

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

Consolidated financial statements
31 December 2013

Union Properties Public Joint Stock Company and its subsidiaries

Consolidated financial statements

31 December 2013

<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 –51

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 2013.

Financial Results

The Group income for 2013 reached AED 4,664.1 million (2012: AED 1,896.9 million) and net profit amounted to AED 1,579.7 million (2012: AED 175.8 million).

The Directors propose the following appropriations from retained earnings:

- According to the UAE Federal law no.8 of 1984 (as amended), 10% amounting to AED 158 million (2012: AED 17.6 million) has been transferred to the Statutory Reserve.
- The equity attributable to the shareholders of the Company as at 31 December 2013 amounted to AED 4,138.5 million (2012: AED 2,562.8 million) an increase by 61.5%. The Directors are proposing a bonus share dividend equal to 5% of the Company's paid up share capital, which is subject to approval at the forthcoming Annual General Meeting of the Company.
- Director's fees AED 4 million (2012: Nil).

Furthermore, the Directors' have not proposed General Reserve for 2013.

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 2013 at the Annual General Meeting held on 4 April 2013. M/s. KPMG are eligible for re-appointment for 2014 audit, and have expressed their willingness to continue in office.

On behalf of the Board



Khalid Bin Kalban
Chairman
Dubai



KPMG Lower Gulf Limited
P.O.Box 341145
Level 12, IT Plaza Tower
Dubai Silicon Oasis
Dubai
United Arab Emirates

Telephone +971 (4) 356 9500
Main Fax +971 (4) 326 3788
Audit Fax +971 (4) 326 3773
Website: www.ae-kpmg.com

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 2013, 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 2013, 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 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 2013, 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

23 FEB 2014

Union Properties Public Joint Stock Company and its subsidiaries

Consolidated income statement for the year ended 31 December 2013

	<i>Note</i>	2013 AED'000	2012 AED'000
Property management and sales revenue	5(a)	1,155,548	467,707
Contracting and other operating activities	5(b)	1,127,642	1,174,551
Gain on sale of investment properties	12(b)	26,777	14,724
Share in profit of joint ventures	30(a) and (b)	76,645	10,273
Gain on valuation of properties	12 (c)	2,104,724	207,686
Finance income	7	3,441	13,185
Other income	9	169,346	8,768
Total income		4,664,123	1,896,894
Direct costs	5	(2,049,027)	(1,398,905)
Administrative and general expenses	6	(104,599)	(145,097)
Finance expense	8	(930,842)	(177,103)
Profit for the year attributable to the shareholders of the Company		1,579,655	175,789
Basic and diluted earnings per share (AED)	33	0.47	0.05

The notes on pages 8 to 51 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 2013

	2013 AED'000	2012 AED'000
Profit for the year	1,579,655	175,789
Other comprehensive income for the year		
<i>Items that will be or maybe reclassified subsequently to profit or loss</i>		
Net movement in cash flow hedge	(34)	81
Total comprehensive profit for the year	1,579,621	175,870

The notes on pages 8 to 51 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

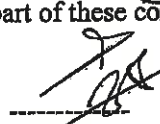
Consolidated statement of financial position at 31 December 2013

	Note	2013 AED'000	2012 AED'000
ASSETS			
Non-current assets			
Intangible assets	10	295	295
Property, plant and equipment	11	114,945	129,285
Investment properties	12	5,092,655	4,611,050
Development properties	13	80,926	1,194,758
Investment in joint ventures	30(a) and (b)	530,798	464,153
Non-current receivables	14	100,650	151,677
		<u>5,920,269</u>	<u>6,551,218</u>
Current assets			
Other investments	15	190,987	5,294
Inventories	16	31,244	33,168
Contract work-in-progress	17	366,503	187,651
Trade and other receivables	18	603,262	1,952,185
Due from related parties	19	10,092	134,916
Cash in hand and at bank	20	329,456	227,467
		<u>1,531,544</u>	<u>2,540,681</u>
Total assets		<u>7,451,813</u>	<u>9,091,899</u>
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)	175,545	17,579
General reserve	29(b)	313,697	313,697
Hedging reserve	29(c)	-	34
Retained earnings/(accumulated losses)		287,385	(1,130,304)
Total equity attributable to the shareholders of the Company		<u>4,138,486</u>	<u>2,562,865</u>
Non-current liabilities			
Long-term bank loans	24	1,078,154	2,998,270
Advances from sale of properties	22(b)	108,293	275,784
Deferred income	25	-	26,438
Non-current payables	26	5,564	14,804
Provision for staff terminal benefits	27	80,579	79,975
		<u>1,272,590</u>	<u>3,395,271</u>
Current liabilities			
Trade and other payables	21	1,374,488	2,406,712
Advances and deposits	22(a)	173,230	65,951
Due to related parties	19	1,966	16,836
Short-term bank borrowings	23	131,053	106,357
Current portion of long-term bank loans	24	360,000	537,907
		<u>2,040,737</u>	<u>3,133,763</u>
Total liabilities		<u>3,313,327</u>	<u>6,529,034</u>
Total equity and liabilities		<u>7,451,813</u>	<u>9,091,899</u>

The notes on pages 8 to 51 form part of these consolidated financial statements.

