

Union Properties
Public Joint Stock Company
and its subsidiaries

Consolidated financial statements
31 December 2011

Union Properties Public Joint Stock Company and its subsidiaries

Consolidated financial statements

31 December 2011

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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 2011.

Financial Results

The Group has made a profit before property valuation provisions of AED 194.3 million (compared to AED 185.6 million in the Year 2010).

Revenue for 2011 reached AED 4,924.6 million and net loss after non-cash provisions for property valuations amounted to AED 1,569.9 million.

As the Group sustained a net loss, the Directors propose no dividends, and there will be no appropriations to Statutory Reserve, General Reserve or Directors' fees payable for the Year 2011.

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 2011 at the Annual General Meeting held on 21 April 2011. M/s. KPMG are eligible for re-appointment for 2012 audit, and have expressed their willingness to continue in office.

On behalf of the Board


Khalid Bin Kalban
Chairman
Dubai





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Independent auditors' report

The Shareholders
Union Properties Public Joint Stock Company

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Union Properties Public Joint Stock Company ("the Company") and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2011, the consolidated statements of comprehensive income (comprising 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 2011, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the relevant Articles of the Company and the UAE Federal Law No. 8 of 1984 (as amended).

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, that proper books of accounts have been kept by the Company, a physical count of inventories was carried out by management in accordance with established principles and the contents of the Directors' report which relate to these consolidated financial statements are in agreement with the Company's financial records. We are not aware of any violation of the above mentioned Law and the Articles of Association having occurred during the year ended 31 December 2011, 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

29 FEB 2012

Union Properties Public Joint Stock Company and its subsidiaries

Consolidated income statement for the year ended 31 December 2011

		2011			2010		
		Property management and sales	Other operating activities	Total	Property management and sales	Other operating activities	Total
	Note	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Revenue	5	3,341,549	1,583,037	4,924,586	1,342,140	1,526,159	2,868,299
Direct costs	5	(2,884,747)	(1,298,704)	(4,183,451)	(1,006,365)	(1,244,130)	(2,250,495)
Gross profit		456,802	284,333	741,135	335,775	282,029	617,804
Administrative and general expenses	6			(175,648)			(191,686)
Finance income	7(a)			2,369			2,064
Finance expense	7(b)			(397,492)			(317,097)
Other income	9			12,003			30,064
(Loss)/gain on sale of investment properties	12(b)			(2,101)			8,868
Share in profit of joint ventures	30(a) and (b)			14,012			35,545
Profit for the year before valuation of properties				194,278			185,562
Loss on valuation of properties	12 (c) and 13(a)			(1,764,202)			(1,714,839)
Loss for the year attributable to the shareholders of the Company				(1,569,924)			(1,529,277)
Basic and diluted earnings per share (AED)	33			(0.47)			(0.45)

The notes on pages 8 to 54 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 2011

	2011 AED'000	2010 AED'000
Loss for the year	(1,569,924)	(1,529,277)
Other comprehensive income for the year		
Net movement in cash flow hedge	114	1,326
Total comprehensive loss for the year	(1,569,810) =====	(1,527,951) =====

The notes on pages 8 to 54 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 2011

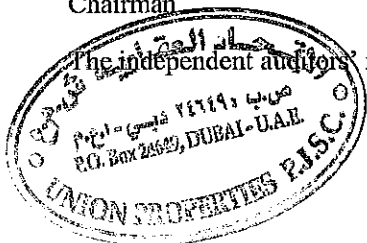
	Note	2011 AED'000	2010 AED'000
ASSETS			
Non-current assets			
Intangible assets	10	40,776	40,776
Property, plant and equipment	11	131,555	208,734
Investment properties	12	4,266,030	2,915,450
Development properties	13	1,555,536	6,506,615
Investment in joint ventures	30(a) and (b)	424,890	430,878
Non-current receivables	14	166,533	147,280
		<u>6,585,320</u>	<u>10,249,733</u>
Current assets			
Other investments	15	4,824	5,031
Inventories	16	41,940	1,565,348
Contract work-in-progress	17	241,536	357,883
Trade and other receivables	18	2,035,692	2,211,947
Due from related parties	19	33,687	8,954
Cash in hand and at bank	20	234,769	488,793
		<u>2,592,448</u>	<u>4,637,956</u>
Total assets		<u>9,177,768</u>	<u>14,887,689</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)	-	1,467,573
General reserve	29(b)	313,697	313,697
Hedging reserve	29(d)	(47)	(161)
Revaluation surplus	29(c)	-	39,507
Accumulated losses		<u>(1,288,514)</u>	<u>(1,225,670)</u>
Total equity attributable to the shareholders of the Company		<u>2,386,995</u>	<u>3,956,805</u>
Non-current liabilities			
Long-term bank loans	24	2,796,223	4,418,603
Advances from sale of properties	22(b)	455,813	1,993,566
Deferred income	25	28,688	30,938
Non-current payables	26	17,006	59,761
Provision for staff terminal benefits	27	78,700	79,842
		<u>3,376,430</u>	<u>6,582,710</u>
Current liabilities			
Trade and other payables	21	2,170,929	2,026,594
Advances and deposits	22(a)	124,463	189,428
Due to related parties	19	26,817	42,061
Short-term bank borrowings	23	119,282	294,490
Current portion of long-term bank loans	24	972,852	1,795,601
		<u>3,414,343</u>	<u>4,348,174</u>
Total liabilities		<u>6,790,773</u>	<u>10,930,884</u>
Total equity and liabilities		<u>9,177,768</u>	<u>14,887,689</u>

