ANNUAL REPORT 2012

GLOBAL INTERIOR SOLUTIONS

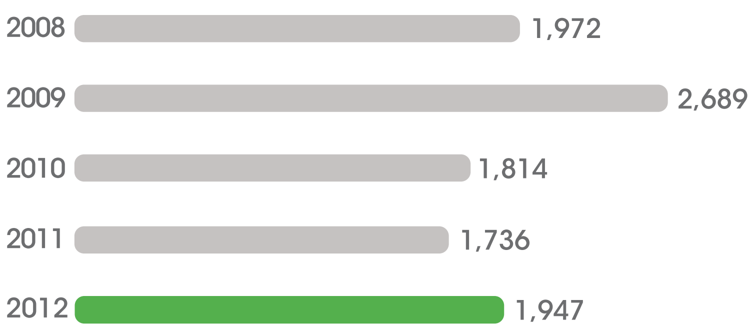
depa

Contents

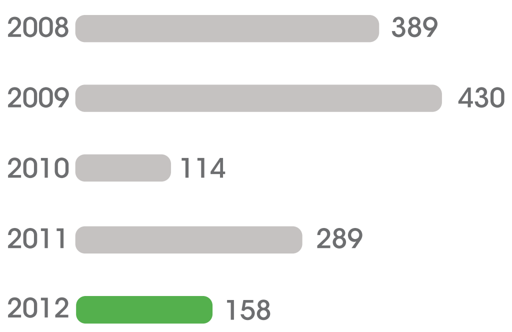
Al Ghurair expansion

Overview
Depa in 2012

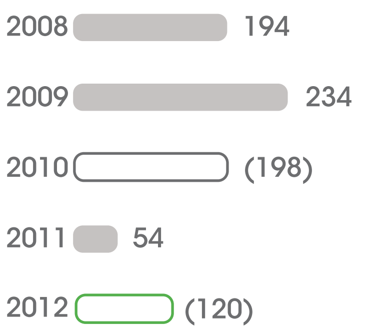
Revenue (AED Million)



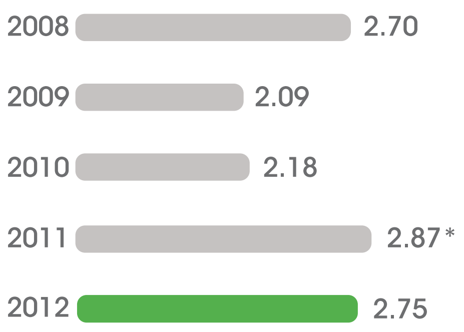
Gross Profit (AED Million)



Net Profit [after minority interest] (AED Million)



Backlog (AED Billion)



*Backlog for 2011 has been adjusted for ex-NDIA

Number of hotels and major buildings completed in 2012: 9

Number of projects completed in 2012: 393

Chairman's Statement

Dear Shareholders,

On a global and economic level, 2012 was a difficult year for many businesses, regardless of sector or geography. For Depa, it was no different, and we faced challenges on many fronts.

Early in the year, we had anticipated a period of stability but instead experienced a high level of uncertainty and change. Challenges included merging and divesting businesses, closing under-performing projects, as well as the encashment of performance bonds, amongst other operational issues. That said, looking back, we have risen to those challenges and have come out operationally, contractually, and structurally stronger than we have ever been.

Financial Overview

Despite all the challenges faced throughout the year, Depa grew its revenue by 12.1% over FY2011, illustrating the Company's resilience and operational strength. Revenue in FY2012 was AED 1,947 million compared with AED 1,736 million in FY2011. Gross margin fell to 8.1% as compared with 16.6% in FY2011. The main reason for this significant reduction in gross margin is that we recorded the full cost incurred on the NDIA project along with some unforeseen additional costs incurred in closing out certain projects, combined with a general squeeze on margins in most of our territories. Net loss after Minority Interest was AED 119.6 million as we took full provision on our net exposure on the NDIA project, including the value of performance bond and advance payment bond both of which were encashed in FY2012. We also impaired the value of investments in two of our associate companies by AED 12 million in Q4 2012, which also adversely impacted our net margin.

Key Company Events

The termination of our contract at the New Doha International Airport was a low point in the Company's history, as it was the first time that we had been terminated from an ongoing project. This termination was due to our reluctance to agree to non-favorable terms and conditions being imposed at a late stage during the contract. This included renouncing all our rights to extension of time claims and acceleration costs, when we had not had access to more than 15% of the site for nine out of the sixteen project months. Although this has impacted the Company in the near term, our track record of completing projects in Qatar over the last 7 years, including the Qatar Islamic Museum, the Four Seasons Hotel, the Commercial Bank of Qatar and the Doha City Center, speaks for itself when it comes to illustrating the Company's capabilities and track record of delivering quality interiors on time.

Dividends

Given the difficult year that we have just completed and the financial impact of the events that have ensued, the Board of Directors has decided not to issue any dividends for FY2012.

CEO's Review

The interior contracting industry continued to suffer last year as the economic climate hampered any genuine sign of recovery. Emerging markets, our core operating markets, witnessed green shoots as our teams were busy completing projects in Azerbaijan, Angola and our Asian subsidiary fared much better than anticipated. However, supply outweighed demand and despite a near record-high backlog, projects remained stalled or slow to take-off.

We took this opportunity to push forward several strategic structural developments. We spent time and effort transforming our business by reorganizing or closing post-dated, loss-making projects, as well as consolidating and restructuring business units, reducing risk exposure and positioning the Company in anticipation of future growth opportunities.

Diversification

We continued to focus on widening our geographic presence in strategic emerging markets including building out our operations in CIS countries, West Africa and China. In 2012, we completed projects in 19 countries, ranging from Angola and Azerbaijan to India and Singapore. Most notably, we increased revenues in the MENA region by 112% from AED 138 million in FY2011 to AED 293 million in FY2012. The major projects undertaken by the Company in the MENA region include King Abdullah Petroleum Studies and Research Centre (KAPSARC) and the King Saud University in Saudi Arabia; Hamad Medical Corporation, Ramada Hotel, Twin Tower Hotel and Doha City Center in Qatar; and Shk. Khalifa Bin Zayed Al Nahyan Hospital project in Morocco. Our backlog is benefiting from the build-up of these international operations and we look to these territories to provide the anticipated growth for the Company.

Within the Middle East region, Saudi Arabia has seen significant growth and now makes up 33% of our backlog. 2012 saw us sign AED 461.8 million worth of project works in Saudi Arabia whilst executing work on the KAPSARC project and the King Saud University project. Saudi Arabia announced over $65 billion of new construction projects last year and we anticipate this market to provide opportunities for further growth in the coming years as we expand our presence there.

Consolidation and Restructuring

In earlier years our business experienced rapid growth, followed by several years of global economic slowdown and stagnation. Today we have entered a new phase of business maturity, where we have identified and addressed some key opportunities for consolidation and centralization, which we embarked upon in 2012 and will continue through 2013. The first step of this restructuring was completed early last year with the appointment of the new Regional CEOs; Nadim Akhrass, Walid Zakaria, and Bernard Lim.

CEO's Review
Continued

Continuing the process of consolidating, merging, and divesting business units over the last year, we have restructured the business as well as identified under-performing, loss-making projects, on which we have since completed and closed the accounts. As a result, we have identified several opportunities to streamline the Company further, decreasing costs across the group, while simultaneously minimizing identified risks and improving the quality of our finished work. Specifically, we centralized certain functions, such as estimation, engineering, and design development, for specific geographical areas and accordingly witnessed improvement in our cost-base on an individual project level, as well as increased client satisfaction. We will be rolling out similar centralization in other geographic regions over the coming twelve to eighteen months and anticipate further improvements in the Company's operations.

Additionally, we have invested in our engineering department and have improved our engineering and technology capability, thereby increasing the portion of work completed in factories and reducing the requirements for on-site work. We expect to see the impact of the decreased labor and site costs over the coming few years.