23 FEB 2014


Chairman


Director

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 2013

	Note	2013 AED'000	2012 AED'000
Operating activities			
Profit for the year		1,579,655	175,789
Adjustments for:			
Depreciation	11	18,461	18,861
Gain on disposal of investment properties	12(b)	(26,777)	(14,724)
Gain on valuation of properties	12(c)	(2,104,724)	(207,686)
Share in profit of joint ventures	30(a) and (b)	(76,645)	(64,263)
Gain on disposal of property, plant and equipment	9	-	(4)
Income from government grant	9 and 25	(26,438)	(2,250)
Finance income	7	(3,441)	(13,185)
Finance expense	8	930,842	177,103
Operating profit before working capital changes		290,933	69,641
Change in other investments		(186,127)	(470)
Change in trade and other receivables		310,364	(13,632)
Change in inventories		1,924	8,772
Change in contract work-in-progress		(178,852)	53,885
Change in non-current receivables		51,027	14,856
Change in due from related parties		124,824	(101,229)
Change in trade and other payables		(741,570)	(108,282)
Change in due to related parties		15,630	(9,981)
Change in non-current payables		(270,220)	(2,202)
Change in advances and deposits		107,279	(65,316)
Change in staff terminal benefits (net)		65,775	1,275
Net cash used in operating activities		(409,013)	(152,683)
Investing activities			
Additions to property, plant and equipment	11	(9,183)	(24,187)
Additions to investment properties	12	(6,092)	-
Additions to development properties (net)	13	(1,074)	(92,405)
Dividend income		10,000	25,000
Proceeds from disposal of property, plant and equipment		-	3,800
Proceeds from disposal of properties	12(b) and 13	2,648,091	567,426
Interest income		3,441	13,185
Change in deposit with banks		(58,105)	(5,763)
Net cash from investing activities		2,587,078	487,057
Financing activities			
Long-term bank loans availed		-	76,425
Net movement in trust receipts	23	(40,959)	23,906
Repayment of long-term bank loans	24(a)	(2,098,023)	(309,323)
Interest paid		(89,172)	(161,410)
Change in advances from sale of properties		28,318	59,794
Net cash used in financing activities		(2,199,836)	(310,608)
Net (decrease)/increase in cash and cash equivalents		(21,771)	23,766
Cash and cash equivalents at the beginning of the year		144,769	121,003
Cash and cash equivalents at the end of the year	20(a)	122,998	144,769

The notes on pages 8 to 51 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 2013

	Share capital AED'000	Treasury shares AED'000	Statutory reserve AED'000	General reserve AED'000	Hedging reserve AED'000	Retained earnings (accumulated losses) AED'000	Total AED'000
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 2013	<u>3,366,857</u>	<u>(4,998)</u>	<u>17,579</u>	<u>313,697</u>	<u>34</u>	<u>(1,130,304)</u>	<u>2,562,865</u>
At 1 January 2013	3,366,857	(4,998)	17,579	313,697	34	(1,130,304)	2,562,865
Total comprehensive profit for the year	-	-	-	-	(34)	1,579,655	1,579,621
Other equity movements							
Transfer to statutory reserve (refer note 29 (a))	-	-	157,966	-	-	(157,966)	-
Director's fees (refer note 32)	-	-	-	-	-	(4,000)	(4,000)
At 31 December 2013	<u>3,366,857</u>	<u>(4,998)</u>	<u>175,545</u>	<u>313,697</u>	<u>-</u>	<u>287,385</u>	<u>4,138,486</u>

The notes on pages 8 to 51 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 2.1.

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 and securities 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 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.
Gmamco Saudi LLC	Saudi	100%	Central air-conditioning, requisites manufacturing, fire fighting equipment assembling.
ServeU LLC	UAE	100%	Facilities management, security, mechanical, electrical and plumbing works and energy management services.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

2 Basis of preparation (continued)

2.1 Basis of consolidation (continued)

Entity	Incorporated in	Effective ownership	Principal activities
Subsidiaries			
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.
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.
OITC Thermo WLL	Qatar	50%	Contracting of mechanical, electrical and plumbing works of building projects and facilities management services. Refer note 31.
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)

2.1 Basis of consolidation (continued)

(a) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(b) Joint ventures

Jointly control entities are entities in which the Group has joint control, whereby the Group has rights to the net assets of the entities, rather than rights to its assets and obligations for its liabilities. Interests in the jointly controlled entities are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

(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.

2.2 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).

2.3 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.

2.4 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.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

2 Basis of preparation (continued)

2.5 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.

2.6 Change in accounting policies

Except for the changes below, the Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of application of 1 January 2013.

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)
- IFRS 10 Consolidated Financial Statements (2011)
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time now have to be presented separately from items that will never be reclassified. The amendment affected presentation only and had no impact on the Group's financial position.

