PRANTHO GLOBAL
DUBAI · LONDON · INDIA

TECHNICAL ACCOUNTING SERIES · VOLUME I · ISSUE 01

Long-term contracts under IFRS 15

Variations, Claims & Cost-to-Complete.

The single judgement that moves more reported EBITDA than any other line in a GCC contractor's accounts — and the treatment, entries, disclosures and controls that hold it up under audit.

EDITION
2026 · Rev A

COVERAGE
UAE · KSA · QAT · OMN · BHR · KWT

FRAMEWORK
IFRS Accounting Standards

FRONT MATTER

Anatomy of a chapter

Every one of the twenty issues is built to the same sixteen-part structure, so you can read one chapter end-to-end or jump straight to the journal entries. Chapters are self-contained — nothing assumes you read the one before it.

01
The issue, explained
What it is, in plain language, before any standard is cited.

02
Industries affected
Ranked by observed frequency, not by theory.

03
GCC country relevance
Six-market heat strip with the local regulatory hook.

04
Why it becomes complicated
The technical core. Judgement, not summary.

05
Business consequences
Audit qualification, tax exposure, covenant breach, EBITDA.

06
Relevant IFRS
Standards and paragraph references, not standard numbers alone.

07
Step-by-step treatment
A decision sequence you can hand to your reporting team.

08
Journal entries
Full double entry, with a worked numerical illustration.

09
Financial statement impact
Balance sheet, P&L and cash flow, shown side by side.

10
Disclosure requirements
What the notes must say — and the wording auditors challenge.

11
Common audit observations
What actually appears in the management letter.

12
Common management mistakes
The recurring errors, from the field.

13
Can it be prevented?
Controls, SOPs and the month-end checkpoint that catches it.

14
Real-world examples
Named public cases where verifiable; anonymised patterns otherwise.

15
Where Prantho fits
Mapped to the four engagement tiers.

16
Proposal insert
Scope and outcome language, ready to drop into a proposal.

A NOTE ON THE EXAMPLES

PUBLIC = drawn from published filings, listed-company reports or regulator notices, and cited. **PATTERN** = anonymised composite from engagement experience. Every case is labelled. A composite is never presented as a named case.

CLUSTER A · ISSUES 01–04

Revenue & Receivables

This is a single-chapter extract. Issue 01 begins on page 4 and runs to page 18. Issues 02 to 04 are published in the full edition of the playbook.

01 CLUSTER A · REVENUE & RECEIVABLES

Long-term contracts under IFRS 15 — variations, claims and cost-to-complete

Contracting revenue is recognised on an estimate. Change the estimate and you change the profit — retrospectively, across the whole contract. In a region where variation orders are agreed on site and priced eighteen months later, this single judgement moves more reported EBITDA than any other line in the accounts.

02 · INDUSTRIES AFFECTED — FREQUENCY RANK

Industry	Rank
Construction & civil contracting	1
MEP, fit-out and specialist subcontract	2
Oil & gas / EPC services	3
Marine, infrastructure and dredging	4
IT systems integration and ERP delivery	5
Facilities management (mobilisation phase)	6

Ranking reflects observed incidence in engagement and review work, not sector size.

03 · GCC RELEVANCE

UAE · SAUDI · QATAR · OMAN · KUWAIT · BAHRAIN

Solid = high incidence and active regulator focus. **Tinted** = present but lower observed frequency.

LOCAL HOOKS

UAE — Federal Decree-Law 47 taxable income starts from accounting profit, so contract revenue timing now carries a cash-tax consequence. **KSA** — ZATCA scrutiny of percentage-of-completion across giga-project subcontracting. **Qatar** — long-tail claims on legacy infrastructure packages. **Oman / Bahrain / Kuwait** — government-entity counterparties with extended certification cycles.

06 · GOVERNING STANDARDS

IFRS 15 · IAS 37 · IFRS 9

IAS 1 · IAS 8 · IAS 23

Core paragraphs: IFRS 15.18–21 (modifications); .35 and .37 (over-time criteria and enforceable right to payment); .50–.58 (variable consideration and the constraint); .B19 (uninstalled materials); .105–.109 (contract assets and liabilities); .110–.129 (disclosure). IAS 37.66–69 (onerous contracts). IFRS 9.5.5.15 (simplified ECL approach).

JUDGEMENT RISK RATING

5 / 5 — Critical

Rated on three factors: the degree of management estimate involved, the size of the potential restatement, and how often the issue appears in an auditor's key audit matter or management letter.