Backlog

The Company's end-of year backlog of AED 2,755 million is comprised of projects that, in a continued effort to reduce risk, have a very low-risk profile. The international composition of these projects, with minimal exposure to the Dubai market, illustrates the preferred payment methods and financial benefits of operating an international project as opposed to a local one. As with many companies, our risk appetite has been reduced over the last few years and we prefer to operate a smaller backlog with less risk and higher payment guarantees rather than assuming projects with high potential risk. Our pipeline for projects continues to be strong over the coming year as we carry on executing our current projects.

Reporting and Guidance

As our business is cyclical and dependent on the progress of other on-site contractors, it is difficult to accurately forecast our financial performance on a quarterly let alone annual basis. Accordingly, although we do expect 2013 to be a strong year for the Company with growth on the horizon, and to the completion of most of the projects in our backlog, much of this depends on on-site progress outside our scope of work.

Fairmont Palm

Raithwaite Hall

Financial Highlights

FY2012 saw double digit growth in our revenue from last year as we managed to record revenue of AED 1,947 million compared with AED 1,736 million in FY2011. All major subsidiaries, especially Depa Interiors, Design Studio, Deco Emirates and Vedder experienced uplift in their revenue growth. However, this increase did not translate into higher profits at the Group level as contract margins in FY2012 were only 8.1% compared with 16.6% in FY2011. The major reasons for this reduction were booking of full costs incurred on NDIA project and higher direct costs incurred on closing out some of the challenging projects in Morocco and Azerbaijan.

We also witnessed severe price competition and lower client budgets in most of our markets, which resulted in pressure on contract margins.

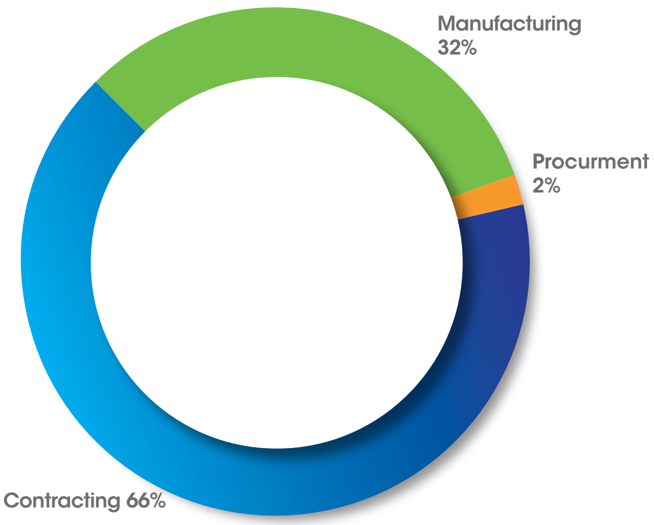
Net Loss after Minority Interest is AED 119.6 million as we took full provision on our net exposure on NDIA project, including the value of performance bond and advance payment bond both of which were encashed. We also recorded impairment of AED 12 million in Q4 2012 on the valuation of two of our associate companies, which adversely impacted our Net Margin.

The three best performing business units during the year are:

Design Studio	Depa Interiors	Deco Emirates
Backlog amounted to AED 606 million as of Dec 31 2012	Backlog amounted to AED 238 million as of Dec 31 2012	Backlog amounted to AED 50 million as of Dec 31 2012
Revenue earned during 2012 amounted to AED 468 million	Revenue earned during 2012 amounted to AED 361 million	Revenue earned during 2012 amounted to AED 107 million
Gross profit margin of 20% and a net profit margin of 7% in 2012	Gross profit margin of 11% and a net profit margin of 4.6% in 2012	Gross profit margin of 20% and a net profit margin of 10% in 2012

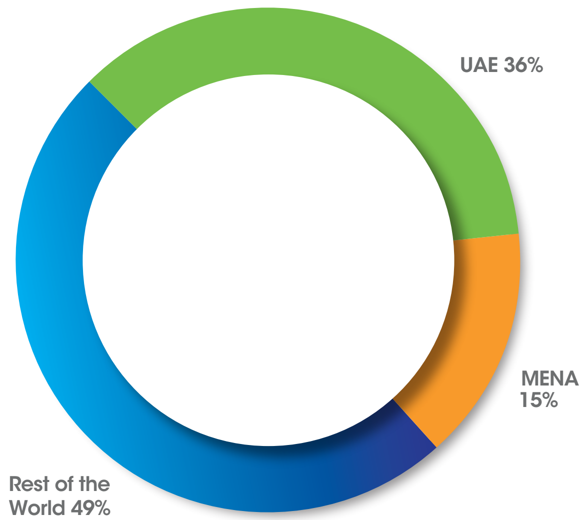
Revenue by Activity

FY 2012



Revenue by Geography

FY 2012



Financial Highlights
Continued

Bad-Debt provisions

Provision for bad debts is one of the major components of loss for the year as we took prudent stance on our receivables on certain projects where there is recoverability risk and recorded provisions of AED 125.5 million in year 2012. The major provisions recorded during the year are on NDIA Project in Qatar and on Port Baku and JW Marriott projects in Azerbaijan.

Cash Position

FY2012 was a challenging year for the Company in terms of liquidity management as there were many unforeseen circumstances, primarily encashment of bonds worth AED 215 million, having an adverse effect on our cash reserves. These bond encashments, combined with significant delays in receiving advance payments and collections on some of our major projects, put a lot of pressure on our operating cash flows in FY2012. Despite all these challenges, we managed to ensure that we met all our financial obligations on time. Although we used AED 25 million of cash in managing the operations, we ended the year with positive net cash of AED 8 million compared with a negative net cash of AED 36 million at the end of Q3 2012. This improvement of AED 44 million in the last quarter strongly reflects on our ability to generate cash and we were able to close the year on a positive note.

Year in Review

Global Industry Overview

The interior contracting industry worldwide has experienced a difficult year in 2012 and many of the industry players that have been active for several decades have ceased operations due to the difficult industry and economic dynamics. The weakness of the industry across the globe is apparent in the performance of several of our business units, regardless of location.

At a MENA level, we are experiencing increased price competition and increasingly stringent and less favourable contract terms and conditions as compared with some of the international contracts we are pursuing. Additionally, we have witnessed the encashment of several of our performance bonds in 2012, with no precedence to this since the Company's inception in 1995. The change in industry forces have discouraged us from pursuing several projects in the region, and further emphasized our focus on our international expansion and operations, where contract and payment terms and conditions are more favourable.

Although we have seen the announcement of several large-scale real estate projects in the GCC region, these projects are still in their infancy and will need several years of development before they become opportunities in which the Company can participate.

We are also witnessing upcoming opportunities in under-developed areas, such as Africa and the CIS countries, where new developments are coming on-stream and the countries involved are searching for high-quality finishes to their new projects. We believe that many of the opportunities for the Company in the coming years lie in these types of projects outside our home markets.

Operations and Backlog

The Company continues to focus on its core area of operations, interior contracting and manufacturing, across the globe. Whereas we suffered some setbacks in 2012, we also dedicated management time and resources to streamlining the Company further, consolidating business units and closing under-performing, loss-making projects.

In 2012, we became increasingly conscious of the remaining risks in our backlog. Although we had already dedicated time and experience to reducing the risk associated with our backlog over the last few years, we found, last year, that we were still operating loss-making projects. In a bid to resolve such issues, we completed and closed all of these projects, many of which were signed several years ago, and we believe that our current ongoing projects are much stronger and healthier in nature. Additionally, we have turned down opportunities to sign several projects in the MENA region that we believe incorporate a higher level of risk than which we are currently comfortable.

Backlog

We closed 2012 with a very secure and low-risk-profile backlog. The absolute value of the backlog as of 31 December was AED 2.75 billion. We are confident that when compared with last year's value of AED 2.87 billion (excluding the NDIA), this level of backlog provides us ample opportunity for growth in 2013 as we are due to execute the vast majority of it this coming year.

The geographic diversification of the backlog and our international client base continues to be key to the success and growth of the Company. We are facing increasingly difficult market conditions, contract terms and payment structures within the Middle East and North Africa as compared with international markets.