IFRS 10 Consolidated Financial Statements

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including:

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

2 Basis of preparation (continued)

2.6 Change in accounting policies (continued)

IFRS 10 Consolidated Financial Statements (continued)

- an investor has power over an investee;
- the investor has exposure, or rights, to variable returns from its involvement with the investee; and
- the investor has the ability to use its power over the investee to affect the amount of the investor's returns.

IFRS 10 had no impact on the consolidation of investments held by the Group.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method. IFRS 11 had no impact on the Group's financial position.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 had no impact on the Group's financial position.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group. IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. Affecting the consolidated financial statements. The Group provides these disclosures in notes 12 and 36(e).

In addition to the above-mentioned amendments and new standards, IFRS 1 First-time Adoption of International Financial Reporting Standards was amended with effect for reporting periods starting on or after 1 January 2013. The Group is not a first-time adopter of IFRS, therefore, this amendment is not relevant to the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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 (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. The impairment test for goodwill is based on the revocable amount of the cash generating unit to which the goodwill relates. 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.

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.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

3 Significant accounting policies (continued)

Investment properties (continued)

(a) Recognition (continued)

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.

(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.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

3 Significant accounting policies (continued)

Investment properties (continued)

(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 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 2013, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

3 Significant accounting policies (continued)

New standards and interpretations not yet effective (continued)

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 additional changes 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) are effective for annual periods beginning on or after 1 January 2015, with early adoption permitted.

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.

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.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

4 Financial risk management and capital management (continued)

(a) Credit risk (continued)

(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. 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.

(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.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

4 Financial risk management and capital management (continued)

(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
2013			
Revenue	77,269	1,078,279	1,155,548
Direct costs	(61,849)	(936,426)	(998,275)
Gross profit	15,420	141,853	157,273
2012			
Revenue	214,009	253,698	467,707
Direct costs	(198,276)	(222,933)	(421,209)
Gross profit	15,733	30,765	46,498

(b) Contracting and other operating activities

	Contracting AED'000	Hospitality AED'000	Others AED'000	Total AED'000
2013				
Revenue	1,071,088	1,988	54,566	1,127,642
Direct costs	(1,013,296)	(790)	(36,666)	(1,050,752)
Gross profit	57,792	1,198	17,900	76,890
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

The direct costs include staff costs amounting to AED 212.3 million (2012: AED 273.6 million) and depreciation amounting to AED 7.4 million (2012: AED 6.6 million).

6 Administrative and general expenses

	2013 AED'000	2012 AED'000
<i>These include the following:</i>		
Staff costs	59,862	53,950
Professional fees and licenses	7,548	7,901
Depreciation	11,029	12,241
Office expenses	9,969	10,665

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

7 Finance income

	2013 AED'000	2012 AED'000
Interest income (refer note 15)	3,221	642
Change in the amortized cost and carrying value of retention receivables (refer note 14(a))	220	12,073
Gain on revaluation of other investments (refer note 15)	-	470
	<u>3,441</u>	<u>13,185</u>

8 Finance expense

	2013 AED'000	2012 AED'000
Provision for doubtful debts on contract and trade receivables (refer note 36(a))	841,236	15,693
Interest expense on financial liabilities	89,172	161,410
Loss on revaluation of other investments (refer note 15 (c))	434	-
	<u>930,842</u>	<u>177,103</u>

9 Other income

	2013 AED'000	2012 AED'000
Gain on disposal of property, plant and equipment	-	4
Miscellaneous income	12,908	6,514
Positive saving on account of liabilities (refer note (i) below)	130,000	-
Income from government grant (refer note 25)	26,438	2,250
	<u>169,346</u>	<u>8,768</u>

- (i) During the current year, the Company have had positive saving of AED 130 million on account of liabilities negotiated and settlements with the contractors of certain projects.

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 2012	2,838	40,481	43,319
At 31 December 2012	2,838	40,481	43,319
At 1 January 2013	2,838	-	2,838
At 31 December 2013	2,838	-	2,838
Amortization			
At 1 January 2012	2,543	-	2,543
Impairment loss for the year	-	40,481	40,481
At 31 December 2012	2,543	40,481	43,024
At 1 January 2013	2,543	-	2,543
At 31 December 2013	2,543	-	2,543
Carrying amount			
At 31 December 2013	295	-	295
At 31 December 2012	295	-	295

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
2013					
Cost					
Land	39,288	-	-	-	39,288
Buildings and leasehold improvements (refer note 12)	103,196	116	6,904	(4,000)	106,216
Plant and machinery	33,181	240	-	(1,007)	32,414
Furniture, fixtures and office equipments	98,448	3,801	-	(18,584)	83,665
Motor vehicles	56,977	1,723	-	(1,899)	56,801
Gymnasium equipments	1,303	-	-	(278)	1,025
Equipment and tools	6,642	3,303	-	(150)	9,795
Capital work-in-progress	3,309	-	-	(115)	3,194
	<u>342,344</u>	<u>9,183</u>	<u>6,904</u>	<u>(26,033)</u>	<u>332,398</u>
Accumulated depreciation					
Buildings and leasehold improvements	53,461	10,379	-	(2,400)	61,440
Plant and machinery	21,374	2,908	-	(309)	23,973
Furniture, fixtures and office equipments	85,282	2,387	-	(9,288)	78,381
Motor vehicles	46,118	1,744	-	(1,801)	46,061
Gymnasium equipments	1,119	1	-	(187)	933
Equipment and tools	5,705	1,042	-	(82)	6,665
	<u>213,059</u>	<u>18,461</u>	<u>-</u>	<u>(14,067)</u>	<u>217,453</u>
Net book value	<u>129,285</u>				<u>114,945</u>
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
	<u>342,303</u>	<u>24,187</u>	<u>(19,485)</u>	<u>(4,661)</u>	<u>342,344</u>
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
	<u>210,748</u>	<u>18,861</u>	<u>(15,685)</u>	<u>(865)</u>	<u>213,059</u>
Net book value	<u>131,555</u>				<u>129,285</u>