TYPICAL EBITDA SWING

Restating an over-claimed contract position commonly moves reported margin by **3 to 8 percentage points** in the year of correction. In the documented cases at section 14, the correction was large enough to reverse a reported profit into a loss.

01 The issue, explained

A contractor signs for a fixed price. It then spends three years delivering, during which the client instructs changes, the contractor claims for delay and disruption, subcontractors fail, and material prices move. Revenue must be recognised as the work is performed — but "how much work has been performed" is an estimate of total cost, and "how much will we be paid" is an estimate of what the client will eventually accept.

Neither estimate is knowable at the reporting date. IFRS 15 does not remove that uncertainty; it disciplines it. Variable consideration — which is what a variation order or a claim is until the client agrees it — may be included in the transaction price only to the extent it is **highly probable** that a significant reversal of cumulative revenue will not subsequently occur.

The failure mode is rarely fraud. It is optimism, compounded quarter after quarter. Each individual judgement looks defensible in isolation; the aggregate is a contract asset on the balance sheet materially larger than anything the client has agreed to pay. Because the balance sits in a working-capital line rather than in cash, it can grow for years before anything forces the conversation.

Unapproved variations recognised as revenue are the single most common source of audit qualification in GCC contracting.

04 Why it becomes complicated

Over-time recognition is a conclusion, not a starting assumption

Contractors treat percentage-of-completion as the default. IFRS 15.35 does not. Revenue is recognised over time only if one of three criteria is met — the customer simultaneously receives and consumes the benefit, the work creates or enhances an asset the customer controls, or the asset has no alternative use and the entity has an enforceable right to payment for performance completed to date. In the GCC the third limb is the one that fails most often: a right to payment must be enforceable under the contract and the governing law, and many regional forms give the employer broad termination-for-convenience rights with compensation limited to certified work. Where the criteria are not met, revenue is recognised at a point in time and every percentage-of-completion figure in the accounts is wrong in principle, not merely in measurement.

The modification question comes before the measurement question

Teams reach for the variation's value before deciding what the variation is. IFRS 15.18 requires the change in scope or price to be approved before it is accounted for at all — and approval can be written, oral, or implied by customary business practice, which is exactly the ambiguity that site instructions live in. Only once approval exists does IFRS 15.20–21 determine whether the modification is a separate contract, a termination and replacement, or a cumulative catch-up to the existing contract. Each route produces a different number from the same facts.

MODIFICATION DECISION — THE THREE ROUTES AND THEIR EFFECT

ROUTE	WHEN IT APPLIES	ACCOUNTING EFFECT
Separate contract IFRS 15.20	Scope increases by goods or services that are distinct, priced at their standalone selling price.	Prospective. The original contract is untouched and there is no catch-up.
Termination and replacement IFRS 15.21(a)	Remaining goods or services are distinct from those already transferred.	Remaining consideration is allocated to the remaining obligations. No catch-up on work already done.
Cumulative catch-up IFRS 15.21(b)	Remaining goods or services form part of a single performance obligation that is partially satisfied.	Revenue is adjusted in the current period for the whole contract to date. The usual outcome in construction.

Claims are variable consideration, and the constraint bites

A claim for delay and disruption is not a receivable. It is variable consideration subject to the constraint in IFRS 15.56–58. The test is not "do we have a good case" but "is a significant reversal highly improbable" — a deliberately high bar. IFRS 15.57 lists the factors that push against recognition, and GCC claims typically trigger several at once: the amount is highly susceptible to factors outside the entity's influence, the uncertainty is not expected to resolve for a long period, the entity has limited experience with contracts of this type, and the contract has a broad range of possible outcomes. Where entitlement depends on an engineer's determination, an arbitration, or a counterparty with a record of resisting claims, the constraint will usually cap recognition well below the amount claimed.

THE DISTINCTION THAT GETS MISSED

A change in the estimate of the transaction price is a cumulative catch-up under IFRS 15.88 and hits the current period's revenue in full. A correction of a previously wrong estimate is a prior-period error under IAS 8 and must be restated, with a third balance sheet presented. Where the underlying facts were known or knowable at the earlier reporting date, calling it an estimate change is not available — and that determination is made by the auditor, not by management.