However, we recognize the significant potential growth opportunities provided by some key projects in Abu Dhabi and Saudi Arabia, and have identified those two areas as potential growth catalysts for the backlog in the near-term. Specifically, in Saudi Arabia, we have recently signed a number of key projects that have driven our backlog higher and that are significant in scale. As such, the GCC remains a component of our short term growth strategy, despite the challenges we face within the market.

Overall, we are confident that the projects included in the backlog carry low project-associated and client-associated risk, particularly as we have expended time and effort ensuring this to be the case.

Year in Review
Continued

Top Backlog Projects List (only projects where over AED 10 million work is remaining are shown)

Project Name	Country	Backlog (AED)
Shamiyah Expansion	Saudi Arabia	411,337,546
Singapore Projects Above 10 Million (18 Projects)	Singapore	392,288,898
King Abdullah Petroleum Studies and Research Center	Saudi Arabia	327,826,760
King Saud University	Saudi Arabia	178,769,676
Intercontinental Hotel	Angola	137,654,415
Shk.Khalifa Bin Zayed Al Nahyan Specialized Hospital	Morocco	118,962,726
Twin Tower Hotel	Qatar	113,865,729
Al Forsan Sport Hotel	UAE	79,665,927
Accommodation Towers	Angola	68,096,793
Regent Emirate Pearl	UAE	61,614,934
Regent Hotel	Qatar	51,943,920
Mumbai International Airport	India	49,623,855
Private Yacht	Germany	41,954,041
Private Yacht	Netherlands	40,932,834
Doha City Center	Qatar	38,147,139
Traders Hotel	Qatar	33,708,632
Private Yacht	Germany	32,430,240
Ramada Hotel	Qatar	27,896,564
Baku Flame Tower	Azerbaijan	26,090,823
Private Yacht	Germany	24,108,309
Cleveland Clinic	UAE	22,439,789
Hilton Hotel	Malaysia	20,087,649
Cairo Festival City	Egypt	17,172,983
Hamad Medical Hospital	Qatar	17,063,740
CIMB	Malaysia	15,758,770
The Ritz Carlton	India	14,988,872
104 Villas Luanda	Angola	14,062,913
Ascott Hotel	Malaysia	13,495,513
Private Yacht	Italy	12,520,086
Chanel	UAE	11,160,242
M-Suite	Malaysia	10,716,595
Nile Ritz Carlton	Egypt	10,290,647
Total		**2,436,677,559**

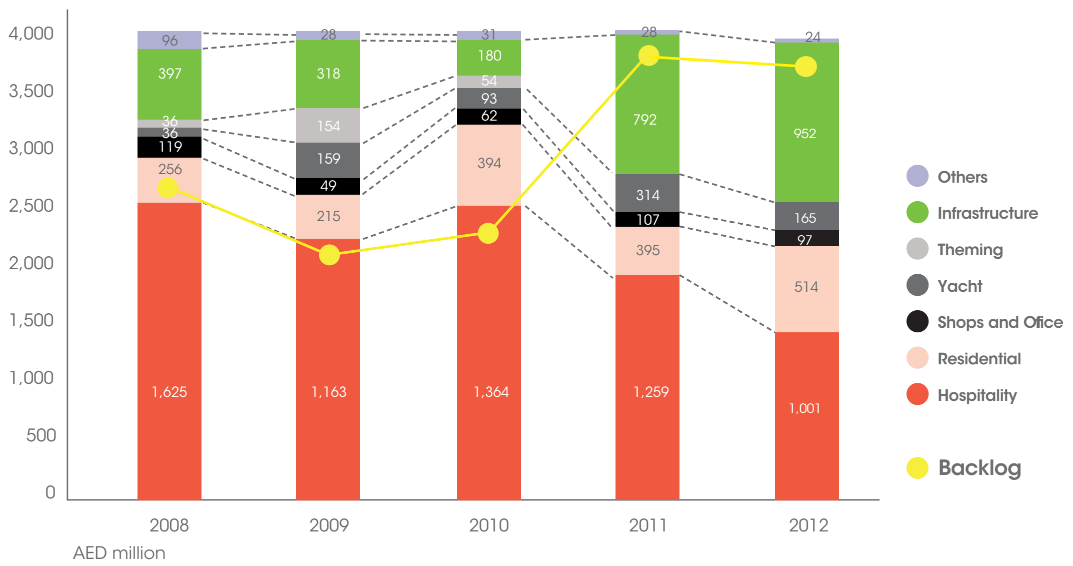
Year in Review
Continued

Backlog by Sector

The Company remains diversified over several sectors, with hospitality, infrastructure and residential contributing the vast majority of the backlog. The infrastructure portion of the backlog saw a total increase from 27.6% of the backlog in 2011 (excluding NDIA) to 34.6% of the backlog in 2012, with the Saudi-based Shamiyah Expansion project directly contributing to this significant increase. As such, despite the NDIA cancellation, we maintain a strong presence in this market segment as exemplified by the Mumbai International Airport project and the Shamiyah Expansion project in our backlog. Specifically, 34.6% of our business remains in infrastructure, whereas 36.3% comes from the hospitality sector, 18.7% from residential works, 6.0% from yachts and 3.5% from Shops and Offices.

Looking ahead, we expect our sector diversification to remain quite consistent, with some potential growth in the infrastructure segment as we pursue an increased amount of work in several hospitals, airports and other government-backed projects in the region and beyond.

Backlog: Market Segmentation



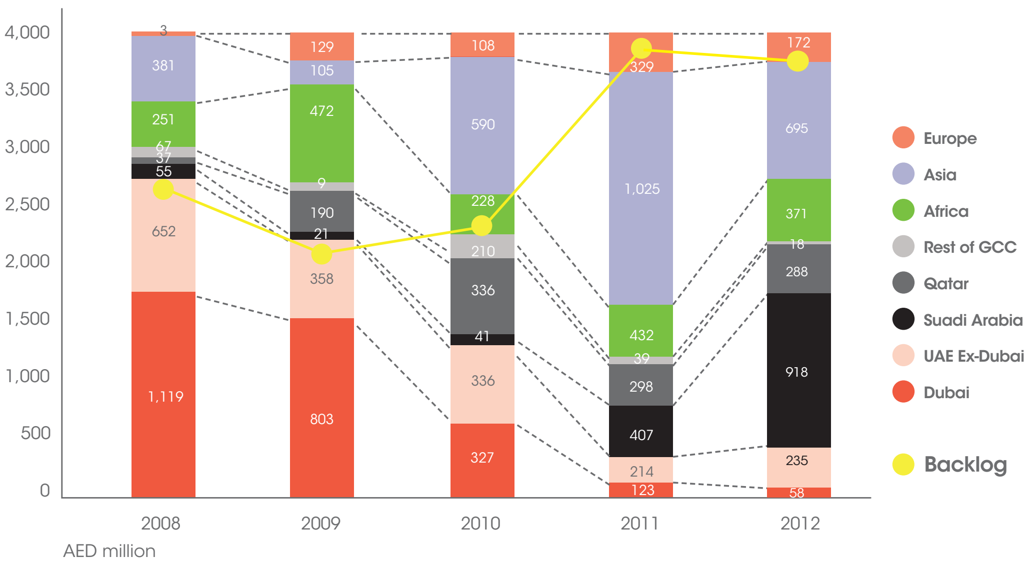
Year in Review
Continued

Backlog by Region

When considering where most of the Company's projects are being signed, and where the most favourable terms and conditions of work are, it becomes clear, through the numbers reflected in the backlog, that we are signing an increasing amount of work outside our home market, Dubai. Our international exposure over the last eight years has given us increased strength and leverage in international, under-resourced markets and we are capitalizing on the opportunities that are provided to us.

Comparing this year with previous years, we have witnessed the most notable backlog growth in Saudi Arabia and Abu Dhabi whilst Dubai has seen the most significant backlog reduction. Saudi Arabia's backlog contribution also places it top of the list, with three large contracts – Shamiyah Expansion, the King Abdullah Petroleum Studies and Research Center (KAPSARC) and the King Saud University – all signed during the last twelve months.

