

**Union Properties
Public Joint Stock Company
and its subsidiaries**

Consolidated financial statements
31 December 2012

Union Properties Public Joint Stock Company and its subsidiaries

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<i>Contents</i>	<i>Pages</i>
Directors' report	1
Independent auditors' report	2
Consolidated income statement	3
Consolidated statement of comprehensive income	4
Consolidated statement of financial position	5
Consolidated statement of cash flows	6
Consolidated statement of changes in equity	7
Notes	8 – 53

Directors' Report

The Directors have the pleasure of presenting their report together with the audited consolidated financial statements of Union Properties Public Joint Stock Company and its subsidiaries ("the Group") for the year ended 31 December 2012.

Financial Results

The Group revenue for 2012 reached AED 1,642.3 million and net profit amounted to AED 175.8 million.

According to the UAE Federal law no.8 of 1984 (as amended), 10% of the net profit has transferred AED 17.6 million to the Statutory Reserve.

For the current year, the Directors' have not proposed any dividends, General Reserve or Directors' remuneration payable.

Directors

The Board of Directors comprised of:

Mr. Khalid Bin Kalban	Chairman
Mr. Saeed Mohammed Al Sharid	Vice Chairman
Mr. Abdulaziz Al Serkal	Director
Mr. Ali Al Fardan	Director
H.E. Hamad Buamim	Director
Mr. Saeed Bin Draï	Director
Mr. Saeed Yousuf	Director

Auditors

M/s. KPMG were appointed as auditors of the Company for the year ended 31 December 2012 at the Annual General Meeting held on 22 April 2012. M/s. KPMG are eligible for re-appointment for 2013 audit, and have expressed their willingness to continue in office.

On behalf of the Board



Khalid Bin Kalban
Chairman
Dubai

07 MAR 2013



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Independent auditors' report

The Shareholders
Union Properties Public Joint Stock Company

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Union Properties Public Joint Stock Company ("the Company") and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2012, the consolidated statements of comprehensive income (comprising the consolidated statement of comprehensive income and a separate consolidated income statement), changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2012, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

As required by the UAE Federal Law No. 8 of 1984 (as amended), we further confirm that we have obtained all information and explanations necessary for our audit, the financial statements comply in all material respects, with the applicable requirements of the UAE Federal Law no. 8 of 1984 (as amended) and the articles of association of the Company, that proper financial records of accounts have been kept by the Company, a physical count of inventories was carried out by management in accordance with established principles and the contents of the Directors' report which relate to these consolidated financial statements are in agreement with the Company's financial records. We are not aware of any violation of the above mentioned Law and the Articles of Association having occurred during the year ended 31 December 2012, which may have had a material adverse effect on the business of the Company or its financial position.

Vijendranath Malhotra
(Registration No. B 48)
Dubai, United Arab Emirates

07 MAR 2013

Union Properties Public Joint Stock Company and its subsidiaries

Consolidated income statement for the year ended 31 December 2012

		2012		2011	
	Note	Property management and sales AED'000	Other operating activities AED'000	Property management and sales AED'000	Other operating activities AED'000
					Total AED'000
Revenue	5	467,707	1,174,551	3,341,549	1,583,037
					4,924,586
Direct costs	5	(421,209)	(977,696)	(2,884,747)	(1,298,704)
					(4,183,451)
Gross profit		46,498	196,855	456,802	284,333
					741,135
Administrative and general expenses	6				(175,648)
Finance income	7(a)				2,369
Finance expense	7(b)				(397,492)
Other income	9				12,003
Gain/(loss) on sale of investment properties	12(b)				(2,101)
Share in profit of joint ventures	30(a) and (b)				14,012
(Loss)/profit for the year before valuation of properties					194,278
Gain/(loss) on valuation of properties	12 (c) and 13(a)				(1,764,202)
Profit/(loss) for the year attributable to the shareholders of the Company					(1,569,924)
Basic and diluted earnings per share (AED)	33				(0.47)

The notes on pages 8 to 53 form part of these consolidated financial statements.

The independent auditors' report is set out on page 2.

Union Properties Public Joint Stock Company and its subsidiaries

Consolidated statement of comprehensive income *for the year ended 31 December 2012*

	2012 AED'000	2011 AED'000
Profit/(loss) for the year	175,789	(1,569,924)
Other comprehensive income for the year		
Net movement in cash flow hedge	81	114
Total comprehensive profit/(loss) for the year	175,870	(1,569,810)

The notes on pages 8 to 53 form part of these consolidated financial statements.

The independent auditors' report is set out on page 2.

Union Properties Public Joint Stock Company and its subsidiaries

Consolidated statement of financial position

at 31 December 2012

	Note	2012 AED'000	2011 AED'000
ASSETS			
Non-current assets			
Intangible assets	10	295	40,776
Property, plant and equipment	11	129,285	131,555
Investment properties	12	4,611,050	4,266,030
Development properties	13	1,194,758	1,555,536
Investment in joint ventures	30(a) and (b)	464,153	424,890
Non-current receivables	14	151,677	166,533
		6,551,218	6,585,320
Current assets			
Other investments	15	5,294	4,824
Inventories	16	33,168	41,940
Contract work-in-progress	17	187,651	241,536
Trade and other receivables	18	1,952,185	2,035,692
Due from related parties	19	134,916	33,687
Cash in hand and at bank	20	227,467	234,769
		2,540,681	2,592,448
Total assets		9,091,899	9,177,768
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	28	3,366,857	3,366,857
Treasury shares	28	(4,998)	(4,998)
Statutory reserve	29(a)	17,579	-
General reserve	29(b)	313,697	313,697
Hedging reserve	29(d)	34	(47)
Accumulated losses		(1,130,304)	(1,288,514)
Total equity attributable to the shareholders of the Company		2,562,865	2,386,995
Non-current liabilities			
Long-term bank loans	24	2,998,270	2,796,223
Advances from sale of properties	22(b)	275,784	455,813
Deferred income	25	26,438	28,688
Non-current payables	26	14,804	17,006
Provision for staff terminal benefits	27	79,975	78,700
		3,395,271	3,376,430
Current liabilities			
Trade and other payables	21	2,406,712	2,170,929
Advances and deposits	22(a)	65,951	124,463
Due to related parties	19	16,836	26,817
Short-term bank borrowings	23	106,357	119,282
Current portion of long-term bank loans	24	537,907	972,852
		3,133,763	3,414,343
Total liabilities		6,529,034	6,790,773
Total equity and liabilities		9,091,899	9,177,768

The notes on pages 8 to 53 form part of these consolidated financial statements.


Chairman


Director

07 MAR 2013

The independent auditors' report is set out on page 2.

Union Properties Public Joint Stock Company and its subsidiaries

Consolidated statement of cash flows for the year ended 31 December 2012

	Note	2012 AED'000	2011 AED'000
Operating activities			
Profit/(loss) for the year		175,789	(1,569,924)
<i>Adjustments for:</i>			
Depreciation	11	18,861	21,662
(Gain)/loss on disposal of investment properties	12(b)	(14,724)	2,101
(Gain)/loss on valuation of properties	12(c) and 13(a)	(207,686)	1,764,202
Share in profit of joint ventures	30(a) and (b)	(64,263)	(14,012)
(Gain)/loss on disposal of property, plant and equipment	9	(4)	283
Income from government grant	9	(2,250)	(2,250)
Finance income	7(a)	(13,185)	(2,369)
Finance expense	7(b)	177,103	397,492
<i>Operating profit before working capital changes</i>		69,641	597,185
Change in other investments		(470)	-
Change in trade and other receivables		(13,632)	141,839
Change in inventories		8,772	1,523,408
Change in contract work-in-progress		53,885	116,347
Change in non-current receivables		14,856	(22,212)
Change in due from related parties		(101,229)	(24,733)
Change in trade and other payables		(108,282)	(171,492)
Change in due to related parties		(9,981)	(15,244)
Change in non-current payables		(2,202)	(42,755)
Change in advances and deposits		(65,316)	(64,965)
Change in staff terminal benefits (net)		1,275	(1,142)
<i>Net cash (used in)/from operating activities</i>		(152,683)	2,036,236
Investing activities			
Additions to property, plant and equipment	11	(24,187)	(6,093)
Additions to development properties (net)	13	(92,405)	986,988
Dividend income		25,000	20,000
Proceeds from disposal of property, plant and equipment		3,800	188
Proceeds from disposal of investment properties		567,426	1,249,467
Interest income		13,185	2,369
Change in deposit with banks		(5,763)	142,171
<i>Net cash from investing activities</i>		487,057	2,395,090
Financing activities			
Long-term bank loans availed		76,425	415,611
Net movement in trust receipts		23,906	(12,111)
Repayment of long-term bank loans		(309,323)	(2,860,740)
Interest paid		(161,410)	(359,910)
Change in advances from sale of properties		59,794	(1,562,932)
<i>Net cash used in financing activities</i>		(310,608)	(4,380,082)
Net increase in cash and cash equivalents		23,766	51,244
Cash and cash equivalents at the beginning of the year		121,003	69,759
Cash and cash equivalents at the end of the year	20(a)	144,769	121,003

The notes on pages 8 to 53 form part of these consolidated financial statements.

The independent auditors' report is set out on page 2.

Union Properties Public Joint Stock Company and its subsidiaries

Consolidated statement of changes in equity for the year ended 31 December 2012

	Share capital AED'000	Treasury shares AED'000	Statutory reserve AED'000	General reserve AED'000	Hedging reserve AED'000	Revaluation surplus AED'000	Accumulated losses AED'000	Total AED'000
At 1 January 2011	3,366,857	(4,998)	1,467,573	313,697	(161)	39,507	(1,225,670)	3,956,805
Total comprehensive profit/(loss) for the year					114		(1,569,924)	(1,569,810)
Other equity movements								
Transfer to accumulated losses (refer note 29 (a))	-	-	(1,467,573)	-	-		1,467,573	-
Transfer to accumulated losses (refer note 29 (c))	-	-	-	-	-	(39,507)	39,507	-
At 31 December 2011	3,366,857	(4,998)	-	313,697	(47)	-	(1,288,514)	2,386,995
At 1 January 2012	3,366,857	(4,998)	-	313,697	(47)	-	(1,288,514)	2,386,995
Total comprehensive profit for the year	-	-	-	-	81	-	175,789	175,870
Other equity movements								
Transfer to statutory reserve (refer note 29 (a))	-	-	17,579	-	-	-	(17,579)	-
At 31 December 2012	3,366,857	(4,998)	17,579	313,697	34	-	(1,130,304)	2,562,865

The notes on pages 8 to 53 form part of these consolidated financial statements.

