued)

The depreciation charge has been allocated in the consolidated income statement as follows:

	2015 AED	2014 AED
Contract cost	28,154,824	29,739,918
General and administrative expenses	11,502,955	11,214,795
	<u>39,657,779</u>	<u>40,954,713</u>

9 INTANGIBLE ASSETS

2015

	<i>Brand name AED</i>	<i>Customer relationships AED</i>	<i>Contracts on hand AED</i>	<i>Others AED</i>	<i>Total AED</i>
Cost:					
At 1 January 2015	97,586,297	76,007,652	43,835,120	72,879,550	290,308,619
Additions	-	-	-	31,309	31,309
At 31 December 2015	<u>97,586,297</u>	<u>76,007,652</u>	<u>43,835,120</u>	<u>72,910,859</u>	<u>290,339,928</u>
Accumulated amortisation:					
At 1 January 2015	49,526,642	66,149,297	43,835,120	55,837,054	215,348,113
Charge for the year	5,207,681	6,522,176	-	6,397,993	18,127,850
Impairment	1,224,304	-	-	-	1,224,304
At 31 December 2015	<u>55,958,627</u>	<u>72,671,473</u>	<u>43,835,120</u>	<u>62,235,047</u>	<u>234,700,267</u>
Carrying amount:					
At 31 December 2015	<u>41,627,670</u>	<u>3,336,179</u>	<u>-</u>	<u>10,675,812</u>	<u>55,639,661</u>

2014

	<i>Brand name AED</i>	<i>Customer relationships AED</i>	<i>Contracts on hand AED</i>	<i>Others AED</i>	<i>Total AED</i>
Cost:					
At 1 January 2014	97,586,297	76,007,652	43,835,120	71,139,919	288,568,988
Additions	-	-	-	1,739,631	1,739,631
At 31 December 2014	<u>97,586,297</u>	<u>76,007,652</u>	<u>43,835,120</u>	<u>72,879,550</u>	<u>290,308,619</u>
Accumulated amortisation:					
At 1 January 2014	44,318,961	59,627,122	43,835,120	49,446,814	197,228,017
Charge for the year	5,207,681	6,522,175	-	6,390,240	18,120,096
At 31 December 2014	<u>49,526,642</u>	<u>66,149,297</u>	<u>43,835,120</u>	<u>55,837,054</u>	<u>215,348,113</u>
Carrying amount:					
At 31 December 2014	<u>48,059,655</u>	<u>9,858,355</u>	<u>-</u>	<u>17,042,496</u>	<u>74,960,506</u>

Depa Limited and its subsidiaries

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At 31 December 2015

10 GOODWILL

Goodwill allocated to the following CGUs:

	2015 AED	2014 AED
Depa Interiors LLC	84,672,299	84,672,299
Lindner Middle East LLC	16,494,663	16,494,663
Depa Al Barakah LLC	6,602,816	6,602,816
Depa Décoration, Contracting & General Maintenance LLC	8,106,402	8,106,402
Depa Saudi Contracting and Interior Design LLC	5,753,083	5,753,083
Depa Qatar Company WLL	21,472,999	21,472,999
Dragoni International LLC	5,065,847	5,065,847
Deco Emirates LLC	8,094,911	8,094,911
Pino Meroni Wooden and Metal Industries SAE	861,646	861,646
Depa Industrial Group (DIG) LLC	5,209,151	5,209,151
Carrara Mideast Industrial Co. LLC	6,842,212	6,842,212
Vedder GmbH	32,291,462	32,291,462
Design Studio Group Ltd.	83,009,614	83,009,614
Depa Design Studio Ltd.	61,016,395	61,016,395
Parker Middle East FZE	11,310,230	11,310,230
The Parker Company (Shanghai) Limited	1,741,526	1,741,526
The Parker Company LLC - USA	29,620,439	29,620,439
	<u>388,165,695</u>	<u>388,165,695</u>
Less: Impairment loss on goodwill	<u>(90,888,424)</u>	<u>(5,065,847)</u>
	<u>297,277,271</u>	<u>383,099,848</u>

Annual test for impairment

Management has carried out an impairment test for goodwill at the year-end and has concluded that impairment exists for certain CGU's as of 31 December 2015 (2014: one CGU). For this purpose, the recoverable amount of each CGU has been estimated by an external independent expert, and is based on a value-in-use calculation using cash flow projections approved by senior management and Board of Directors covering a five-year period.

Management concurred to the expert's calculation of the value in use of goodwill at 31 December 2015 and concluded an impairment loss of AED 85,822,577 (2014: AED 5,065,847).

Key assumptions used for calculation of value-in-use

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

- Growth rate
- Profit margins, and
- Discount rate

Growth rate: Estimates are based on forecasted growth rates in the industry and historical performance of each CGU. An average growth rate approximate of 5% per annum (2014: 6% per annum) has been applied.

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

Discount rate: average discount rates used throughout the assessment period was 14.6% per annum (2014: 12% per annum), reflecting the CGU's 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.

10 GOODWILL (continued)

Sensitivity to changes in assumptions

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

11 INVESTMENT IN ASSOCIATES

Details of the Group's associates are as follows:

<i>Name of associate</i>	<i>Principal activities</i>	<i>Place of incorporation and operation</i>	<i>Ownership interest</i>	
			<i>2015</i>	<i>2014</i>
Al Tawasoul Property Development Company	Property management and development	United Arab Emirates	15.60%	15.60%
Jordan Wood Industries PLC (JWICO)	Manufacturing of furniture	Jordan	36.41%	36.41%
Decolight Trading LLC	Trading of electrical and decoration materials	United Arab Emirates	45.10%	45.10%
Polypod Middle East LLC	Assembly of bathroom pods or other types of pods	United Arab Emirates	40.00%	40.00%

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:

	<i>2015 AED</i>	<i>2014 AED</i>
At 1 January	60,036,621	64,342,024
Share of (loss) / profit, net	(1,540,141)	1,214,859
Dividends / payments received	(1,954,802)	(2,255,000)
Impairment loss	(14,896,409)	(3,265,262)
At 31 December	41,645,269	60,036,621

Depa Limited and its subsidiaries

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11 INVESTMENT IN ASSOCIATES (continued)

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

	2015 AED	2014 AED
Current assets	107,899,205	104,817,481
Non-current assets	212,636,480	227,817,592
Total assets	320,535,685	332,635,073
Current liabilities	(72,518,850)	(62,989,016)
Non-current liabilities	(76,792,957)	(91,789,455)
Total liabilities	(149,311,807)	(154,778,471)
Net assets	171,223,878	177,856,602
Group's share of net assets of associates	41,645,269	55,095,719
Total revenue	137,283,421	160,257,331
Total (loss)/profit for the year	(1,740,683)	8,807,533
Group's share of (loss) / profit and total comprehensive income of associates	(1,540,141)	1,214,859

The investment in associate in Decolight Trading LLC includes loan receivable amounting to AED 9,500,868 (2014: AED 10,517,658).

