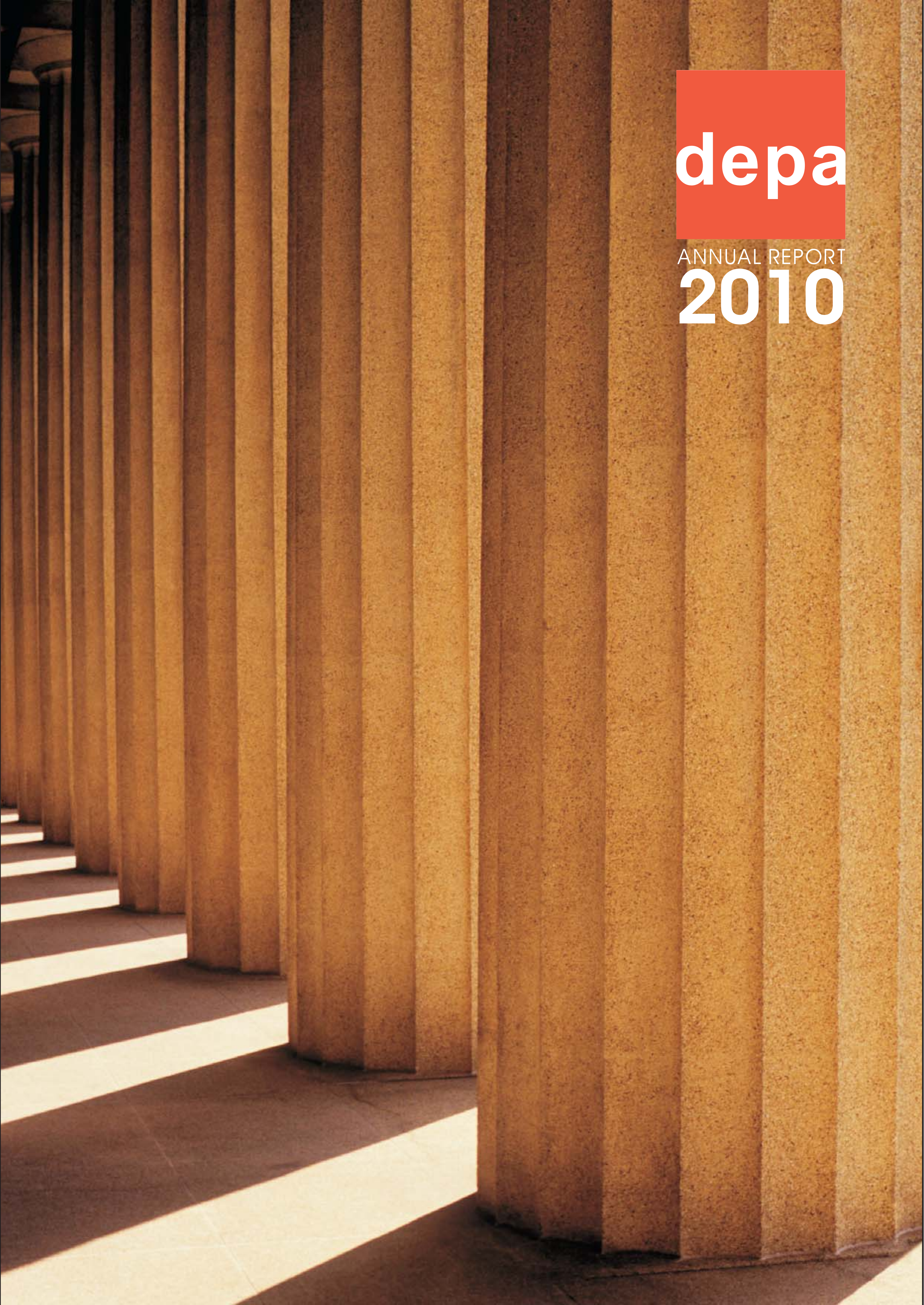

depa

ANNUAL REPORT

2010

GLOBAL FOOTPRINT,

LOCAL PRESENCE

depa

2010 marked a pivotal time and the start of a new decade for Depa. Amidst a challenging backdrop that was still reeling from the after effects of 2009's economic landslide, Depa experienced several peaks and troughs but proudly sustained our global foothold as the world's leading interior fit outs and solutions provider with increased rigour. Of major significance is the ground breaking entry into Asia through the acquisition of one of Asia's foremost and reputed interior manufactures. This has always been Depa's greatest after strength, the ability to stay focused and resolutely execute strategic plans to plant the seeds and lay the ground firmly today for the vision of tomorrow.

depa

Depa Ltd. specializes in the full-scope turnkey fit-out and furnishing of five-star luxury hotels, yachts, apartments, and other fine private and public facilities in Dubai and around the world. Depa's superior portfolio of projects illustrates our skills in combining aesthetic and operational requirements to create the harmonious and complete results our clients expect. We proudly set the standards of excellence in interior implementation.

Depa Ltd. has steadily grown and expanded throughout Europe, Africa, Asia, and the Middle East. Over the years, our company has managed to build up an association with international suppliers and manufacturers, in addition to utilizing our own in-house Depa manufacturing facilities.

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Disclaimer

This annual report contains forward-looking statements that reflect management's current views with respect to future events. Such statements are subject to risks and uncertainties that are beyond Depa's ability to control or estimate precisely.

Factors that may cause actual results to differ materially from those predicted by such statements include, but are not limited to, unanticipated changes in demand for the Company's products and services, changes in future market and economic conditions in the Company's principle markets, the behavior of other market participants, and the impact of regulatory changes and accounting principles and practices. Depa does not intend or assume any obligation to update any forward-looking statements to reflect events or circumstances after the date of these materials.

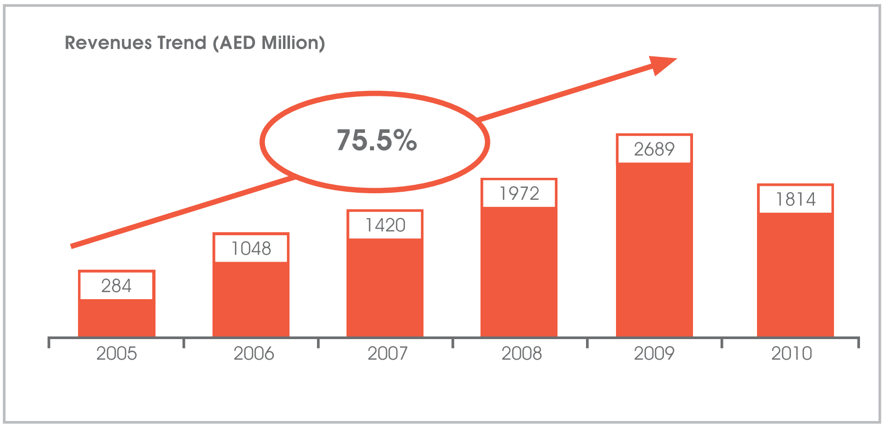

Payless
بايليس

OVERVIEW

Depa's geographical footprint keeps expanding, and today has operations spanning the Middle East, Europe, Africa and Asia, as well as operating subsidiaries in the Unites States of America. Combined, these twenty companies have created one of the largest interior contracting groups in the world, with a presence in twenty-six countries.

Headquartered in Dubai since it began operations in 1996, Depa has continued to serve its clients with the highest quality interior fit-out standards regardless of location. The Company continues to target high-end, luxury interior works across multiple market segments and geographies, as well as provide that same level of quality and customer service across new territories.

Depa in 2010



4 year Revenue CAGR (before 2010): 75.5%
4 year Profit CAGR (before 2010): 66.3%
2010 Revenue: AED 1814 million
2010 Loss After Minority Interest: AED (198.2) million
Number of Hotels and Major Buildings Completed in 2010: 15
Number of Projects Completed in 2010: 357
New Operating Countries: 4: Azerbaijan, Syria, Malaysia, Thailand

CHAIRMAN'S STATEMENT

Abdullah Al Mazrui
Chairman, Board of Directors

On behalf of the Board of Directors of Depa Limited, I present our Company's 2010 Annual Report. As anticipated, 2010 was the most challenging year yet for the Company, with revenues and profits shrinking following significant growth over the last four years. As the Company operates in the last leg of the construction cycle, it lags the peaks and troughs of other contractors by an average of eighteen months, resulting in 2010 being Depa's 'recession year'.