Union Properties Public Joint Stock Company and its subsidiaries

Notes

(forming part of the consolidated financial information)

1 Legal status and principal activities

Union Properties Public Joint Stock Company (“the Company”) was incorporated on 28 October 1993 as a public joint stock company by a United Arab Emirates Ministerial decree. The Company’s registered office address is P.O. Box 24649, Dubai, United Arab Emirates (“UAE”).

The principal activities of the Company are investment in and development of properties, the management and maintenance of its own properties including the operation of cold stores, the undertaking of property related services on behalf of other parties (including related parties) and acting as the holding company of its subsidiaries and investing in joint ventures as set out in note 2.2.

The Company and its subsidiaries are collectively referred to as “the Group”. All of the Group’s significant business and investment activities in land, properties, securities and financial derivatives are carried out within the UAE. The Group does not have any foreign exposure towards land, properties, securities and financial derivatives.

2 Basis of preparation

2.1 Financial commitments

The Group has made a profit of AED 175.8 million for the year ended 31 December 2012. The Group has accumulated losses of AED 1,130.3 million as 31 December 2012. Furthermore, the Group has financial commitments of AED 3,642.5 million of which an amount of AED 644.3 million is due within twelve months from the reporting date.

The Board of Directors have reviewed the Group’s cash flow projections which contain the following assumptions:

- Sufficient funds will be available from related parties on a timely basis to complete the existing projects;
- that the projects are profitable,
- the Group’s existing core businesses will continue to remain profitable; and
- Where appropriate and if deemed necessary, funds may be generated from sale of some of the Group’s assets.

On this basis, the Board of Directors’ have concluded that the Group will be able to meet its commitments as they fall due in the foreseeable future.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

2 Basis of preparation (continued)

2.2 Basis of consolidation

These consolidated financial statements comprise a consolidation of the financial statements of the Company and its subsidiaries on a line-by-line basis, as set out below:

Entity	Incorporated in	Effective ownership	Principal activities
Subsidiaries			
Thermo LLC	UAE	100%	Contracting of mechanical, electrical, and plumbing works of building projects, facilities management services.
Gulf Mechanical A/C Acoustic Manufacturing (GMAMCO) LLC	UAE	100%	Central Air-Conditioning, Requisites Manufacturing, Fire Fighting Equipment Assembling.
Gmamco Trading LLC	UAE	100%	Fire Fighting & Safety Equipment Trading, Air Condition Trading, Pumps, Engines, Valves & Spare Parts Trading, Water Heaters Trading, Lighting Equipment Requisites Trading,
ServeU LLC	UAE	100%	Facilities management, security, mechanical, electrical and plumbing works and energy management services.
EDARA LLC	UAE	100%	Project management services.
Dubai Autodrome LLC	UAE	100%	Building, management and consultancy for all types of race tracks and related developments for all types of motor racing.
OITC Thermo WLL	Qatar	50%	Contracting of mechanical, electrical and plumbing works of building projects and facilities management services.
The Fitout LLC	UAE	100%	Manufacturing and interior decoration.
Thermo Saudi LLC	Saudi	100%	Contracting of mechanical, electrical, and plumbing works of building projects, facilities management services.
Speedcar Series Limited	British Virgin Islands	100%	Organising and providing speed cars for international motor races. The Company is in the process of being liquidated.
Joint ventures			
Properties Investment LLC	UAE	50%	Investment in and development of properties and property related activities.
Emirates District Cooling LLC	UAE	50%	Constructing, installing and operating cooling and conditioning systems.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

2 Basis of preparation (continued)

2.2 Basis of consolidation (continued)

(a) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain economic benefits from its activities. In assessing control, potential voting rights that are currently exercisable are taken into account. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date the control ceases. The accounting policies adopted by the subsidiaries are consistent with that adopted by the Group.

(b) Joint ventures

(i) Jointly controlled entities

Jointly controlled entities are entities over whose activities the Group has joint control, established by contractual agreement. Investment in jointly controlled entities are accounted for under the equity method, whereby the investment is initially recorded at cost and adjusted thereafter at each reporting date for the post acquisition change of the Group's share in the net assets of the jointly controlled entities. Goodwill attributable to investment in jointly controlled entities is included as part of the carrying value of investment in joint ventures. Dividends received are reduced from the carrying amount of the investment when declared.

(ii) Jointly controlled operations

Jointly controlled operations are those operations that involve the use of the assets and other resources of the venturers rather than the establishment of a corporation, partnership or other entity, or a financial structure that is separate from the venturers themselves. Each venturer uses its own property, plant and equipment and carries its own inventories. It also incurs its own expenses and liabilities and raises its own finance, which represents its own obligations. The joint venture agreement usually provides a means by which the revenue from the joint contract and any expenses incurred in common are shared among venturers. The consolidated financial statements include the Group's proportionate share in the assets, liabilities, revenue and expenses of jointly controlled operations on a line-by-line basis.

The details of the Group's share in the revenue, expenses, assets and liabilities of the jointly controlled operations included in the consolidated financial statements on a line-by-line basis are set out in note 30(c).

(c) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized gains and losses arising from intra-group transactions, are eliminated in full in preparing these consolidated financial statements. Unrealized gains arising from transactions with joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

2 Basis of preparation (continued)

2.3 Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and the requirements of the UAE Federal Law No. 8 of 1984 (as amended).

2.4 Basis of measurement

The consolidated financial statements of the Group have been prepared on the historical cost convention basis except for investment properties, other investments and derivative financial instruments which are stated at fair values.

2.5 Functional and presentation currency

The consolidated financial statements are presented in United Arab Emirates Dirhams ("AED"), which is the Group's functional currency. All financial information presented in AED has been rounded to the nearest thousand.

2.6 Use of estimates and judgements

The preparation of these consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on historic experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgement about the carrying value of assets and liabilities that are not readily apparent from the sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognized in these consolidated financial statements are described in note 37.

3 Significant accounting policies

The following accounting policies, which comply with IFRS, have been applied consistently in dealing with items that are considered material in relation to the Group's consolidated financial statements:

Revenue

Revenue comprises amounts derived from the letting of investment properties, proceeds from sale of real estate properties (including sale of plots of land), contract revenue and amounts invoiced to third parties for the sale of goods and services falling within the Group's ordinary activities, after deduction of trade discounts given in the ordinary course of business.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

3 Significant accounting policies (continued)

Revenue recognition

(a) Goods sold and services rendered

Revenue from sale of goods is recognized in the profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognized in the profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to the surveys of work performed. No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Revenue from sale of properties on a freehold basis or under finance lease is recognized in the profit or loss when the significant risks and rewards of ownership are transferred to the buyer. Significant risks and rewards of ownership are deemed to be transferred to the buyer when the associated price risk is transferred to the buyer upon signing of the contract agreement and the buyer has been granted access to the property.

(b) Contracting

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognized in the profit or loss in proportion to the stage of completion of the contract. The estimated final gross margin is applied to costs to arrive at the margin on the contract.

The stage of completion is assessed by reference to surveys of work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. Provision is made for all losses incurred to the reporting date together with any further losses foreseen in bringing the contract to completion.

(c) Rental income

Rental income from investment properties is recognized in the profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income.

(d) Government grant

An unconditional non-monetary government grant of an asset recorded at fair value is recognized in the profit or loss as revenue when the grant becomes receivable. Any other government grant is recognized in the consolidated statement of financial position initially as deferred income when there is a reasonable assurance that it will be received and that the Group will comply with the conditions attaching to it. Such deferred income is recognized in the profit or loss on a systematic basis over the useful life of the asset or over the periods necessary to match them with the related costs which they are intended to compensate or as the conditions related to the grant are fulfilled.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

3 Significant accounting policies (continued)

Finance income and expense

Finance income comprises interest income on fixed deposits, dividend income and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognized as it accrues in the profit or loss using the effective interest method. Dividend income is recognized in the profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expense comprises interest expense on bank borrowings, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognized on financial assets. All borrowing costs, except to the extent that they are capitalized in accordance with the paragraph below, are recognized in the profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition or construction of qualifying asset are capitalized as part of the cost of that asset. The capitalization of borrowing costs commences from the date of incurring of expenditure related to the asset and ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use is complete. Borrowing costs relating to the period after acquisition or construction are expensed.

Intangible assets

(a) Goodwill

The excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary/jointly controlled entity at the date of acquisition is recorded as goodwill. Goodwill attributable to investment in joint ventures is included as part of the carrying value of investment in joint ventures. Goodwill attributable to subsidiaries is disclosed as goodwill in the consolidated statement of financial position.

Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(b) Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortization and impairment losses. Expenditure on internally generated goodwill and brands is recognized in the profit or loss as an expense as incurred.

Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortization is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life are systematically tested for impairment at each reporting date. Other intangible assets are amortized from the date they are available for use.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

3 Significant accounting policies (continued)

Property, plant and equipment and depreciation

(a) Owned assets

Items of property, plant and equipment are measured at cost less accumulated depreciation (refer below) and accumulated impairment losses (refer accounting policy on impairment), if any. Cost includes expenditure that is directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. The cost of self constructed assets includes the cost of materials, direct labour and an appropriate proportion of overheads.

(b) Depreciation

Depreciation is recognized in the profit or loss on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives for the current and comparative periods are as follows:

Assets	Rate (%)
Buildings and leasehold improvements	5 to 33
Plant and machinery	10 to 20
Furniture, fixtures and office equipments	25 to 50
Motor vehicles	25
Gymnasium equipments	20
Equipment and tools	33 to 50

The depreciation method, useful lives and residual values are reassessed at the reporting date.

(c) Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses (refer accounting policy on impairment), if any, until the construction is complete. Upon completion of construction, the cost of such asset together with the cost directly attributable to construction (including borrowing costs and land rent capitalized) are transferred to the respective class of assets. No depreciation is charged on capital work-in-progress.

(d) Transfers from/(to) development properties

Certain items of property, plant and equipment are transferred from development properties or vice-versa at cost, which becomes its deemed cost for subsequent accounting, following a change in use of that item. Subsequent to initial measurement, such properties are measured in accordance with the measurement policy for property, plant and equipment or development properties.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

3 Significant accounting policies (continued)

Investment properties

(a) Recognition

Land and buildings owned by the Group for the purposes of generating rental income or capital appreciation or both are classified as investment properties. Properties that are being constructed or developed for future use as investment properties are also classified as investment properties. Where the Group provides ancillary services to the occupants of a property, it treats such a property as an investment property if the services are a relatively insignificant component of the arrangement as a whole.