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

12 Investment properties

	2013 AED'000	2012 AED'000
At 1 January	4,611,050	4,266,030
Additions during the year	6,092	92,049
Transfer from development properties (refer note (a) below and note 13)	140,451	597,987
Transfer to property, plant and equipment (refer note 11)	(6,904)	-
Sale of investment properties (refer note (b) below)	(1,762,758)	(552,702)
Gain on fair valuation (refer note (c) below)	2,104,724	207,686
At 31 December	<u>5,092,655</u>	<u>4,611,050</u>

The fair value measurement for investment property of AED 5,092.7 million (2012: AED 4,611.1 million) has been categorised as a Level 3 fair value based on the inputs to the valuation technique used. For different levels of fair value hierarchy refer note 36(e).

(a) Transfer from development properties

The Board of Directors of the Company have reassessed the use of certain development properties. Accordingly, properties amounting to AED 140.5 million (2012: AED 598.0 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 1,762.8 million (2012: AED 552.7 million) for AED 1,789.6 million (2012: AED 567.4 million) resulting in a net gain of AED 26.8 million (2012: net gain AED 14.7 million). Also refer note 19.

(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. The independent valuers provide the fair value of the Group's investment property portfolio every six months.

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. These values are adjusted for differences in key attributes such as property size.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

12 Investment properties (continued)

(c) Valuation of investment properties (continued)

For property under construction, the valuation was determined using residual value approach incorporating a combination of both the income and cost approaches. The market value estimate of these properties is on the assumption that the properties are complete as at the date of valuation, and from which appropriate deductions are made for the costs to complete the project in order to estimate the value of the property in its present condition.

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 2,104.8 million (2012: fair value gain AED 207.7 million) has been recognized in the profit or loss.

13 Development properties

	2013 AED'000	2012 AED'000
At 1 January	1,194,758	1,555,536
Additions during the year	54,510	460,142
Cost of properties sold	(1,027,891)	(222,933)
Transfer to investment properties (refer note 12(a))	(140,451)	(597,987)
At 31 December	<u>80,926</u>	<u>1,194,758</u>

(a) Impairment provision

The management carries out a detailed review of its development properties portfolio as at each reporting date.

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 as at reporting date. Accordingly, no impairment loss has been recognized in the profit and loss for the year ended 31 December 2013.

14 Non-current receivables

	2013 AED'000	2012 AED'000
Retention receivables (refer note (a) below)	99,950	150,977
Other receivables	700	700
	<u>100,650</u>	<u>151,677</u>

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

14 Non-current receivables (continued)

(a) Retention receivables

	2013 AED'000	2012 AED'000
At 31 December	226,189	278,582
Less: difference between the amortized cost and carrying value of retention receivable (refer to note 7)	(8,083)	(8,303)
	<u>218,106</u>	<u>270,279</u>
<i>Disclosed in the consolidated statement of financial position:</i>		
Non-current retention receivables	99,950	150,977
Current portion of retention receivables (refer note 18)	118,156	119,302
	<u>218,106</u>	<u>270,279</u>

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

15 Other investments

	2013 AED'000	2012 AED'000
At 1 January	5,294	4,824
Additions (refer note 23 (c))	186,127	-
(Loss)/gain on revaluation to fair value (refer note 8)	(434)	470
At 31 December	<u>190,987</u>	<u>5,294</u>

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 2013			
Other investment	<u>186,487</u>	<u>4,500</u>	<u>190,987</u>
31 December 2012			
Other investment	<u>794</u>	<u>4,500</u>	<u>5,294</u>

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

15 Other investments (continued)

The following table shows reconciliation from the opening balances to the closing balances for level 1 of fair values.

Level 1:

	2013 AED'000	2012 AED'000
Investment securities		
Opening balance	794	324
Additions	186,127	-
Total gains or loss - net: -in the consolidated income statement	(434)	470
Closing balance	<u>186,487</u>	<u>794</u>

(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 2013.

(c) Other investments in financial instruments

During the current year, the Company has invested AED 184.4 million in various financial instruments held for short term purposes. The market value of these financial instruments as at the reporting date is AED 184.0, also the Company has recognized interest income AED 2.9 million. These investments at fair value through profit or loss are pledged towards the credit line facility obtained during the current year specifically for these investments. The Board of Directors have approved these investments and confirmed that they are held for short term purposes. Also refer notes 7 and 23(c).