Cost-to-complete is a governance problem wearing an accounting costume

Percentage of completion on a cost-input basis is only as good as the forecast of total cost. Where the commercial team owns the forecast and finance receives it as an input to be booked rather than a judgement to be challenged, there is no independent check — and the forecast tends to move only when it can no longer be defended. The pattern is consistent: forecasts hold flat through three or four quarters of visible delay, then move sharply in the period before the audit. The standard cannot fix this. Only a signing protocol can.

Uninstalled materials distort the input method

Where a significant quantity of materials has been procured but not yet installed, including their cost in the cost-input measure overstates progress: the contractor has incurred cost without transferring control. IFRS 15.B19 requires an adjustment — revenue is recognised for those materials at an amount equal to their cost, with zero margin, and the cost is excluded from the measure of progress. In practice this is the most frequently ignored paragraph in the standard, and in a market where contractors stockpile against price volatility it is also one of the most material.

The onerous contract test lives in IAS 37, not IFRS 15

IFRS 15 contains no loss-making contract provision. Where the unavoidable costs of meeting the obligations exceed the expected economic benefits, IAS 37.66–69 requires the present obligation to be recognised as a provision — in full, immediately, not spread across the remaining programme. The unavoidable cost is the lower of the cost of fulfilling and any compensation or penalty for failing to fulfil. Two errors recur: spreading the charge to smooth the result, and testing at portfolio level so that a profitable contract masks a loss-making one, when the unit of account is the individual contract.

Contract asset is not a receivable — and both attract ECL

Under IFRS 15.105–107 the balance is a contract asset while the right to consideration remains conditional on something other than the passage of time — typically certification. It becomes a receivable only when the right is unconditional. The distinction is not cosmetic: it drives the disclosure, and it determines whether the auditor is testing a valuation estimate or a collection assessment. Both are within the scope of IFRS 9 impairment, and IFRS 9.5.5.15 permits the simplified lifetime-ECL approach for contract assets. Recognising a contract asset with no ECL assessment at all is the single most common presentation failure in this area.

WHY THIS COMPOUNDS IN THE GCC SPECIFICALLY

Three regional features amplify the exposure. Certification cycles on government and semi-government work run long, so contract assets age without that ageing signalling dispute. Retention is commonly 10% released over an extended defects liability period, extending the cash tail beyond the reporting horizon. And a substantial share of mid-market contracting is owner-managed, where the commercial director and the shareholder are the same person and the independent challenge finance is supposed to provide does not structurally exist.

05

Business consequences

EXPOSURE	WHAT ACTUALLY HAPPENS
Audit opinion	Where management declines to adjust, the auditor qualifies. A qualification for departure from IFRS on contract receivables is a matter of public record for a listed entity and is disclosed to every lender and prospective buyer of a private one. It does not age out.
UAE corporate tax	Taxable income under Federal Decree-Law 47 begins with accounting profit. Overstated contract revenue accelerates tax into an earlier period on profit never realised; the later reversal creates a loss position that may not be usable on the same timetable. A restatement also forces a review of returns already filed.
Lenders	Net debt / EBITDA and tangible net worth covenants both deteriorate on correction. Contracting facilities are frequently secured against certified receivables — writing down a contract asset can reduce the borrowing base at the same moment the covenant is breached.
Investors and buyers	Quality-of-earnings review normalises cost-to-complete as a matter of routine. An adjustment found in diligence is applied to the multiple, not to the year — so a AED 5m earnings correction can remove AED 30m or more of headline value, and it moves negotiating leverage to the buyer permanently.
EBITDA and bonding	Reported margin typically moves 3 to 8 points in the correction year. Surety and bonding capacity is set off audited equity and profitability; a restatement can reduce the bonding line at precisely the point in the cycle when new work needs to be secured.
Governance	Directors sign the financial statements. Where a group is later found to have been reporting on estimates that could not be supported, the exposure attaches to the individuals who approved them, not only to the entity.