The notes on pages 8 to 54 form part of these consolidated financial statements.

Chairman

Director

29 FEB 2012



Union Properties Public Joint Stock Company and its subsidiaries

Consolidated statement of cash flows

for the year ended 31 December 2011

	Note	2011 AED'000	2010 AED'000
Operating activities			
Loss for the year		(1,569,924)	(1,529,277)
Adjustments for:			
Depreciation	11	21,662	33,998
Loss/(gain) on disposal of investment properties	12(b)	2,101	(8,868)
Loss on valuation of properties	12(c) and 13(a)	1,764,202	1,714,839
Share in profit of joint ventures	30(a) and (b)	(14,012)	(35,545)
Loss/(gain) on disposal of property, plant and equipment	9	283	(120)
Income from government grant	9	(2,250)	(2,250)
Finance income	7(a)	(2,369)	(2,064)
Finance expense	7(b)	397,492	317,097
		-----	-----
Operating profit before working capital changes		597,185	487,810
Change in trade and other receivables		141,839	31,069
Change in inventories		1,523,408	40,824
Change in contract work-in-progress		116,347	113,516
Change in non-current receivables		(22,212)	(3,628)
Change in due from related parties		(24,733)	2,795
Change in trade and other payables		(171,492)	(204,373)
Change in due to related parties		(15,244)	21,746
Change in non-current payables		(42,755)	(773)
Change in advances and deposits		(64,965)	(37,441)
Change in staff terminal benefits (net)		(1,142)	(2,457)
		-----	-----
Net cash from operating activities		2,036,236	449,088
		-----	-----
Investing activities			
Additions to property, plant and equipment	11	(6,093)	(43,206)
Additions to investment properties	12	-	(5,632)
Additions to development properties (net)	13	986,988	(458,120)
Dividend income		20,000	-
Investment in joint venture		-	(3,690)
Proceeds from disposal of property, plant and equipment		188	612
Proceeds from disposal of investment properties		1,249,467	165,035
Interest income		2,369	2,064
Change in deposit with banks		142,171	-
		-----	-----
Net cash from/(used in) investing activities		2,395,090	(342,937)
		-----	-----
Financing activities			
Proceeds from long-term bank loans		415,611	1,402,338
Net movement in short-term bank borrowings		(12,111)	(24,555)
Repayment of long-term bank loans		(2,860,740)	(1,153,170)
Interest paid		(359,910)	(284,398)
Change in advances from sale of properties		(1,562,932)	664,258
		-----	-----
Net cash (used in)/from financing activities		(4,380,082)	604,473
		-----	-----
Net increase in cash and cash equivalents		51,244	710,624
Cash and cash equivalents at the beginning of the year		69,759	(640,865)
		-----	-----
Cash and cash equivalents at the end of the year	20(a)	121,003	69,759
		=====	=====

The notes on pages 8 to 54 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 2011

	Share capital AED'000	Treasury shares AED'000	Statutory reserve AED'000	General reserve AED'000	Hedging reserve AED'000	Revaluation surplus AED'000	Accumulated losses AED'000	Total AED'000
At 1 January 2010	3,366,857	(4,998)	1,467,573	313,697	(1,487)	39,507	303,607	5,484,756
Total comprehensive loss for the year	-	-	-	-	1,326	-	(1,529,277)	(1,527,951)
At 31 December 2010	3,366,857	(4,998)	1,467,573	313,697	(161)	39,507	(1,225,670)	3,956,805
	=====	=====	=====	=====	=====	=====	=====	=====
At 1 January 2011	3,366,857	(4,998)	1,467,573	313,697	(161)	39,507	(1,225,670)	3,956,805
Total comprehensive loss for the year	-	-	-	-	114	-	(1,569,924)	(1,569,810)
Other equity movements								
Transfer to accumulated losses (refer note 29 (a))	-	-	(1,467,573)	-	-	-	1,467,573	-
Transfer to accumulated losses (refer note 29 (c))	-	-	-	-	-	(39,507)	39,507	-
At 31 December 2011	3,366,857	(4,998)	-	313,697	(47)	-	(1,288,514)	2,386,995
	=====	=====	=====	=====	=====	=====	=====	=====

The notes on pages 8 to 54 form part of these consolidated financial statements.