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

	2013 AED'000	2012 AED'000
Project related material	25,512	26,724
Stock-in-trade	5,381	6,541
Spares and consumables	885	909
Less: provision for slow moving materials	(534)	(1,006)
	<u>31,244</u>	<u>33,168</u>

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

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

	2013 AED'000	2012 AED'000
Costs plus attributable profit less foreseeable losses	7,009,780	8,486,107
Less: progress billings	(6,693,458)	(8,456,910)
	<u>316,322</u>	<u>29,197</u>
<i>Disclosed in the consolidated statement of financial position:</i>		
Contract work-in-progress	366,503	187,651
Billings in excess of valuation (refer note 21)	(50,181)	(158,454)
	<u>316,322</u>	<u>29,197</u>

18 Trade and other receivables

	2013 AED'000	2012 AED'000
Financial instruments		
Trade and contract receivables	2,164,682	2,448,009
Property sales receivables	8,400	17,055
Retention receivables (refer note 14(a))	118,156	119,302
	<u>2,291,238</u>	<u>2,584,366</u>
Less: provision for doubtful receivables (refer note 36(a))	(1,770,137)	(941,141)
	<u>521,101</u>	<u>1,643,225</u>
Other receivables	54,156	162,728
Total (A)	<u>575,257</u>	<u>1,805,953</u>
Non-financial instruments		
Advances to contractors	4,749	119,178
Prepayments and advances	23,256	27,054
Total (B)	<u>28,005</u>	<u>146,232</u>
Total (A+B)	<u>603,262</u>	<u>1,952,185</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:

	2013 AED'000	2012 AED'000
Project management income and income from contracts	49,797	61,903
Long-term loans obtained from a related party, a bank	-	76,425
Long-term loans re-paid to related party, a bank	1,968,873	-
Interest earned from deposit	293	542
Interest on bank overdraft	1,920	1,988
Interest on term loans	56,073	108,559
Sale of properties (refer note 12 & 13)	2,459,635	98,000
Funds with a joint venture (refer (i) below)	-	123,253
Fund received from 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	7,316	8,578
- Provision towards employees terminal benefits	346	325

- (i) During the current year, the Company received an amount of AED 123.3 from a joint venture which was held in trust by a joint venture.
- (ii) The Board of Directors of the Company has approved sale of certain properties amounting to AED 2,459.6 million to related parties. The prices for these transactions had been determined based on an open market valuation carried out by an independent valuer. The proceeds from these sale of properties are used to settle loans taken from various banks, in particular an amount of AED 1,968.9 million to a related party, a bank. Also refer notes 12, 13 and 24(b).

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.

20 Cash in hand and at bank

	2013 AED'000	2012 AED'000
Cash in hand	1,075	756
Cash at bank		
- in deposit accounts held under lien	36,119	-
- in current accounts	164,707	201,855
- in other deposit accounts	88,269	7,556
- in other deposit accounts for maturity date more than 3 months	39,286	17,300
	<u>329,456</u>	<u>227,467</u>

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

20 Cash in hand and at bank (continued)

(a) Cash and cash equivalents

	2013 AED'000	2012 AED'000
Cash and cash equivalents comprise:		
Cash in hand and at bank (excluding deposit under lien and deposit accounts for maturity date more than 3 months)	254,051	210,167
Bank overdrafts (refer note 23)	(131,053)	(46,007)
Bills/cheques discounted (refer note 23)	-	(19,391)
	<u>122,998</u>	<u>144,769</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 related party, a bank, amounting to AED 52.5 million (2012: AED 144.3 million).

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

21 Trade and other payables

	2013 AED'000	2012 AED'000
Financial instruments		
Trade payables	689,207	850,663
Retention payables	67,386	100,223
Other payables and accruals (refer note (a) below)	567,714	1,297,406
Payable on interest rate swap (refer note 29(c))	-	(34)
Total (A)	<u>1,324,307</u>	<u>2,248,258</u>
Non-financial instruments		
Billings in excess of valuation (refer note 17)	50,181	158,454
Total (B)	<u>50,181</u>	<u>158,454</u>
Total (A+B)	<u>1,374,488</u>	<u>2,406,712</u>

(a) Other payables and accruals

	2013 AED'000	2012 AED'000
Other payables and accruals include:		
Payable for purchase of land	-	53,128
Provision for staff related payables	83,065	99,362
Provisions for payment to contractors cost	109,188	516,296

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

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

22 Advances and deposits

(a) Current portion of advances and deposits

	2013 AED'000	2012 AED'000
Financial instruments		
Security deposits	4,444	12,693
Total (A)	<u>4,444</u>	<u>12,693</u>
Non-financial instruments		
Advances relating to construction contracts	156,967	35,395
Income received in advance	11,819	17,863
Total (B)	<u>168,786</u>	<u>53,258</u>
Total (A+B)	<u>173,230</u>	<u>65,951</u>

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

(b) Non-current portion of advances and deposits

	2013 AED'000	2012 AED'000
Non-financial instruments		
Advances from sale of properties (refer note (i) below)	108,293	275,784

- (i) Advances from sale of properties represent advances received from customers against the sale of properties in accordance with the payment schedule as stated in the sale and purchase agreement whereby the 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.