Included in the investment value of the associates is goodwill amounting to nil (2014: AED 4,940,904)

The Group has assessed that the investments in its associates is impaired by AED 14,896,409 (2014: AED 3,265,262) and has charged the impairment loss to the consolidated statement of profit or loss.

The fair value of the investment in JWICO as at 31 December 2015, based on listed bid prices, was AED 14,659,630 (2014: AED 15,310,728), which is equal to the carrying value as at that date.

12 AVAILABLE FOR SALE INVESTMENTS

	2015 AED	2014 AED
At 1 January	22,251,443	22,860,168
Impairment loss	(1,189,000)	(608,725)
At 31 December	21,062,443	22,251,443

The Group has available-for-sale investments in Saraya Holdings Limited and in Al Futtaim Mena Real Estate Shari'a Development Fund ('Al Futtaim Fund'). The carrying value of investment in Saraya Holdings is AED 3,881,940 (2014: AED 3,881,940). No impairment provision is required against investment in Saraya Holdings Limited (2014: AED 608,725). The carrying value of the investment in the Al Futtaim Fund is AED 17,180,503 (2014: AED 18,369,503) net of impairment recognised during the year of AED 1,189,000 (2014: nil). Management believes that the carrying values of these investments approximate their fair value.

13 HELD TO MATURITY INVESTMENTS

Held to maturity investment amounting to AED 9,169,907 (2014: AED 8,753,089) represents Anka's Sukuk Bonds ("Sukuk") issued by Anka's Sukuk Limited (Nakheel P.J.S.C). These sukuk bonds are carried at amortised cost and earn a profit margin of 10% per annum (2014: 10% per annum) which will be redeemed upon maturity on 31 August 2016. As the maturity of Sukuk is in 2016, the investment is classified under current assets (2014: non current assets).

14 INVESTMENT PROPERTIES

The Group's investment properties consist of two (2014: three) residential villas in Morocco acquired from settlement of the outstanding receivables from its customer during a prior year. The fair value and carrying value of the investment properties as at 31 December 2015 amounted to AED 4,458,006 (2014: AED 6,616,401).

Investment properties are valued by qualified independent property valuation firm based on the market value of the relevant region in which the property is located. The property valuation firm is specialised in valuing these types of investment properties. The fair value stated in the report is determined using transaction observable in the market (level 3). Management believes that no reasonable changes in assumptions used will result in any risk of impairment.

15 ACCOUNTS RECEIVABLE AND OTHER ASSETS

	<i>2015</i> <i>AED</i>	<i>2014</i> <i>AED</i>
Trade receivables	449,010,454	527,451,215
Amounts due from related parties (note 24)	19,372,654	16,228,533
Advances to subcontractors and suppliers	72,901,576	120,513,874
Contract retentions	195,175,798	248,153,347
Prepayments	20,219,088	19,707,871
Guarantees encashed by customers	74,625,178	76,625,138
Other receivables and current assets	123,051,274	140,464,560
	<u>954,356,022</u>	<u>1,149,144,538</u>
Less: Allowances for doubtful trade receivables, contract retention and guarantees encashed by customers	<u>(180,910,134)</u>	<u>(156,799,444)</u>
	<u>773,445,888</u>	<u>992,345,094</u>

Trade receivables represent amounts due from customers for contract work rendered by the Company 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.

Other receivables and current assets balance include refundable deposits amounting to AED 14,041,446 (2014: AED 18,332,606), margin deposits amounting to AED 10,600,218 (2014: AED 7,594,702) and tax receivables amounting to AED 10,199,273 (2014: AED 36,618,223).

The encashed guarantees (advance payment and performance bond guarantees) are related to certain contracts cancelled by the Group's customers in 2012. A significant portion of this balance relates to one of the Group's overseas customer where it was publicly announced by a related party to the Group's customer of the intention to file a claim against the Group. The Group is confident based on legal advice received to date that there is no merit to such a claim. No legal proceedings have been initiated against the Group as of the date of issuance of these consolidated financial statements in relation to this claim. See also note 25.

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15 ACCOUNTS RECEIVABLE AND OTHER ASSETS (continued)

These encashed guarantees were payable on demand, and on payment by the banks concerned, management has recorded these encashed guarantees as receivables, pending resolution of the disputes. In 2013, the Group served its notice of intent to proceed to arbitration in respect of these cancelled contracts. Based on independent expert advice and continuing legal counsel opinions, management have provided an allowance for doubtful debts for all trade receivables, contract retentions and guarantees encashed by customers which, based on management's assessment, may not be recovered in full.

In 2013, and following the decision to proceed to arbitration, the advance payment guarantee encashed during 2012, and included in trade receivables, had been offset against the advance received, previously presented in creditors as there was a legal right to set off.

The movement in the allowance for doubtful trade receivables, contract retention and guarantees encashed by customers during the year is as follows:

	<i>2015</i> <i>AED</i>	<i>2014</i> <i>AED</i>
At January 1	156,799,444	208,094,406
Charge for the year	46,406,099	11,542,046
Reversal during the year	(18,626,523)	(5,622,163)
Amounts transferred / written off	(3,668,886)	(14,332,425)
Loss of control	-	(42,882,420)
	<u>180,910,134</u>	<u>156,799,444</u>
At 31 December	<u>180,910,134</u>	<u>156,799,444</u>

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

Before accepting any new customer the Group assesses the potential credit quality of the customer. Out of the trade receivables balance at the end of year, AED 238 million (2014: AED 276 million) is due from the Group's top 20 customers.