When the Group begins to redevelop an existing investment property for continued future use as an investment property, the property remains as an investment property, which is measured based on fair value model and is not reclassified as development property during the redevelopment with respect to as an investment property.

(b) Measurement

Investment properties are initially measured at cost, including related transaction costs. Subsequent to initial recognition, investment properties are accounted for using the fair value model under International Accounting Standard No. 40. Any gain or loss arising from a change in fair value is recognized in the profit or loss.

Where the fair value of an investment property under development is not reliably determinable, such property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable.

(c) Property interest under an operating lease

A property interest under an operating lease is classified and accounted for as an investment property on a property by property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value. Lease payments are accounted for as described in accounting policy for lease payments.

(d) Transfer from property, plant and equipment to investment properties

When an item of property, plant and equipment is transferred to investment property following a change in its use, any differences arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognized directly in the other comprehensive income and is presented as revaluation surplus if it is a gain. Upon disposal of the item, the gain is transferred directly to retained earnings to the extent of the revaluation surplus recognized on the property disposed off. Any loss arising in this manner is recognized in the profit or loss immediately.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its deemed cost for subsequent accounting.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

3 Significant accounting policies (continued)

Investment properties (continued)

(e) Transfer from development properties to investment properties

Certain development properties are transferred from development properties to investment properties when those properties are either released for rental or for capital appreciation or both. The development properties are transferred to investment properties at fair value on the date of transfer which becomes its deemed cost for subsequent accounting. Subsequent to initial measurement, such properties are valued at fair value in accordance with the measurement policy for investment properties.

(f) Sale of investment properties

Certain investment properties are sold in the ordinary course of business. No revenue and direct costs are recognized for sale of investment properties. Any gain or loss on sale of investment properties (calculated as the difference between the net proceeds from disposal and carrying amount) is recognized in the profit or loss.

Development properties

Properties that are being developed for sale in the normal course of operations of the Group are classified as development properties until construction or development is complete, at which time it is reclassified as trading properties. The cost of development properties comprise the cost of construction and any directly attributable costs less impairment losses (refer accounting policy on impairment). Rent paid on leased land on which development properties are being constructed is also capitalized until the asset is ready for its intended use.

Financial instruments

(a) Non-derivative financial instruments

Non-derivative financial instruments comprise non-current receivables, other investments, trade and other receivables, amounts due from related parties, cash in hand and at bank, trade and other payables, security deposits, amounts due to related parties, short-term bank borrowings, long-term bank loans and non-current payables.

A financial instrument is recognized if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognized if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognized if the Group's obligations specified in the contract expire or are discharged or cancelled.

Non-derivative financial instruments are recognized initially at fair value. Subsequent to initial recognition, non-derivative financial instruments are measured as described below:

(i) Investments at fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value and changes therein are recognized in the profit or loss. The fair value of quoted securities is determined by reference to their quoted bid prices as at the reporting date.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

3 Significant accounting policies (continued)

Financial instruments (continued)

(a) Non-derivative financial instruments (continued)

(ii) Others

Other non-derivative financial instruments are measured at amortized cost using the effective interest method less impairment losses, if any.

(iii) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at bank in current and deposit accounts (having a maturity of three months or less and excluding deposits held under lien). Bank overdrafts that are repayable on demand and bills discounted having a maturity of three months or less form an integral part of the Group's cash management and are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(b) Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to interest rate risk arising from financing activities.

Derivative financial instruments are recognized initially at cost. Subsequent to initial recognition, derivative financial instruments are recognized at fair value. Recognition of any resultant gain or loss depends on the nature of the item being hedged.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognized liability, a firm commitment or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognized directly in the other comprehensive income. The ineffective part of any gain or loss is recognized in the profit or loss immediately. Any gain or loss arising from change in the time value of the derivative financial instrument is excluded from the measurement of hedge effectiveness and is recognized in the profit or loss immediately.

Impairment

(a) Financial asset

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses, if any, are recognized in the profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an asset occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in the profit or loss.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

3 Significant accounting policies (continued)

Impairment (continued)

(b) Non-financial asset

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses, if any, are recognized in the profit or loss.

A cash generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups.

Inventories

Inventories are valued at the lower of cost and net realizable value.

(a) Trading properties

Certain investment properties and development properties are transferred to trading properties if they are expected to be sold within twelve months from the reporting date. Investment properties are transferred to trading properties at fair value at the date of transfer which becomes its deemed cost for subsequent accounting. Development properties are transferred to trading properties at cost which becomes its deemed cost for subsequent accounting. Subsequent to initial recognition, trading properties are valued at the lower of cost and net realizable value.

(b) Other inventories

The cost of other inventories is based on the first-in-first-out method and includes expenditure incurred in acquiring inventories and bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses.

Contract work-in-progress/billings in excess of valuations

Contract work-in-progress is stated at contract costs plus estimated attributable profits less foreseeable losses and progress billings. Cost includes all expenditure directly related to specific projects and an allocation of fixed and variable overheads incurred in the Group's contractual activities based on normal operating capacity. For contracts where progress billings exceed the contract revenue, the excess is included in current liabilities as billings in excess of valuation.

Provision

A provision is recognized in the consolidated statement of financial position when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provision for contract maintenance

Provision for contract maintenance is recognized when the underlying contract enters the maintenance period. The provision is made on a case-by-case basis for each job where the maintenance period has commenced and is based on historical maintenance cost data and an assessment of all possible outcomes against their associated probabilities.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

3 Significant accounting policies (continued)

Operating lease payments

Leases of assets under which the lessor effectively retains all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are recognized in the profit or loss on a straight-line basis over the term of the lease. Lease incentives allowed by the lessor are recognized in the profit or loss as an integral part of the total lease payments made.

Foreign currency transactions

Transactions denominated in foreign currencies are initially recorded in the functional currency by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency using the closing rate. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. All foreign currency differences are recognized in the profit or loss.

Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The results of the operating segments are reviewed regularly by the Board of Directors to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, costs incurred for purchase of investment properties or redevelopment of existing investment properties and costs incurred towards development of properties which are either intended to be sold or transferred to investment properties.

New standards and interpretations not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these consolidated financial statements. The Group does not plan to adopt these standards early. Those which may be relevant to the Group are set out below.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

3 Significant accounting policies (continued)

New standards and interpretations not yet effective (continued)

(a) ***IFRS 9 Financial Instruments (2010), IFRS 9 Financial Instruments (2009)***

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting. IFRS 9 (2010 and 2009) is effective for annual periods beginning on or after 1 January 2015 with early adoption permitted.

(b) ***IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities (2011)***

IFRS 10 introduces a single control model to determine whether an investee should be consolidated. As a result, the Group may need to change its consolidation conclusion in respect of its investees, which may lead to changes in the current accounting for these investees. Under IFRS 11, the structure of the joint arrangement, although still an important consideration, is no longer the main factor in determining the type of joint arrangement and therefore the subsequent accounting.

- The Group's interest in a joint operation, which is an arrangement in which the parties have rights to the assets and obligations for the liabilities, will be accounted for on the basis of the Group's interest in those assets and liabilities.
- The Group's interest in a joint venture, which is an arrangement in which the parties have rights to the net assets, will be equity-accounted.

IFRS 12 brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 requires the disclosure of information about the nature, risks and financial effects of these interests.

These standards are effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

(c) ***IFRS 13 Fair Value Measurement (2011)***

IFRS 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout IFRS. Subject to limited exceptions, IFRS 13 is applied when fair value measurements or disclosures are required or permitted by other IFRSs. The Group is currently reviewing its methodologies in determining fair values. IFRS 13 is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

(d) ***IAS 19 Employee Benefits (2011)***

IAS 19 (2011) changes the definition of short-term and other long-term employee benefits to clarify the distinction between the two. For defined benefit plans, removal of the accounting policy choice for recognition of actuarial gains and losses is not expected to have any impact on the Group. IAS 19 (2011) is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

The application of such new standards, amendments to standards and interpretations are not expected to result in any change in the accounting policies adopted by the Group and have a material impact on the consolidated financial statements.

4 Financial risk management and capital management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

4 Financial risk management and capital management (continued)

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Furthermore, quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors' have an overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the products offered.

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk is mainly attributable to trade and other receivables (including non-current receivables), other investments, amounts due from related parties and cash at bank. The exposure to credit risk on trade and other receivables and amounts due from related parties is monitored on an ongoing basis by the management and these are considered recoverable by the Group's management. The Group's cash is placed with banks of good repute.

The Group limits its exposure to investment in unquoted securities by investing in securities where counterparties have credible market reputation. The Group's management does not expect any counterparty to fail.

(i) Real estate property sales

For real estate property sales for general public, the credit risk for the Group is minimised by the fact that the Group receives advances from buyers towards these sales and balance amount due becomes receivable upon handover of the property. However the Group faces significant credit risk on real estate property sales to corporate or even individual customers (especially on land sales) as the Group provides credit terms to such customers. In order to mitigate the credit risk, the Group receives post dated cheques and does not transfer the legal title of the property to the customer until the full amount has been paid. Furthermore, the risk of financial loss to the Group on account of customer default is low as the property title acts as collateral.

(ii) Contracting

For construction contracts, generally the customer to the Group is the main contractor on the job. Furthermore, often the payment terms for these contracts are back-to-back. Thus, the Group can be affected not just by the default risk of the main contractor but also of the ultimate client of the project. Approximately, 62% of the Group's contract receivables and 25% of the contract work-in-progress is attributable to a single government customer. However, the Group works for this client through various main contractors. The Board of Directors' constantly review and assess the credit as well as business risk of having such a significant exposure to a single client.

(iii) Allowance for impairment

The Group establishes a provision for impairment that represents its estimate of incurred losses in respect of trade and contract receivables. The main component of this provision is a specific loss component that relates to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

4 Financial risk management and capital management (continued)

(a) Credit risk (continued)

(iv) Guarantees

The Group's policy is to provide corporate guarantees only on behalf of wholly-owned subsidiaries or joint ventures, however, only to the extent of their share of equity in the investee companies. For details of corporate guarantees given by the Group on behalf of the joint ventures, refer note 34.

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk relates to trade and other payables (including non-current payables), security deposits, amounts due to related parties, short-term bank borrowings, and long-term bank loans. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Also refer to note 2.1.

(c) Market risk

Market risk is the risk resulting from changes in market prices, such as interest rates and equity prices, that will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(i) Equity risk

The Group buys and sells certain marketable securities. The Group's management monitor the mix of securities in investment portfolio based on market expectations and these dealings in marketable securities are approved by the Board of Directors.