06

Relevant IFRS

STANDARD	PARAGRAPHS	WHAT IT GOVERNS HERE
IFRS 15	18–21	Contract modifications: approval, and the three accounting routes.
IFRS 15	35, 37	Over-time recognition criteria; enforceable right to payment for performance to date.
IFRS 15	50–54	Variable consideration; expected value versus most likely amount.
IFRS 15	56–58	The constraint. The core judgement for unapproved variations and claims.
IFRS 15	39–45, B14–B19	Measuring progress; input and output methods; uninstalled materials.
IFRS 15	87–90	Changes in the transaction price after contract inception; cumulative catch-up.
IFRS 15	105–109	Contract assets, contract liabilities and receivables — presentation and distinction.
IFRS 15	110–129	Disclosure: disaggregation, balances, performance obligations, judgements.
IAS 37	66–69	Onerous contracts. Recognised in full when identified.
IFRS 9	5.5.15, B5.5.35	Simplified lifetime ECL for contract assets and trade receivables; provision matrix.
IAS 8	32–40, 41–49	Change in estimate versus prior-period error, and the restatement consequence.
IAS 1	122, 125	Significant judgements and sources of estimation uncertainty.
IAS 23	8–14	Borrowing costs where the contract creates a qualifying asset.

07 Step-by-step IFRS treatment

Run this sequence per contract, every reporting period. It is written to be handed to a reporting team as a working instruction.

01 Confirm the contract still exists for accounting purposes

Test IFRS 15.9 — approval, identifiable rights, payment terms, commercial substance, and probable collection of the consideration. Where the client's ability to pay has deteriorated, the contract may fail step 1 and revenue recognition stops until it is reassessed.

02 Confirm the over-time criteria are still met

Re-test IFRS 15.35. Where the conclusion depends on an enforceable right to payment for work performed to date, that conclusion depends on the contract terms and the governing law — it must be documented once and reviewed on any material variation to the form of contract.

03 Classify every modification before valuing it

For each variation, record: date instructed, evidence of approval, whether the added scope is distinct, and whether it is priced at standalone selling price. Then apply IFRS 15.20–21 to assign the route. A variation without approval evidence is not a modification yet — it is a claim, and goes to step 4.

04 Estimate variable consideration, then apply the constraint

Choose expected value or most likely amount per IFRS 15.53 and apply it consistently. Then apply IFRS 15.56–58 and record the constrained amount separately from the claimed amount. The working paper should show both figures and the reason for the gap.

05 Rebuild the cost-to-complete from current productivity

Forecast remaining cost using actual achieved run-rate, not the tender assumption. Include known subcontractor variations, extended preliminaries for the current programme, and escalation. Have it signed by project and finance.

06 Adjust the measure of progress for uninstalled materials

Apply IFRS 15.B19: exclude the cost of materials procured but not installed from the progress measure and recognise revenue equal to their cost with no margin.

07 Compute cumulative revenue and post the catch-up

Cumulative revenue equals the constrained transaction price multiplied by the revised percentage complete, less revenue previously recognised. Post the difference to the current period per IFRS 15.88.

08 Test the contract for onerousness

Compare remaining unavoidable cost to remaining consideration at the individual contract level. Where the contract is loss-making, provide for the remaining expected loss in full under IAS 37.68.

09 Split the balance and apply ECL

Separate contract asset from receivable at the certification boundary per IFRS 15.105. Apply the IFRS 9 simplified approach to both, using a provision matrix that reflects the counterparty type — government, semi-government, private developer, related party — rather than a single blended rate.

10 Decide estimate change or prior-period error, and document it

Apply IAS 8. If the facts were known or reasonably knowable at the prior reporting date, it is an error and requires restatement. Record the analysis contemporaneously; reconstructing it during fieldwork is not persuasive.

08 Journal entries

WORKED ILLUSTRATION — CONTRACT ALPHA

INPUT	AED
Original contract price	120,000,000
Approved variations to date	6,000,000
Unapproved variations and claims submitted	9,000,000
Of which highly probable of no significant reversal (IFRS 15.56)	3,600,000
Constrained transaction price (120.0 + 6.0 + 3.6)	**129,600,000**
Revised total estimated cost	90,000,000
Costs incurred to date	54,000,000
Percentage complete (54.0 / 90.0)	**60%**

ENTRY 1 — CUMULATIVE REVENUE AT THE CONSTRAINED PRICE (60% × 129.6M)

ACCOUNT	DEBIT	CREDIT
Contract asset — unbilled revenue	77,760,000	—
Revenue from contracts with customers	—	77,760,000

ENTRY 2 — REVERSE VARIATION REVENUE FAILING THE CONSTRAINT (60% × 5.4M PREVIOUSLY TAKEN)

ACCOUNT	DEBIT	CREDIT
Revenue from contracts with customers	3,240,000	—
Contract asset — unbilled revenue	—	3,240,000

ENTRY 3 — RECLASSIFY TO RECEIVABLE ON CERTIFICATION (IFRS 15.105)