Included in the Group's trade receivable balance are debtors with a carrying amount of AED 135 million (2014: AED 188 million) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

As at 31 December, the ageing analysis of trade receivables which are past due not impaired was as follows:

	<i>2015</i> <i>AED</i>	<i>2014</i> <i>AED</i>
Due for 91 to 180 days	19,581,323	36,581,861
Due for 181 to 365 days	28,945,369	42,345,537
Due for more than 365 days	86,959,025	108,625,396
	<u>135,485,717</u>	<u>187,552,794</u>
	<u>135,485,717</u>	<u>187,552,794</u>

In determining the recoverability of a trade receivable, the Group considers changes in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

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16 CONSTRUCTION CONTRACTS

	<i>2015</i> <i>AED</i>	<i>2014</i> <i>AED</i>
Contracts in progress at end of the reporting period		
Amount due from contract customers included in current assets	451,363,575	489,380,902
Amount due to contract customers included in accounts payable and accruals (note 23)	(17,177,210)	(36,371,858)
	<u>434,186,365</u>	<u>453,009,044</u>
Contract cost incurred plus recognised profits less recognised losses to date	4,506,547,958	5,698,563,305
Less: Progress billings	(4,072,361,593)	(5,245,554,261)
	<u>434,186,365</u>	<u>453,009,044</u>

Amount due from customers on construction contracts includes amounts which have been recognised as revenue and have not been billed at the end of the reporting period. The Group policy is to bill the customers in accordance with the relevant contract terms, which is generally between 60 to 120 days after completion of the relevant contracts works. The balance is net of impairment allowance amounting to AED 48,860,023 (2014: AED 38,237,992).

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

	<i>2015</i> <i>AED</i>	<i>2014</i> <i>AED</i>
At January 1	38,237,992	58,795,353
Charge for the year	31,799,267	2,052,457
Reversal during the year	(13,284,424)	(21,660,110)
Amounts written off	(7,892,812)	(949,708)
	<u>48,860,023</u>	<u>38,237,992</u>

17 INVENTORIES

	<i>2015</i> <i>AED</i>	<i>2014</i> <i>AED</i>
Raw materials	64,961,060	75,231,492
Finished goods	1,972,120	4,160,217
Work in progress	6,845,800	6,567,877
Goods in transit	7,738	216,782
	<u>73,786,718</u>	<u>86,176,368</u>
Less: provision for impairment of inventories	(10,942,750)	(11,395,470)
	<u>62,843,968</u>	<u>74,780,898</u>

Depa Limited and its subsidiaries

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17 INVENTORIES (continued)

The movement in the allowance for slow moving and obsolete inventories during the year is as follows:

	<i>2015</i> <i>AED</i>	<i>2014</i> <i>AED</i>
At 1 January	11,395,470	12,313,015
Charge for the year	-	161,759
Reversal during the year	(452,720)	(1,079,304)
At 31 December	<u>10,942,750</u>	<u>11,395,470</u>

18 SHARE CAPITAL

The share capital as at 31 December 2015 and 2014 comprises of the following:

	<i>2015</i> <i>AED</i>	<i>2014</i> <i>AED</i>
<i>Authorised shares:</i>		
5,000,000,000 ordinary shares of AED 1.47 (US\$ 0.40) each	<u>7,350,000,000</u>	<u>7,350,000,000</u>
<i>Issued and fully paid shares:</i>		
614,726,448 ordinary shares of AED 1.4697 (US\$ 0.40) each	<u>903,434,799</u>	<u>903,434,799</u>

19 TREASURY SHARES

At 31 December 2015 and 2014, the number of treasury shares held was 6,866,083 amounting to AED 16,493,664.

The fair value of the treasury shares at the reporting date is AED 10,698,731 (2014: AED 13,121,085).

20 STATUTORY RESERVE

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

21 BANK BORROWINGS

	<i>2015</i> <i>AED</i>	<i>2014</i> <i>AED</i>
Bank overdrafts	39,905,442	63,255,051
Bank loans	143,425,257	173,612,872
Trust receipts and acceptances	74,794,797	66,089,694
	<u>258,125,496</u>	<u>302,957,617</u>

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21 BANK BORROWINGS (continued)

	2015 AED	2014 AED
The borrowings are repayable as follows:		
On demand or within one year	214,185,955	207,533,757
In the second year	19,473,934	49,505,554
In the third year and above	24,465,607	45,918,306
	<u>258,125,496</u>	<u>302,957,617</u>
Presented in the consolidated statement of financial position as:		
Non-current liabilities	43,939,541	95,423,860
Current liabilities	<u>214,185,955</u>	<u>207,533,757</u>
	<u>258,125,496</u>	<u>302,957,617</u>

Bank overdrafts

The interest rate on the overdrafts varies between EIBOR plus a margin per annum and the bank base rate plus a margin per annum.

Bank loans

These loans comprise the following:

- In 2012, the Group obtained a loan facility amounting to AED 60,000,000 for working capital purposes. The loan bears an interest rate of 3 months EIBOR plus a margin, subject to a minimum interest rate per annum. The loan was repayable in 12 equal quarterly instalments. At 31 December 2015, the loan was fully repaid (2014: AED 15,000,000).
- In 2012, the Group obtained a loan facility amounting to AED 60,000,000 for working capital purposes. The loan bears interest at a fixed rate and was repayable in 36 equal monthly instalments. At 31 December 2015, the loan was fully repaid (2014: AED 13,333,333).
- In 2013, the Group obtained a loan facility of AED 90,000,000 from a local bank for working capital purposes. The loan bears an interest of 3 months EIBOR plus a margin and is repayable in 12 quarterly instalments. At 31 December 2015, the outstanding balance is AED 30,000,000 (2014: AED 60,000,000).
- In 2013, the Group obtained EUR 400,000 loan in Germany to finance its working capital requirement. The loan is repayable in 72 monthly instalment of EUR 6,220. At 31 December 2015, the outstanding balance of the loan is AED 1,019,694 (EUR 254,618) (2014: AED 1,419,318 (EUR 317,976)).
- In 2013, the Group obtained two separate loans in Germany to finance the purchase of fixed assets of Loher amounting to EUR 5,500,000 and EUR 2,500,000, respectively. The loan bears a fixed rate of interest per annum and is payable in 120 monthly instalments, ending 30 May 2023. The outstanding balance of the loan as at 31 December 2015 is AED 20,189,926 (EUR 4,984,454) (2014: AED 23,569,583(EUR 5,201,957)) and AED 8,882,303 (EUR 2,163,490) (2014: AED 10,290,638 (EUR 2,305,457)), respectively. The loan is secured by way of a charge on the land known as Wallersdorf Str. 17 in Haidlfing.
- In 2014, the Group obtained a loan from a local bank amounting to AED 50,000,000 which bears an interest rate of 3 months EIBOR plus margin, subject to a minimum interest rate per annum. The loan is repayable in 12 equal quarterly instalments beginning March 2015. At 31 December 2015, the outstanding balance is AED 33,333,334 (2014: AED 50,000,000).
- During the year, the Group obtained a loan from a local bank amounting to AED 50,000,000 which bears an interest rate of 3 months EIBOR plus margin, subject to a minimum interest rate per annum. The loan is repayable in 11 equal quarterly instalments beginning May 2016. At 31 December 2015, the outstanding balance was AED 50,000,000.