The Company has maintained its market-leading position across the world, and continues to have a large number of contracts in Dubai, Abu Dhabi, Qatar and Singapore, while expanding geographically and continuing to sign projects in new countries, including Malaysia, Azerbaijan, Thailand and Syria.

Historically, the Company has focused on securing interior works outside its home market, the UAE; and growth in this regard in 2010 has been quite significant, with the UAE contributing only 60.9% of revenues and 30.4% of backlog to the Company this past year.

Financial Results

As 2010 was the most difficult year in the Company's history, the financial results were reflective of the challenges faced by management and clients following the economic downturn. Following a compound annual growth rate over four years of 75.5% for revenues, 2010 saw the Company's revenues shrink by 32.5% from AED 2689 million in FY2009 to AED 1814 million in FY2010 and operating profits reduce from AED 265.7 million to an operating loss of AED 3.8 million (before considering the impact of the Burj Khalifa claim, goodwill impairment and reduction in carrying value of deferred tax assets). In addition to the operational challenges, we also faced a significant cost booked against a variation and extension of time claim on the Burj Khalifa project (the "Burj Khalifa claim"), which will likely be resolved in the next few years; at which point the total claim amount will be recognized as profits. Our numbers were further impacted by goodwill impairments for acquisitions made in prior years reflective of the change in the global economic climate rather than the operational health of the Company. As a result, we incurred a total net loss of AED 198.2 million.

Arcapita Bank Headquarters, Bahrain

Dividends

Given that we have taken a very prudent approach of charging, rather than capitalizing, the entire cost related to our Burj Khalifa claim, and that we have made a small operational loss this year, the Board has decided not to declare a dividend for FY2010.

Outlook

We had anticipated that 2010 would be the most difficult year yet for the Company and the Board believes that the Company weathered its share of the storm well from an operational perspective. Having passed this challenging year, and taken the opportunity to streamline and restructure the business, we now look forward to a new growth run over the next few years as we see growth potential for our clients, employees, and shareholders.

CEO'S REVIEW

Mohannad Sweid
Chief Executive Officer

Going into the year 2010, we were aware that it would be the most challenging year for the Company to date. However, we had no idea just how challenging it would turn out to be. Operating in the last leg of the construction cycle, the peak of our earnings lagged the construction industry by about eighteen months, and now we are witnessing a similar lag on the trough, making 2010 Depa's 'recession year'.

Given the economic climate, the Company performed well operationally, bringing in revenues 32.5% below 2009 after a compound annual growth rate (CAGR) of revenues of 75.5% since 2005. The profit numbers were impacted by the costs booked against variation and extension of time on the Burj Khalifa project and by goodwill impairments for acquisitions made in the prior few years, particularly in light of revised expectations given recent economic and political events in the region. We anticipate that the Burj Khalifa claim will be resolved in the coming few years, and any income related to the resolution of this matter will be recognized as pure profit on the Company's bottom line. Such claims are part of the normal course of business for many projects, and are resolved with a historical average of over 50% of the claim amount sought being recovered. Going forward, we believe that by continuing our strategy of providing interior contracting to the luxury segment around the world, market conditions will recover and we will be in an even stronger position than before.

Diversification

Diversification of the Company's revenues and profits has always been a major part of the management's ongoing strategy. With the present climate in the Middle East, the strategy of diversifying outside the region takes on a new level of importance, and will be a focal point for management over the next few years, regardless of whether projects are located East or West of the region.

Diversification, however, takes time, as winning projects and executing them can take several years in new markets. Consequently the results of these efforts can take between three and five years to materialize and become apparent in the Company's revenue and backlog numbers. As such, current revenue and backlog splits are the result of diversification efforts in 2007 and 2008, and Depa's current revenues and backlog, of which 41.5% and 85% are outside Dubai, are the result of much strategic planning and operational execution between 2005 and 2008.

We have continued our diversification efforts in 2010, increasing our presence in markets in which we already operate, such as Qatar and Singapore, and adding new markets to our portfolio, such as Malaysia, Azerbaijan, Thailand, Syria and Yemen. In Malaysia, we are currently undertaking the refurbishment of the Grand Hyatt, and in Syria we are executing work on the Gardenia Rotana and the Yasmin Rotana. In addition, we completed the strategic acquisition of Design Studio in Singapore, strengthening our foothold in Asia and increasing the portion of our revenues derived from the Asian market.

As we identify new markets in which to operate, we have found that we are often in the strongest position if we execute as much as possible off-site, in Dubai, and then ship, as close as possible to completion, the items required on the project. In this manner, we have found that we reduce country-risk exposure and quality-risk exposure while participating in projects that we may have otherwise found too challenging or too risky due to unknown subcontractors or environments. This is how we have executed recent projects and how we look to undertake new projects in markets where we cannot confirm a future permanent presence.

Looking forward, we continue to anticipate growth in the Asian and GCC markets, the latter particularly following Qatar's award of the FIFA World Cup in 2022. However, as already intimated, the opportunities for the interior sector regarding the FIFA World Cup 2022 will be several years behind the civil contracting. Despite this, we are already undertaking several projects in Qatar, such as the Shangri-La and the Marriott hotels, and we believe that there will be further significant projects in both the hospitality and infrastructure sectors in order to prepare for this international tournament.

From a market segment perspective, we have witnessed an increasing number of hotels renovate this year and have won several international projects in this realm, including the refurbishment of the Ritz Carlton in Singapore, part of the Emirates Towers in Dubai and the Grand Hyatt in Malaysia. We will likely continue to witness increased renovation works around the world over the next few years.

Centro Hotel – Al Barsha, Dubai

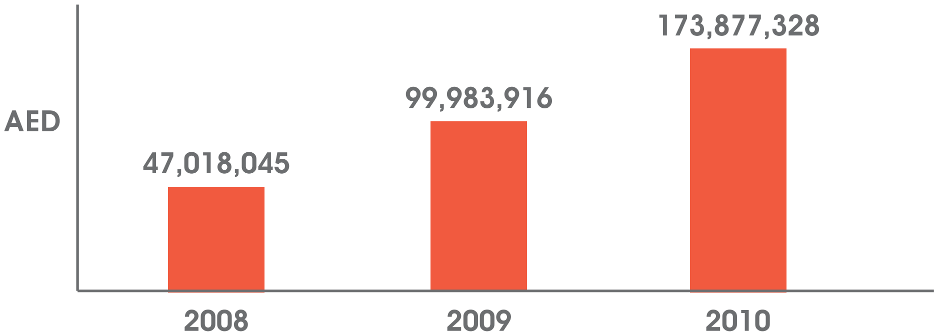
Restructuring and Streamlining Depa

As planned, we dedicated 2010 to restructuring and streamlining the Company, consolidating the results of the significant growth we have witnessed over the last five years, and in anticipation of the growth we look forward to over the next few years. This restructuring included the allocation of geographical areas amongst Operational CEOs in order to facilitate future growth and leverage market opportunities.

Cash Generation

In FY2010, we generated AED 173.8 million cash from operating activities compared to AED 99.9 million in FY2009 and AED 47.0 million in FY2008. Given the decline in revenues by 32.5% year on year, this is an outstanding achievement and demonstrates the impact of monitoring working capital very closely, in particular reduction in trade receivables and amounts due from customers on construction contracts. In addition, the 73% growth in cash generated illustrates that the impact of the impairments taken in FY2010 are non-operational items and that the Company remains fundamentally strong.

Cash From Operations



Backlog Quantity and Quality

In assessing our backlog, we recently took a more stringent view on backlog quality as well as backlog quantity. As such, we were very focused in 2010 on winning quality work and projects with very low payment risk, even if this meant that the backlog quantity would be lower than it could potentially be. We believe that being very selective with regards to client and project selection will ensure an improvement in the quality of our backlog, and as such, will improve cash collection, receivables, and project margins on current and future projects.

Strategy for 2011 and Beyond

We have used this year to streamline the business, restructure the company and improve the quality of our backlog. As a business, we came out of 2010 stronger than we went into it. We have maintained our market-leading positions in the markets in which we operate and have continued to win and execute landmark projects all over the world.