(ii) Interest rate risk

The interest rate on the Group's financial instruments is based on normal commercial rates. In order to mitigate the movement in interest rates, the Group has entered into interest rate swap contracts on certain long-term bank loans.

(iii) Currency risk

Currency risk faced by the Group is minimal as there are minimal foreign currency transactions.

(d) Capital management

The Board of Director's policy is to maintain a strong capital base so as to maintain creditors, customers and market confidence and to sustain future development of the business. The Board of Directors' would monitor the return on capital and level of dividends based upon profits earned by the Group during the year.

There were no changes in the Group's approach to capital management during the year. Except for complying with certain provisions of the UAE Federal Law No. 8 of 1984 (as amended), the Group is not subject to any externally imposed capital requirements.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

5 Revenue and direct costs

A. Property management and sales

	Property rentals AED'000	Property sales AED'000	Total AED'000
2012			
Revenue	214,009	253,698	467,707
Direct costs	(198,276)	(222,933)	(421,209)
Gross profit	15,733	30,765	46,498
2011			
Revenue	286,719	3,054,830	3,341,549
Direct costs	(273,370)	(2,611,377)	(2,884,747)
Gross profit	13,349	443,453	456,802

B. Other operating activities

	Contracting AED'000	Hospitality AED'000	Others AED'000	Total AED'000
2012				
Revenue	1,083,805	38,652	52,094	1,174,551
Direct costs	(922,849)	(17,463)	(37,384)	(977,696)
Gross profit	160,956	21,189	14,710	196,855
2011				
Revenue	1,495,705	29,755	57,577	1,583,037
Direct costs	(1,246,177)	(17,184)	(35,343)	(1,298,704)
Gross profit	249,528	12,571	22,234	284,333

The direct costs include staff costs amounting to AED 273.6 million (2011: AED 266.5 million) and depreciation amounting to AED 6.6 million (2011: AED 11.7 million).

6 Administrative and general expenses

	2012 AED'000	2011 AED'000
<i>These include the following:</i>		
Staff costs	53,950	72,113
Professional fees and licences	7,901	10,752
Depreciation	12,241	9,997
Office expenses	10,665	14,378

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

7 Finance income and expense

(a) Finance income

	2012 AED'000	2011 AED'000
Interest income	642	2,369
Change in the amortized cost and carrying value of retention receivables (refer note 14(a))	12,073	-
Gain on revaluation of other investments (refer note 15)	470	-
	<u>13,185</u>	<u>2,369</u>

(b) Finance expense

Provision for doubtful debts on contract and trade receivables (refer note 36(a))	15,693	34,416
Interest expense on financial liabilities	161,410	359,910
Change in the amortized cost and carrying value of retention receivables (refer note 14(a))	-	2,959
Loss on revaluation of other investments (refer note 15)	-	207
	<u>177,103</u>	<u>397,492</u>

8 Provision for contracting related activities

The Group's business segments primarily relate to investment in and development of properties and contracting activities in the UAE. Due to global economic crisis faced across the world since 2008, the real estate sector and the construction industry in the UAE has witnessed an increasingly difficult operating credit and liquidity issues. This could potentially affect the ability of the Group's contracting related activities to recover fully certain receivables on work done and certified and work done and yet to be certified. Accordingly, a provision of AED 750 million has been created in the earlier years and is being carried forward as at the reporting date for contract receivables. Also refer note 18.

9 Other income

	2012 AED'000	2011 AED'000
Gain on disposal of property, plant and equipment	4	-
Miscellaneous income	6,514	9,753
Income from government grant (refer note 25)	2,250	2,250
	<u>8,768</u>	<u>12,003</u>

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

10 Intangible assets

	Goodwill AED'000	Other intangible assets AED'000	Total AED'000
Cost			
At 1 January 2011	2,838	40,481	43,319
	-----	-----	-----
At 31 December 2011	2,838	40,481	43,319
	-----	-----	-----
At 1 January 2012	2,838	40,481	43,319
	-----	-----	-----
At 31 December 2012	2,838	40,481	43,319
	-----	-----	-----
Amortization			
At 1 January 2011	2,543	-	2,543
	-----	-----	-----
At 31 December 2011	2,543	-	2,543
	-----	-----	-----
At 1 January 2012	2,543	-	2,543
Impairment loss for the year (refer (i) below)	-	40,481	40,481
	-----	-----	-----
At 31 December 2012	2,543	40,481	43,024
	-----	-----	-----
Carrying amount			
At 31 December 2012	<u>295</u>	<u>-</u>	<u>295</u>
	=====	=====	=====
At 31 December 2011	<u>295</u>	<u>40,481</u>	<u>40,776</u>
	=====	=====	=====

- (i) Intangible asset significantly comprised a non-refundable signing fee of USD 10 million, together with associated expenses, paid in respect of the Formula One Theme Park Project as per the License agreement between the Company and the Formula One Administration Limited (FOA), a Company formed under the laws of United Kingdom. The agreement pertains to the use of the FOA intellectual property rights, the FOA historical archives materials and for the assistance of FOA in establishing and promoting the Formula One Theme Park Project including the right to use the FOA's F1 and Formula One trademarks and logos in the official name of the Formula One Theme Park Project and gives the Company the exclusive right to develop Formula One Theme Parks around the world. The intangible asset was to be amortized over a period of 10 years commencing on the launch of the Formula One Theme Park project.

During the current year, the Board of Directors of the Company reviewed the carrying value of this intangible asset. In their opinion, as the Formula One Theme Park had not yet been launched, the company decided to cancel the agreement between the two companies, thus the non-refundable signing fee was fully impaired.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

11 Property, plant and equipment

	Balance at beginning of the year AED'000	Additions/ charge AED'000	Transfers in/(out) AED'000	Disposals AED'000	Balance at end of the year AED'000
2012					
Cost					
Land	39,288	-	-	-	39,288
Buildings and leasehold improvements	93,590	15,700	(2,594)	(3,500)	103,196
Plant and machinery	32,877	338	(34)	-	33,181
Furniture, fixtures and office equipments	105,283	3,871	(9,879)	(827)	98,448
Motor vehicles	54,513	3,087	(297)	(326)	56,977
Gymnasium equipments	1,571	44	(304)	(8)	1,303
Equipment and tools	6,335	811	(504)	-	6,642
Capital work-in-progress	8,846	336	(5,873)	-	3,309
	342,303	24,187	(19,485)	(4,661)	342,344
Accumulated depreciation					
Buildings and leasehold improvements	49,561	8,361	(4,461)	-	53,461
Plant and machinery	18,707	2,675	(8)	-	21,374
Furniture, fixtures and office equipments	91,352	4,519	(9,830)	(759)	85,282
Motor vehicles	43,940	2,800	(521)	(101)	46,118
Gymnasium equipments	1,405	23	(304)	(5)	1,119
Equipment and tools	5,783	483	(561)	-	5,705
	210,748	18,861	(15,685)	(865)	213,059
Net book value	131,555				129,285
2011					
Cost					
Land	39,288	-	-	-	39,288
Buildings and leasehold improvements	153,568	1,633	(61,611)	-	93,590
Plant and machinery	33,924	335	-	(1,382)	32,877
Furniture, fixtures and office equipments	104,481	1,865	-	(1,063)	105,283
Motor vehicles	53,702	1,475	-	(664)	54,513
Gymnasium equipments	1,585	16	-	(30)	1,571
Equipment and tools	5,596	769	-	(30)	6,335
Capital work-in-progress	13,932	-	(5,086)	-	8,846
	406,076	6,093	(66,697)	(3,169)	342,303
Accumulated depreciation					
Buildings and leasehold improvements	46,124	8,995	(5,558)	-	49,561
Plant and machinery	17,239	2,600	-	(1,132)	18,707
Furniture, fixtures and office equipments	86,867	5,377	-	(892)	91,352
Motor vehicles	40,438	4,127	-	(625)	43,940
Gymnasium equipments	1,374	50	-	(19)	1,405
Equipment and tools	5,300	513	-	(30)	5,783
	197,342	21,662	(5,558)	(2,698)	210,748
Net book value	208,734				131,555

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

12 Investment properties

	2012 AED'000	2011 AED'000
At 1 January	4,266,030	2,915,450
Additions during the year	92,049	25,179
Transfer from development properties (refer note (a) below and note 13)	597,987	3,371,319
Transfer from property, plant and equipment	-	61,139
Sale of investment properties (refer note (b) below)	(552,702)	(1,251,568)
Gain/(loss) on fair valuation (refer note (c) below)	207,686	(855,489)
	=====	=====
At 31 December	4,611,050	4,266,030
	=====	=====
Investment properties comprise:		
Freehold land and buildings	4,508,550	4,163,530
Buildings on leasehold land	102,500	102,500
	=====	=====

(a) Transfer from development properties

The Board of Directors of the Company have reassessed the use of certain development properties. Accordingly, properties costing AED 598.0 million (2011: AED 3,371.3 million) has been transferred from development properties to investment properties as these properties are now held for undetermined use. These properties are either held for capital appreciation or rented out to third parties or would be sold in an open market. As at the reporting date, these properties have been stated at fair values in accordance with the accounting policy adopted by the Group for valuation of investment properties.

(b) Sale of investment properties

During the year, the Group has sold various investment properties with a carrying value of AED 552.7 million (2011: AED 1,251.6 million) for a net consideration of AED 567.4 million (2011: AED 1,249.5 million) resulting in a net gain of AED 14.7 million (2011: net loss AED 2.1 million).

(c) Valuation of investment properties

The Group follows the fair value model under IAS 40 (Revised 2003) where investment property defined as land and buildings owned for the purpose of generating rental income or capital appreciation, or both, are fair valued based on an open market valuation carried out by an independent registered valuer, who carried out the valuation in accordance with RICS Appraisal and Valuation Manual issued by the Royal Institute of Chartered Surveyors.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

12 Investment properties (continued)

(c) Valuation of investment properties (continued)

The fair values have been determined by taking into consideration the discounted cash flow revenues where the Company has on-going lease arrangements. In this regard, the Group's current lease arrangements, which are entered into on an arm's length basis and which are comparable to those for similar properties in the same location, have been taken into account.

In case where the Company do not have any on-going lease arrangements, fair values have been determined, where relevant, having regard to recent market transactions for similar properties in the same location as the Group's investment properties.

The Directors' of the Company have reviewed the assumption and methodology used by the independent registered valuer and in their opinion these assumptions and methodology seems reasonable as at the reporting date considering the current economic and real estate outlook in UAE.

Accordingly, based on the above valuation, a fair value gain of AED 207.7 million (2011: fair value loss AED 855.5 million) has been recognized in the profit or loss.