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21 BANK BORROWINGS (continued)

Bank loans (continued)

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

Trust receipts

Trust receipts 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, although the bank retains title to the goods until the debt is settled. These facilities are obtained from local banks and the payment terms vary between 30 and 180 days and are subject to interest rates ranging from 4.5% to 8% per annum (2014: 4% to 8% per annum).

Securities

The above facilities are obtained from various banks and other financial institutions. They are secured by one or more of the land and buildings amounting to AED 32.6 million (2014: AED 37.6 million) and equipment amounting to AED 5.1 million (2014: AED 6.0 million).

22 PROVISION FOR EMPLOYEES' END OF SERVICE INDEMNITY

Provision for employee end of service indemnity 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 comprehensive income:

	2015 AED	2014 AED
Net benefit expense		
Current service cost	9,089,052	8,256,434
Interest cost	3,795,409	3,112,649
	<u>12,884,461</u>	<u>11,369,083</u>
Net expense recognised in the consolidated statement of profit or loss	<u>12,884,461</u>	<u>11,369,083</u>
Net actuarial losses recognised in consolidated statement of other comprehensive income	<u>2,999,736</u>	<u>5,059,743</u>

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

	2015 AED	2014 AED
At 1 January	68,994,408	59,464,509
Current service cost	9,089,052	8,256,434
Interest cost	3,795,409	3,112,649
Benefits paid during the year	(13,021,935)	(6,475,402)
Benefit obligation transferred	-	(423,525)
Actuarial losses recognised in other comprehensive income	2,999,736	5,059,743
	<u>71,856,670</u>	<u>68,994,408</u>
At 31 December	<u>71,856,670</u>	<u>68,994,408</u>

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

	2015	2014
Discount rate per annum compound	5%	6%
Salary increase rate per annum compound		
Staff	4.5%	5%
Workers	4.5%	5%

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23 ACCOUNTS PAYABLE AND ACCRUALS

	<i>2015</i> <i>AED</i>	<i>2014</i> <i>AED</i>
Trade payables	222,433,139	216,981,402
Amounts due to related parties (note 24)	28,711,407	29,586,521
Advances received	299,593,110	314,604,837
Sub-contractors' retentions	86,733,648	64,374,818
Accrued expenses	196,002,183	277,306,520
Amount due to customers on construction contracts (note 16)	17,177,210	36,371,858
Income tax payable (note 5)	22,515,680	18,482,871
Other payables	105,466,996	157,864,781
	<u>978,633,373</u>	<u>1,115,573,608</u>

The average credit period on purchases of goods is 60-120 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 within the credit timeframe.

Other payables mainly include employee related payables of AED 7,770,654 (2014: AED 23,553,747), and withholding and other taxes of AED 5,124,529 (2014: AED 19,749,336).

Advances received from certain customers during the previous financial year, have been offset against advance payment guarantee encashed, which were previously presented in receivables (note 15).

24 RELATED PARTIES

Transactions between the Company and its subsidiaries have been eliminated upon consolidation and are not disclosed in this note. Related parties include Directors, Shareholders and key management personnel and entities in which they have the ability to control and exercise a significant influence in financial and operating decisions.

The Group maintains significant balances with related parties which arise from commercial and non-commercial transactions. The types of related party transactions are described below.

Commercial transactions

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

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

	<i>2015</i> <i>AED</i>	<i>2014</i> <i>AED</i>
Amounts due from related parties (note 15)		
<i>Joint Operations</i>		
Amounts due from joint operating partner – Lindner Depa Interiors LLC	14,681,639	12,418,538
Amounts due from joint operating partner – Lindner Middle East LLC	516,388	219,813
Amounts due from joint operating partner – CCEP & GTGCE	510,147	-
<i>Other related parties</i>		
<i>Entities with common ownership and management</i>		
Decolight Trading Co. L.L.C., United Arab Emirates	-	331,547
Al Tawasoul Property Development Company L.L.C.,	-	8,800
Others	3,664,480	2,693,167
<i>Receivable from key management personnel</i>	-	556,668
	<u>19,372,654</u>	<u>16,228,533</u>

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24 RELATED PARTIES (continued)

	2015 AED	2014 AED
Amounts due from related parties (note 15) (continued)		
<i>Included in trade receivables, contract retention and amounts due from customers on construction contracts are the following related party balances</i>		
<i>Entities with common ownership and management</i>		
Arabtec Construction L.L.C., United Arab Emirates	194,705,019	135,751,549
Drake & Scull International, United Arab Emirates	33,260,813	101,439,764
HAMG Real Estate LLC, United Arab Emirates	5,528,418	8,412,817
Al Futtaim Engineering Egypt SAE, Egypt	9,614,016	11,214,230
International Petroleum Investment Company (IPIC)	6,988,342	6,460,000
	<u>250,096,608</u>	<u>263,278,360</u>
Less: Allowance for doubtful related party receivables	<u>(18,621,519)</u>	<u>(1,435,000)</u>
	<u>231,475,089</u>	<u>261,843,360</u>

The allowance for doubtful debt relates to work performed for a related party entity, where the Group was acting as a subcontractor in a back to back arrangement for the ultimate customer.