Looking forward, we expect to return to strong profitability in 2011, and yet, we expect to have more diversified and higher quality backlog reflecting the efforts of 2010.

Dior – Mall of Emirates, Dubai


1.88%
5000
4250

FINANCIAL HIGHLIGHTS

The year 2010 was, by far, the most challenging year in the Company's history. Following a growth run resulting in CAGR growth of 75.5% for revenues and 66.3% for profits over the last four years, we experienced the first year of revenue shrinkage and net losses on the bottom line. Consequently we reported revenues of AED 1814 million as compared with AED 2689 million in 2009, and an operating loss of AED 3.8 million compared to an operating profit of AED 265.7 million in FY2009. Following this reduced operating profit, we then incurred a one-time cost in relation to the variation order and extension of time claim on the Burj Khalifa project. This will likely be resolved in the coming few years at which point profits for the extension of time claim would be recognized. Additionally, we incurred a goodwill impairment charge of AED 40.9 million for acquisitions made in 2006 and 2007 and reduced the carrying value of deferred tax assets on our balance sheet. This resulted in a net loss of AED 198.2 million for FY2010.

At an operational level, the Company's performance was in line with expectations for a recession-year. Different business units performed according to individual market dynamics, with some shrinking and others growing. The two best performing business units in the group are highlighted below:

- **Vedder**

  Backlog amounted to AED 83 million as of Dec 2010

  Gross profit margin of 22% and a net profit margin of 15.3%

  Very strong cash position with net cash of AED 38.3 million

- **Design Studio**

  Backlog amounted to AED 390 million as of Dec 2010

  Gross profit margin of 29% and a net profit margin of 20.3%

  Very strong cash position with net cash of AED 98.6 million

Belle Vue Residences -
WingTai Asia, Singapore

The Trillium -
Lippo Group, Singapore

Scotts Square -
Wheelock Properties (Singapore) Limited

Bad-debt Provisions

In light of the geo-political developments across the Middle East region, the Company took a more conservative approach than usual in FY2010 and provided an additional AED 70.2 million in bad debt provisions compared to AED 41.7 million in FY2009.

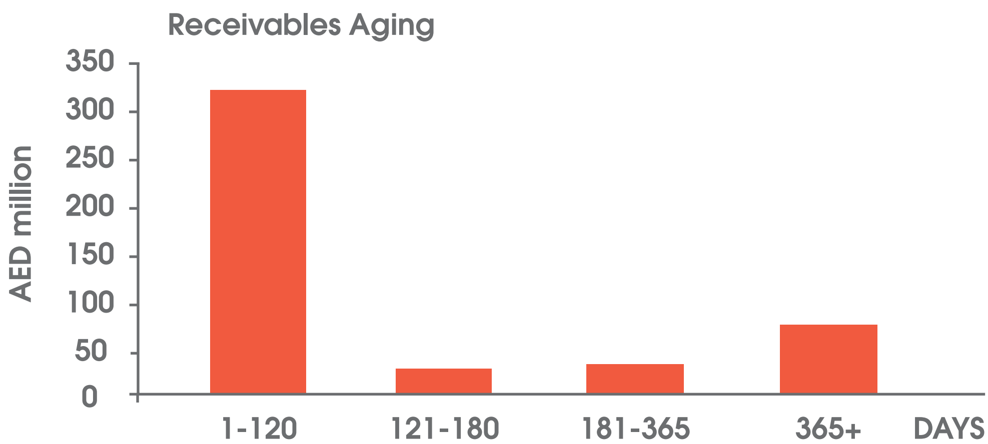
Working Capital

Our working capital declined in the year under review to AED 710 million compared to AED 1,011 million in FY2009 mainly due to an improvement in working capital management. Our Liquidity ratio slightly declined from 1.8:1 to 1.7:1 in December 2010.

Dubai Metro – Red Line, Dubai

Account Receivable days increased to 235 days in 2010 (91 days excluding unbilled revenues) from 171 days (51 days excluding unbilled revenues) in 2009 due to aging of a few old accounts. Account Payable days remained the same (55 days in FY2010 vs 54 days in FY2009). Dubai receivables represent approximately 48% of total group receivables.

Our cash in hand at the year of 2010 remained strong at AED 450 million compared to AED 543 million as at 31 December 2009. Our net debt position at the end of December 2010 (calculated as cash in hand less short and long term bank borrowing) remained in a favorable position of AED 119 million compared to AED 322 million as at the end of December 2009.



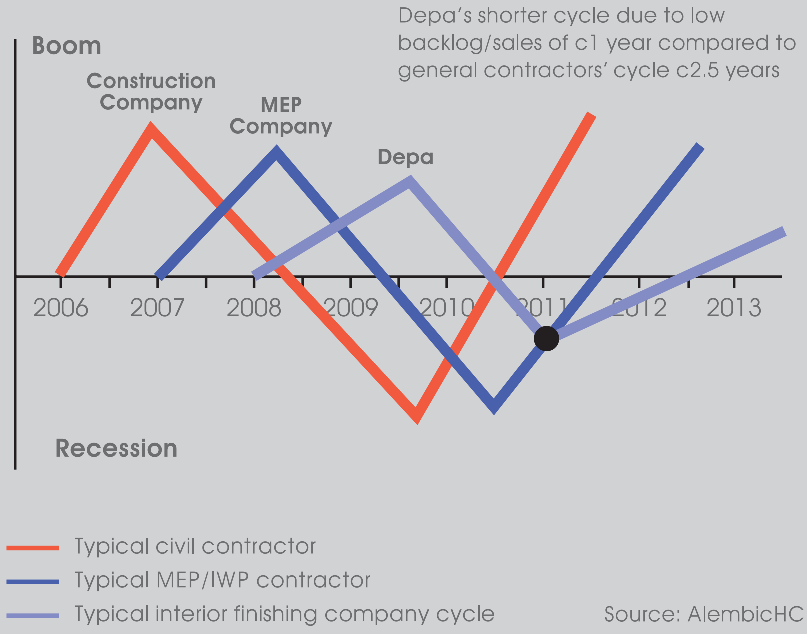
Operations And Backlog

Contracting Cycle

Operating in the latest stage of the contracting cycle, Depa typically experiences positive and negative growth at about an eighteen month lag to the civil contractors, and a twelve month lag to MEP contractors. This was evident in the Company's 36.3% profit growth in 2009, which was due to Depa being in the latest stage of the construction cycle, and therefore experiencing the peak of the construction boom later than other contractors, which had witnessed their share of growth in 2008.

Accordingly, 2010 was the year in which the global economic crisis most significantly impacted Depa, with the Company declaring an operational loss AED 3.8 million and the Company recording a net loss , after accounting for the Burj Khalifa claim and goodwill impairments, of AED (198.2) million. At an operational level, the impact of the global economic crisis was significantly muted as the Company has been geographically diversifying its operations since 2005, and as a result, revenues derived from Asia continued to grow, as did revenues derived from new markets. In 2010, we saw different parts of the business perform differently to each other as a result of the global economic climate and the phase of the boom/recession cycle which they were facing, illustrating the benefits of diversification.

Typical contractor cycle



Source: AlembicHC


Fairmont Nile City, Cairo

Hospitality
We continue to price, bid on, and win new projects within the hospitality realm, such as the Capital Centro Hotel Abu Dhabi, the Twin Tower Hotel, the Fairmont Palm Hotel & Resort, and the Hilton Hotel, Olympia within the GCC region, as well as the Ritz Carlton Millenia Singapore, and the Yasmin Rotana Syria internationally. Although the number of new developments has shrunk and we have become increasingly selective about the clients with whom we work, the market continues to provide sufficiently attractive opportunities for us to weather the storm and to grow in the coming few years. We also expect the GCC to witness new-build hospitality growth partly as a result of Qatar hosting the FIFA World Cup games in 2022. Finally, we are witnessing continued hospitality growth in Asia and are looking at continued growth in that market over the next few years.

In our view, 2010 was the most difficult year for the industry at large. Yet, we completed 22 hotels, including 10 in the GCC, 5 in Asia and 7 in Africa. Additionally, we won contracts for 21 hotels, including 8 in the GCC, 12 in Asia and 1 in Africa, leading us to believe that there is still potential for growth in this market segment.