Union Properties Public Joint Stock Company and its subsidiaries

Notes

(forming part of the consolidated financial information)

1 Legal status and principal activities

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

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

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

2 Basis of preparation

2.1 Financial commitments

The Group has incurred a loss of AED 1,569.9 million for the year ended 31 December 2011 and has accumulated losses of AED 1,288.5 million as at that date. Furthermore, the Group has financial commitments of AED 3,888.4 million of which an amount of AED 1,092.1 million is due within twelve months from the reporting date.

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

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

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

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

2 Basis of preparation (continued)

2.2 Basis of consolidation

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

Entity	Incorporated in	Effective ownership	Principal activities
Subsidiaries			
Thermo LLC	UAE	100%	Contracting of mechanical, electrical, and plumbing works of building projects, facilities management services.
Gulf Mechanical Air-Conditioning Acoustic Manufacturing. (GMAMCO) LLC	UAE	100%	Manufacturing of air conditions ducts, fire dampers and attenuators.
ServeU LLC	UAE	100%	Facilities management, security, mechanical, electrical and plumbing works and energy management services.
EDARA LLC	UAE	100%	Project management services.
Dubai Autodrome LLC	UAE	100%	Building, management and consultancy for all types of race tracks and related developments for all types of motor racing.
OITC Thermo WLL	Qatar	50%	Contracting of mechanical, electrical and plumbing works of building projects and facilities management services.
The Fitout LLC	UAE	100%	Manufacturing and interior decoration.
Speedcar Series Limited	British Virgin Islands	100%	Organising and providing speed cars for international motor races. The Company is in the process of being liquidated.
Joint ventures			
Properties Investment LLC	UAE	50%	Investment in and development of properties and property related activities.
Emirates District Cooling LLC	UAE	50%	Constructing, installing and operating cooling and conditioning systems.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

2 Basis of preparation (continued)

2.2 Basis of consolidation (continued)

(a) Subsidiaries

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

(b) Joint ventures

(i) Jointly controlled entities

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

(ii) Jointly controlled operations

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

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

(c) Transactions eliminated on consolidation

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

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

2 Basis of preparation (continued)

2.3 Statement of compliance

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

2.4 Basis of measurement

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

2.5 Functional and presentation currency

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

2.6 Use of estimates and judgements

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

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

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

3 Significant accounting policies

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

Revenue

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

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

3 Significant accounting policies (continued)

Revenue recognition

(a) Goods sold and services rendered

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

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

(b) Contracting

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

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

(c) Rental income

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

(d) Government grant

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

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

3 Significant accounting policies (continued)

Finance income and expense

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

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

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

Intangible assets

(a) Goodwill

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

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

(b) Other intangible assets

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

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

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

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

3 Significant accounting policies (continued)

Property, plant and equipment and depreciation

(a) Owned assets

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

(b) Depreciation

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

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

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

(c) Capital work-in-progress

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

(d) Transfers from/(to) development properties

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

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

3 Significant accounting policies (continued)

Investment properties

(a) Recognition

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

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

(b) Measurement

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

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

(c) Property interest under an operating lease

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

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

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

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

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

3 Significant accounting policies (continued)

Investment properties (continued)

(e) Transfer from development properties to investment properties

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

(f) Sale of investment properties

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

Development properties

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

Financial instruments

(a) Non-derivative financial instruments

Non-derivative financial instruments comprise non-current receivables, investment in marketable securities, 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.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

3 Significant accounting policies (continued)

New standards and interpretations not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2011 and have therefore not been applied in preparing these consolidated financial statements. The application of such new standards, amendments to standards and interpretations are not expected to result in any change in the accounting policies adopted by the Group and have a material impact on the consolidated financial statements.

4 Financial risk management and capital management

Overview

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

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

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), investment in marketable securities, 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. Approximately, 60% of the Group's contract receivables and 50% of the contract work-in-progress is attributable to a single government customer. However, the Group works for this client through various main contractors. The Board of Directors' constantly review and assess the credit as well as business risk of having such a significant exposure to a single client.