Backlog: Country Segmentation



Year in Review
Continued

Backlog & Revenue

New Doha International Airport Contract

The most significant event which occurred during the financial year was the termination of Lindner Depa's contract with the New Doha International Airport.

As the joint venture, Lindner Depa, had not received access to the vast majority of the site nine months into the sixteen month project, it could not agree to the request to drop all extension of time or acceleration cost rights. On this basis, the contract was terminated and the bonds encashed.

Lindner Depa's only contract is with the New Doha International Airport, and the arbitration proceedings to resolve this issue are ongoing, as per contract terms, with the International Chamber of Commerce in Paris (ICC). This is the standard procedure to resolve all issues and claims of this sort around the world.

Additionally, it is important to note that we have indemnified the Company against any outstanding lawsuits, although we have received no notification of any, relating to this contract and any associated issues. Specifically, all lawsuits or damages relating to this contract are incorporated into the arbitration settlement that we are seeking with the ICC in Paris.

Although we are confident that we will recover the amounts due to the joint venture and Company, we remain very conservative in our assumptions and have recorded 100% provision against the net amount associated with this contract as a cost in our financial statements. Once this is recovered, we will credit it back in our financial statements.

Diversification/Geographical Presence

Raithwaite Hall

In 2012, Depa conducted projects in 27 countries, ranging from Angola to the UAE, and Azerbaijan to Singapore. Our extensive geographical presence provides us with an opportunity to capture and complete attractive projects anywhere in the world.

During the year we made an effort to close loss-making projects that were signed several years ago and have under-performed such as Morocco and Azerbaijan. Specifically, a conscious effort was made to ensure that we close all these projects in 2012 with none rolling over to 2013 and beyond.

As a result of these experiences and in conjunction with streamlining the Company and adapting our business model to leverage new technologies in manufacturing, we have adjusted the methods by which we conduct business outside our home markets of the UAE and Singapore. We have now established centralized functions, such as estimation and design development, where we conduct a significant amount of the time for the completion of interior contracting works. As opposed to the earlier method of setting up an entity in each country in which we operate, we now conduct most pre-site work in our 'hubs' of Dubai, Abu Dhabi and Singapore. Additionally, we have advanced the technology we use so that we are continuously reaching new levels of the portion of work that may be done in a factory, therefore minimizing the amount actually needed to be done on-site. In this manner, we have reduced the workforce required, and the potential for human error associated with site work, particularly outside our home markets.

We have conducted several projects in this manner over the last 12 to 18 months and have found that there are many benefits compared with the traditional methods. Consequently we have closed our office in Morocco although we continue to conduct work in the country from our Abu Dhabi office. This method allows us to work in countries where we believe there may be limited project opportunities, without the expense of having to set up overheads.

Middle East

We continue to undertake a large portion of our work in the Middle East, and find that there are opportunities for genuine growth in Saudi Arabia and Abu Dhabi. We believe that the region will continue to fuel our numbers in the short term, specifically, in 2013, with the Shamiyah Expansion and the King Abdullah Petroleum Studies and Research Center (KAPSARC) projects that are already in our backlog.

Far East and China

The Far East continues to provide opportunities for work with solid margins. Design Studio is operating well, and the China factory is now up and running. Additionally, we have 2 showrooms in China, in Dongguan and Huizhou, and are experiencing slow, but continued traction with our new market venture in the country. Whereas the Singaporean market is starting to cool down, we have also had success continuing to win work in other Far Eastern countries, namely Malaysia with the Hilton Hotel and CIMB projects, and Thailand with the River

Diversification/Geographical Presence
Continued

and the Room 21 (Mockup) projects, as well as Hong Kong with the Chevalier project.

Europe

Although work has proved slow in Europe, we maintain that there are opportunities for work in the interior contracting market in Europe, and have captured some of this work, including the fit-out of a Paris apartment in France for US$ 4.3 million as well as a Whitehall Court apartment in the United Kingdom for US$ 916,000. Whilst the opportunities are much slimmer, we believe those that do exist can be signed at attractive margins with solid and reputable clients.

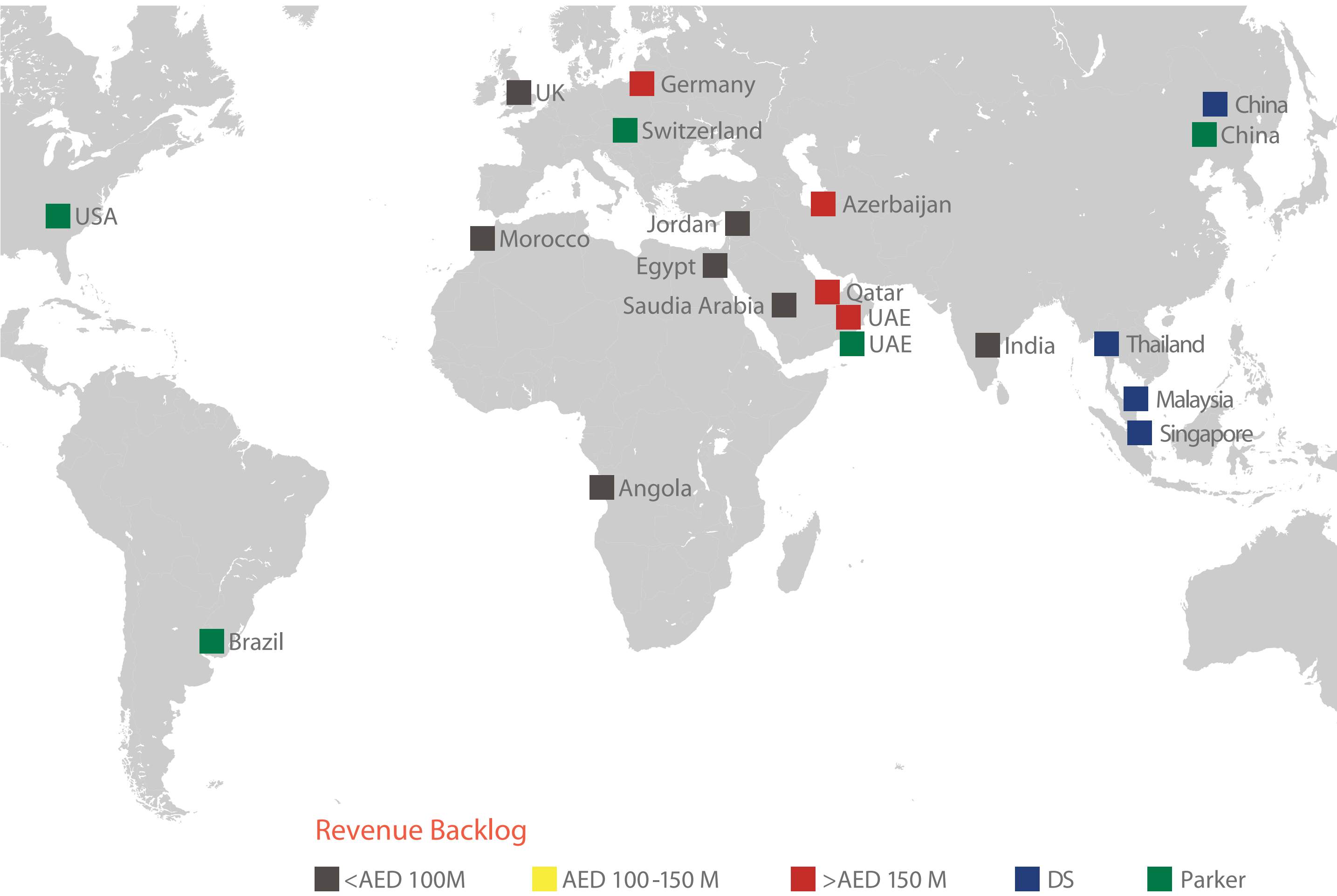
CIS

Our work in Azerbaijan has included 3 projects over the last 18 months, namely the Baku Flame Tower, Port Baku and JW Marriott. We continue to work on the Baku Flame Tower SPA package, and estimate completion later this year. Going forward, we have identified several opportunities in the CIS and will continue to operate these prospects from our Dubai offices, thereby reducing all on-site time and expenses, and the overall project costs and errors.