(d) Mortgaged as security

Certain title deeds of land have been deposited with banks against long-term bank loans (refer notes 24 and 38).

13 Development properties

	2012 AED'000	2011 AED'000
At 1 January	1,555,536	6,506,615
Additions during the year	460,142	431,010
Cost of properties sold	(222,933)	(1,102,057)
Impairment provision (refer note (a) below)	-	(908,713)
Transfer to investment properties (refer note 12(a))	(597,987)	(3,371,319)
At 31 December	1,194,758	1,555,536

(a) Impairment provision

The management has carried out a detailed review of its development properties portfolio as at the reporting date. For certain properties, an independent registered valuer was also engaged to review the carrying value of such properties. A discounted cash flow forecast has been prepared to ascertain the value in use. The discounted cash flow forecast assumes that sufficient funds would be available to the Group to complete the construction of these projects. Future cash flow projections have been discounted at the weighted average cost of capital.

The Directors' of the Company have reviewed the carrying value of development properties and are of the opinion that there is no impairment in the fair value of development properties. Accordingly, no impairment loss has been recognized in the profit and loss for the year ended 31 December 2012 (2011: impairment loss AED 908.7 million) (refer note 38).

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

14 Non-current receivables

	2012 AED'000	2011 AED'000
Retention receivables (refer note (a) below)	150,977	165,918
Other receivables	700	615
	<u>151,677</u>	<u>166,533</u>

(a) Retention receivables

	2012 AED'000	2011 AED'000
At 31 December	278,582	329,975
Less: difference between the amortized cost and carrying value of retention receivable	(8,303)	(20,376)
	<u>270,279</u>	<u>309,599</u>
<i>Disclosed in the consolidated statement of financial position:</i>		
Non-current retention receivables	150,977	165,918
Current portion of retention receivables (refer note 18)	119,302	143,681
	<u>270,279</u>	<u>309,599</u>

The Group's exposure to credit risk and impairment losses related to loans and receivables are disclosed in note 36(a).

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

15 Other investments

	2012 AED'000	2011 AED'000
At 1 January	4,824	5,031
Gain/(loss) on revaluation to fair value (refer note 7)	470	(207)
	-----	-----
At 31 December	5,294	4,824
	=====	=====

(a) Designated at fair value through profit or loss

The Group has certain investment securities which are designated as financial assets at fair value through profit or loss and accounted for at fair value.

(b) Investment in real estate fund carried at cost

Included above is an investment of AED 4.5 million in a real estate fund. The amount invested represent three capital calls to the extent of 90% of the Group's commitment to invest in the real estate fund. The above investment is carried at cost. In the opinion of the Board of Directors', the fair value of this investment is not materially different from the carrying amount at 31 December 2012.

The Group's exposure to credit risk, equity price risk and fair value hierarchy related to other investments are disclosed in note 36(a), 36(d) and 36(e) respectively.

16 Inventories

	2012 AED'000	2011 AED'000
Project related material	26,724	32,721
Stock-in-trade	6,541	9,214
Spares and consumables	909	887
Less: provision for slow moving materials	(1,006)	(882)
	-----	-----
	33,168	41,940
	=====	=====

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

17 Contract work-in-progress/billings in excess of valuation

	2012 AED'000	2011 AED'000
Costs plus attributable profit less foreseeable losses	8,486,107	7,681,116
Less: progress billings	(8,456,910)	(7,621,443)
	<u>29,197</u>	<u>59,673</u>
<i>Disclosed in the consolidated statement of financial position:</i>		
Contract work-in-progress	187,651	241,536
Billings in excess of valuation (refer note 21)	(158,454)	(181,863)
	<u>29,197</u>	<u>59,673</u>

18 Trade and other receivables

	2012 AED'000	2011 AED'000
Financial instruments		
Trade and contract receivables	2,448,009	2,430,506
Property sales receivables	17,055	102,717
Retention receivables (refer note 14(a))	119,302	143,681
	<u>2,584,366</u>	<u>2,676,904</u>
Less: provision for doubtful receivables (refer note 36(a))	(191,141)	(175,733)
Less: provision for contracting related activities (refer notes 8 and 36 (a))	(750,000)	(750,000)
	<u>1,643,225</u>	<u>1,751,171</u>
Other receivables	162,728	111,317
Total (A)	<u>1,805,953</u>	<u>1,862,488</u>
Non-financial instruments		
Advances to contractors	119,178	146,483
Prepayments and advances	27,054	26,721
Total (B)	<u>146,232</u>	<u>173,204</u>
Total (A+B)	<u>1,952,185</u>	<u>2,035,692</u>

- (i) Certain contract receivables are assigned in favour of the banks for facilities availed by a subsidiary (refer notes 23 and 24).
- (ii) The Group's exposure to credit risk and impairment losses related to loans and receivables are disclosed in note 36(a).

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

19 Transactions with related parties

The Group, in the normal course of business, enters into transactions with other enterprises, which fall within the definition of a related party contained in International Accounting Standard No. 24. Such transactions are on terms and conditions believed by the Group's management to be comparable with those that could be obtained from third parties. The transactions with related parties, other than those already disclosed separately elsewhere in the consolidated financial statements, are as follows:

	2012 AED'000	2011 AED'000
Project management income and income from contracts	61,903	71,813
Long-term loans obtained from a significant shareholder, a bank	76,425	318,963
Interest earned from deposit with a significant shareholder, a bank	542	1,826
Interest on bank overdraft paid to a significant shareholder, a bank	1,988	2,364
Interest on term loans paid to a significant shareholder, a bank	108,559	273,782
Sale of properties	98,000	1,024,244
Funds with a joint venture (refer (i) below)	123,253	-
<i>Compensation to key management personnel are as follows:</i>		
- Salaries and other short term employee benefits	8,578	10,357
- Provision towards employees terminal benefits	325	329

Also refer note 38.

- (i) Included in balances due from related parties is an amount of AED 123.3 million held in trust by a joint venture, which are expected to be repaid to the Company shortly.

The Group's exposure to credit risk and liquidity risk related to related party balances are disclosed in notes 36(a) and 36(b) respectively.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

20 Cash in hand and at bank

	2012 AED'000	2011 AED'000
Cash in hand	756	5,167
Cash at bank		
– in deposit accounts held under lien	-	11,537
– in current accounts	201,855	154,424
– in other deposit accounts	7,556	63,641
– in other deposit accounts for maturity date more than 3 months	17,300	-
	<u>227,467</u>	<u>234,769</u>

(a) Cash and cash equivalents

	2012 AED'000	2011 AED'000
Cash and cash equivalents comprise:		
Cash in hand and at bank (excluding deposit under lien)	210,167	223,232
Bank overdrafts (refer note 23)	(46,007)	(81,516)
Bills/cheques discounted (refer note 23)	(19,391)	(20,713)
	<u>144,769</u>	<u>121,003</u>

(b) Cash at bank in deposit accounts

Cash at bank in deposit accounts carry interest at normal commercial rates.

(c) Balances with a related party

Cash at bank includes balances with a significant shareholder, a bank, amounting to AED 144.3 million (2011: AED 162.0 million).

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets are disclosed in note 36(c).

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

21 Trade and other payables

	2012 AED'000	2011 AED'000
Financial instruments		
Trade payables	850,663	1,003,367
Retention payables	100,223	107,663
Other payables and accruals (refer note (a) below)	1,297,406	877,989
Payable on interest rate swap (refer note 29(d))	(34)	47
Total (A)	2,248,258	1,989,066
Non-financial instruments		
Billings in excess of valuation (refer note 17)	158,454	181,863
Total (B)	158,454	181,863
Total (A+B)	2,406,712	2,170,929

(a) Other payables and accruals

	2012 AED'000	2011 AED'000
Other payables and accruals include:		
Payable for purchase of land	53,128	53,128
Provision for staff related payables	99,362	92,852
Provisions for development properties cost	516,296	204,430

The Group's exposure to liquidity risk related to trade and other payables is disclosed in note 36(b).

22 Advances and deposits

(a) Current portion of advances and deposits

	2012 AED'000	2011 AED'000
Financial instruments		
Security deposits	12,693	14,033
Total (A)	12,693	14,033
Non-financial instruments		
Advances relating to construction contracts	35,395	91,033
Income received in advance	17,863	19,397
Total (B)	53,258	110,430
Total (A+B)	65,951	124,463

The Group's exposure to liquidity risk related to advances and deposits is disclosed in note 36(b).

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

22 Advances and deposits (continued)

(b) Non-current portion of advances and deposits

	2012 AED'000	2011 AED'000
Non-financial instruments		
Advances from sale of properties (refer note (i) below)	275,784	455,813

- (i) Advances from sale of properties represent advances received from customers against the sale of properties in accordance with the payment schedule stated in the sale and purchase agreement whereby revenue would be recognized upon handover of the properties.

23 Short-term bank borrowings

This note provides information about the contractual terms of the Group's interest bearing short-term bank borrowings, which are measured at amortized cost. For more information about the Group's exposure to liquidity risk and interest rate risk, refer notes 36(b) and 36(c) respectively.

	2012 AED'000	2011 AED'000
Bank overdrafts	46,007	81,516
Bills/cheques discounted	19,391	20,713
Trust receipts	40,959	17,053
	106,357	119,282

(a) Significant terms and conditions of short-term bank borrowings

Short-term bank borrowings have been obtained to finance the working capital requirements of the Group and carry interest at normal commercial rates.

(b) Short-term bank borrowings from a related party

Short-term bank borrowings include AED 43.5 million (2011: AED 43.0 million) due to a significant shareholder, a bank.

(c) Securities

Short-term bank borrowings of the Group are secured by:

- (i) Promissory notes;
- (ii) Joint and several guarantees of the Company;
- (iii) A letter of undertaking by the Company stating that their shareholding in Thermo LLC ("a subsidiary") will not be reduced below 81% as long as the banking facilities are outstanding; and
- (iv) Assignment of certain contract receivables (refer note 18).

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

24 Long-term bank loans

This note provides information about the contractual terms of the Group's interest bearing long-term bank loans, which are measured at amortized cost. For more information about the Group's exposure to liquidity risk and interest rate risk, refer notes 36(b) and 36(c) respectively.

	2012 AED'000	2011 AED'000
At 31 December	3,536,177	3,769,075
Less: Current portion	(537,907)	(972,852)
Non-current portion	<u>2,998,270</u>	<u>2,796,223</u>

The long term bank loans carries interest at normal commercial rates. Also refer note 38.