	2013 AED'000	2012 AED'000
Bank overdrafts	131,053	46,007
Bills/cheques discounted	-	19,391
Trust receipts	-	40,959
	<u>131,053</u>	<u>106,357</u>

(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.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

23 Short-term bank borrowings (continued)

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

Short-term bank borrowings include AED 0.4 million (2012: AED 43.5 million) due to a related party, a bank.

(c) Credit line facility

During the current year, the Company has utilised from new credit line facility an amount of AED 95.5 million to invest in certain financial investments. This borrowing carry interest at normal commercial rates. Refer note 15.

(d) Securities

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

- (i) Promissory notes;
- (ii) Joint and several guarantees of the Company;
- (iii) Investment at fair value through profit or loss amounting to AED 184.4 million;
- (iv) 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
- (v) Assignment of certain contract and retention receivables (refer note 18).

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.

	2013 AED'000	2012 AED'000
At 31 December	1,438,154	3,536,177
Less: Current portion	(360,000)	(537,907)
Non-current portion	<u>1,078,154</u>	<u>2,998,270</u>

The long term bank loans carries interest at normal commercial rates.

(a) Movement in long-term bank loans

	2013 AED'000	2012 AED'000
The movement in long-term bank loans is as under:		
At 1 January	3,536,177	3,769,075
Availed during the year	-	76,425
Repayments during the year	(2,098,023)	(309,323)
At 31 December	<u>1,438,154</u>	<u>3,536,177</u>

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

24 Long-term bank loans (continued)

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

- (i) During the previous years, the Group had renegotiated the terms and conditions of certain bank overdrafts amounting to AED 300 million and had converted into a long-term bank loan. This loan was repayable in 12 semi-annual instalments commencing from 1 January 2013. The loan outstanding as at 31 December 2012 was AED 89.2 million. However, during the year, the Company has repaid fully the loan amount.
- (ii) During the previous year, the Group had entered into an agreement with a related party, a bank, to obtain a term loan of AED 1,078.2 million which was utilized by the Group to settle the outstanding short-term bank borrowings existing as at that date. This term loan was repayable in 10 equal semi-annual instalments commencing on April 2014. During the current year, the repayment terms have been revised and the loan is now repayable in 6 equal annual instalments of AED 100 million commencing 30 June 2016 and the last payment amounting to AED 478.2 million payable on 30 June 2022. At 31 December 2013, the loan amount outstanding is AED 1,078.2 million (2012: AED 1,078.2 million). The long-term bank loan is secured by:
 - a. Corporate guarantee of the Company;
 - b. Assignment of certain contract and retention receivables; and
 - c. Promissory note of AED 1,078.2 million.
- (iii) During the previous years, the Company had obtained a term loan facility of AED 1,370.3 million from a related party, a bank. As at 31 December 2012, this loan amount outstanding was AED 130.8 million. However, during the year, the Company has repaid fully the loan amount. Also refer to note 19.
- (iv) The Company had a term loan facility of AED 290 million from a bank, which was repayable in 40 quarterly instalments commencing from 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 2014. During the year the Company has repaid AED 40 million. However, the management is in continuous process of renegotiating the repayment terms with the bank and are confident that this loan will be restructure in due course. At 31 December 2013, the loan amount outstanding is AED 360 million (2012: 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.
- (v) During the previous year, the Group has entered into an agreement with a related party, a bank, consolidating significant loans under one agreement. As per the revised repayment terms, the loan amount was AED 1,838.0 million and was repayable in 5 equal annual instalments commencing from 28 February 2017. However, during the year the Company has repaid fully the loan amount through sale of properties. Also refer to note 19.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

25 Deferred income

	2013 AED'000	2012 AED'000
At 1 January	26,438	28,688
Less: income recognized during the year (refer note 9)	(26,438)	(2,250)
At 31 December	-	26,438

In 2003, the Company had received a plot of land from the Government of Dubai as a grant. The grant of land comprise 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 comprised the remaining part of the land area and had no conditions attached to it other than compliance with relevant local regulations. The land and the associated grant had 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 fair value of the other land was recognized as income in the year 2003 as it had no conditions attached to it.

Until the previous year, the grant relating to the Autodrome land had been recognized in the consolidated financial statements as deferred income over the useful life of the Autodrome of 20 years. However, during the current year, the Company has either handed over units which were sold in Motor city or transferred the unsold units in Motor city to investment properties. These were the trigger points of recognising the remaining balance of deferred income in the profit or loss, as in the earlier years the cost of constructing Autodrome was transferred as part of direct cost of developing Motor City project. Accordingly, the Company have recognized the remaining balance of deferred income in the profit and loss as other income during the year ended 31 December 2013. Also refer notes 12 & 13.