Africa

Angola has provided the Company with a strong pipeline of projects over the last 18 months, and as identified earlier, we believe Africa will be a key source of growth for the Company in the long-term. Historically, we have conducted the construction and fit-out, as well as investing in these hotels in Africa, including Morocco, Egypt and Sudan, taking equity stakes in several of these projects. Going forward, we will continue to maintain the same approach, taking minor equity stakes, capped at the expected profit of the project, in Africa, while conducting the construction and development work required by our clients.

It is too early to tell what the results of the developments discussed above will be.



Diversification/Geographical Presence
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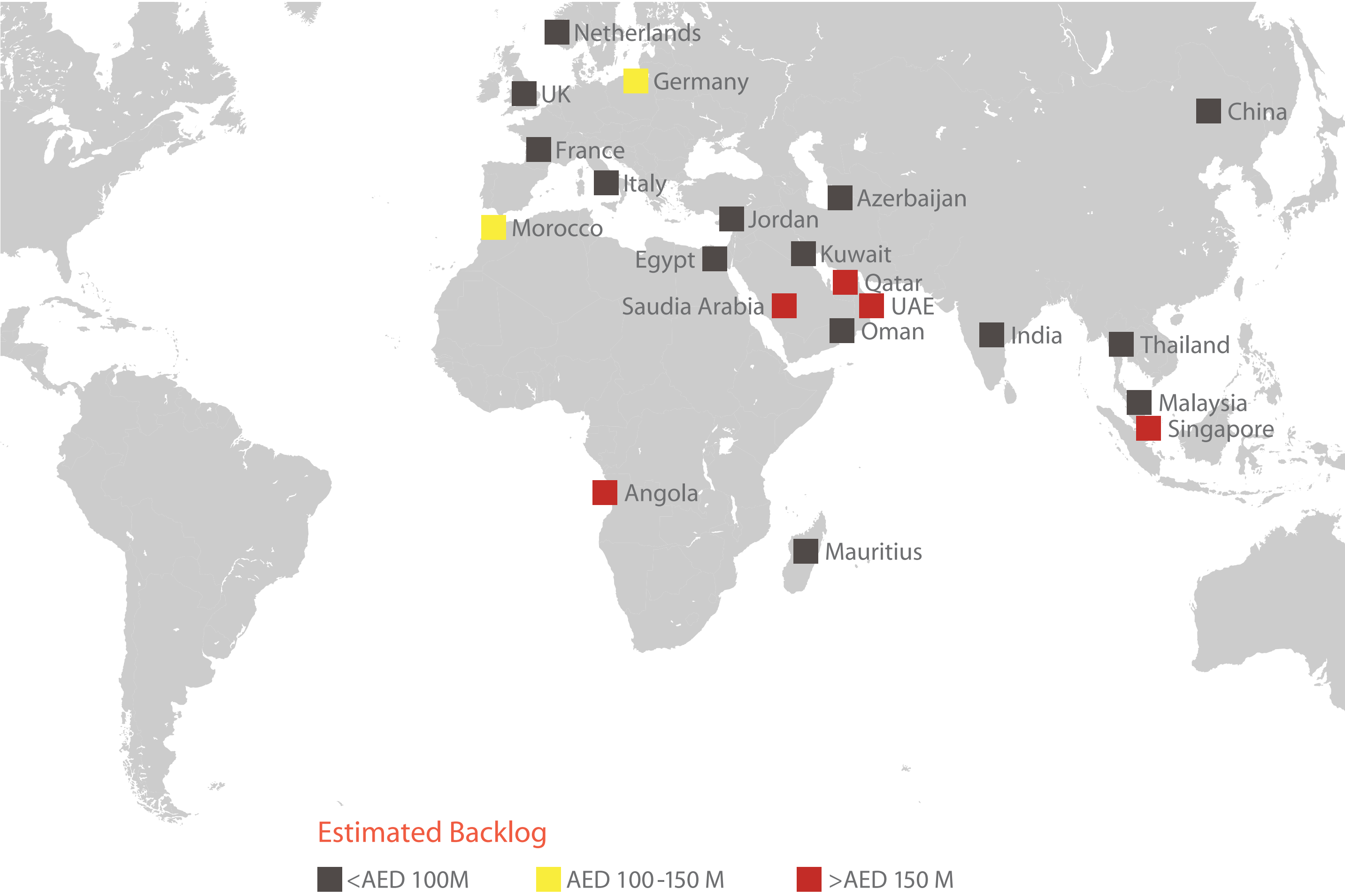


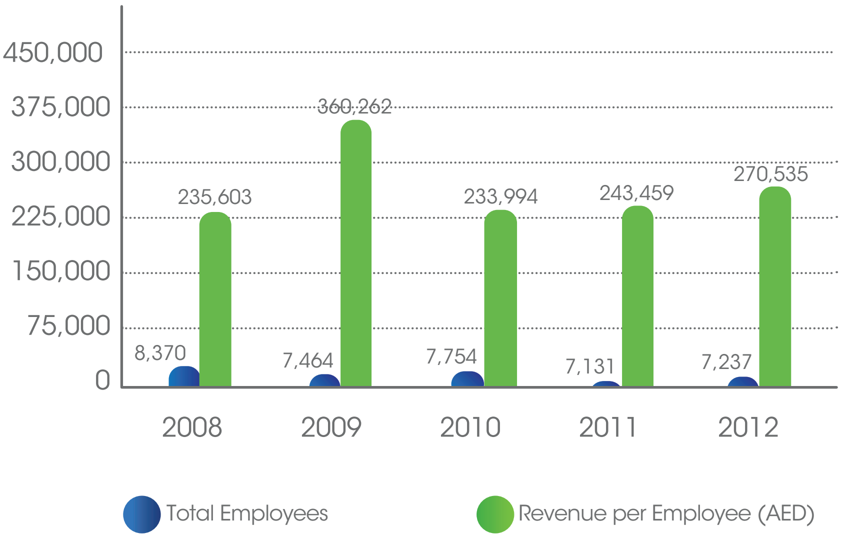
Management and Employees

We are nearing the completion of the corporate restructuring of the Company, which began early last year. The Company's new structure allows us to be increasingly flexible when pursuing global projects, as well as boosting our accuracy when bidding for the development and production of these projects. Additionally, the new risk committees implemented reduce the risk associated with entering new countries and signing projects above certain thresholds, thereby reducing the Company's overall risk profile.

In particular, we have adopted a centralization approach for some key functions, such as estimation, procurement, and design development, and have found that centralizing these teams while they work in an open space is conducive to saving time and costs, as well as minimizing errors. We have also hired a Chief Manufacturing Officer, Dr Ahmad Khayyat, to examine and recommend methods by which we can streamline the manufacturing units further and realize more synergies across these units and the Group at large.

These efforts, amongst others, have increased the revenues per employee of the Company by approximately 8.5% from last year, an addition to the 4% increase achieved the year before.

Management and Employees



Financial Summary

The Company recorded revenue of AED 1,947 million in FY2012 compared to AED 1,736 million in FY2011. This strong growth in revenue was not followed by corresponding increase in profits as Contract Margin fell to 8.1% compared with 16.6% in FY2011 due to significant direct costs incurred on NDIA project along with some unforeseen additional costs incurred in closing out some other projects. Net Loss after Minority Interest is AED 119.6 million as we booked significant provisions against our receivables on certain projects and also booked a AED 12.2 million impairment in Q4 2012 on the valuation of two of our associate companies.

Contract Profit

Contract profit was AED 158 million (8% of revenue) compared with AED 288 million (16.6% of revenue) in FY2011. The major reason for this significant reduction in Contract Margin is because project costs of AED 46 million were incurred on NDIA Project till termination and these were fully booked as direct cost whereas revenue of only AED 7 million was recorded from this project in FY2012. Furthermore, significant closure costs were recorded on some of the challenging projects in Azerbaijan and Morocco, resulting in a gross loss of AED 41 million.