(a) Movement in long-term bank loans

	2012 AED'000	2011 AED'000
The movement in long-term bank loans is as under:		
At 1 January	3,769,075	6,214,204
Availed during the year	76,425	415,611
Repayments during the year	(309,323)	(2,860,740)
At 31 December	<u>3,536,177</u>	<u>3,769,075</u>

(b) Significant terms and conditions of long-term bank loans

- (i) During the previous years, the Group had obtained a term loan facility from a significant shareholder, a bank, which was utilized to repay certain bank borrowings of the Group. This term loan facility was repayable in 3 equal annual instalments commencing 4 August 2016. However, during the year, the Group entered into an agreement with the significant shareholder, a bank, consolidating certain loans under one agreement. On the date of consolidating certain loans under one agreement, the loan amount outstanding towards this facility was AED 814.4million (2011: AED 889.6 million). Also Refer note (viii) below. This loan was secured by:
 - a. Deposit of title deed of a property together with an undertaking to create a legal mortgage over the property at any time during the tenure of the loan in the event of default;
 - b. Assignment of rental income in respect of a property;
 - c. Assignment of insurance policy of a property; and
 - d. Assignment of sales receivables in respect of a property.
- (ii) During the previous years, the Group had renegotiated the terms and conditions of certain bank overdrafts amounting to AED 300 million and was converted into a long-term bank loan. The loan was repayable on 1 January 2012. However, during the current year, the Group repaid certain portion of this loan and renegotiated the repayment term of the remaining loan. This loan is now repayable in 12 semi-annual instalments of AED 3.5 million each during 2013 and AED 8.2 each post 2013 the repayment would be commence from 1 January 2013. At 31 December 2012, the loan amount outstanding is AED 89.2 million (2011: AED 214.5 million). This loan is secured by assignment of receivables.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

24 Long-term bank loans (continued)

(b) Significant terms and conditions of other long-term bank loans (continued)

- (iii) The Company had obtained a term loan facility of AED 2,750 million from a consortium of banks, including a significant shareholder, a bank, to finance the completion of remaining construction work for certain projects. However, during the year, the Group entered into an agreement with the significant shareholder, a bank, consolidating certain loans under one agreement. On the date of consolidating certain loans under one agreement, the loan amount outstanding towards this facility was AED 916.5 million (2011: AED 916.5 million). Also Refer note (viii) below. This loan was secured by:
- a. Mortgage of properties;
 - b. Assignment of receivables in connection with the project financed; and
 - c. Assignment of lease proceeds of certain properties.
- (iv) During the previous year, the Group had entered into an agreement with a significant shareholder, a bank, to obtain a term loan of AED 1,078.2 million which would be utilized by the Group to settle the outstanding short-term bank borrowings existing as at that date. This loan was repayable over a period of six years in quarterly instalments commencing April 2012. During the current year, the repayment terms have been revised and the loan is now repayable in 10 equal semi-annual instalments commencing April 2014. At 31 December 2012, the loan amount outstanding is AED 1,078.2 million (2011: AED 1,078.2 million). The long-term bank loan is secured by:
- a. Corporate guarantee of the Company;
 - b. Assignment of certain contract receivables; and
 - c. Promissory note of AED 1,078.2 million.
- (v) During the previous years, the Company had obtained a term loan facility of AED 1,370.3 million from a significant shareholder, a bank, which was repayable in one instalment on 30 June 2012. However, during the current year, the Group repaid certain portion of this loan and renegotiated the repayment terms of the remaining loan. This loan was repayable on 31 December 2012. However, the management is in process of renegotiating the repayment terms with the bank. At 31 December 2012, the loan amount outstanding was AED 130.8 million (2011: AED 218 million). This loan is secured by:
- a. Deposit of title deeds of property together with an undertaking to create a legal mortgage over the property at any time during the tenure of the loan in the event of default; and
 - b. Assignment of insurance policy of a property.
- (vi) The Company had a term loan facility of AED 290 million from a bank, which was repayable in 40 quarterly instalments commencing 31 March 2006. During the previous years, the term loan facility had increased to AED 400 million and was restructured to be fully repayable on 20 January 2013. However, subsequent to the year-end, the management is in process of renegotiating the repayment terms with the bank. At 31 December 2012, the loan amount outstanding is AED 400 million (2011: AED 400 million). This loan is secured by:
- a. Deposit of title deed of a property together with an undertaking to create a legal mortgage over the property at any time during the tenure of the loan in the event of default;
 - b. Assignment of insurance policy of a property;
 - c. Assignment of lease proceeds of certain properties; and
 - d. A security cheque of AED 400 million which can be encashed by the bank in the event of default.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

24 Long-term bank loans (continued)

(b) Significant terms and conditions of other long-term bank loans (continued)

- (vii) During the previous year, the Company had obtained a term loan facility of AED 405 million from a significant shareholder, a bank, to finance the completion of remaining construction work for certain projects. This loan was repayable in one instalment on 1 March 2014. However, during the year, the Group entered into an agreement with the significant shareholders, a bank, consolidating certain loans under one agreement. On the date of consolidating certain loans under one agreement, the loan amount outstanding towards this facility was AED 107.0 million (2011: AED 52.3 million). The loan is secured by corporate guarantee of the Company. Also Refer note (viii) below
- (viii) During the year, the Group has entered into an agreement with a significant shareholder, a bank, consolidating significant loans under one agreement. As per the revised repayment terms, the loan is repayable in 5 equal annual instalments commencing from 28 February 2017. Furthermore, the Group have successfully negotiated the interest rate which has resulted in downward revision of the interest rate as compared to the previous rate of interest. At 31 December 2012, the loan amount outstanding is AED 1,838.0 million. This loan is secured by:
- Deposit of title deed of a property together with an undertaking to create a legal mortgage over the property at any time during the tenure of the loan in the event of default;
 - Assignment of rental income in respect of a property;
 - Assignment of insurance policy of a property; and
 - Assignment of sales receivables in respect of a property.

25 Deferred income

	2012 AED'000	2011 AED'000
At 1 January	28,688	30,938
Less: income recognized during the year (refer note 9)	(2,250)	(2,250)
	-----	-----
At 31 December	<u>26,438</u>	<u>28,688</u>

In 2003, the Company received a plot of land from the Government of Dubai as a grant. The grant of land comprises two separate grants. The first grant of the land area has been granted with a condition to build an Autodrome comprising a motor racing circuit and related assets. The second grant comprising the remaining part of the land area had no conditions attached to it other than compliance with relevant local regulations. The land and the associated grant have been recorded on a gross basis at the fair value of the land at the time it was granted based on the open market valuation carried out by an independent registered valuer.

The grant relating to the Autodrome land has been recognized in the consolidated financial statements as deferred income and is recognised in the profit and loss on a systematic basis as the conditions related to grant are fulfilled.

The fair value of the other land was recognized as income in the year 2003 as it has no conditions attached to it.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

26 Non-current payables

	2012 AED'000	2011 AED'000
Retention payables	6,369	8,268
Other payables	8,435	8,738
	<u>14,804</u>	<u>17,006</u>

27 Provision for staff terminal benefits

	2012 AED'000	2011 AED'000
At 1 January	78,700	79,842
Provision made during the year	14,479	17,002
Payments made during the year	(13,204)	(18,144)
	<u>79,975</u>	<u>78,700</u>
At 31 December		

The provision for staff terminal benefits, disclosed as a non-current liability, is calculated in accordance with the UAE Federal Labour Law.

28 Share capital and treasury shares

	2012 AED'000	2011 AED'000
<i>Issued and fully paid up:</i>		
3,366,856,483 (2011: 3,366,856,483) shares of par value of AED 1 each	3,366,857	3,366,857
<i>Treasury shares purchased:</i>		
1,329,109 (2011: 1,329,109) shares of par value of AED 1 each	(4,998)	(4,998)
	<u>3,361,859</u>	<u>3,361,859</u>
At 31 December		

At 31 December 2012, the share capital comprised ordinary equity shares. All issued shares are fully paid-up. The holders of ordinary equity shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

The cost of treasury shares purchased represents purchase of the Company's shares by a subsidiary. These are shown as a deduction from equity.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

29 Reserves

(a) Statutory reserve

According to the UAE Federal Law No. 8 of 1984 (as amended), 10% of the annual net profit of the Company and its subsidiaries is appropriated to statutory reserve until such reserve equals 50% of the paid-up share capital. Such allocations may be ceased when the statutory reserve equals half of the paid-up share capital of the Company. During the current year, the Company has transferred AED 17.6 million to the statutory reserve.

In the previous year, in accordance with Article 59 of the Company's Article of Association, the Board of Directors had resolved to apply the statutory reserve amounting to AED 1,467.6 million to partially offset the Group's accumulated losses as at 31 December 2011.

(b) General reserve

According to the Articles of Association of the Company, 10% of the annual net profit is appropriated to general reserve. The transfer to general reserve may be suspended at the recommendation of the Board of Directors or when it equals 50% of the paid-up share capital. During the year ended, the Board of Directors have recommended not to transfer 10% of the annual net profit to general reserve.

(c) Revaluation surplus

Revaluation surplus represent the revaluation gain on assets transferred from property, plant and equipment to investment properties. During the previous year, these investments properties have been sold and accordingly, the revaluation surplus has been transferred to accumulated losses.

(d) Hedging reserve

IAS 39 (revised 2003), *Financial Instruments: Recognition and Measurement*, requires recognition of derivative financial instruments in the consolidated statement of financial position at their fair values. The Group uses interest rate swaps to hedge its risk associated primarily with the variability in cash flows resulting from interest rate fluctuations on long-term bank loans.

During the previous year, the Group obtained certain new range accrual interest rate swaps with periodic knockout structure to hedge its long-term loan portfolio representing a total notional amount of AED 26.1 million. The swap is used to protect the long-term bank loans taken by the Company from exposure to any increase in interest rates and has generated positive net cash inflow to the Company during the year. At 31 December 2012, the fair value gain on the interest rate swaps amounting to AED 0.08 million (2011: AED 0.11 million) has been credited to hedging reserve and included as part of equity.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

30 Interest in joint ventures

(a) Properties Investment LLC

The Group has a 50% equity interest in Properties Investment LLC. The Group's interest in the assets, liabilities, revenues and expenses of the joint venture is as follows:

	2012 AED'000	2011 AED'000
Financial position:		
Non-current assets	143,008	157,864
Current assets	147,834	96,910
Non-current liabilities	(574)	(1,037)
Current liabilities	(106,834)	(47,363)
Inter-company elimination	(6,376)	(6,376)
Net assets	177,058	199,998
Results of operations:		
Income	70,611	101,265
Expenses	(68,551)	(98,169)
Profit	2,060	3,096

During the year Properties Investment LLC proposed and paid dividend amounting AED 25 million (2011: AED 20 million) to the Company.