(iii) Allowance for impairment

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

(iv) Guarantees

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

(b) Liquidity risk

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

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
2011			
Revenue	286,719	3,054,830	3,341,549
Direct costs	(273,370)	(2,611,377)	(2,884,747)
	-----	-----	-----
Gross profit	13,349	443,453	456,802
	=====	=====	=====
2010			
Revenue	242,430	1,099,710	1,342,140
Direct costs	(145,252)	(861,113)	(1,006,365)
	-----	-----	-----
Gross profit	97,178	238,597	335,775
	=====	=====	=====

B. Other operating activities

	Contracting AED'000	Hospitality AED'000	Others AED'000	Total AED'000
2011				
Revenue	1,495,705	29,755	57,577	1,583,037
Direct costs	(1,246,177)	(17,184)	(35,343)	(1,298,704)
	-----	-----	-----	-----
Gross profit	249,528	12,571	22,234	284,333
	=====	=====	=====	=====
2010				
Revenue	1,442,951	29,263	53,945	1,526,159
Direct costs	(1,189,852)	(16,675)	(37,603)	(1,244,130)
	-----	-----	-----	-----
Gross profit	253,099	12,588	16,342	282,029
	=====	=====	=====	=====

The direct costs include staff costs amounting to AED 266.5 million (2010: AED 359.4 million) and depreciation amounting to AED 11.7 million (2010: AED 15.1 million).

6 Administrative and general expenses

	2011 AED'000	2010 AED'000
<i>These include the following:</i>		
Staff costs	72,113	70,134
Marketing and advertising expenses	1,717	3,219
Depreciation	9,997	18,892
	=====	=====

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

7 Finance income and expense

(a) Finance income

	2011 AED'000	2010 AED'000
Interest income	2,369	2,064
	-----	-----
	2,369	2,064
	=====	=====

(b) Finance expense

Provision for doubtful debts on contract and trade receivables (refer note 36(a))	34,416	30,965
Interest expense on financial liabilities	359,910	284,398
Change in the fair value of retention receivables (refer note 14(a))	2,959	1,734
Change in the fair value of investment in marketable securities (refer note 15)	207	-
	-----	-----
	397,492	317,097
	=====	=====

8 Provision for contracting related activities

The Group's business segments primarily relate to investment in and development of properties and contracting activities in the UAE. Due to global economic crisis faced across the world since 2008, the real estate sector and the construction industry in the UAE has witnessed an increasingly difficult operating credit and liquidity issues.

This could potentially affect the ability of the Group's contracting related activities to recover fully certain receivables on work done and certified and work done and yet to be certified. Accordingly, a provision of AED 750 million has been created as at the reporting date for contract receivables to mitigate any potential losses which may be incurred in future. Also refer note 18.

9 Other income

	2011 AED'000	2010 AED'000
Gain on disposal of property, plant and equipment	-	120
Miscellaneous income	9,753	27,694
Income from government grant (refer note 25)	2,250	2,250
	-----	-----
	12,003	30,064
	=====	=====

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

10 Intangible assets

	Goodwill	Other	Total
	AED'000	intangible assets	AED'000
		AED'000	AED'000
Cost			
At 1 January 2010	2,838	40,481	43,319
	-----	-----	-----
At 31 December 2010	2,838	40,481	43,319
	-----	-----	-----
At 1 January 2011	2,838	40,481	43,319
	-----	-----	-----
At 31 December 2011	2,838	40,481	43,319
	-----	-----	-----
Amortization			
At 1 January 2010	2,543	-	2,543
	-----	-----	-----
At 31 December 2010	2,543	-	2,543
	-----	-----	-----
At 1 January 2011	2,543	-	2,543
	-----	-----	-----
At 31 December 2011	2,543	-	2,543
	-----	-----	-----
Carrying amount			
At 31 December 2011	295	40,481	40,776
	===	=====	=====
At 31 December 2010	295	40,481	40,776
	===	=====	=====

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

As at the reporting date, the Formula One Theme park project has not been launched. The Board of Directors of the Company have reviewed the carrying value of the other intangible assets. In their opinion, the carrying value of other intangible assets is not impaired (although the related asset is partially impaired) and accordingly, no provision needs to be recognized in profit or loss for the year ended 31 December 2011.