Apart from the above mentioned specific project issues, most of our subsidiaries faced severe pressure from competitors and had to lower their margins in order to maintain market share and to win new business. However, these subsidiaries still end up making reasonable profits and have strong backlog for FY2013.

General and Administration Expenses

The G&A expenses, excluding any provisions, in FY2012 were AED 191 million compared to AED 163 million in FY2011. G&A as a percentage of turnover was 10% in FY2012 compared to 9% in FY2011. This increase is mainly because of increase in depreciation charge for the year due to capital expenditure incurred by the Company in FY2011 and also due to setup of new company Lindner Middle East in FY2012 to undertake supply business of Lindner products in the region.

Provision for doubtful debts

Provision for doubtful debts in FY2012 was AED 126 million compared with AED 4 million in FY2011. This is one of the major contributors of loss for the year as the Group took a very prudent stance on its receivables on certain projects where there is recoverability risk. The major provisions recorded during FY2012 include AED 89.6 million (Depa's share AED 45.7 million) on NDIA Project in Qatar and AED 13.2 million on Port Baku and JW Marriott projects in Azerbaijan.

Investment in Associates

The Company recorded profits amounting to AED 12 million for the year from its Investment in Associates. This is primarily due to contribution of AED 9 million from "Thailand Carpet Manufacturing Public Company Limited" in Thailand. This impact was however reversed due to impairment of AED 9 million recorded against investment in our associate company – Jordan Wood Industries Company (JWICO) and AED 3.2 million impairment recorded in Polypod Middle East LLC, as both these companies have been making losses for the past couple of years and their future outlook is also challenging.

Goodwill Impairment

As per IFRS 3, the Company carried out annual goodwill impairment test to ascertain if any impairment needs to be recorded against goodwill in our books. It was established that no such provision is required as the fair value of the investments is higher than their carrying value.

Amortization of Intangible Assets

Amortization of intangible assets in FY2012 amounted to AED 30.2 million compared with AED 44.6 million in FY2011. This decrease in amortization is mainly due to re-assessing the useful life of some intangible assets during the year, in addition to some intangible assets being fully amortized during the year.

Other Income

Other income in FY2012 was AED 24 million compared to AED 13 million in FY2011. Other income in FY2012 primarily relates to reversal of provisions, income from supply of labour, design and consultancy fees, and revenue earned on Sukuks.

Financial Summary
Continued

Finance Costs/Income, net
Net finance cost was AED 9 million in FY2012 compared to AED 13 million in FY2011.

The finance cost was AED 11.3 million in FY2012 compared to AED 27.5 million in 2011. It is important to note that the finance cost has decreased despite the fact that the total bank borrowings have increased. The reasons for reduction in finance cost is partially due to repayment of high interest bearing old loans and partially due to better price negotiations with financial institutions on new loans and overall reduction in general pricing with banks. Average Interest rate on long term loans in 2011 was 7.7% which was brought down to 6.5% in 2012 (projected 5.5% in 2013). In all new projects interest rate on funded lines is negotiated at EIBOR + bank's margin instead of agreeing fixed floor rates; similarly guarantee pricing has also been brought down substantially.

It should be noted that in addition to above, finance cost amounting to AED 6.7 million is allocated to direct contract cost in FY2012 (AED 6.2 million in FY2011).

The finance Income was AED 2.4 million in FY2012 compared to AED 14.2 million in FY2011 because of decrease in bank deposits as the Company has consumed sizeable deposits towards settlement of encashed bank guarantees amounting to AED 215 million.

Taxation
Tax charge in FY2012 was AED 10 million compared to AED 16 million in FY2011.

Combined, all of the above resulted in a Net Loss after Minority Interest of AED 119.6 million in FY2012 compared to a Net Profit after Minority Interest of AED 54.3 million in FY2011.

Balance Sheet
Total assets as of 31 December 2012 were AED 3,144 million compared to AED 3,030 million as of 31 December 2011. On the other hand, total liabilities increased to AED 1,531 million compared with AED 1,286 million as of 31 December 2011.

Total equity as of 31 December 2012 was AED 1,613 million compared with AED 1,744 million as of 31 December 2011.

Cash Position
Our cash in hand at 31 December 2012 was AED 307 million compared to AED 332 million at the end of 2011. As mentioned earlier, FY2012 was a challenging year in terms of cash and liquidity management due to a number of factors including encashment of bonds worth AED 215 million from projects (mainly NDIA project) having an adverse effect on our cash reserves. These bond encashments, combined with significant delays in receiving advance payments and collections on some of our major projects, put a lot of pressure on our operating cash flows in FY2012. Despite these issues we managed to close the year with positive net cash of AED 8 million compared with a negative net cash of AED 36 million at the end of Q3 2012.

Working Capital
Our working capital increased slightly from AED 670 million as of 31 December 2011 to AED 681 million as of 31 December 2012.

Accounts receivable days decreased to 198 days in FY2012 (94 days excluding unbilled revenues) compared to 223 days (90 days excluding unbilled revenues) in FY2011. It is important to note that our unbilled revenue decreased to AED 562 million in FY2012 from AED 642 million in FY2011 while accounts receivables increased to AED 511 million in FY2012 from AED 432 million in FY2011.

Cash Flow and Bank Facilities
Our total borrowings at 31 December 2012 were AED 299 million compared with AED 262 million at the end of FY2011. Cash used in operating activities was AED 25 million in FY2012 compared with cash generated amounting to AED 38 million in FY2011. This decrease is partly due to losses incurred during the year and partly due to the increase in trade and other receivables, primarily in advances to subcontractors and other receivables, which relate to the guarantees encashment of AED 215 million on different projects. Cash used in investing activities amounted to AED 34 million in FY2012 compared to AED 53 million in FY2011. Cash generated from financing activities is AED 36 million for FY2012 compared to cash used in financing activities amounting to AED 70 million in FY2011. This includes proceeds from long term loan of AED 120 million obtained during the year.

Financial Summary
Continued

This loan along-with our previous borrowings are being settled in accordance with the original repayment plans and no default/rescheduling of loans was carried out by the Company during the year. Total payments against long term loans in FY2012 amount to AED 104 million.

Capital Expenditure

The Company's capital expenditure in FY2012 amounted to AED 47 million compared to AED 71 million in FY2011. The expenditure was higher in 2011 due to cost incurred in establishing a new factory and showroom in China by Design Studio.

Board of Directors and Shareholder Information

Independent board member Mr. Helal Saeed Almarri resigned in Q1 2013 to attend to his new role within the Ministry of Tourism and Mr. Ahmad Ramadan was nominated as a new board member. Our Board of Directors now consists of eight members, including one executive member (the Chief Executive Officer) and one independent member (Mr. Faisal Al Matrook). Board members Mr. Marwan Shehadeh, Mr. Faisal Al Matrook and Mr. Chris Foll are all up for re-appointment in 2013. The Board of Directors typically discusses issues, and takes decisions, related to strategic direction, financial health, and significant investments connected with the Company, leaving day-to-day decisions and operations to senior management.

Mr. Abdullah M. Al Mazrui

Mr. Abdullah M. AL Mazrui, serves as Chairman of the Board of Directors for Depa United Group as well as Emirates Insurance Company; Mazrui Holdings LLC, International School of Choueifat, Aramex, Jashanmal National Company, Chemanol, Modecor and The National Investor. Mr. Mazrui also sits on the Board of Directors for the following organizations and institutions: National Investment Corporates, Investcorp, Abu Dhabi Education Council, Abu Dhabi Economic Council, Dun & Bradstreet and Emirates Specialties Company. He is a member of the Advisory Board of Insead Business School, Abu Dhabi and EDHEC Business School, France. He holds a degree from Chapman University of California, USA.