26 Non-current payables

	2013 AED'000	2012 AED'000
Retention payables	364	6,369
Other payables	5,200	8,435
	<u>5,564</u>	<u>14,804</u>

27 Provision for staff terminal benefits

	2013 AED'000	2012 AED'000
At 1 January	79,975	78,700
Provision made during the year	17,244	14,479
Payments made during the year	(16,640)	(13,204)
At 31 December	<u>80,579</u>	<u>79,975</u>

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

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

28 Share capital and treasury shares

	2013 AED'000	2012 AED'000
<i>Issued and fully paid up:</i>		
3,366,856,483 (2012: 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 (2012: 1,329,109)	(4,998)	(4,998)
shares of par value of AED 1 each		
At 31 December	3,361,859	3,361,859

At 31 December 2013, 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.

During the year ended, the Board of Directors have proposed bonus shares of 5% from the Company paid up share capital, which will be approved in the Annual General Meeting.

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 157.9 million (2012: AED 17.6 million) to the statutory reserve.

(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 current year and the previous years, the Board of Directors have recommended not to transfer 10% of the annual net profit to general reserve.

(c) 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.

In the earlier years, the Group had obtained certain new range accrual interest rate swaps with periodic knockout structure to hedge its long-term loan portfolio. The swap was used to protect the long-term bank loans taken by the Company from exposure to any increase in interest rates. During the current year, these interest rate swaps were terminated and settled. The amount credited to hedging reserve was transferred to the consolidated income statement.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

30 Interest in other 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:

	2013 AED'000	2012 AED'000
Financial position:		
Non-current assets	237,445	143,008
Current assets	88,676	147,834
Non-current liabilities	(56,500)	(574)
Current liabilities	(31,935)	(106,834)
Inter-company elimination	(6,736)	(6,376)
Net assets	230,950	177,058
Results of operations:		
Income	249,016	70,611
Expenses	(185,124)	(68,551)
Profit	63,892	2,060

During the year Properties Investment LLC proposed and paid dividend amounting AED 10 million (2012: AED 25 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.

At 31 December 2013, 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:

	2013 AED'000	2012 AED'000
Financial position:		
Non-current assets	756,853	755,356
Current assets	79,776	58,176
Non-current liabilities	(424,676)	(393,971)
Current liabilities	(113,440)	(133,801)
Net assets	298,513	285,760
Results of operations:		
Income	91,233	109,088
Expenses	(78,480)	(100,875)
Profit	12,753	8,213

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

30 Interest in joint ventures (continued)

(b) Emirates District Cooling LLC (continued)

During the previous year, the Company had 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 2012 and commencing from the completion of development at Motor City, the Company expensed during last year a one-time accumulated cost adjustment for chilled water supply by Emicool amounting to AED 108 million which had been accounted as an income by Emicool. Accordingly, the 50% share of the Company on that income had been recognized as a reduction to the cost adjustment. In addition, the Company had reduced direct costs by AED 81.4 million on account of Emicool's share of infrastructure cost at Motor City.

(c) Interest in jointly ventures

In the earlier years, the Group had entered into certain other jointly ventures 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 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 had 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.

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.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

33 Basic and diluted earnings per share

	2013	2012
Profit attributable to shareholders (AED'000)	1,579,655	175,789
Weighted average number of shares	3,365,527,374	3,365,527,374

34 Capital commitments and contingent liabilities

(a) Capital commitments

	2013 AED'000	2012 AED'000
<i>Company and its subsidiaries</i>		
Commitments:		
Letters of credit	49,669	30,463
Capital commitments	390,940	390,940
Contingent liabilities:		
Letters of guarantee	572,432	642,775
<i>Jointly controlled entities</i>		
Contingent liabilities:		
Letters of guarantee (refer to note (i) below)	396,254	396,254

- (i) A Corporate guarantee was issued in the previous year 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
2013				
Segment revenue	1,155,548	1,071,088	56,554	2,283,190
Finance income	3,151	290	-	3,441
Gain on sale of investment properties	26,777	-	-	26,777
Gain on valuation of properties	2,104,724	-	-	2,104,724
Other income	162,909	4,976	1,461	169,346
Share in profit of joint venture	63,892	-	12,753	76,645
Total Income	3,517,001	1,076,354	70,768	4,664,123
Direct Cost	(998,275)	(1,013,296)	(37,456)	(2,049,027)
Administrative and general expenses	(34,964)	(55,013)	(15,056)	(105,033)
Finance expense	(49,439)	(880,969)	-	(930,408)
Profit/(loss) for the year	2,434,323	(872,924)	18,256	1,579,655
Segment assets	5,595,848	1,259,871	65,296	6,921,015
Investment in joint ventures	230,950	-	299,848	530,798
Total assets	5,826,798	1,259,871	365,144	7,451,813
Segment liabilities	992,063	2,261,437	59,828	3,313,327
Capital expenditure	61,183	4,465	4,137	69,785
Depreciation	2,800	12,985	2,676	18,461
2012				
Segment revenue	467,707	1,083,805	90,746	1,642,258
Finance income	917	12,247	21	13,185
Gain on sale of investment properties	14,724	-	-	14,724
Gain on valuation of properties	207,686	-	-	207,686
Other income	4,790	2,543	1,435	8,768
Share in profit of joint venture	2,060	-	8,213	10,273
Total Income	697,884	1,098,595	100,415	1,896,894
Direct Cost	(421,209)	(922,849)	(54,847)	(1,398,905)
Administrative and general expenses	(41,311)	(59,552)	(44,234)	(145,097)
Finance expense	(116,059)	(61,044)	-	(177,103)
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	177,058	-	287,095	464,153
Total assets	5,738,727	2,835,025	518,147	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