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
2011					
Cost					
Land	39,288	-	-	-	39,288
Buildings and leasehold improvements	153,568	1,633	(61,611)	-	93,590
Plant and machinery	33,924	335	-	(1,382)	32,877
Furniture, fixtures and office equipments	104,481	1,865	-	(1,063)	105,283
Motor vehicles	53,702	1,475	-	(664)	54,513
Gymnasium equipments	1,585	16	-	(30)	1,571
Equipment and tools	5,596	769	-	(30)	6,335
Capital work-in-progress	13,932	-	(5,086)	-	8,846
	-----	-----	-----	-----	-----
	406,076	6,093	(66,697)	(3,169)	342,303
	-----	-----	-----	-----	-----
Accumulated depreciation					
Buildings and leasehold improvements	46,124	8,995	(5,558)	-	49,561
Plant and machinery	17,239	2,600	-	(1,132)	18,707
Furniture, fixtures and office equipments	86,867	5,377	-	(892)	91,352
Motor vehicles	40,438	4,127	-	(625)	43,940
Gymnasium equipments	1,374	50	-	(19)	1,405
Equipment and tools	5,300	513	-	(30)	5,783
	-----	-----	-----	-----	-----
	197,342	21,662	(5,558)	(2,698)	210,748
	-----	-----	-----	-----	-----
Net book value	208,734				131,555
	=====				=====
2010					
Cost					
Land	39,288	-	-	-	39,288
Buildings and leasehold improvements (refer note (a) below and 13)	133,224	20,344	-	-	153,568
Plant and machinery	33,563	643	-	(282)	33,924
Furniture, fixtures and office equipments	99,426	9,072	-	(4,017)	104,481
Motor vehicles	54,100	937	-	(1,335)	53,702
Gymnasium equipments	1,524	61	-	-	1,585
Equipment and tools	4,455	1,168	-	(27)	5,596
Capital work-in-progress	2,951	10,981	-	-	13,932
	-----	-----	-----	-----	-----
	368,531	43,206	-	(5,661)	406,076
	-----	-----	-----	-----	-----
Accumulated depreciation					
Buildings and leasehold improvements	34,901	11,223	-	-	46,124
Plant and machinery	14,544	2,742	-	(47)	17,239
Furniture, fixtures and office equipments	78,702	12,174	-	(4,009)	86,867
Motor vehicles	36,534	5,011	-	(1,107)	40,438
Gymnasium equipments	1,327	47	-	-	1,374
Equipment and tools	2,505	2,801	-	(6)	5,300
	-----	-----	-----	-----	-----
	168,513	33,998	-	(5,169)	197,342
	-----	-----	-----	-----	-----
Net book value	200,018				208,734
	=====				=====

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

12 Investment properties

	2011 AED'000	2010 AED'000
At 1 January	2,915,450	3,403,688
Additions during the year	25,179	62,357
Transfer from development properties (refer note (a) below and 13)	3,371,319	426,953
Transfer to inventories	-	(406,072)
Transfer from property, plant and equipment (refer note (d) below)	61,139	-
Sale of investment properties (refer note (b) below)	(1,251,568)	(251,167)
Loss on fair valuation (refer note (c) below)	(855,489)	(320,309)
	-----	-----
At 31 December	4,266,030	2,915,450
	=====	=====
Investment properties comprise:		
Freehold land and buildings	4,163,530	2,810,555
Buildings on leasehold land	102,500	104,895
	=====	=====

(a) Transfer from development properties

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

(b) Sale of investment properties

During the current year, the Group has sold various investment properties with a carrying value of AED 1,251.6 million resulting in a net loss of AED 2.1 million.

(c) Valuation of investment properties

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

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

12 Investment properties (continued)

(c) Valuation of investment properties (continued)

The fair values have been determined by taking into consideration the discounted cash flow revenues. 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.

Fair values have also been determined, where relevant, having regard to recent market transactions for similar properties in the same location as the Group's investment properties.

Furthermore, the valuation has been undertaken against a background of extreme instability in global finance markets which has also impacted the UAE financial market. It is yet to be fully seen how these changing conditions in the local property market will impact upon pricing in the short to medium term because the combined impact of the current macroeconomic instability, the reduction in financial liquidity and legislative changes is that potential buyers and sellers may be unwilling to commit to transactions at the current time and there are few transactions taking place in the market.

Based on the above valuation, a fair value loss of AED 855.5 million (*2010: AED 320.3 million*) has been recognized in the profit or loss.

(d) Transfer from property, plant and equipment

Property, plant and equipment with a net book value of AED 61.1 million have been transferred to investment properties following a change in use of such properties. In view of the management, the fair values of these items of property, plant and equipment are not significantly different from the net book value at the date of transfer.

(e) Mortgaged as security

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

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

13 Development properties

	2011 AED'000	2010 AED'000
At 1 January	6,506,615	9,971,509
Additions during the year	431,010	317,070
Cost of properties sold	(1,102,057)	(860,481)
Impairment provision (refer note (a) below)	(908,713)	(1,394,530)
Transfer to inventories	-	(1,100,000)
Transfer to investment properties (refer note 12(a))	(3,371,319)	(426,953)
At 31 December	1,555,536 =====	6,506,615 =====

(a) Impairment provision

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

The above has indicated that the value in use may be lower than the carrying value of certain properties. Accordingly, the Board of Directors of the Company are of the opinion that the carrying value of certain development properties (developed to be sold or transferred to investment properties) need to be reduced to its net realizable value. Accordingly, an impairment provision of AED 908.7 million has been recognized in the profit or loss for the year ended 31 December 2011, which in the opinion of the Board of Directors, would be adequate to mitigate any potential loss that may be incurred on sale of development properties in the foreseeable future.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

14 Non-current receivables

	2011 AED'000	2010 AED'000
Retention receivables (refer note (a) below)	165,918	145,168
Property sales receivables	-	1,337
Other receivables	615	775
	-----	-----
	166,533	147,280
	=====	=====