Mr. Mohannad Izzat Sweid

Mr. Mohannad Sweid is the CEO and co-Founder of Depa United Group. He has more than 30 years of experience managing design consulting and interior contracting firms in the MENA region and USA. In 2005, Mr. Sweid spearheaded Depa's international expansion into Asia, Africa and Eastern Europe as well as the Company's acquisition strategy that included leading interior contracting, furniture manufacturing and fit-out companies. Prior to setting up Depa, Mr. Sweid worked in Saudi Arabia as Managing Partner for Rochan Fine Arts and Vesti Corporation in Boston (USA) as Vice President for Middle East operations. Mr. Sweid studied architecture and design at the Boston Architectural Centre.

Board of Directors and Shareholder Information
Continued

Mr. Riad Kamal
Mr. Riad Kamal is the Founder of Arabtec Holding. Having founded Arabtec Construction in Dubai in 1974, it has become one of the five largest contractors in the MENA region with offices extending out to India and Russia. Arabtec Construction was the first private firm to go public in the UAE. Its impressive portfolio includes; the Burj Khalifa, the Emirates Palace hotel in Abu Dhabi, the Okhta Centre Tower in St. Petersburg as well as the interior for the Burj Al Arab. Mr. Kamal holds a degree in Civil Engineering and a Masters in Structural Engineering from Imperial College of London.

Mr. Marwan Shehadeh
Mr. Marwan Shehadeh is the Group Director for Corporate Development of Al Futtaim Group, Managing Director of Al Futtaim Capital and Senior Executive Officer of Al Futtaim Investment Management Ltd. Mr. Shehadeh joined Al Futtaim in 2003, as Director of Finance of Dubai Festival City LLC. Mr. Shehadeh started his career in corporate finance at Chase Manhattan Bank, New York. In 1994, he established the Middle East operations for Hard Rock Café Inc. before joining Kingdom Hotel Investments as CFO in 1998. Mr. Shehadeh holds a Masters Degree in International Business from the Institute D'Etudes des Relations Internationales, Paris and has completed a general management executive programme at Harvard Business School.

Mr. Orhan Osmansoy
Mr. Orhan Osmansoy has been the CEO of The National Investor (TNI), an Abu Dhabi based investment and advisory company since 2004. He has spent the last 8 years spearheading its expansion across the GCC. Mr. Osmansoy has nearly 20 years of experience in investment banking and private equity having previously worked at Dexter Capital Group in London, J. H. Whitney & Co., a US private equity firm and Morgan Stanley. Mr. Osmansoy also serves as Board Director for Colliers International Middle East. Mr. Osmansoy holds an MBA from the Wharton School of the University of Pennsylvania.

Board of Directors and Shareholder Information
Continued

Mr. Chris Foll

Mr. Chris Foll joined Gulf Capital as Chief Financial Officer in 2010 from Hutchinson Telecommunications International, a leading provider of global communications. For the last nine years he has held senior leadership roles including CFO and COO and worked in diverse countries such as Mumbai and Vietnam for Hutchinson. Previously, Mr. Foll was based in Australia where he worked at Holcim, one of the world's leading suppliers of cement and aggregators; Adelaide Brighton Group and later QNI Ltd. Mr. Foll is a qualified Chartered Accountant.

Mr. Faisal Al Matrook

Mr. Faisal Matrook serves as an independent Non-Executive Director of the Board of Directors for Depa United Group as well as Chairman and Director of prominent and well-known UAE and Bahrain-based companies. These include Contech Engineering Group, Advanced Technical Services Group, Jasaf Group, NOOR Capital, Al Alahlia Shipping Agency, Al-Sharif Group and Amwaj Islands Co.

Mr. Matrook has a National Diploma in Business Administration from Scarborough Technical College.

Mr. Helal Saeed Almarri

Mr. Helal Saeed Almarri is the CEO of Dubai World Trading Centre (DWTC) having joined the exhibition and conference group in 2004. As CEO, Mr. Almarri oversees the strategy and development of the group. Prior to DWTC Mr. Almarri worked at McKinsey & Company and KPMG in London. Mr. Almarri also sits on a number of boards within the UAE, including the Dubai Chamber of Commerce and Aramex. Mr. Almarri holds an MBA from London Business School and is also a qualified chartered accountant from the Institute of Chartered Accountants in England and Wales.

Board of Directors and Shareholder Information
Continued

The attendance of Board members for the fiscal year 2012 is displayed below. The Board remuneration for 2012 was AED 240,000 per member per annum. The Chief Executive Officer's remuneration for fiscal year 2012 was AED 1.8 million. The Chief Executive Officer had no bonus in 2011. All bonuses for the fiscal year 2012 have not yet been determined.

Board Meetings Attendance FY2012:

	11-Jan	22-Mar	17-May	15-Aug	17-Sep	17-Oct	26-Nov
Abdullah Al Mazrui	O	O	O	O	O	O	O
Mohannad Sweid	O	O	O	O	O	O	O
Riad Kamal	O	X	X	X	O	O	O
Orhan Osmansoy	O	O	O	O	O	X	O
Marwan Shehadeh	O	O	X	O	O	O	O
Faisal Al Matrook	X	O	X	O	O	O	O
Helal Al Marri	O	O	O	O	O	O	O
Christopher Foll	O	O	O	X	O	O	O

O Present X Absent

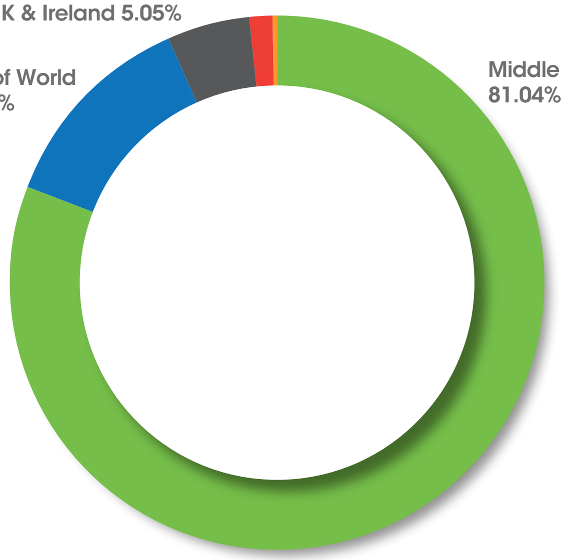
Audit Committee Meetings Attendance FY2012:

	22-Mar	22-May	15-Aug	26-Nov
Helal Al Marri	O	O	O	O
Orhan Osmansoy	O	O	O	O
Marwan Shehadeh	O	X	O	O
Christopher Foll	O	O	X	O
Faisal Al Matrook	O	X	O	O

O Present X Absent

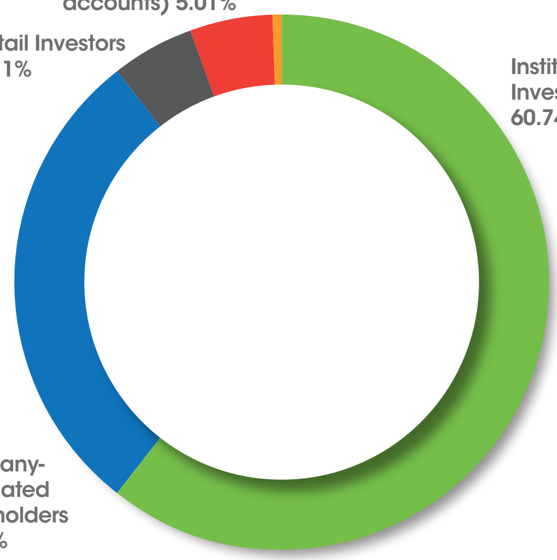
Board of Directors and Shareholder Information
Continued

Shareholder breakdown (by region for FY2012)



*Footnote: Shareholder breakdown by region was allocated based on the identified regions of 86.2% of the total number of outstanding shares.

Shareholder breakdown (by investor type for FY2012)



*Footnote: Shareholder breakdown by investor type was allocated based on the total number of outstanding shares.