	2015 AED	2014 AED
Amounts due to related parties (note 23)		
<i>Joint Operations</i>		
Amounts due to joint operating partner - CCC	5,159,412	13,501,232
<i>Other related parties</i>		
<i>Entities with common ownership and management</i>		
Lindner AG, Germany	10,892,079	3,456,586
Mazrui Holding L.L.C.	2,875	2,875
Jordan Wood Industries PLC, Jordan	826,433	1,721,992
Other	-	92,578
<i>Loans from related parties</i>		
Lindner Fassaden GmbH, Germany	11,830,608	10,811,258
	<u>28,711,407</u>	<u>29,586,521</u>
<i>Included in advances received are the following related party balances including amount due to customers on construction contracts</i>		
<i>Entities with common ownership and management</i>		
Arabtec Construction L.L.C., United Arab Emirates	7,096,467	12,151,336
Drake & Scull International, United Arab Emirates	15,882,152	10,005,055
Al Futtaim Engineering Egypt SAE, Egypt	722,310	722,310
	<u>23,700,929</u>	<u>22,878,701</u>
Shown under non-current liabilities		
Due to a shareholder	<u>2,430,646</u>	<u>1,964,628</u>

The loan from Lindner Fassaden GmbH, Germany is due for repayment in 2016 and pays a fixed rate of interest.

Depa Limited and its subsidiaries

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24 RELATED PARTIES (continued)

During the prior years, the Group has provided a loan to Decolight Trading LLC which bears 4.5% interest per annum and has no fixed repayment terms. As at 31 December 2015, the outstanding loan to Decolight amounted to AED 9,500,868 (2014: AED 10,517,658).

	<i>2015</i> <i>AED</i>	<i>2014</i> <i>AED</i>
Related party transactions		
<i>Entities with common ownership and management</i>		
Revenue	<u>118,961,369</u>	<u>207,817,932</u>
Direct cost	<u>21,723,630</u>	<u>44,213,781</u>
Finance cost	<u>96,260</u>	<u>227,936</u>

Outstanding balances at the year-end arise in the normal course of business. For the year ended 31 December 2015, the Group has recorded impairment of AED 18,621,519 owed by related parties (2014: 1,435,000).

Compensation of key management personnel

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

	<i>2015</i> <i>AED</i>	<i>2014</i> <i>AED</i>
Short-term benefits	38,765,939	40,250,158
Long term benefits	629,789	973,512
Director's fees	1,416,000	1,680,000
	<u>40,811,728</u>	<u>42,903,670</u>

25 COMMITMENTS AND CONTINGENCIES

	<i>2015</i> <i>AED</i>	<i>2014</i> <i>AED</i>
Letters of credit	<u>65,733,304</u>	<u>38,848,863</u>
Letters of guarantee	<u>680,547,482</u>	<u>875,612,160</u>
Security cheques issued	<u>17,662,646</u>	<u>35,723,006</u>

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

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

The above letters of credit and guarantee were issued in the normal course of business. The Group has no committed capital expenditures for the year (2014: nil).

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

25 COMMITMENTS AND CONTINGENCIES (continued)

The Group is in compliance with majority of agreed financial covenants in respect of banking facilities; however, a few financial covenants with commercial banks are in breach. None of the facilities concerned have been withdrawn to date. Management meet with the banks monthly or quarterly as part of their risk management strategy and all the concerned banks are aware of the breaches which impact their facilities and management are confident, based on the ongoing dialogue with the concerned banks, that they will be able to re-negotiate the terms and financial covenants set out in respect of these facilities and that there is no impact of these breaches on the guarantees that are currently in place with various contractors and employers nor on the consolidated financial statements.

Legal cases

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

26 ACQUISITION OF SUBSIDIARIES

The Group has entered into purchase agreements to acquire equity interests in a Design Studio Group. The Group uses the purchase method to account for the acquisition.

Acquisition of shares in Design Studio

The Group has entered into an agreement with a non-controlling shareholder in the subsidiary Design Studio, whereby, 7,000,000 shares in the subsidiary will be purchased by the Group in tranches over the years from 2013 to 2015. The non-controlling shareholder is also key management personnel of the subsidiary. During the year, 2 million shares (2014: 2 million shares) have been acquired representing 0.76% of the shares (2014: 0.77% of the shares) in the subsidiary, for consideration of AED 3.5 million (2014: AED 3.7 million).

Changes in the Company's ownership interest in the subsidiary that do not result in a loss of control are accounted for as equity transactions, as these represent transactions with owners in their capacity as owners. As a result, the carrying amounts of the controlling and non-controlling interests were adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received were recognised directly in equity and attributed to the owners of the Company.

27 MATERIAL PARTLY-OWNED SUBSIDIARIES

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

(a)	<i>Proportion of equity interest held by non-controlling interests</i>		
		2015	2014
	Design Studio Group Ltd.	10.2%	10.97%
(b)	<i>Accumulated balances of material non-controlling interest</i>		
		2015	2014
		AED	AED
	Design Studio Group Ltd.	26,891,955	31,946,920
(c)	<i>Profit allocated to material non-controlling interest</i>		
		2015	2014
		AED	AED
	Design Studio Group Ltd.	4,590,205	6,535,357

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

Depa Limited and its subsidiaries

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27 MATERIAL PARTLY-OWNED SUBSIDIARIES (continued)

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

	2015 AED	2014 AED
Revenue	446,009,618	548,714,035
Gross profit	92,353,502	119,252,462
Profit before tax	52,890,747	73,638,577

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

	2015 AED	2014 AED
Current assets	293,732,323	378,625,219
Current liabilities	110,081,122	163,562,859
Non-current assets	93,915,366	89,156,331
Non-current liabilities	-	5,929

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

	2015 AED	2014 AED
Operating	66,162,120	60,575,278
Investing	(2,297,782)	(1,324,477)
Financing	(49,333,545)	(49,023,053)
Increase in cash and cash equivalents	14,530,793	10,227,748

During the year, Design Studio declared and paid dividends amounting to AED 5,142,482 (2014: AED 7,719,645) to the non-controlling interests.