(a) Retention receivables

	2011 AED'000	2010 AED'000
At 31 December	329,975	352,497
Less: difference between fair value and face value of retention receivable	(20,376)	(17,417)
	-----	-----
	309,599	335,080
	=====	=====
<i>Disclosed in the consolidated statement of financial position:</i>		
Non-current retention receivables	165,918	145,168
Current portion of retention receivables (refer note 18)	143,681	189,912
	-----	-----
	309,599	335,080
	=====	=====

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

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

15 Investment in marketable securities

	2011 AED'000	2010 AED'000
At 1 January	5,031	5,031
Loss on revaluation to fair value	(207)	-
	-----	-----
At 31 December	4,824	5,031
	=====	=====

(a) Designated as 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 marketable securities stated at cost

The Group has invested 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 2011.

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

16 Inventories

	2011 AED'000	2010 AED'000
Trading properties (refer note (a) below)	-	1,506,072
Project related material	32,721	48,312
Stock-in-trade	9,214	14,393
Spares and consumables	887	3,972
Less: provision for slow moving materials	(882)	(7,401)
	-----	-----
	41,940	1,565,348
	=====	=====

(a) Trading properties

During the previous year, the Group had entered into sales and purchases agreements with third parties to sell certain properties. During the current year, the Group has handed over these properties to the buyers.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

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

	2011 AED'000	2010 AED'000
Costs plus attributable profit less foreseeable losses	7,681,116	7,140,008
Less: progress billings	(7,621,443)	(6,988,694)
	-----	-----
	59,673	151,314
	=====	=====
<i>Disclosed in the consolidated statement of financial position:</i>		
Contract work-in-progress	241,536	357,883
Billings in excess of valuation (refer note 21)	(181,863)	(206,569)
	-----	-----
	59,673	151,314
	=====	=====

18 Trade and other receivables

	2011 AED'000	2010 AED'000
Financial instruments		
Trade and contract receivables	2,430,506	2,351,101
Property sales receivables	102,717	231,550
Retention receivables (refer note 14(a))	143,681	189,912
	-----	-----
	2,676,904	2,772,563
Less: provision for doubtful receivables (refer note 36(a))	(175,733)	(193,855)
Less: provision for contracting related activities (refer note 8)	(750,000)	(750,000)
	-----	-----
	1,751,171	1,828,708
Other receivables	111,317	100,858
	-----	-----
Total (A)	1,862,488	1,929,566
	-----	-----
Non-financial instruments		
Advances to contractors	146,483	246,379
Prepayments and advances	26,721	36,002
	-----	-----
Total (B)	173,204	282,381
	-----	-----
Total (A+B)	2,035,692	2,211,947
	=====	=====

- (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:

	2011 AED'000	2010 AED'000
Project management income and income from contracts	71,813	32,976
Long-term loans obtained from consortium of banks for which a significant shareholder of the Company is the lead arranger	318,963	276,296
Interest earned from deposit with a significant shareholder, a bank	1,826	1,883
Interest on bank overdraft paid to a significant shareholder, a bank	2,364	23,465
Interest on term loans paid to a significant shareholder, a bank	273,782	334,610
Sale of properties	1,024,244	-
Advertisement expenses	-	169
Short-term loans from a related party	-	24,500
<i>Compensation to key management personnel are as follows:</i>		
- Salaries and other short term employee benefits	10,357	7,938
- Provision towards employees terminal benefits	329	216
	=====	=====

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

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

20 Cash in hand and at bank

	2011 AED'000	2010 AED'000
Cash in hand	5,167	782
Cash at bank		
– in deposit accounts held under lien	11,537	153,708
– in current accounts	154,424	289,975
– in other deposit accounts	63,641	44,328
	-----	-----
	234,769	488,793
	=====	=====

(a) Cash and cash equivalents

	2011 AED'000	2010 AED'000
Cash and cash equivalents comprise:		
Cash in hand and at bank (excluding deposit under lien (refer note 24(c)(v)))	223,232	335,085
Bank overdrafts (refer note 23)	(81,516)	(206,848)
Bills/cheques discounted (refer note 23)	(20,713)	(58,478)
	-----	-----
	121,003	69,759
	=====	=====

(b) Cash at bank in deposit accounts

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

(c) Balances with a related party

Cash at bank includes balances with a significant shareholder, a bank, amounting to AED 162.0 million (2010: AED 329.2 million).