ACCOUNT	DEBIT	CREDIT
Trade receivables — certified	70,000,000	—
Contract asset — unbilled revenue	—	70,000,000
Residual contract asset carried forward	**4,520,000**	**—**

ENTRY 4 — LIFETIME ECL ON THE RESIDUAL CONTRACT ASSET (IFRS 9 SIMPLIFIED APPROACH)

ACCOUNT	DEBIT	CREDIT
Impairment loss on contract assets	452,000	—
Loss allowance — contract assets	—	452,000

ENTRY 5 — ONEROUS CONTRACT PROVISION, CONTRACT BETA (IAS 37.66)

ACCOUNT	DEBIT	CREDIT
Cost of sales — onerous contract charge	2,400,000	—
Provision for onerous contracts	—	2,400,000
Contract Beta: price 60.0m, revised cost 66.0m, 60% complete — remaining loss 40% × 6.0m	**2,400,000**	**2,400,000**

Where the correction is determined to be a prior-period error under IAS 8, the equivalent of Entry 2 is posted to opening retained earnings with comparatives restated, not to current-period revenue.

09 Financial statement impact

STATEMENT	LINE AFFECTED	DIRECTION AND CONSEQUENCE
Balance sheet	Contract assets; loss allowance; provisions	Contract asset down AED 3.24m, loss allowance of AED 0.45m recognised, provision of AED 2.40m created. Net assets fall AED 6.09m.
Profit & loss	Revenue; impairment; cost of sales	Revenue down AED 3.24m; impairment charge AED 0.45m; cost of sales up AED 2.40m. EBITDA down AED 6.09m in the period of correction.
Cash flow	Operating — profit and working capital	No cash movement whatsoever. Profit before tax falls and the working-capital movement offsets it exactly. Operating cash flow is unchanged — which is itself the point the board should be shown.
Tax	Current and deferred	Current tax computed on the earlier overstated profit does not automatically reverse. Filed UAE corporate tax returns for affected periods must be reviewed.
Covenants	Net debt / EBITDA; tangible net worth	Both deteriorate. Test headroom before the adjustment is posted, not after — a breach identified in advance can be waived; one discovered by the lender usually cannot.

10 Disclosure requirements

REFERENCE	WHAT THE NOTES MUST CONTAIN
IFRS 15.114–115	Disaggregation of revenue into categories reflecting how economic factors affect its nature, amount and timing — for a contractor, typically by contract type, geography and customer sector.
IFRS 15.116–118	Opening and closing balances of contract assets, contract liabilities and receivables, with an explanation of significant movements — including revenue recognised in the period that was in the opening contract liability.
IFRS 15.120	Transaction price allocated to unsatisfied performance obligations, and when it is expected to be recognised.
IFRS 15.123–126	Judgements applied in determining timing of satisfaction, the method of measuring progress and why it faithfully depicts transfer, and the methods and assumptions used to estimate variable consideration and apply the constraint.
IAS 1.122 / 1.125	Significant judgements and the sources of estimation uncertainty with a significant risk of material adjustment in the next year — quantified, with sensitivity where practicable.
IAS 37.84–86	For onerous contract provisions: carrying amount and movements, nature of the obligation, expected timing, and the uncertainties around amount and timing.
IFRS 7.35A–35N	Credit risk and the ECL model applied to contract assets and receivables, including the provision matrix and concentration by counterparty type.

THE WORDING AUDITORS CHALLENGE

Boilerplate that recites the standard back at the reader satisfies nothing. IFRS 15.123–126 asks what this entity assumed on these contracts. A note stating that variable consideration is estimated using the expected value method, without saying what range was considered or why the constrained amount differs from the amount claimed, is the disclosure most likely to be reopened next year.

11 / 12 What the auditor finds · what management got wrong

Common audit observations

- × Variation orders recognised on a site instruction with no evidence of client approval.
- × Cost-to-complete forecasts unchanged across three consecutive quarters on a contract visibly in delay.
- × Contract assets ageing beyond twelve months with no billing event and no ECL assessment.
- × Claims recognised at full value on a legal opinion that supports entitlement but not quantum.
- × No documented IFRS 15.56 constraint assessment anywhere in the reporting file.
- × Uninstalled materials included in the cost-input measure of progress at full margin.
- × Onerous contract test performed at portfolio rather than contract level.
- × Over-time recognition asserted without any documented analysis of the enforceable right to payment.