28 SEGMENT INFORMATION

(a) A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

For management purposes, the Group is organized into three operating businesses: contracting, manufacturing and procurement. 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:

Construction •Interior fit outs of hotels, villas, residential hospitalities
•Decoration works, interior and exterior finishing for hospitalities and cruise ships

Manufacturing •Wooden doors, wardrobes, furniture and decoration
•Interior decoration partitions, false ceilings
•Cutting, processing, polishing of marble and granite

Procurement•Procurement services to hospitality companies for FFE &OSE

Depa Limited and its subsidiaries

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28 SEGMENT INFORMATION (continued)

The following is the analysis of the Group's segments as at 31 December 2015 and 2014:

31 December 2015

	<i>Contracting AED</i>	<i>Manufacturing AED</i>	<i>Procurement AED</i>	<i>Total AED</i>
Revenue	<u>628,960,252</u>	<u>1,203,515,094</u>	<u>48,472,156</u>	<u>1,880,947,502</u>
Gross (loss)/ profit	<u>(52,153,352)</u>	<u>136,075,488</u>	<u>33,358,780</u>	<u>117,280,916</u>
Reportable segment (loss)/profit for the period	<u>(161,797,001)</u>	<u>36,926,396</u>	<u>7,768,392</u>	<u>(117,102,213)</u>
Depreciation	<u>8,583,934</u>	<u>24,648,796</u>	<u>225,395</u>	<u>33,458,125</u>
Amortisation	<u>-</u>	<u>7,753</u>	<u>-</u>	<u>7,753</u>
Reportable segment assets	<u>1,176,371,991</u>	<u>1,162,176,546</u>	<u>91,030,510</u>	<u>2,429,579,047</u>
Reportable segment liabilities	<u>1,187,166,732</u>	<u>667,654,961</u>	<u>61,925,757</u>	<u>1,916,747,450</u>
Capital expenditure	<u>1,116,225</u>	<u>6,756,403</u>	<u>1,273,074</u>	<u>9,145,702</u>

31 December 2014

	<i>Contracting AED</i>	<i>Manufacturing AED</i>	<i>Procurement AED</i>	<i>Total AED</i>
Revenue	<u>925,013,853</u>	<u>1,175,498,606</u>	<u>39,414,915</u>	<u>2,139,927,374</u>
Gross profit	<u>56,011,183</u>	<u>175,594,594</u>	<u>25,983,247</u>	<u>257,589,024</u>
Reportable segment profit for the period	<u>13,767,566</u>	<u>86,371,285</u>	<u>5,729,916</u>	<u>105,868,767</u>
Depreciation	<u>10,327,297</u>	<u>26,189,721</u>	<u>241,533</u>	<u>36,758,551</u>
Amortisation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Reportable segment assets	<u>1,538,525,828</u>	<u>1,256,962,558</u>	<u>105,678,529</u>	<u>2,901,166,915</u>
Reportable segment liabilities	<u>1,369,549,816</u>	<u>715,965,331</u>	<u>79,021,202</u>	<u>2,164,536,349</u>
Capital expenditure	<u>3,495,889</u>	<u>4,807,402</u>	<u>391,769</u>	<u>8,695,060</u>

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28 SEGMENT INFORMATION (continued)

Reconciliation of reportable segment revenue, contract profit, profit or loss, assets and liabilities

	2015 AED	2014 AED
Revenue		
Total revenue for reportable segments	1,880,947,502	2,139,927,374
Elimination of intersegment revenue	(240,320,785)	(199,678,519)
Group's revenue	<u>1,640,626,717</u>	<u>1,940,248,855</u>
Gross profit		
Total contract profit for reportable segments	117,280,916	257,589,024
Head office	36,135	1,681,752
Group's gross profit	<u>117,317,051</u>	<u>259,270,776</u>
(Loss) / profit		
Total (loss) / profit for reportable segments	(117,102,213)	105,868,767
Other corporate expenses	(155,548,025)	(56,744,870)
Group (loss) / profit	<u>(272,650,238)</u>	<u>49,123,897</u>
Depreciation		
Total depreciation for reportable segments	33,458,125	36,758,551
Head office	6,199,654	4,196,162
Group's depreciation expense	<u>39,657,779</u>	<u>40,954,713</u>
Amortisation		
Total amortisation for reportable segments	7,753	-
Head office	18,120,097	18,120,096
Group's amortisation	<u>18,127,850</u>	<u>18,120,096</u>
Assets		
Total assets for reportable segments	2,429,579,047	2,901,166,915
Corporate assets	780,138,121	763,387,151
Elimination of intersegment receivables	(719,795,792)	(683,085,161)
Group's assets	<u>2,489,921,376</u>	<u>2,981,468,905</u>
Liabilities		
Total liabilities for reportable segments	1,916,747,450	2,164,536,349
Corporate liabilities	120,164,183	10,475,489
Elimination of intersegment payables	(719,795,793)	(683,085,161)
Group's liabilities	<u>1,317,115,840</u>	<u>1,491,926,677</u>
Capital expenditure		
Total capital expenditure for reportable segments	9,145,702	8,695,060
Head office	200,104	11,927,493
Group's capital expenditure	<u>9,345,806</u>	<u>20,622,553</u>

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At 31 December 2015

28 SEGMENT INFORMATION (continued)

(b) The Group operates in four main geographical segments, namely, Dubai, Abu Dhabi, Asia and Rest of the world. The following table shows the Group's geographical segment analysis:

31 December 2015

	<i>Dubai AED</i>	<i>Abu Dhabi AED</i>	<i>Asia AED</i>	<i>Rest of the world AED</i>	<i>Elimination AED</i>	<i>Total AED</i>
External revenue	323,943,161	632,558,771	531,476,055	392,969,515	(240,320,785)	1,640,626,717
Gross profit / (loss)	23,228,199	(55,329,549)	126,109,776	23,272,490	36,135	117,317,051
Profit / (loss) for the year	(192,482,244)	(113,769,054)	52,281,979	(4,504,456)	(14,176,853)	(272,650,628)
Assets	3,940,960,955	770,712,263	478,678,199	433,518,799	(3,133,948,840)	2,489,921,376
Liabilities	689,131,199	722,203,231	172,006,880	453,570,323	(719,795,793)	1,317,115,840
Equity	3,251,829,758	48,509,031	306,671,313	(20,051,519)	(2,414,153,047)	1,172,805,536

31 December 2014

	<i>Dubai AED</i>	<i>Abu Dhabi AED</i>	<i>Asia AED</i>	<i>Rest of the world AED</i>	<i>Elimination AED</i>	<i>Total AED</i>
External revenue	411,397,848	626,825,023	588,128,950	513,575,553	(199,678,519)	1,940,248,855
Gross profit	55,966,241	22,400,548	145,235,710	35,668,277	-	259,270,776
Profit / (loss) for the year	(21,086,923)	(12,059,561)	69,775,788	23,915,855	(11,421,262)	49,123,897
Assets	3,953,535,343	826,942,017	606,849,542	580,188,086	(2,986,046,083)	2,981,468,905
Liabilities	665,982,944	722,489,767	271,600,931	514,938,196	(683,085,161)	1,491,926,677
Equity	3,287,552,399	104,452,250	335,248,611	65,249,890	(2,302,960,922)	1,489,542,228

(c) Information about major customer

Included in revenue arising from construction amounting to AED 0.6 billion (2014: AED 0.9 billion) is a revenue of approximately AED 190 million which arose from contracts to the Group's two largest customers during the year. No other single customers contributed 10% or more to the Group's revenue.