(b) Emirates District Cooling LLC

In 2003, the Company contributed AED 4 million towards 40% of the share capital of Emirates District Cooling LLC ("Emicool"). The Group acquired an additional 10% shareholding in the joint venture effective 1 August 2006 at a cost of AED 2.5 million. This amount included an amount for goodwill of AED 1.3 million. In 2010 the Group contributed a further capital of AED 6.3 million.

At 31 December 2012, the Group has a 50% equity interest in Emicool. The Group's interest in the assets, liabilities, revenues and expenses of the joint venture is as follows:

	2012 AED'000	2011 AED'000
Financial position:		
Non-current assets	756,691	708,033
Current assets	58,176	44,686
Non-current liabilities	(393,971)	(81,021)
Current liabilities	(133,801)	(446,806)
Net assets	287,095	224,892
Results of operations:		
Income	109,088	99,842
Expenses	(100,875)	(88,926)
Profit	8,213	10,916

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

30 Interest in joint ventures (continued)

(b) Emirates District Cooling LLC(continued)

Effective 1 January 2012, the Company entered into a concession agreement with its joint venture investment entity, Emicool, to provide chilled water to Motor City developments. For the period prior to this and commencing from the completion of development at Motor City, the Company expensed in the current period a one-time accumulated cost adjustment for chilled water supply by Emicool amounting to AED 108 million which has been accounted as an income by Emicool. Accordingly, the 50% share of the Company on this income has been recognized as a reduction to the cost adjustment. In addition, the Company reduced direct costs by AED 81.4 million on account of Emicool's share of infrastructure cost at Motor City.

(c) Interest in jointly controlled operations

In the earlier years, the Group had entered into various jointly controlled operations, the details of which are set out below:

- (i) During 2008, Thermo LLC had entered into an agreement with Amena Pipeline Construction LLC for mechanical, electrical and plumbing works and other contract works for Fuel Farm Aviation project under a joint venture. There are no operations during the current year for the joint venture.
- (ii) During 2004, EDARA LLC entered into an agreement with Confluence (formerly known as Asia Pacific Projects) to carry out project management services under a joint venture. There are no operations during the current year for the joint venture.

31 Non-controlling interest

During 2003, Thermo LLC had acquired 50% of the voting power of OITC Thermo WLL and 50% is held by a minority shareholder. Thermo LLC has agreed with the minority shareholder that the minority shareholder is not liable to contribute to the share capital of the subsidiary and the minority shareholder has provided rent-free premises in lieu of his contribution to the share capital of the subsidiary.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

32 Directors' fees

This represents professional fees paid/payable to the Company's directors for serving on any committee, for devoting special time and attention to the business or affairs of the Company and for performing services outside the scope of their ordinary activities. In accordance with the interpretation of Article 118 of the UAE Federal Law No. 8 of 1984 by the Ministry of Economy & Commerce, directors' fees would be recognized as an appropriation of retained earnings. The Board of Directors' have not proposed any fees for 2012.

33 Basic and diluted earnings per share

	2012	2011
Profit/(loss) attributable to shareholders (AED'000)	175,789	(1,569,924)
Weighted average number of shares	3,365,527,374	3,365,527,374

34 Capital commitments and contingent liabilities

(a) Capital commitments

	2012 AED'000	2011 AED'000
<i>Company and its subsidiaries</i>		
Commitments:		
Letters of credit	30,463	222,577
Capital commitments	390,940	390,940
Contingent liabilities:		
Letters of guarantee	642,775	141,689
<i>Jointly controlled entities</i>		
Commitments:		
Letters of credit	-	3,771
Contingent liabilities:		
Letters of guarantee (refer to note (i) below)	396,254	-

- (i) Issued a Corporate guarantee on behalf of loan obtained by Emirates District Cooling LLC a joint venture.

(b) Contingent liabilities

There are certain claims and contingent liabilities that arise during the normal course of business. The Board of Directors review these on a regular basis as and when such complaints and/or claims are received and each case is treated according to its merit and the terms of the relevant contract.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

35 Segment reporting

Business segments

The Group's activities include two main business segments, namely, real estate property management and sales and construction activities. Other activities mainly comprise hospitality services. The details of segment revenue, segment result, segment assets and segment liabilities are as under:

	Real estate property management and sales AED'000	Construction AED'000	Others AED'000	Total AED'000
2012				
Segment revenue	467,707	1,083,805	90,746	1,642,258
Segment result	46,498	160,956	35,899	243,353
Administrative and general expenses	(41,311)	(59,552)	(44,234)	(145,097)
Finance income	917	12,247	21	13,185
Finance expense	(116,059)	(61,044)	-	(177,103)
Gain on sale of investment properties	14,724	-	-	14,724
Other income	4,790	2,543	1,435	8,768
Share in profit of joint venture	2,060	-	8,213	10,273
(Loss)/profit for the year before valuation	(88,381)	55,150	1,334	(31,897)
Gain on valuation of properties	207,686	-	-	207,686
Profit for the year	119,305	55,150	1,334	175,789
Segment assets	5,561,669	2,835,025	231,052	8,627,746
Investment in joint ventures	176,236	-	287,917	464,153
Total assets	5,737,905	2,835,025	518,969	9,091,899
Segment liabilities	4,145,892	2,147,139	236,003	6,529,034
Capital expenditure	554,121	19,811	2,446	576,378
Depreciation	5,230	10,794	2,837	18,861
2011				
Segment revenue	3,341,549	1,495,705	87,332	4,924,586
Segment result	456,802	249,528	34,805	741,135
Administrative and general expenses	(52,483)	(64,818)	(58,347)	(175,648)
Finance income	2,006	322	41	2,369
Finance expense	(298,148)	(99,344)	-	(397,492)
Loss on sale of investment properties	(2,101)	-	-	(2,101)
Other income	6,463	4,232	1,308	12,003
Share in profit of joint venture	3,096	-	10,916	14,012
Profit/(loss) for the year before valuation	115,635	89,920	(11,277)	194,278
Loss on valuation of investment properties	(1,764,202)	-	-	(1,764,202)
(Loss)/profit for the year	(1,648,567)	89,920	(11,277)	(1,569,924)
Segment assets	5,771,859	2,910,167	70,852	8,752,878
Investment in joint ventures	200,122	-	224,768	424,890
Total assets	5,971,981	2,910,167	295,620	9,177,768
Segment liabilities	4,456,043	2,255,444	79,286	6,790,773
Capital expenditure	457,310	8,912	1,146	467,368
Depreciation	7,247	10,820	3,595	21,662

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

36 Financial instruments

Financial assets of the Group include non-current receivables, other investments, trade and other receivables, amounts due from related parties and cash in hand and at bank. Financial liabilities of the Group include trade and other payables, security deposits, amounts due to related parties, short-term bank borrowings, long-term bank loans and non-current payables. Accounting policies of financial assets and financial liabilities are disclosed under note 3. The table below sets out the Group's classification of each class of financial assets and financial liabilities and their fair values for the current and the comparative years:

	Note	Designated as fair value through profit or loss AED'000	Loans and receivables AED'000	Others at amortized cost AED'000	Designated as cash flow hedge AED'000	Carrying amount AED'000	Fair value AED'000
31 December 2012							
Financial assets							
Non-current receivables	14	-	151,677	-	-	151,677	151,677
Other investments	15	5,294	-	-	-	5,294	5,294
Trade and other receivables	18	-	1,805,953	-	-	1,805,953	1,805,953
Due from related parties	19	-	134,916	-	-	134,916	134,916
Cash in hand and at bank	20	-	227,467	-	-	227,467	227,467
Total		5,294	2,320,013	-	-	2,325,307	2,325,307
Financial liabilities							
Trade and other payables	21	-	-	2,248,292	-	2,248,292	2,248,292
Security deposits	22(a)	-	-	12,693	-	12,693	12,693
Due to related parties	19	-	-	16,836	-	16,836	16,836
Short-term bank borrowings	23	-	-	106,357	-	106,357	106,357
Long-term bank loans	24	-	-	3,536,177	-	3,536,177	3,536,177
Non-current payables	26	-	-	14,804	-	14,804	14,804
Interest rate swaps	21	-	-	-	(34)	(34)	(34)
Total		-	-	5,935,159	(34)	5,935,125	5,935,125

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

36 Financial instruments (continued)

	Note	Designated as fair value through profit or loss AED'000	Loans and receivables AED'000	Others at amortized cost AED'000	Designated as cash flow hedge AED'000	Carrying amount AED'000	Fair value AED'000
31 December 2011							
Financial assets							
Non-current receivables	14	-	166,533	-	-	166,533	166,533
Other investments	15	4,824	-	-	-	4,824	4,824
Trade and other receivables	18	-	1,862,488	-	-	1,862,488	1,862,488
Due from related parties	19	-	33,687	-	-	33,687	33,687
Cash in hand and at bank	20	-	234,769	-	-	234,769	234,769
Total		4,824	2,297,477	-	-	2,302,301	2,302,301
Financial liabilities							
Trade and other payables	21	-	-	1,989,019	-	1,989,019	1,989,019
Security deposits	22(a)	-	-	14,033	-	14,033	14,033
Due to related parties	19	-	-	26,817	-	26,817	26,817
Short-term bank borrowings	23	-	-	119,282	-	119,282	119,282
Long-term bank loans	24	-	-	3,769,075	-	3,769,075	3,769,075
Non-current payables	26	-	-	17,006	-	17,006	17,006
Interest rate swaps	21	-	-	-	47	47	47
Total		-	-	5,935,232	47	5,935,279	5,935,279

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

36 Financial instruments (continued)

(a) Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit risk exposure. The maximum exposure to credit risk at the reporting date was:

	Note	2012 AED'000	2011 AED'000
Non-current receivables	14	151,677	166,533
Other investments	15	5,294	4,824
Trade and other receivables	18	1,805,953	1,862,488
Due from related parties	19	134,916	33,687
Cash at bank	20	226,711	229,602
		<u>2,324,551</u>	<u>2,297,134</u>

Trade and other receivables (including non-current receivables) include an amount of AED 17.1 million (2011: AED 102.7 million) on sale of property where the legal ownership to the property is retained by the Group as a collateral. At 31 December 2012, the fair value of the properties held as collateral by the Group approximates to AED 17.1 million (2011: AED 102.7 million).