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

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

21 Trade and other payables

	2011 AED'000	2010 AED'000
Financial instruments		
Trade payables	1,003,367	1,022,486
Retention payables	107,663	105,367
Other payables and accruals (refer note (a) below)	877,989	690,891
Payable on interest rate swap (refer note 29(d))	47	161
Directors' fees payable (refer note 32)	-	1,120
Total (A)	1,989,066	1,820,025
Non-financial instruments		
Billings in excess of valuation (refer note 17)	181,863	206,569
Total (B)	181,863	206,569
Total (A+B)	2,170,929	2,026,594

(a) Other payables and accruals

	2011 AED'000	2010 AED'000
Other payables and accruals include:		
Payable for purchase of land	53,128	59,128
Provision for staff related payables	92,852	116,798
Provisions for development properties cost	204,430	-

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

22 Advances and deposits

(a) Current portion of advances and deposits

	2011 AED'000	2010 AED'000
Financial instruments		
Security deposits	14,033	14,751
Total (A)	14,033	14,751
Non-financial instruments		
Advances relating to construction contracts	91,033	151,364
Income received in advance	19,397	23,313
Total (B)	110,430	174,677
Total (A+B)	124,463	189,428

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

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

22 Advances and deposits (continued)

(b) Non-current portion of advances and deposits

	2011 AED'000	2010 AED'000
Non-financial instruments		
Advances from sale of properties (refer note (i) below)	455,813	1,993,566
	=====	=====

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

23 Short-term bank borrowings

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

	2011 AED'000	2010 AED'000
Bank overdrafts	81,516	206,848
Bills/cheques discounted	20,713	58,478
Trust receipts	17,053	29,164
	-----	-----
	119,282	294,490
	=====	=====

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

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

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

Short-term bank borrowings include AED 43.0 million (2010: AED 84.5 million) due to a significant shareholder, a bank.

(c) Securities

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

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

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

24 Long-term bank loans

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

	2011 AED'000	2010 AED'000
At 31 December	3,769,075	6,214,204
Less: Current portion	(972,852)	(1,795,601)
	-----	-----
Non-current portion	2,796,223	4,418,603
	=====	=====

(a) Movement in long-term bank loans

	2011 AED'000	2010 AED'000
The movement in long-term bank loans is as under:		
At 1 January	6,214,204	5,965,036
Availed during the year	415,611	1,402,338
Repayments during the year	(2,860,740)	(1,153,170)
	-----	-----
At 31 December	3,769,075	6,214,204
	=====	=====

(b) Revision in the repayment terms of certain bank borrowings

- (i) During the previous year, the Group had obtained a term loan facility of AED 891 million from a significant shareholder, a bank, which was utilized to repay certain bank borrowings of the Group and was repayable in 3 equal annual instalments commencing 1 October 2013. During the current year, the loan has been increased to AED 976.5 million and the loan is now repayable in 3 equal annual instalments commencing 4 August 2016. At 31 December 2011, the loan amount outstanding is AED 889.6 million (2010: AED 853.1 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 rental income in respect of a property;
 - c. Assignment of insurance policy of a property; and
 - d. Assignment of sales receivables in respect of a property.
- (ii) During the previous year, the Group had renegotiated the terms and conditions of certain bank overdrafts amounting to AED 300 million and which was converted into a long-term bank loan. The loan was repayable in 4 semi-annual instalments commencing 1 January 2011. During the current year, the Group has renegotiated the repayment term of the long-term bank loan amounting to AED 214 million. The loan is now repayable in 1 instalment dated on 1 January 2012. At 31 December 2011, the loan amount outstanding is AED 214.5 million (2010: AED 205 million). The loan carries interest at normal commercial rates and is secured by assignment of receivables.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