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29 CASH AND CASH EQUIVALENTS

	2015 AED	2014 AED
Cash on hand	5,696,318	7,522,429
Bank balances:		
Current accounts	268,934,041	300,295,557
Short term fixed deposits	27,784,998	50,640,841
Term deposits	25,172,954	2,187,235
Restricted cash	55,073,968	73,822,625
Margin money	261,700	6,451,998
Cash and bank balances	382,923,979	440,920,685
Short term deposits with maturity over three months	(25,172,954)	(2,187,235)
Restricted cash	(55,073,968)	(73,822,625)
Margin money	(261,700)	(6,451,998)
Bank overdraft (note 21)	(39,905,442)	(63,255,051)
Cash and cash equivalents	262,509,915	295,203,776

Cash accounts include AED 55,073,975 (2014: AED 73,822,625) of restricted cash held on behalf of the Group's customers. This restricted cash cannot be used for the Group's operations.

Cash and bank balances at 31 December 2015 include fixed term deposits that have maturity period of more than three months, amounting to AED 25,172,954 (2014: AED 2,187,235) and carry fixed rate of interest.

30 JOINT OPERATIONS

The Group has interest in the following joint operations:

Name of Joint Operations	Principal activities	Place of incorporation and/or operation	Ownership interest	
			2015	2014
Depa / CCC – SKMC, Morocco joint operation project	Contracting	Morocco	50%	50%
Depa/CCC and GTGCE - The Presidential Palace joint operation Project	Contracting	United Arab Emirates	50%	50%
Lindner Depa Interiors LLC ("LDI")	Manufacturing and trading in interior decoration partition and false ceiling products	United Arab Emirates	51%	51%
Lindner Middle East LLC ("LME")	Trading of false ceilings, building and construction materials, tiles, flooring materials, decoration material and partition	United Arab Emirates	51%	51%

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.

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30 JOINT OPERATIONS (continued)

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.

	2015 AED	2014 AED
Current assets	163,649,746	189,974,855
Non-current assets	15,263,309	9,721,661
Current liabilities	163,011,567	193,655,303
Non-current liabilities	234,076	315,935
Contingent liabilities	17,882,368	36,551,072
Revenue	<u>149,646,568</u>	<u>245,232,118</u>
Expenses	<u>139,610,202</u>	<u>218,172,302</u>
Income for the year	<u>10,036,367</u>	<u>26,678,236</u>

In prior year, effective 1 January 2014, the Group signed an understanding with existing non-controlling shareholder of Lindner Depa Interiors LLC and Lindner Middle East LLC whereby both parties share all interest (e.g. rights, title or ownership) in the assets, share all liabilities, obligations, costs and expenses relating to the entity, are liable for claims raised by third parties and share the profit or loss relating to the entities in proportion to the parties' ownership interest in the entities. Accordingly, the Group has lost its control on these two subsidiaries and considered to account for its interests in these entities as joint operations. The effect of de-consolidation in relation to loss of control over these entities as at 1 January 2014 is as follows:

	LDI AED	LME AED	Total AED
Assets			
Property, plant and equipment	348,439	675,946	1,024,385
Inventories	-	8,332	8,332
Accounts receivable and other assets	18,326,957	49,104,797	67,431,754
Cash and bank balances	673,063	5,822,146	6,495,209
	<u>19,348,459</u>	<u>55,611,221</u>	<u>74,959,680</u>
Liabilities			
Employees' end of service indemnity	(329,493)	(94,032)	(423,525)
Subcontractors' retention	(3,943,529)	-	(3,943,529)
Trade payables and accruals	(62,516,709)	(34,040,436)	(96,557,145)
	<u>(66,789,731)</u>	<u>(34,134,468)</u>	<u>(100,924,199)</u>
Net movement on account of loss of control	<u>(47,441,272)</u>	<u>21,476,753</u>	<u>(25,964,519)</u>

31 OPERATING LEASE ARRANGEMENTS

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

	2015 AED	2014 AED
Due within 1 year	9,529,595	9,266,826
Due within 2 to 5 years	8,911,640	10,921,245
Longer than 5 years	44,525,876	28,566,621
	<u>62,967,111</u>	<u>48,754,692</u>

32 RISK MANAGEMENT

The Group's principal financial liabilities, comprise of borrowings and trade and other payables. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group's principal financial assets include investment in associates, trade and other receivables, available-for-sale investments and cash and cash equivalents, which arise directly from its operations.

The Group's treasury function co-ordinates access to domestic and international functional markets and monitors and manages the financial risk exposure relating to the operations of the Group.

The Group is exposed to the following risks related to financial instruments - credit risk, liquidity risk, fair value interest rate risk and foreign currency risk.

Credit risk

Credit risk refers to the risk that a 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 non-related counterparties, and continually assessing the creditworthiness of such non-related counterparties. Balances with banks are assessed to have low credit risk of default since these banks are highly regulated by the central banks of the respective countries.

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location. Trade and other receivables from major customers is AED 347 million (2014: AED 368 million) which represents 77% (2014: 70%) of the total trade and other receivables at the end of the reporting period. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The amount that best represents maximum credit risk exposure on consolidated financial assets at the end of the reporting period, in the event counterparties failing to perform their obligations generally approximates their carrying value. Trade and other receivables, amounts due from customers for constructions contracts and balances with banks are not secured by any collateral.

Interest rate risk

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings. The Group plans to enter into derivative financial instruments to manage interest rate risk in the future. The Group's exposures to interest rates on financial liabilities are majorly detailed in note 21.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole period.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, to the Group's profit before tax (through the impact on floating rate borrowings). There is no direct impact on the Group's equity. This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings. The Group's sensitivity to interest rates has increased during the current period mainly due to the increase in variable rate borrowings.