Infrastructure

As the Company continues to diversify across market segments, we believe that 'infrastructure' projects will become an increasing portion of our revenues over the next few years. This will particularly be the case in the GCC as governments, with fiscal surpluses from hydrocarbon revenues, continue to spend on infrastructure projects and healthcare as populations grow, and the need for infrastructure continues. Additionally, we expect that the recent win by Qatar to host the FIFA World Cup in 2022 will drive not only hospitality growth, but infrastructure growth as well.

In 2010, Depa participated in this sector through projects including two projects in the UAE, two in Qatar, and one in Saudi Arabia. We saw infrastructure revenues come in at 11% versus 17% in 2009 and 5% in 2008 as a portion of revenues.

Theming

The year 2010 saw the completion of Depa's work on the Ferrari Theme Park, and, partly as a result of this, the theming portion of our revenues remain healthy. However, we do not expect this market segment to continue to grow in the near-term as most projects planned in the GCC region and in Asia will likely need interior works in the next three to five years but not sooner. This will result in this segment driving some mid-long term growth for the Company, rather than near-term revenues.

Grand Millennium, Abu Dhabi


Index, Dubai

Manufacturing
Manufacturing capacity has always been an integral part of Depa's success at delivering projects on time and to very high quality standards. Manufacturing-driven revenues have historically constituted approximately 20% of the Group's total annual revenues. With the acquisition of Design Studio in Singapore, we saw the portion of revenues from manufacturing increase significantly in 2010. However, given the Company's plan to reduce manufacturing-related acquisitions in the near future and continue growing contracting revenues, we expect manufacturing-driven revenues to remain in line with historical levels going forward.

Refurbishment
Within the hospitality sector, 2010 saw the continuation of refurbishment works in Asia, including significant project wins such as the Ritz Carlton in Singapore, and the slow start of refurbishment works in the Middle East as hotel operators requested mock-ups and pricing of new designs. As mentioned in prior years, we expect refurbishment in the GCC to pick up enough to make a meaningful contribution to revenues in 2011.

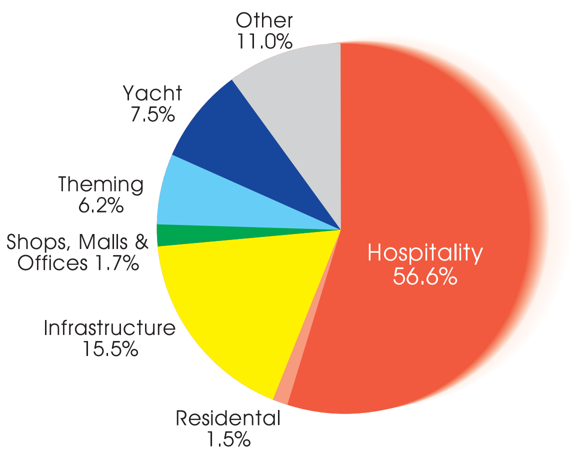
New Markets
In line with the Company's strategy, Depa continues to diversify into new markets on an ongoing basis. In 2010, we entered several new areas, including the Thailand market and the Malaysian market. We also saw our first project in Syria come to fruition with the commencement of the Yasmin Rotana project, worth AED 73 million, as well as signing our first project in Azerbaijan.

Backlog

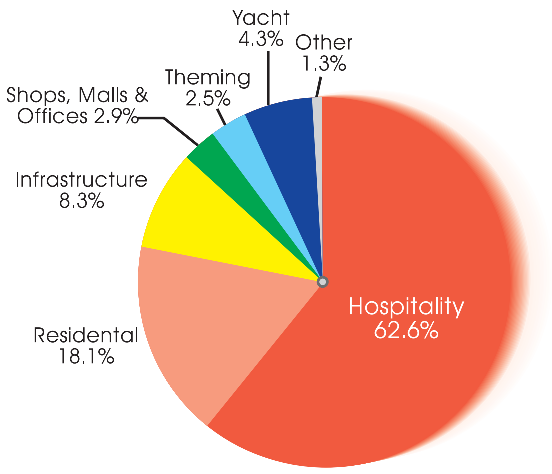
As of 31 December 2010, the Company's backlog stood at AED 2.18 billion as compared with AED 2.09 billion on 31 December 2009. The average backlog duration is 18 months, reflecting the nature of the interior contracting business and the conservative attitude of the management, confirming a project as backlog only once work on the project has actually begun, rather than simply when the contract is signed. In addition to the backlog, the Company has a pre-backlog order book of Letters of Understanding (LOUs) which last an average of 30 months, and are a feeder for the backlog, providing further visibility into the Company's future operations and revenues –two to three years down the line.

In 2010, rather than focusing efforts on increasing the size of the backlog, management focused on improving the quality of the backlog. As such, the Company became more selective about the location of its clients, the funding structure of projects it undertook, and other risk-related criteria. Accordingly, although the backlog has remained relatively constant over the last year, the quality of the backlog has improved significantly, not only through increased diversification, but also through a reduction in project-associated risks.

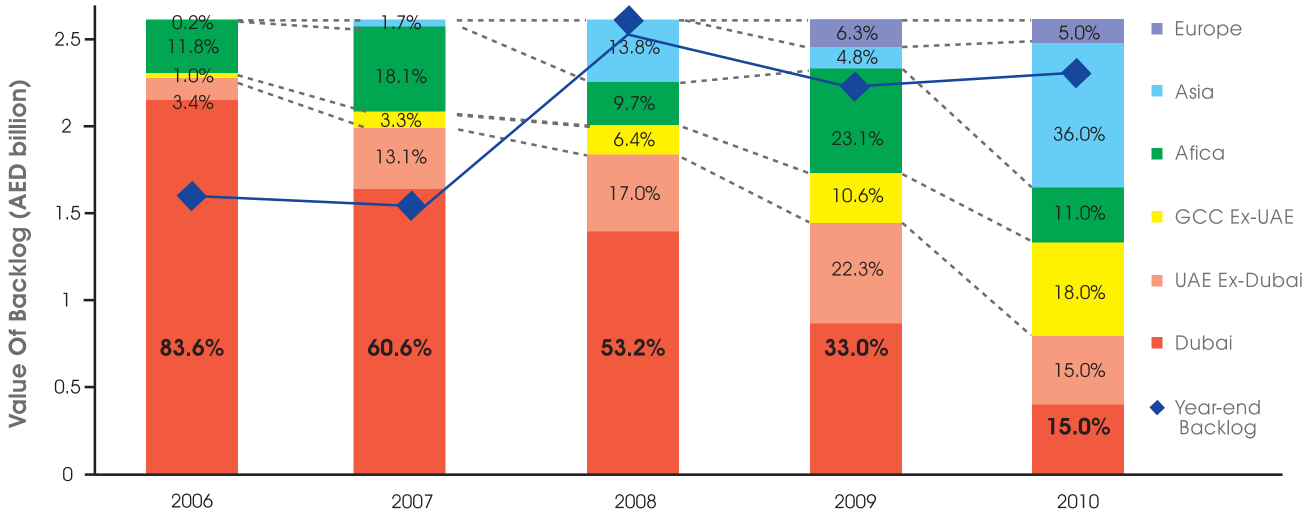
FY 2009



FY 2010



Backlog By Geography



Additionally, in line with the Company's strategy, backlog diversification has continued, and no single client accounts for more than 10% of the total backlog amount. Most notably, we have seen manufacturing backlog increase as a proportion from 14% to 28%, and the residential proportion increase from 1.5% to 18.1% due to the acquisition of Design Studio in Singapore. This acquisition also had an impact on the geographical split of the backlog, bringing Asian contribution to 26%. Backlog by geography has also changed as compared to FY 2009 as a result of Dubai operations shrinking, and contributing 15% rather than 38%, and Asia's portion increasing to 26% from 5%.

Burj Khalifa Impact

As previously disclosed, Depa faced delays on the Burj Khalifa project, resulting in an outstanding claim including variation and extension of time expenses related to this project. This has had a significant impact on the Company's annual results. This is an exceptional circumstance which, management strongly believes, is not reflective of the Company's strength and future prospects.