Impairment losses

The ageing of trade/contract and retention receivables (including non-current receivables) at the reporting date is as under:

	2012		2011	
	Gross AED'000	Provision AED'000	Gross AED'000	Provision AED'000
Not past due	335,439	-	166,533	-
Past due 1 – 90 days	273,977	700	749,201	-
Past due 91 – 365 days	337,946	2,996	339,594	3,786
More than one year	1,787,981	937,445	1,587,494	921,947
	<u>2,735,343</u>	<u>941,141</u>	<u>2,842,822</u>	<u>925,733</u>

The outstanding amount for more than one year primarily represents amounts due from certain customers against which management believes that existing provision for doubtful debts is adequate and considers that the balance amount is fully recoverable. The movement in the provision for doubtful debts in respect of trade/contract receivables during the year is as follows:

	2012 AED'000	2011 AED'000
At 1 January	175,733	193,855
Provision for the year (refer note 7(b))	15,693	34,416
Amounts written off/provision reversed during the year	(285)	(52,538)
	<u>191,141</u>	<u>175,733</u>
At 31 December (refer note 18)	<u>191,141</u>	<u>175,733</u>
Provision for contracting related activities (refer note 8)	<u>750,000</u>	<u>750,000</u>

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

36 Financial instruments (continued)

(b) Liquidity risk

The following are the contractual maturities of financial liabilities, including interest payments and the impact of netting agreements at the reporting date:

	<i>Note</i>	Carrying amount AED'000	Contractual cash flows AED'000	Less than one year AED'000	More than one year AED'000
Financial liabilities					
31 December 2012					
Non-derivative financial instruments					
Trade and other payables	21	2,248,292	2,248,292	2,248,292	-
Security deposits	22(a)	12,693	12,693	12,693	-
Due to related parties	19	16,836	16,836	16,836	-
Short-term bank borrowings	23	106,357	111,675	111,675	-
Long-term bank loans	24	3,536,177	4,243,412	645,488	3,597,924
Non-current payables	26	14,804	14,804	-	14,804
Derivative financial instruments					
Interest rate swaps	21	(34)	(41)	(41)	-
Total		5,935,125	6,647,671	3,034,943	3,612,728
<hr/>					
		Carrying amount AED'000	Contractual cash flows AED'000	Less than one year AED'000	More than one year AED'000
Financial liabilities					
31 December 2011					
Non-derivative financial instruments					
Trade and other payables	21	1,989,019	1,989,019	1,989,019	-
Security deposits	22(a)	14,033	14,033	14,033	-
Due to related parties	19	26,817	26,817	26,817	-
Short-term bank borrowings	23	119,282	125,246	125,246	-
Long-term bank loans	24	3,769,075	4,522,890	1,167,422	3,355,468
Non-current payables	26	17,006	17,006	-	17,006
Derivative financial instruments					
Interest rate swaps	21	47	56	56	-
Total		5,935,279	6,695,067	3,322,593	3,372,474

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

36 Financial instruments (continued)

(c) Interest rate risk

The Group is exposed to interest rate risk on cash at bank, short-term bank borrowings and long-term bank loans (refer notes 20, 23 and 24). At the reporting date, the interest rate profile of the Group's interest bearing financial instruments was:

(i) Fixed rate instruments

	2012 AED'000	2011 AED'000
Fixed rate instruments		
Cash at bank – in deposit accounts	24,780	75,001
	=====	=====

Sensitivity analysis for fixed rate instruments

The interest rates on cash at bank in deposit accounts is fixed and is not subject to change. The Group does not account for any fixed rate financial assets at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect the profit or loss.

(ii) Variable rate instruments

	2012 AED'000	2011 AED'000
Variable rate instruments		
Short-term bank borrowings	106,357	119,282
Long-term bank loans	3,536,177	3,769,075
	-----	-----
	3,642,534	3,888,357
	=====	=====

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. The analysis below excludes interest capitalized and assumes that all other variables remain constant.

	Profit or loss and equity	
	100 bp increase AED'000	100 bp decrease AED'000
31 December 2012		
Variable rate instruments	(37,654)	37,654
	=====	=====
31 December 2011		
Variable rate instruments	(51,985)	51,985
	=====	=====

Also refer note 29 (d).

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

36 Financial instruments (continued)

(d) Equity price risk

Sensitivity analysis – equity price risk

Certain of the Group's quoted marketable equity investments are listed on the Dubai Financial Market. A ten percent increase in the price of its equity holding would have increased the fair value of the securities by AED 0.53 million (2011: AED 0.48 million); an equal change in the opposite direction would have decreased the fair value of the securities by AED 0.53 million (2011: AED 0.48 million). The analysis is performed on the same basis for 2011.

(e) Fair value hierarchy

The table below analyzes financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- **Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- **Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- **Level 3:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group has other investments which are stated at fair value. The fair value of quoted securities is determined by reference to their quoted bid prices as at the reporting date. Investments in marketable securities are stated at cost where no observable market data is available. Accordingly, the fair value hierarchy is set out as below:

	Level 1 AED'000	Level 3 AED'000	Total AED'000
31 December 2012			
Other investment	794	4,500	5,294
	===	===	===
31 December 2011			
Other investment	324	4,500	4,824
	=====	=====	=====

There have been no reclassifications made during the current year or the previous year.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

37 Significant estimates and judgements

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The following are the critical accounting estimates and judgements used by management in the preparation of these consolidated financial statements:

Going concern assumption

The Group's management has performed a preliminary assessment of the Group's ability to continue as a going concern, which covers a period of twelve months from the date of the financial statements, based on certain identified events and conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as going concern.

The Group's management has prepared its business forecast and the cash flow forecast for the twelve months from the reporting date on a conservative basis. The forecasts have been prepared taking into consideration the nature and condition of its business, the degree to which it is affected by external factors and other financial and non-financial data available at the time of preparation of such forecasts.

On the basis of such forecasts, the Group's management is of the opinion that the Group will be able to continue its operations for the next twelve months from the reporting date and that the going concern assumption used in the preparation of these consolidated financial statements is appropriate. The appropriateness of the going concern assumption shall be reassessed on each reporting date. Also refer note 2.1.

Revenue recognition for real estate properties

Revenue from sale of properties on freehold basis is recognized in the profit or loss when the significant risks and rewards of ownership are transferred to the buyer. Significant risks and rewards of ownership are deemed to be transferred to the buyer when the associated price risk is transferred to the buyer upon signing of the contract agreement and the buyer has been granted access to the property.

Revenue recognition for contracting activities

Revenue from contracting activities is recognized in the profit or loss when the outcome of the contract can be reliably estimated. The Group generally starts recognizing revenue when the outcome of the project can be reliably estimated. The measurement of contract revenue is based on the percentage of completion method and is affected by a variety of uncertainties that depend on the outcome of future events. The revenue from variations and claims in contract work is recognised only when it is probable to be recovered and value can be measured reliably. The estimates often need to be revised as events occur and uncertainties are resolved. Therefore, the amount of contract revenue may increase or decrease from period to period.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

37 Significant estimates and judgements (continued)

Impairment losses on property, plant and equipment and intangible assets

The Group reviews its property, plant and equipment and intangible assets to assess impairment, if there is an indication of impairment. In determining whether impairment losses should be recognized in the profit or loss, the Group makes judgements as to whether there is any observable data indicating that there is a reduction in the carrying value of property, plant and equipment or intangible assets. Accordingly, provision for impairment is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the carrying value of property, plant and equipment or intangible assets.

Impairment losses on development properties

The Group's management reviews the development properties to assess impairment, if there is an indication of impairment. In determining whether impairment losses should be recognized in the profit or loss, the management assesses the current selling prices of the property units and the anticipated costs for completion of such property units for properties which remain unsold at the reporting date. If the current selling prices are lower than the anticipated costs to complete, an impairment provision is recognized for the identified loss event or condition to reduce the cost of development properties to its net realizable value. For certain properties, management also employs an independent registered valuer to review the discounted cash flow forecast to ascertain the value in use. The significant assumption used in preparation of these cash flow forecast assumes that sufficient funds would be available to the Group to complete the construction of the development properties.

Estimated useful life and residual value of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charge for its property, plant and equipment on an annual basis. The Group has carried out a review of the residual values and useful lives of property, plant and equipment as at 31 December 2012 and the management has not highlighted any requirement for an adjustment to the residual values and remaining useful lives of the assets for the current or future periods. However, these will be reviewed again in the next year.

Valuation of investment properties

The Group follows the fair value model under IAS 40 (revised 2003). Note 12 contain information about the valuation methodology adopted by the Group for the valuation of investment properties. Should the significant assumptions change the fair value of investment properties could significantly impact the profit and loss and statement of financial position of the Group in the future.

Provision for obsolete inventory

The Group reviews its inventory to assess loss on account of obsolescence on a regular basis. In determining whether provision for obsolescence should be recognized in the profit or loss, the Group makes judgements as to whether there is any observable data indicating that there is any future saleability of the product and the net realizable value for such product. Accordingly, provision for impairment is made where the net realizable value is less than cost based on best estimates by the management. The provision for obsolete inventory is based on the aging and past movement of the inventory.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

37 Significant estimates and judgements (continued)

Project work in progress

Project work in progress is stated at cost plus estimated profit after accounting for foreseeable losses, if any. In determining foreseeable losses, the Group's management estimate the outcome of each contract. The final result of the contract may differ from the estimate made at the time of preparation of this consolidated financial statements.

Provisions on receivables including related parties' receivables

The Group reviews its receivables to assess adequacy of provisions at least on an annual basis. The Group's credit risk is primarily attributable to its trade/contract and other receivables and amounts due from related parties. In determining whether provision should be recognized in the profit or loss, the Group makes judgements as to whether there is any observable data indicating that there is a reasonable measurable decrease in the estimated future cash flows. Accordingly, a provision is made where there is a potential loss event or condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Provision for warranty expenses

Provision for warranty expenses is recognized when the contract is completed and handed over to the customer for the period of warranty. The provision is based on historical warranty data and an assessment of all possible outcomes against their associated probabilities.

Provision against claim and contingent liabilities

The Group management on a regular basis carries out a detail assessment of each claim and contingent liabilities that arise during the course of normal business and accordingly makes an assessment of the provision required to settle these financial expense. These detailed assessments are based on the past experience of the management in settling these claims and contingent liabilities on commercial terms, weighting of possible outcomes against their associated probabilities and availability of funds to settle these financial exposure. Should the estimated significantly vary, the change will be accounted for as change in estimate and the consolidated financial statements would be significantly impacted in the future.

38 Subsequent events

The Company in the ordinary course of business enters into transactions with another business enterprise for the sale and purchase of real estate properties. Subsequent to the reporting date, the Company is in discussions with banks to consider various options to settle debts that will include property swap.