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 2013							
Financial assets							
Non-current receivables	14	-	100,650	-	-	100,650	100,650
Other investments	15	190,987	-	-	-	190,987	190,987
Trade and other receivables	18	-	575,257	-	-	575,257	575,257
Due from related parties	19	-	10,092	-	-	10,092	10,092
Cash in hand and at bank	20	-	329,456	-	-	329,456	329,456
Total		190,987	1,015,455	-	-	1,206,442	1,206,442
Financial liabilities							
Trade and other payables	21	-	-	1,324,307	-	1,324,307	1,324,307
Security deposits	22(a)	-	-	4,444	-	4,444	4,444
Due to related parties	19	-	-	1,966	-	1,966	1,966
Short-term bank borrowings	23	-	-	131,053	-	131,053	131,053
Long-term bank loans	24	-	-	1,438,154	-	1,438,154	1,438,154
Non-current payables	26	-	-	5,564	-	5,564	5,564
Total		-	-	2,905,488	-	2,905,488	2,905,488

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 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)

(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	2013 AED'000	2012 AED'000
Non-current receivables	14	100,650	151,677
Other investments	15	190,987	5,294
Trade and other receivables	18	575,257	1,805,953
Due from related parties	19	10,092	134,916
Cash at bank	20	328,381	226,711
		<u>1,205,367</u>	<u>2,324,551</u>

Trade and other receivables (including non-current receivables) include an amount of AED 8.4 million (2012: AED 17.1 million) on sale of property where the legal ownership to the property is retained by the Group as a collateral. At 31 December 2013, the fair value of the properties held as collateral by the Group approximates to AED 8.4 million (2012: AED 17.1 million).

Impairment losses

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

	2013		2012	
	Gross AED'000	Provision AED'000	Gross AED'000	Provision AED'000
Not past due	135,336	-	335,439	-
Past due 1 - 90 days	182,995	-	273,977	700
Past due 91 - 365 days	313,927	11,207	337,946	2,996
More than one year	1,758,930	1,758,930	1,787,981	937,445
Total	<u>2,391,188</u>	<u>1,770,137</u>	<u>2,735,343</u>	<u>941,141</u>

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 in the recent past, the construction industry in the UAE continue to 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 further provision of AED 841.2 million (2012: AED 15.7 million) for the year ended 31 December 2013 and a cumulative provision of AED 1,770.1 million (2012: AED 941.1 million) as at 31 December 2013 has been recognised for contract receivables to mitigate any potential losses which may be incurred in future.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

36 Financial instruments (continued)

(a) Credit risk (continued)

The movement in the provision for doubtful debts in respect of trade/contract receivables during the year is as follows:

	2013 AED'000	2012 AED'000
At 1 January	941,141	925,733
Provision for the year (refer note 8)	841,236	15,693
Amounts written off/provision reversed during the year	(12,240)	(285)
At 31 December (refer note 18)	1,770,137	941,141

(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:

	Note	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 2013					
Non-derivative financial instruments					
Trade and other payables	21	1,324,307	1,324,307	1,324,307	
Security deposits	22(a)	4,444	4,444	4,444	
Due to related parties	19	1,966	1,966	1,966	
Short-term bank borrowings	23	131,053	137,606	137,606	
Long-term bank loans	24	1,438,154	1,725,785	432,000	1,293,785
Non-current payables	26	5,564	5,564	-	5,564
Total		2,905,488	3,199,672	1,900,323	1,299,349
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

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

	2013 AED'000	2012 AED'000
Fixed rate instruments		
Cash at bank – in deposit accounts	163,624	24,780

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

	2013 AED'000	2012 AED'000
Variable rate instruments		
Short-term bank borrowings	131,053	106,357
Long-term bank loans	1,438,154	3,536,177
	1,569,207	3,642,534

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 2013		
Variable rate instruments	(26,059)	26,059
31 December 2012		
Variable rate instruments	(37,654)	37,654

Also refer note 29.

(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 1.9 million (2012: AED 0.53 million); an equal change in the opposite direction would have decreased the fair value of the securities by AED 1.9 million (2012: AED 0.53 million). The analysis is performed on the same basis for 2012.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

36 Financial instruments (continued)

(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 have other investments and investment properties which are stated at fair value. Also refer to note 12 and 15.

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
31 December 2013				
Other investment	186,487	-	4,500	190,987
Investment properties	-	-	5,092,655	5,092,655
31 December 2012				
Other investment	794	34	4,500	5,328
Investment properties	-	-	4,611,050	4,611,050

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

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 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.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

37 Significant estimates and judgements (continued)

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.

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 2013 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.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

37 Significant estimates and judgements (continued)

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.

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.