Management accounted for all related expenses to this claim in FY 2010 numbers. The impact of not resolving this claim in FY 2010 has taken the Company to a net loss position of AED 198.2 million after accounting for doubtful account provisions of AED 70.2 million, and goodwill impairments of AED 40.9 million. However, management believes that this issue should be resolved in time, as variation and extension of time claims are part of the normal course of business for the Company's industry sector.

The outstanding claim, which includes all related costs and expenses, was not recognized as a provision. This was due to the fact that it had never become a receivable (from which amounts are provisioned), but rather an interim claim written off at a point in time in which the Company had yet to submit a final invoice to the client. As a result, the accounting impact of the claim was that the claimed amount was reduced from our top line, rather than from our accounts receivable.

From a practical perspective, having incurred all related costs and expenses and reversed any related recognized revenues regarding this matter, the Company is now in a position where any funds that are collected regarding the Burj Khalifa claim will be additional to the net profit line - similar to treatment of deferred profits. Historically, the Company has received over 50% of submitted claims over the last five years.

Investments and Acquisitions

Depa has had an acquisitive history as the Company has grown both inorganically as well as organically to reach its current diversified operational base across twenty countries and twenty-six business units. In 2010, the Company made two strategic acquisitions: Carrara and Design Studio. These two additions to the Company were the final steps in the vertical integration strategy that we have pursued since 2005. Additionally, they allowed us to diversify into new markets and establish a strong presence, helping us build Depa's future globally. With these two acquisitions completed, management is now focusing on consolidation and synergy extraction of all recent additions to the Group, rather than adding further companies.

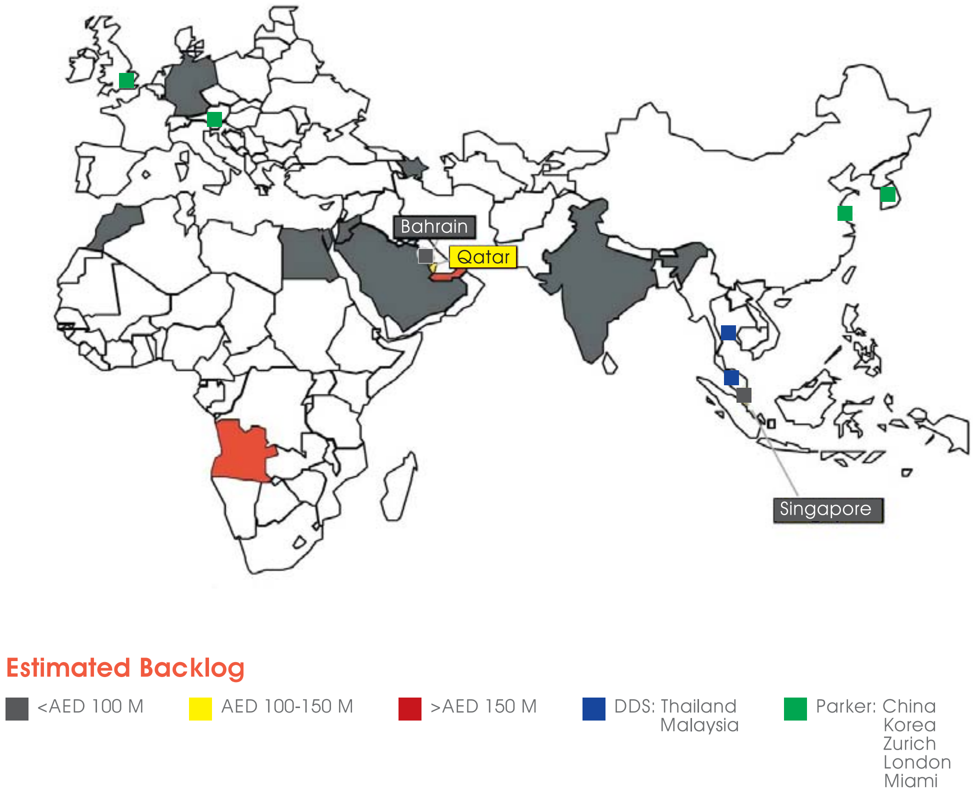
Carrara, founded in 1977, was one of the first companies to establish a marble processing factory in the GCC, and has quickly become one of the market's leaders associated with high quality stone finishings. With more than 1,000 employees, the company operates via its three state of the art facilities located in the UAE which serve the Middle East, India, and Africa. This acquisition is one of the final important steps in our longstanding vertical integration strategy of acquiring leading suppliers in our core business markets. Depa already has a close working relationship with Carrara having both worked on key iconic projects such as Burj Khalifa and Burj Al Arab. There are strong synergies between Depa and Carrara which will be unlocked as a result of this transaction, particularly given that the majority of our projects have stone requirements. Furthermore, Depa will provide the necessary support to continue Carrara's international expansion drive to serve Depa as well as clients outside of Depa.

Design Studio is a market-leading Singapore-based product and fit-out interiors specialist company active principally in Southeast Asian markets, where it is meeting the rising demand from residential properties, hotels, and resorts. It is also a Singapore incorporated public company on the Main Board of the SGX-ST (ticker D11.SI). In 2008, Depa and Design Studio launched their fit-out joint-venture company DDS Contracts & Interior Solutions Pte Ltd ('DDS'), with Depa holding 55% and Design Studio 45% respectively. Following its formation, DDS went on to sign the largest ever interior contract in Singapore, the Marina Bays Sands mixed-use development, demonstrating the potential and power of this partnership. Given that we see great opportunities in the Far East, our acquisition of Design Studio represents our largest investment to date with a total consideration of AED 295 million and our most significant horizontal expansion strategic effort. As an already trusted and proven partner, Design Studio will also be the ideal vehicle to enter the booming China market, catering to growing Chinese domestic demand for high-end interiors. On November 22 2010, Design Studio has announced its plans to enter the China market and provided details on its market penetration strategy. The company has already begun building a factory in Guangzhou and obtained local government support. The manufacturing facilities should be finalized and start operations by 2nd Half 2011. Furthermore, the company will be establishing a retail distribution network with show rooms in "1st Tier Chinese cities", providing a one-stop furnishing service centre offering a complete range of furniture & fitout products to mid and upper tier direct customers as well as developers, ID contractors and consultants.

DIVERSIFICATION

The Company has, since 2005, been aggressively diversifying its revenue base geographically. As different parts of the world typically grow at different rates, this ensures that despite flat, or negative, growth in one area, other areas will compensate, helping us achieve our targets.

In 2005, the Company developed a diversification strategy to ensure that no more than 60% of its revenues were generated from the UAE in 2010. This was achieved this past year as 60.9% of revenues were generated in the UAE. In order to achieve this, the Company has entered numerous markets and ensured successful project completions across geographies, such as Singapore and Qatar over the last few years, and Malaysia, Thailand and Syria most recently. Asia was an important market for us in 2010 as our joint venture, Depa Design Studio, continued to win projects in the area, such as the Ritz Carlton Singapore's refurbishment and the Grand Hyatt Malaysia's refurbishment. Additionally, given the acquisition of Design Studio, the portion of revenues derived from the Asian markets has jumped drastically from 10% in 2009 to 17% in 2010.



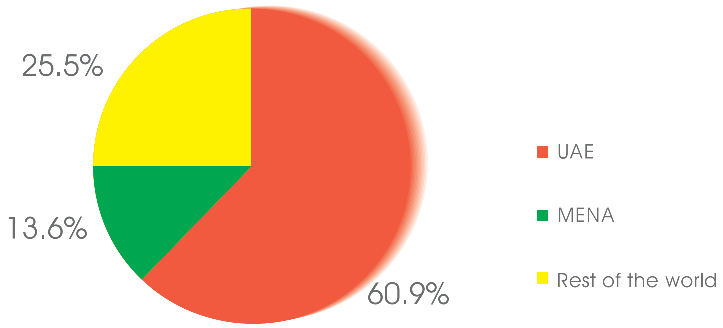
DIVERSIFICATION

Mazagan Beach Resort, El Jedida

In line with its strategy and historical practice, the Company added new geographies to its operations and portfolio in 2010: Thailand, Malaysia, Azerbaijan, Syria and Yemen. The Yemen project win, Aden Hotel, with a contract value of AED 15 million, was undertaken quickly in three months by Mivan Depa and completed in November 2010. The project was undertaken from our offices in Dubai and as much work as possible was completed in the UAE and then shipped to Yemen. This is now typical for our projects that are in new, high-risk areas where the market potential is unclear. In Syria, the Company signed a project of AED 73 million with Yasmin Rotana, which is due to be completed in 2012. The Syrian market is an important strategic move, as the country is set to boom over the next few years.