Common management mistakes

- × Treating the commercial team's forecast as an input to be booked rather than a judgement to be challenged.
- × Assuming a strong legal case satisfies the highly-probable threshold. It does not.
- × Recognising the claim and the associated cost in different periods.
- × Deferring the onerous contract charge to spread the pain across remaining months.
- × Calling a correction an estimate change when the facts were known at the prior year end.
- × Netting contract assets and contract liabilities across unrelated contracts.
- × Discovering the problem in the audit rather than at month-end close.
- × Renegotiating covenants after the adjustment is public rather than before it is posted.

13 Can it be prevented?

Yes — and the control is procedural, not technical. Five checkpoints remove most of the exposure:

- ✓ **Variation register with an approval status field.** Nothing enters revenue without a status of approved or client-acknowledged, evidenced and dated.
- ✓ **Monthly cost-to-complete re-forecast, signed by project and finance.** Two signatures, or it does not post.
- ✓ **Constraint memo per contract, per quarter.** One page recording the IFRS 15.56 judgement, the claimed amount, the constrained amount and what changed since last quarter.
- ✓ **Contract asset ageing reviewed at close.** Anything unbilled beyond ninety days is escalated, not carried.
- ✓ **Onerous contract test embedded in the close checklist.** Triggered automatically wherever forecast margin on any individual contract turns negative.

> **THE MONTH-END CHECKPOINT**
>
> If the contract register, the cost-to-complete forecast and the ledger are reconciled every month by someone who did not prepare them, this issue never reaches the audit. That reconciliation is a two-hour task. The restatement it prevents is a six-week one.

14 Three real-world examples

All three cases below are public and cited. Where a chapter has no verifiable public GCC case, it carries anonymised patterns labelled PATTERN rather than a manufactured attribution.

PUBLIC

Arabtec Holding PJSC, Dubai — qualified opinion on contract receivables

Sector: civil contracting · UAE-listed (DFM) · Reported in the audited consolidated financial statements

The auditor issued a qualified opinion. Contract receivables and amounts due from customers on construction contracts carrying AED 302 million, against a contract loss provision of AED 76 million, had been stated without taking into account the status of negotiations with customers at the reporting date — which the auditor identified as a departure from IFRS because it would have increased the allowance for expected credit losses. Had the balances been stated properly, the reported loss and total equity would each have been worse by **AED 226 million**, and loss per share by AED 0.15.

The group had reported a loss of AED 3.4 billion in 2016 before returning to profit in 2017. In 2021 it filed for insolvency, and in October 2022 the Dubai Court of First Instance approved bankruptcy proceedings and liquidation for the holding company and six subsidiaries.

Read-across: the qualification was not about whether the amounts were collectable in principle. It was about management stating a balance without reflecting what the negotiations at the reporting date actually showed.

SOURCES Arabtec Holding PJSC consolidated financial statements and independent auditor's report; Arabtec Corporate Governance Report 2019; Gulf News, February 2018; Arab News, June 2021; Dubai Court of First Instance ruling as reported October 2022.

PUBLIC

Drake & Scull International PJSC, Dubai — restatement and going concern

Sector: MEP and infrastructure contracting · UAE-listed (DFM) · Financial statements for the year ended 31 December 2024

The group's 2024 consolidated financial statements present an additional statement of financial position as at 1 January 2023 — the presentation required when there has been a retrospective restatement or reclassification. The same statements disclose negative operating cash flows of AED 126.9 million for 2024 (2023: AED 123.5 million) and accumulated losses exceeding half of share capital, conditions the directors identify as a material uncertainty over going concern. The group applies the IFRS 9 simplified approach, recording lifetime expected credit losses on trade and other receivables and on contract assets.

Read-across: the third balance sheet is the visible signature of a prior-period restatement. It is the first thing an experienced lender or buyer looks for, and it cannot be presented quietly.

SOURCE Drake and Scull International (P.J.S.C.) and its subsidiaries, consolidated financial statements for the year ended 31 December 2024, published at drakescull.com.

PUBLIC

Carillion plc — uncertified revenue on construction contracts

Sector: construction and support services · UK-listed, with substantial Middle East operations · FRC enforcement

Concerns raised internally after the 2016 annual report centred on the number and size of contracts where significant judgements were being made on recognising uncertified revenue. The company collapsed in January 2018. The FRC opened an investigation into KPMG's audits for 2014 to 2016 and additional work in 2017, focusing on going concern, estimates and the recognition of revenue on significant contracts. In October 2023 the FRC issued final settlement decision notices; KPMG was fined £30 million, reduced to £21 million for cooperation, with sanctions against two former partners.