The following shareholders have percentages in the Company as of 31 December 2012 that define them as connected persons, as established by Markets Rules 5.1.4 under the DFSA Market Rules:

Name of Shareholder	Number of Shares	% of Total Shares Outstanding
Arabtec Holding PJSC*	147,555,300	24.0%
Al Mal Capital PJSC	79,209,100	12.9%
Mazrui Investments LLC**	54,766,513	8.9%
Edge Investments Company WLL	33,820,727	5.5%
Al Futtaim Capital LLC***	30,746,115	5.0%
The National Investor****	21,269,500	3.5%
Mohannad Izzat Sweid	17,834,629	2.9%
Marwan Anthony Shehadeh	1,621,098	0.3%
Walid Sami Zakaria	1,000,000	0.2%
Mohd Nadim Fahmi Akhras	719,096	0.1%
Ayman Mohammad Mosa Khaireddin	436,646	0.1%

* Riad Kamal is a Board Member of Arabtec Holding PJSC
** Abdullah M. Al Mazrui is Chairman of Mazrui Investments LLC
*** Marwan Shehadeh is CEO of Al Futtaim Capital LLC
**** Orhan Osmansoy is CEO of The National Investor

Corporate Governance and Risk Management

We have recently updated our governance to ensure the DFSA's new rules and regulations are fully implemented within the Company. The best practice standards of Corporate Governance as set out in the Markets Rules of DFSA have been adopted by the Company. Furthermore, we have enhanced the level of risk management to assess strategic, financial, operational, compliance and legal risks potentially affecting the Company's business activities, thereby minimizing impact of undesired and unexpected events. In line with international best practice on corporate governance, the Company reviewed, in collaboration with KPMG, its Corporate Governance and Operating manuals in 2011 in order to ensure alignment with international best practices in these areas.

The primary responsibility of the Board is to oversee the long term success of the company and is ultimately accountable for the operations of the company. The Board has delegated certain responsibilities to senior management including the implementation of the strategies set by the Board, the monitoring of the financial results of the company against the Board approved budget and the implementation of risk management systems.

In the opinion of the Directors, the corporate governance framework has been effective in promoting prudent and sound management of the Company and the long term interests of both the Company and its shareholders and the Corporate Governance principles set out in the Markets Rules.

The committees we have established remain in place and are: the Nomination Committee, the Remuneration Committee and the Audit Committee, all of which report directly to the Board of Directors. Their scope of work and responsibilities are outlined below:

1. **The Nomination Committee** which assists our Board of Directors in discharging its responsibilities relating to the composition of our Board of Directors, performance of Directors, the induction of new Directors, appointment of committee members and succession planning for senior management. The Nomination Committee is responsible for determining the appropriate skills and characteristics required of our Directors and directors of our subsidiaries.

The Nomination Committee's responsibilities include:

a) identifying individuals qualified to become members of our Board of Directors.

b) recommending individuals to be considered for election at the next Annual General Meeting of the Company or to fill vacancies.

c) preparing a description of the role and capabilities required for a particular appointment.

d) developing and recommending to our Board of Directors appropriate corporate governance guidelines.

The Nomination Committee comprised two Directors, for FY2012: Mr. Riad Kamal and Mr. Mohannad Sweid.

Corporate Governance and Risk Management
Continued

2. **The Remuneration Committee** which assists our Board of Directors in determining its responsibilities in relation to remuneration, including making recommendations to our Board of Directors regarding the Company's policy on remuneration, executive options, share grants and determining the individual remuneration and benefits package for each of the non executive Directors, executive Directors and senior management. The Remuneration Committee also reviews human resources policies for employees who are below general manager level, at least once every three years. No committee member is allowed to participate in any discussion or decision regarding his/her own remuneration and the Chief Executive Officer is not to be present when the Remuneration Committee discusses issues relating to his remuneration. The Remuneration Committee may approve remuneration for members of the Executive Management. All other recommendations must be referred to our Board of Directors for approval. The duties and activities of the Remuneration Committee during the year are disclosed in the Company's annual report and accounts.

   The Remuneration Committee comprised three Directors, for FY2012: Mr. Marwan Shehadeh, Mr. Helal Al Marri, and Mr. Mohannad Sweid.

3. **The Audit Committee** which assists our Board of Directors in discharging its responsibilities with regard to financial reporting, external and internal audits and controls, including reviewing the Company's annual financial statements, reviewing and monitoring the extent of the non audit work undertaken by external auditors, advising on the appointment of external auditors and reviewing the effectiveness of the Company's internal audit activities, legal and regulatory compliance, internal policies and controls and risk management systems. In addition, the Audit Committee is required to prepare an annual report for our Board of Directors which sets out its findings on the above, including recommendations for the selection of the external auditor, results of its risk management, internal compliance and control systems review and a summary of any complaints managed in the past year. The ultimate responsibility for reviewing and approving the accounts and the quarterly reports remains with our Board of Directors.

The Audit Committee comprised five Directors, for FY2012: Mr. Orhan Osmansoy, Mr. Helal Al Marri, Mr. Marwan Shehadeh, Mr. Chris Foll and Mr. Faisal Al Matrook.

Reporting and Guidance Policies

Although the Company began reporting quarterly results a year ago, we maintain that the Group experiences cyclicality and lumpiness in its revenues earnings between fiscal quarters. As such, it remains very difficult to provide future guidance.

Audited Financials

Selected Income Statement Data

AED (million)	Dec 2012	% of turnover	Dec 2011	% of turnover
Contract Income	1,947		1,736	
Contract Cost	(1,789)	-92%	(1,448)	-83%
Contract profit/(loss)	**158**	**8%**	**288**	**17%**
General and administration expenses	(191)	-10%	(163)	-9%
Provision for doubtful accounts	(126)	-6%	(4)	0%
Amortization of intangible Assets	(30)	-2%	(44)	-3%
Loss on impairment	(12)	-1%		
Other Income/(expense)	24	1%	13	1%
Finance Income/(Cost) net	(9)	0%	(13)	-1%
Share of Profit/(loss) from associates	12	1%	(2)	0%
Net Profit/(Loss) for the period before tax	**(174)**	**-9%**	**75**	**4%**
Income Tax	(10)	-1%	(16)	-1%
Net Profit/(Loss) for the period after tax	**(184)**	**-9%**	**59**	**3%**
Attributable to:				
Equity holders of parent	(120)	-6%	54	3%
Minority Interest	(64)	-3%	5	0%

Audited Financials
Continued

EBITDA/EBIT

AED (million)	Dec 2012	% of turnover	Dec 2011	% of turnover
Profit for the year	(184)	-11%	59	3%
Income Tax	10	1%	16	1%
Finance cost	11	1%	27	2%
Finance cost recognized in cost of sales	7	0%	6	0%
Interest Income	(2)	0%	(14)	-1%
EBIT	**(158)**	**-9%**	**94**	**5%**
Depreciation	45	3%	40	2%
Amortization of intangble Assets	30	2%	44	3%
Loss on Impairment	12	1%	0	0%
EBITDA	**(71)**	**-4%**	**178**	**10%**
EBIT	**(158)**	**-9%**	**94**	**5%**
Adjusted for		0%		
Share of Profit/(loss) from associates	(12)	-1%	2	0%
Other income	(24)	-1%	(13)	-1%
Adjusted EBIT	**(194)**	**-11%**	**83**	**5%**
Depreciation	45	3%	40	2%
Amortization of intangible assets	30	2%	44	3%
Loss on impairment	12	1%	0	0%
Adjusted EBITDA	**(107)**	**-6%**	**167**	**10%**

Sign-off by Chairman and CEO

We, Abdullah Al Mazrui and Mohannad Sweid, being two of the directors of Depa Limited, do hereby state, in the opinion of the directors, the accompanying balance sheets, consolidated income statement, and consolidated cash flow statement together with the notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2012 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date. Taking into account the financial information and the backlog of the Company, as at the end of 2012, the Directors believe that the Company has adequate resources to continue as a going concern.

On behalf of the Board of Directors,

A. Mazrui

Abdullah M. Al Mazrui
Chairman

Mohannad Izzat Sweid
CEO