Looking forward, the management believes that diversification will continue to be critical for success and growth. Additionally, several opportunities have been identified in the European market, where the management sees much potential for growth in Depa's market segment.

2010 Revenue Segmentation



OUTLOOK

Pottery Barn Kids – Mirdif City Centre, Dubai

2010 proved to be the most challenging year in Depa's history as it was the year that the global economic crisis impacted our part of the industry cycle. Accordingly, we used the time to focus internally to streamline the business and restructure the Company in preparation for the coming few years of growth that we expect in 2011 and 2012.

In the near-term, management expects growth to come from the GCC markets as well as Asia, particularly following the acquisition of Design Studio. In the medium-term, the Asian interior contracting maket is expected to keep growing, as will the GCC markets, in part due to Qatar's successful bid to host the 2022 world cup. In the long-term, the management believes that some African markets will also grow strongly, as well as the Central Asian markets and certain European target markets.

OUTLOOK

Looking forward, we do not expect the market segment split to change dramatically, particularly after the increase in manufacturing revenues following the acquisition of Design Studio in 2010. In 2011, we may see manufacturing revenues increase further as a percentage due to the full consolidation of Design Studio; however, this is an accounting increase rather than an operational increase.

The management believes that 2011 will be a strong year for Depa with the Company returning to high levels of profit generation. We have made significant efforts in 2010 preparing the Company for the coming years of expected growth.

Centro Hotel – Yas Island, Abu Dhabi

MANAGEMENT AND EMPLOYEES

As the Company has grown significantly over the last five years, we have found ourselves in a position where we needed to restructure the Company in order to facilitate communication and management going forward, as well as prepare ourselves for the next phase of growth.

Accordingly, the operational management structure has been revisited and, in order to manage operations and growth, has been divided into four key strategic areas, each including mature, as well as new markets. These areas are now led by new Operational CEOs, who continue to report to the Group CEO and operate their different regions within the Company's stated policies and procedures. Each Operational CEO has between five and nine General Managers, each running a business unit, reporting to him. Only a very few General Managers of business units have been changed as part of this restructuring.

Staybridge Hotel, Abu Dhabi

MANAGEMENT AND EMPLOYEES

Dior – Dubai Mall, Dubai

The four Operational CEOs are

Nadim Akhrass, who is responsible for areas including Dubai, Syria, Jordan and Angola, and the business units of Depa Albarakah, Lindner Depa, Carrara, Depa Industrial Group, Pino Meroni Yacht Interiors, JWICO and Polypod

Walid Zacharia, who is responsible for the areas of Abu Dhabi, Qatar, Morocco and Saudi Arabia, and the business units o Dragoni, ElDiar and Decolight

Bernard Lim, who is responsible for the all Design Studio entities, as well as Royal Thai Carpets

Paul Austin, who is responsible for areas including the UK, Russia, Azerbaijan, India and Egypt, as well as the business units of Mivan Depa, Pino Meroni Egypt, Deco, Vedder and Parker

FINANCIAL SUMMARY


Ferrari World, Abu Dhabi

In FY2010, our revenue was AED 1814 million compared to AED 2689 million in FY2009, illustrating a drop of 32.5%. This is primarily due to the severe drop in construction related activities in the UAE and some other countries across the region, as well as the more careful selection of projects undertaken in light of increased client and country risks. Revenue generated from the GCC was AED 1179 million in FY2010 compared to AED 2033 million in FY2009.

Our contract profit margin declined to 6.3% in FY2010 compared to 16.0% in FY2009 mainly due to the costs charged in FY2010 for the Burj Khalifa claim where costs but no revenues, were recognized. Contract profit margins for the UAE declined to 2.5% in FY2010 compared to 20.3% in FY2009 primarily due to the effect of the Burj Khalifa claim. Margins in our Contracting and Procurement businesses declined in FY2010 due to reduced client budgets, resulting in margin pressure for the Company.

In addition, impairment of goodwill (on acquisitions) and intangible assets amounted to AED 40.9 million in FY2010, compared to AED 5.8 million in FY2009. Similarly, we reduced the carrying value of our deferred tax asset by AED 26.6 million in FY2010.

In August 2010, we acquired the majority stake in Design Studio, Singapore for a net consideration of AED 205.6 million. However, we only consolidated Design Studio's revenue for the last quarter, which contributed AED 108 million to our Group revenue and AED 22 million to net profit before the non-controlling interest.

Combined, all of the above resulted in a net loss of AED 198.2 million with a net loss margin of (10.9)% in FY2010 compared to a net profit of AED 234 million with a net profit margin of 8.7% in FY2009.

Sharjah – 1 M.Y. Riviera 60 meter

Goodwill Impairment & Deferred Tax Asset Write-Off

Although, we have entered 2011 with a strong backlog of AED 2.2 billion, the global economy has yet to fully recover and the current unrest in the Middle East and North Africa, which constitutes 74% of our overall revenue, is still very uncertain. We have decided to take an extremely cautious approach regarding the valuation of all our assets, especially those that are valued on future projections and profitability, including goodwill and the carrying value of deferred tax assets. As a result, we have applied very stringent metrics to evaluate the fair value of these assets in FY2010 and have impaired goodwill by AED 40.9 million (FY2009: AED 5.8 million) and reduced the carrying value of deferred tax assets by AED 26.6 million (FY2009: Nil) across our various subsidiaries.

While both of these steps have a significant negative impact on our 2010 results, it is important to note that these are one-off accounting charges and have no bearing whatsoever on the overall health of the Group nor our ability to grow and deliver quality work in FY2011 and beyond. On the contrary, we believe these write-downs will allow us to focus on geographical areas where we foresee significant growth opportunities rather than expend our energies to maintain momentum in markets which we believe will remain relatively soft in the near term.

Provisions for doubtful debt

In line with the above philosophy, the management has taken a more prudent and conservative approach than previous years towards booking provisions against receivables and unbilled revenues, especially in situations where we feel our clients are financially challenged. We continually monitor the quality of our receivables by evaluating various criteria; however, we have added a new level of cautiousness this year, adding more stringent criteria than we have used historically, which has resulted in a jump in provisions. Based on the above, we have decided to significantly increase the provision for doubtful debts by AED 70.2 million to AED 120.2 million in FY2010 – an increase of 119% over FY2009 numbers.

Working Capital

Working capital declined from AED 1.0 billion in December 2009 to AED 710 million in December 2010, which implies a reduction of 29.8% due to better working capital management. Our year-on-year liquidity ratio declined only slightly from 1.8:1 to 1.7:1, which we feel is quite remarkable in the current market situation.

Accounts receivables days increased to 235 days in FY2010 (91 days excluding unbilled revenues) compared to 171 days (51 days excluding unbilled revenues) in FY2009 due to aging of a few receivables. Dubai receivables represent approximately 48% of total Group receivables in FY2010 compared to 46% in FY2009. It is important to note that our unbilled revenue reduced from AED 909.5 million in FY2009 to AED 482.8 million in FY2010 which is a remarkable achievement, particularly in this economic climate. In particular, Dubai represents around 33% of total Group unbilled revenues in FY2010 compared to 45% in FY2009. We believe this significant reduction in unbilled revenue in general and in Dubai in particular considerably reduces our overall receivables risk. Accounts payable days slightly increased to 55 days in FY2010 compared to 54 days in FY2009.

General and Administration Expenses

The G&A expenses in FY2010 were AED 208.9 million compared to AED 151 million in FY2009. However, the increase is due to the acquisitions costs and consolidation of G&A expenses of our newly acquired subsidiaries - Design Studio and Carrara. Barring these and additional provisions we have taken on our receivables due to current political unrest in the region, our G&A expenses were in the same range as FY2009. However, due to a decline in revenues, our G&A costs as a percentage of turnover were 9.9% in FY2010 compared to 5.6% in FY2009.