Read-across: the regulator's focus was the estimate on significant contracts — the same judgement this chapter addresses — and the consequence attached to the auditor and the individuals, not only to the company.

SOURCES FRC, "Investigation into the audit of the financial statements of Carillion plc", January 2018; FRC, sanctions against KPMG LLP and two former partners, October 2023; Gillett, "Carillion's Fall: Accounting for Construction Projects", Accounting Perspectives, 2025.

15 Where Prantho fits

MOBILIZE

Contract Position Diagnostic

Two weeks. Register, forecast and ledger reconciled. Exposure quantified before the auditor asks.

LAND

Finance Confidence Review

Three weeks, fixed fee. Whole-function health check with contract accounting as a focus area.

EXPAND

90-Day Finance Reset

Restate, rebuild the variation register, embed the close checkpoint, deliver audit-ready.

DEAL-DRIVEN

Value Creation Office

Pre-transaction normalisation, so the buyer's diligence finds what you already found.

SERVICE LINE	WHAT WE ACTUALLY DO ON THIS ISSUE
Technical advisory	Position paper on the over-time conclusion, the modification routes and the constraint methodology — written to be handed to the auditor.
Implementation	Build the variation register, constraint memo template, cost-to-complete model and close checkpoint, and run them for the first two cycles.
Review	Independent challenge of management's cost-to-complete and constraint judgements ahead of year end.
CFO support	Board and lender communication: what changed, why, and the covenant position before it is posted.
ERP and data	Contract module configured so the register, the forecast and the ledger cannot diverge without an exception report.
Internal audit	Annual control testing over variation approval evidence and forecast sign-off.
Tax alignment	Review of filed UAE corporate tax returns affected by the restated accounting profit.

Continuing coverage sits with **CFO's Back Office**, where the monthly contract review, constraint memo and close reconciliation are run by the Prantho team as part of the standing close.

16 Proposal insert

Drop-in scope language — Issue 01: contract revenue position review

SITUATION	Revenue on long-term contracts is recognised on estimates prepared by the commercial team without independent finance challenge, and variation orders are recognised without documented evidence of client approval.
RISK CARRIED	Overstated contract assets, audit qualification, covenant breach on correction, a bonding line set off unsupported equity, and a corporate tax base that does not reconcile to the filed position.
WHAT WE DO	Reconstruct the contract and variation register; test approval evidence on a risk-weighted sample; rebuild cost-to-complete from actual achieved productivity; document the IFRS 15.56 constraint judgement contract by contract; test each contract for onerousness under IAS 37; apply an IFRS 9 provision matrix by counterparty type; determine estimate change versus prior-period error under IAS 8; and quantify the restatement and covenant effect before anything is posted.
DELIVERABLES	Contract-by-contract exposure schedule · restated position with full journal support · constraint memo template · cost-to-complete model · month-end close checkpoint SOP · covenant impact analysis · board paper · auditor-facing position paper.
DURATION	Two to four weeks depending on contract count and record quality. Fixed fee.
WHAT YOU NEED TO GIVE US	Contract register, signed contracts and variation instructions, latest cost-to-complete forecasts, WIP and billing schedules, prior-year audited financial statements and management letter, and facility agreements with covenant definitions.
OUTCOME	You know the number before your auditor does — and you choose when, how and to whom it is explained.

Not sure where your contract positions stand?

The Prantho Finance Confidence Review is a three-week fixed-fee diagnostic across the whole finance function. info@pranthoglobal.com · www.pranthoglobal.com

This chapter is general technical guidance, not advice on any specific transaction or entity. Conclusions on individual contracts depend on their terms and governing law and should be taken with your advisers and auditor.

Twenty issues. One question: which of them are sitting in your accounts right now?

Prantho Global builds and runs finance functions for mid-market firms across the Dubai–London–India corridor. Big 4-alumni technical depth, delivered at a cost structure that owner-managed and PE-backed businesses can actually carry.

Finance Confidence Review

Three-week fixed-fee diagnostic on the health of your finance function.

90-Day Finance Reset

Remediate the gaps, bring reporting current, get audit-ready.

CFO's Back Office

Your accounting, reporting and close, run as an extension of your team.

Strategic FP&A

Driver-based models, rolling forecasts, board and investor packs.

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