32 RISK MANAGEMENT (continued)

Interest rate risk (continued)

	<i>Changes in basis points to AED %</i>	<i>Effect on profit before tax AED</i>
2015		
Interest-bearing instruments	+50	245,580
	-50	(245,580)
2014		
Interest-bearing instruments	+50	339,571
	-50	(339,571)

Liquidity risk

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

As of 31 December 2015, financial liabilities as disclosed below are based on existing contractual repayment arrangements of one year from the end of the reporting period except for bank borrowings, whose maturity profile is disclosed in note 21.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the discounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes principal and expected interest cash flows:

At 31 December 2015

	<i>Average interest rate</i>	<i>Within one year AED</i>	<i>1-2 year AED</i>	<i>2-3 years AED</i>	<i>> 3 years AED</i>	<i>Total AED</i>
Variable interest bearing instruments	3.5%-8%	102,381,156	17,107,103	-	-	119,488,259
Fixed interest bearing instruments	2.5%-8%	118,280,271	3,509,059	3,438,087	22,122,426	147,349,843
Non-interest bearing instruments		661,863,045	-	-	-	661,863,045
		<u>882,524,472</u>	<u>20,616,162</u>	<u>3,438,087</u>	<u>22,122,426</u>	<u>928,701,147</u>

At 31 December 2014

	<i>Average interest rate</i>	<i>Within one year AED</i>	<i>1-2 year AED</i>	<i>2-3 years AED</i>	<i>> 3 years AED</i>	<i>Total AED</i>
Variable interest bearing instruments	4%-8%	50,677,422	48,652,857	17,107,104	-	116,437,383
Fixed interest bearing instruments	2.5%-8%	168,892,934	3,649,903	3,578,931	28,030,049	204,151,817
Non-interest bearing instruments		764,596,914	-	-	-	764,596,914
		<u>984,167,270</u>	<u>52,302,760</u>	<u>20,686,035</u>	<u>28,030,049</u>	<u>1,085,186,114</u>

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32 RISK MANAGEMENT (continued)

Foreign currency risk

The Group undertakes certain transactions denominated in foreign currencies. Thus, exposures to exchange rate fluctuations arise. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	31 December 2015		31 December 2014	
	Liabilities	Assets	Liabilities	Assets
	AED	AED	AED	AED
Azerbaijan New Mana't	23,782,976	319,765	22,359,446	83,534
Bahraini Dinar	13,035,617	6,480,516	14,087,691	8,695,609
British Pound	18,362,019	3,217,244	17,286,436	5,881,728
Egyptian Pound	52,469,115	34,011,444	54,944,476	41,503,189
Euro	263,552,885	389,248,552	293,200,140	411,321,960
Indian Rupee	13,277,573	9,804,796	37,297,038	26,038,730
Moroccan Dirham	54,932,588	59,723,445	58,126,232	72,173,229
Qatari Riyal	95,164,068	109,830,959	86,542,991	98,670,894
Saudi Riyal	139,300,376	82,071,572	161,466,656	173,658,264
Singaporean Dollar	110,081,122	386,567,610	163,568,788	467,781,550
Syrian Pound	1,296,083	1,142,761	922,890	1,352,339
US Dollar	50,109,894	76,852,597	51,393,242	76,220,781

The Group is mainly exposed to United States Dollar (USD), Qatari Riyals (QAR), Saudi Riyals (SAR), Indian Rupee (INR), Moroccan Dirham (MAD), Egyptian Pound (LE), Bahraini Dinar (BHD), Singaporean Dollar (SGD), Euro, British Pound (GBP), Azerbaijan New Mana't (AZN) and Syrian Pound (SYP). Due to the AED, QAR, and SAR being pegged to the USD, management believes that no currency fluctuation risk exists on these currencies.

At 31 December 2015, if the INR, MAD, LE, BHD, SGD, Euro, GBP, AZN and SYP had weakened by 10% against the AED, with all other variables held constant, net equity at year end would have been lower by AED 33,972,615 (2014: AED 37,923,807) mainly as a result of foreign exchange loss on translation of INR, MAD, LE, BHD, SGD, Euro, GBP, AZN and SYP denominated outstanding balances.

Capital management

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2015 and 31 December 2014. Capital comprises of issued share capital, share premium, reserves, and accumulated losses and is measured at AED 1,167,821,996 (2014: AED 1,461,354,316).

Gearing ratio

The Group reviews the capital structure on a semi-annual basis. As part of this review, the Group considers the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio of maximum 15-25% determined as the proportion of net debt to equity through the issue of new debt, acquisitions and the payment of dividends.

The gearing ratio at the year-end was as follows:

	2015 AED	2014 AED
Debt	258,125,496	302,957,617
Equity	1,167,821,996	1,461,354,316
Debt to equity ratio	22%	21%

Debt is defined as long-and short-term borrowings, as detailed in note 21. Equity includes all capital and reserves of the Group.

33 FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities as follows;

	<i>2015</i> <i>AED</i>	<i>2014</i> <i>AED</i>
<i>Financial assets</i>		
Investment in associates	41,645,269	60,036,621
Available-for-sale investments	21,062,443	22,251,443
Held to maturity investments	9,169,907	8,753,089
Loans and receivables (including cash and cash equivalent)	1,153,139,032	1,293,044,032
Total	<u>1,225,016,651</u>	<u>1,384,085,185</u>
<i>Financial liabilities</i>		
Trade payables and other liabilities	638,972,996	735,010,392
Related party borrowings	31,142,053	31,551,149
Bank borrowings	258,125,496	302,957,617
Total	<u>928,240,545</u>	<u>1,069,519,158</u>

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

Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (most advantageous) market at the measurement date under current market conditions. Differences can therefore arise between book value under the historical cost method and fair value estimates.

For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months) the carrying amounts approximate their fair value. This applies to demand deposits, savings accounts without a specific maturity and variable rate financial instruments.

Valuation of all financial instruments, where these are recorded at fair value, is based on quoted market prices. The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments;
- IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs create the following fair value hierarchy:

Following the amendment to IFRS 7, all financial instruments that are required to be measured at fair value (subsequent to initial recognition) should be disclosed in a fair value hierarchy or grouping into 3 levels (Levels 1 to 3) based on the degree to which the fair value is observable.

Level 1 fair values are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 fair value measurements are derived from inputs other than quoted prices, and Level 3 are those that are derived from valuation techniques using unobservable inputs.

34 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by management and authorised for issue on 28 April 2016.