Cash Position

Our cash in hand at year end, 2010, remained strong at AED 450 million, compared to AED 543 million at the end of 2009. Our net cash position at the end of FY2010 (calculated as cash in hand less short and long term bank borrowing) decreased to AED 119 million compared to AED 322 million at the end of 2009.

Pottery barn – Mirdif City Centre, Dubai

Balance Sheet

Total assets as of 31 December 2010 were AED 3,038 million compared to AED 3,372 million on 31 December 2009 - a decline of 9.9%. Total liabilities decreased by 5% from AED 1,397 million on 31 December 2009 to AED 1,327 million on 31 December 2010.

Total equity, after non-controlling interest, declined by 14.4% from AED 1,868 million on 31 December 2009 to AED 1,600 million on 31 December, 2010.

Intangible assets acquired via acquisitions during the year were AED 90.2 million and the annual amortization charge was AED 26 million. Goodwill arising via acquisitions in FY2010 was AED 148 million as a result of two acquisitions - Carrara and Design Studio.

Cash Flow and Bank Facilities

The Group's total borrowings at 31 December 2010 were AED 330.7 million compared with AED 220.4 million at the end of 2009. Cash flow from our operating activities was AED 173.8 million in 2010 as compared with AED 99.9 million in FY2009. Our cash used in investing activities amounted to AED 206.2 million in 2010 compared to AED 131.8 million in FY2009, mainly due to the acquisition of Carrara Middle East Industrial Company for AED 34.2 million, and the acquisition of Design Studio Furniture Manufacturing Ltd in Singapore for AED 205.6.

Cash used in financing activities was AED 9.9 million for FY2010, including AED 80 million distributed as FY09 dividends compared to AED 281 million in FY2009, which included dividends of AED 68.3 million and share buybacks of AED 36.1 million.

The Group continues to enjoy bank facilities with 21 banks across the region, and major facilities are issued at the Group level, rather than at the subsidiary level. It is important to note that our overall borrowing limits have either remained the same or increased with most of our bankers during the course of FY2010. Our average cost of borrowing in FY2010 was 7.5% compared to 4.2% in FY2009.

Total borrowing facilities obtained from our banks remained above AED2.6 billion in FY2010 compared to around AED 2 billion FY2009, which reflects the confidence that banks have in the Group's capabilities and operational strength in these challenging times.

Capital Investment

The Company's capital investment in FY2010 amounted to AED 49.4 million. Our net properties, plants and equipment including capital work in progress stood at AED 368.7 million on 31 December 2010. Additions of AED 49.4 million were made to property, plant and equipment in FY2010 compared to AED 68.1 million in FY2009. During FY2010, we invested AED 5.2 million in the Oracle ERP implementation project.

Changes in Accounting Policies

In line with common practice across most of our operating geographies, we have decided to increase the useful life of all our buildings from 10 to 15 years. This change has come into effect from 1 January, 2011 and does not have any impact on FY2010 results. Additionally, we have added a new layer of consideration in calculating provisions, and this has increased provisions for FY 2010.

Taxation

The Group tax charge continues to reflect the amounts borne in foreign territories. This is constantly under review to ensure every opportunity is considered to minimize the amount incurred. In FY2010, tax charges amounted to AED (22.1) million and deferred tax charges amounted to AED (26.6) in FY2010. This compares to AED 0.8 million and AED 14.7 million respectively in FY2009.

Liquidity risk

The Group's treasury function ensures that liquidity is monitored on a regular basis and liquidity risk is minimized by using various tools, including but not limited to, arranging adequate borrowing facilities, ensuring proper deposit and cash reserves for operations and investments and continuous monitoring of cash inflows and outflows at the subsidiary level.

BOARD OF DIRECTORS AND SHAREHOLDER INFORMATION

Board of Directors

The Company's Board of Directors had two resignations in the year 2010: Ms Maha Al Ghunaim and Mr. Mohammad Al Hashimi. The search for new Directors is still ongoing and the Board is keen to ensure the new Directors reflect the new geographical split of the Company's revenues and the growth plan.

Accordingly, the Board of Directors currently consists of seven individuals: six non-executive members in addition to the Chief Executive Officer. Of the seven members, three are independent non-shareholders. The positions of Chairman and Chief Executive Officer continue to be separated.

Mr. Abdullah M. Al Mazrui
(Chairman)

Mr. Mazrui, 58, serves as Chairman of the Board of Directors. He holds a Bachelor of Arts from the Chapman University in California, United States of America. Mr. Mazrui is also the current Chairman of The National Investor, Emirates Insurance Company, Mazrui Holdings LLC, International School of Choueifat, Aramex, Jashanmal National Company, Chemanol and Modecor. Mr. Mazrui is also a member of the Board of Directors of National Investment Corporation, EDHEC Business School, Investcorp, Abu Dhabi Education Council, Abu Dhabi Economic Council, Dun & Bradstreet and Emirates Specialities Company. He is a member of the Advisory Board of Insead.

BOARD OF DIRECTORS AND SHAREHOLDER INFORMATION

Mr. Mohannad Izzat Sweid
(CEO)

Mr. Sweid, 54, is the Chief Executive Officer and is also a Co-Founder of the Group. He studied architecture and design at the Boston Architectural Centre. In 2005, Mr. Sweid spearheaded the international expansion, which included the acquisition of various leading interior contracting and furniture manufacturing entities. Mr. Sweid has more than 25 years of experience managing design consulting firms in the Middle East and the United States. Mr. Sweid was the Managing Partner at Rochan Fine Arts in Saudi Arabia. He was also previously the Vice President of Middle East Operations for Vesti Corporation in Boston, United States.

Mr. Riad Burhan Taher Kamal
(Non-Executive)

Mr. Kamal, 67, holds a Masters degree in Science (Structural Engineering) and a Bachelor of Science (civil engineering), both from the University of London, and is a member of the Institution of Civil Engineers. Mr Kamal is Chief Executive Officer of Arabtec and is a Director of Arab Bank, Arabia Insurance and Gulf Capital.

BOARD OF DIRECTORS AND SHAREHOLDER INFORMATION

Mr. Orhan Osmansoy
(Non-Executive)

Mr. Osmansoy, 41, holds a Bachelor of Science (systems engineering) from the University of Virginia, and a Master of Business Administration (finance) from the University of Pennsylvania. Mr. Osmansoy is the Chief Executive Officer of The National Investor and is also a board member of Colliers International. Mr. Osmansoy was previously the Managing Partner of Dexter Capital Group Limited and has also held positions with Whitney & Co and Morgan Stanley.

Mr. Marwan Shehadeh
(Non-Executive)

Mr. Shehadeh, 43, holds a Masters degree in International Business from the Institut D'Etudes des Relations Internationales, Paris, a French Baccalaureat from Lycee Francais de Jerusalem and has completed a general management executive programme at Harvard Business School. Mr. Shehadeh is the Managing Director of Al Futtaim Capital. Mr. Shehadeh was previously the Chief Financial Officer of HRH Prince Alwaleed Bin Talal Bin Abdulaziz Al Saud's Kingdom Hotel Investments and has worked with The Chase Manhattan Bank in New York in its corporate finance division. He is also responsible for establishing the Middle East operations for Hard Rock Cafe.

Mr. Hilal Al Marri
(Independent Non-Executive)

Mr. Marri, 34, holds an MBA from the London Business School and is a member of the Institute of Chartered Accountants in England and Wales. He is currently the Director General of the Dubai World Trade Centre. Mr. Al Marri previously held positions at KPMG in London, in the areas of assurance and transaction services and at McKinsey & Company as strategy consultant.

Mr. Faisal Al Matrook
(Independent Non-Executive)

Mr. Matrook, 55, holds an ordinary National Diploma in Business Administration from Scarborough Technical College. Mr Matrook is chairman of the Contech Engineering Group, Advanced Technical Services Group and the Jasaf Group, in addition to being chairman of various other companies in Bahrain. Mr Matrook is also a director of NOOR Capital as well as of various other companies in Bahrain including;Al Alahlia Shipping Agency, Al-Sharif Group and Amwaj Islands Co.

BOARD OF DIRECTORS AND SHAREHOLDER INFORMATION

The attendance of Board members for the fiscal year 2010 is displayed below. The Board remuneration for 2010 was AED 240,000 per member per annum. The Chief Executive Officer's remuneration for fiscal year 2010 was AED 1.2 million. The Chief Executive Officer's bonus in 2008 was AED 2 million and in 2009 was AED 3 million. All bonuses for the fiscal year 2010 have not yet been determined.

Board Meetings & Attendees						
Board Member	**13 Jan, 2010**	**15 Mar, 2010**	**30 Mar, 2009**	**18 May, 2009**	**8 Jun, 2010**	**25 Aug, 2010**
Abdullah Al Mazrui	X	X	X	X	X	X
Mohannad Izzat Sweid	X	X	X	X	X	X
Riad Burhan Taher Kamai	X	o	X	X	X	X
Marwan Shehadeh	X	X	X	X	o	X
Hilal Al Marri	X	Proxy	X	X	X	o
Orhan Osmansoy	X	X	X	X	X	X
Faisal Al Matrook	X	Proxy	X	X	X	o

Audit Commitee Meetings & Attendees			
Board Member	**17 February, 2009**	**29 March, 2009**	**25 August, 2009**
Hilal Al Marri	X	X	X
Orhan Osmansoy	X	X	X
Faisal Al Matrook	X	X	X
Nrupaditya Singhdeo	o	o	X

Key: X: Present o: Absent

BOARD OF DIRECTORS AND SHAREHOLDER INFORMATION

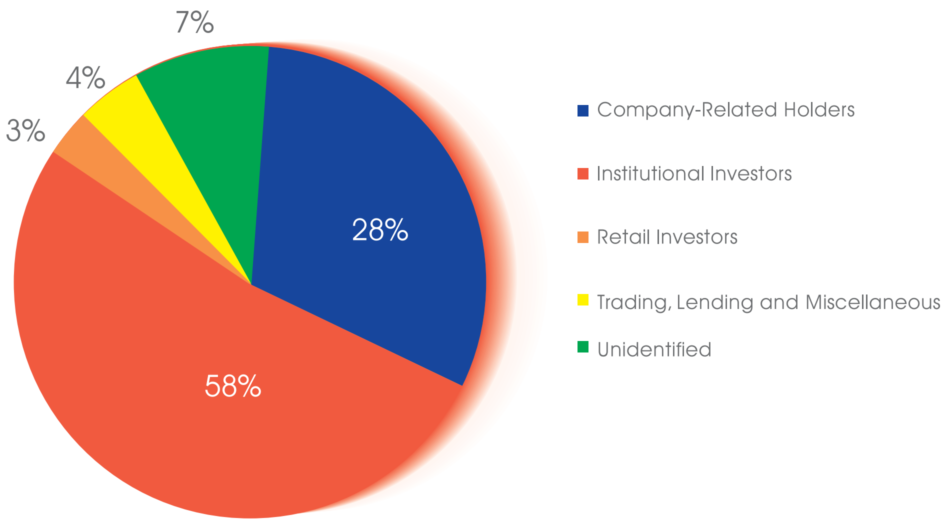
Next – Mirdif City Centre, Dubai

The Nomination Committee meeting was held on 29th December and attended by Mr. Mohannad Sweid and Mr. Riad Kamal.

The Remuneration Committee did not meet in 2010 as there were no changes in senior management's or Board Directors' compensation.

Shareholder Information

Depa's shareholder structure continues to consist predominantly of institutional investors, both across the GCC, as well as international. The management team owns approximately 28% of the outstanding shares held through local custodians.



CORPORATE GOVERNANCE AND RISK MANAGEMENT

The Company continues to uphold the highest standards of corporate governance in the industry, assisted by Ernst and Young as external counsel for setting the corporate governance policies and procedures.

The areas of corporate governance that should be brought to light for 2010 are:

- We have restructured senior management positions and are implementing succession planning accordingly.
- Two members of the Board of Directors have resigned, and non-executive Board members will be nominated to replace them.

Qatar Robotic Surgery Centre, Doha

CORPORATE GOVERNANCE AND RISK MANAGEMENT

Reiss – Mirdif City Centre, Dubai

Depa continues to have three committees reporting to the Board of Directors in order to ensure distribution of roles and responsibilities within the Board of Directors. These are:

1. The Nomination Committee which assists the Board of Directors in discharging its responsibilities relating to the composition of the 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 the 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 Board of Directors appropriate corporate governance guidelines.

The Nomination Committee comprises three Directors: Mr. Riad Kamal (Non-Executive), Mr. Mohannad Sweid (CEO), and Mr. Faisal Al Matrouk (Independent).

2. The Remuneration Committee which assists the Board of Directors in determining its responsibilities in relation to remuneration, including making recommendations to the Board of Directors on 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 the Board of Directors for approval.

   The Remuneration Committee comprises Mr. Marwan Shehadeh (Non-Executive), Mr. Helal Al Marri (Independent), and Ahmed Khayyat (Independent).

Resorts World Sentosa, Singapore

One&Only Royal Mirage, Dubai

3. The Audit Committee which assists the 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 the 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 half yearly reports remains with the Board of Directors.

The Audit Committee comprises Mr. Orhan Osmansoy (Non-Executive), Mr Helal Al Marri (Independent) and Mr. Faisal Al Matrouk (Independent).

AUDITED FINANCIALS

Selected Income Statement Data	Dec 2010	% of Turnover	Dec 2009	% of Turnover
AED (million)				
Contract Income	1814.3		2689.0	
Contract Cost	(1700.8)	-93.7%	(2259.4)	-84.0%
Contract Profit	**113.5**	**6.3%**	**429.6**	**16.0%**
Gerneral and administrative expenses	(208.9)	-11.5%	(150.5)	-5.6%
Provision for doubtful accounts	(70.2)	-3.9%	(41.7)	-1.5%
Amortization of intangible assets	(25.9)	-1.4%	(25.9)	-1.0%
Loss on impairment	(40.9)	-2.3%	(5.8)	-0.2%
Other Income/(expense)	24.5	1.3%	20.5	0.8%
Fiance income/(cost) net	(4.1)	-0.2%	19.0	0.7%
Share of profit/(loss) from associates	55.1	3.1%	23.2	0.9%
Net Profit for the period before tax	**(156.9)**	**-8.6%**	**268.3**	**10.0%**
Income Tax	(48.7)	-2.7%	15.6	0.6%
Net Profit for the period	**(205.6)**	**-11.3%**	**283.9**	**10.6%**
Attributable to:				
Equity holders of parent	(198.2)	-10.9%	234.0	8.7%
Minority Interest	(7.4)	-0.4%	49.8	1.9%

EBITDA/EBIT	Dec 2010	% of Turnover	Dec 2009	% of Turnover
Profit for the year	(205.6)	-11.3%	283.9	10.6%
Income Tax	48.7	2.7%	(15.6)	-0.6%
Finance cost	19.0	1.0%	8.5	0.3%
Finance cost recognised on cost of sales	4.5	0.2%	9.2	0.3%
Interest income	(14.9)	-0.8%	(27.4)	-1.0%
EBIT	**(148.3)**	**-8.2%**	**258.6**	**9.6%**
Depreciation	42.3	2.3%	36.8	1.4%
Amortization of intangible assets	25.9	1.4%	25.9	1.0%
Loss on impairment	40.9	2.3%	5.8	0.2%
EBITDA	**(39.2)**	**-2.2%**	**327.1**	**12.2%**
EBIT				
Adjusted for				
Share or (profit) loss associate	(55.1)	-3.0%	(23.2)	-0.9%
Other income	(24.5)	-1.4%	(20.5)	-0.8%
Adjusted EBIT	**(227.9)**	**-12.6%**	**214.9**	**8.0%**
Depreciation	42.3	2.3%	36.8	1.4%
Amortization of intangible assets	25.9	1.4%	25.9	1.0%
Loss on impairment	40.9	2.3%	5.8	0.2%
Adjusted EBITDA	**(118.8)**	**-6.5%**	**283.4**	**10.5%**

SIGN-OFF BY CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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 2010 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.

On behalf of the Board of Directors,

A-Mazrui

Abdullah M. Al Mazrui
Chairman

Mohannad Izzat Sweid
CEO