24 Long-term bank loans (continued)

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

- (i) The Company had obtained a term loan facility of AED 2,750 million from a consortium of banks, including a significant shareholder, a bank. During the current year, the Company has restructured the loan, and the loan has been decreased to AED 1,978.0 million and the new loan is repayable in 3 equal annual instalments commencing 30 December 2016. Furthermore, an amount of AED 1,061.5 million has been settled during the year through sale of properties. At 31 December 2011, the loan amount outstanding is AED 916.5 million (*2010: AED 2,048.6 million*). This loan is secured by:
- a. Mortgage of properties;
 - b. Assignment of receivables in connection with the project financed; and
 - c. Assignment of lease proceeds of certain properties.
- (ii) During the previous year, the Group had entered into an agreement with a significant shareholder, a bank, to obtain a term loan of AED 1,078.2 million which would be utilized by the Group to settle the outstanding short-term bank borrowings existing as at that date. The above long-term bank loan carries interest at normal commercial rates and was repayable over a period of six years in quarterly instalments commencing April 2011. During the current year, the repayment terms have been revised and the loan is now repayable over a period of six years in quarterly instalments commencing April 2012. At 31 December 2011, the loan amount outstanding is AED 1,078.2 million (*2010: AED 1,078.2 million*). The long-term bank loan is secured by:
- a. Corporate guarantee of the Company;
 - b. Assignment of certain contract receivables; and
 - c. Promissory note of AED 1,078.2 million.
- (iii) During the previous years, the Company had obtained a term loan facility of AED 1,622 million from a significant shareholder, a bank, which was repayable in 6 semi-annual instalments commencing 30 June 2011. During the current year, the term loan facility has been decreased to AED 1,370.2 million and the loan is now repayable in one instalment on 30 June 2012. Furthermore, an amount of AED 1,024.2 million has been settled during the year through sale of properties. At 31 December 2011, the loan amount outstanding was AED 218 million (*2010: AED 1,554.8 million*). This loan is secured by:
- a. Deposit of title deeds of property together with an undertaking to create a legal mortgage over the property at any time during the tenure of the loan in the event of default; and
 - b. Assignment of insurance policy of a property.
- (iv) The Company had a term loan facility of AED 290 million from a bank, which was repayable in 40 quarterly instalments commencing 31 March 2006. During the previous years, the term loan facility was increased to AED 400 million and is fully repayable on October 2012. At 31 December 2011, the loan amount outstanding is AED 400 million (*2010: AED 400 million*). This loan is secured by:
- a. Deposit of title deed of a property together with an undertaking to create a legal mortgage over the property at any time during the tenure of the loan in the event of default;
 - b. Assignment of insurance policy of a property;
 - c. Assignment of lease proceeds of certain properties; and
 - d. A security cheque of AED 400 million which can be encashed by the bank in the event of default.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

24 Long-term bank loans (continued)

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

- (v) During the previous years, the Company had obtained a term loan facility of AED 100 million from a bank which was secured by a lien over fixed deposit. The outstanding loan of AED 74.5 million as at 31 December 2010 has been fully repaid during the current year.
- (vi) During the current year, the Company has obtained a term loan facility of AED 405 million from a significant shareholder, a bank, to finance the completion of remaining construction work for certain projects. The long term bank loan carries interest at normal commercial rates and is repayable in one instalment on 1 March 2014. At 31 December 2011, the Company has drawn down an amount of AED 52.3 million. The loan is secured by corporate guarantee of the Company.

25 Deferred income

	2011 AED'000	2010 AED'000
At 1 January	30,938	33,188
Less: income recognized during the year (refer note 9)	(2,250)	(2,250)
	-----	-----
At 31 December	28,688 =====	30,938 =====

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

The grant relating to the Autodrome land has been recognized in the consolidated financial statements as deferred income upto 31 December 2008 over the estimated useful life of the Autodrome of 20 years. During 2008, the Board of Directors resolved to transfer the book value of the Autodrome to development properties (refer note 11). Accordingly the remaining balance of deferred income as at 31 December 2011 would be recognized in the profit or loss as and when the units in the Motorcity project are sold or valued for investment properties.

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

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

26 Non-current payables

	2011 AED'000	2010 AED'000
Retention payables	8,268	59,761
Other payables	8,738	-
	-----	-----
	17,006	59,761
	=====	=====

27 Provision for staff terminal benefits

	2011 AED'000	2010 AED'000
At 1 January	79,842	82,299
Provision made during the year	17,002	16,844
Payments made during the year	(18,144)	(19,301)
	-----	-----
At 31 December	78,700	79,842
	=====	=====

The provision for staff terminal benefits, disclosed as a non-current liability, is calculated in accordance with the UAE Federal Labour Law and is based on the liability that would arise if the employment of the entire Group's staff were terminated at the reporting date.

28 Share capital and treasury shares

	2011 AED'000	2010 AED'000
<i>Issued and fully paid up:</i>		
3,366,856,483 (2010: 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 (2010: 1,329,109)		
shares of par value of AED 1 each	(4,998)	(4,998)
	-----	-----
At 31 December	3,361,859	3,361,859
	=====	=====

At 31 December 2011, the share capital comprised ordinary equity shares. All issued shares are fully paid-up. The holders of ordinary equity shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

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

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

29 Reserves

(a) Statutory reserve

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

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

(b) General reserve

According to the Articles of Association of the Company, 10% of the annual net profit is appropriated to general reserve. The transfer to general reserve may be suspended at the recommendation of the Board of Directors or when it equals 50% of the paid-up share capital.

(c) Revaluation surplus

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

(d) Hedging reserve

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

During the previous year, the Group obtained certain new range accrual interest rate swaps with periodic knockout structure to hedge its long-term loan portfolio representing a total notional amount of AED 206.2 million. The swap is used to protect the long-term bank loans taken by the Company from exposure to any increase in interest rates and has generated positive net cash inflow to the Company during the year. At 31 December 2011, the fair value loss on the interest rate swaps amounting to AED 0.1 million (2010: AED 0.2 million) has been debited to hedging reserve and included as part of equity.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

30 Interest in joint ventures

(a) Properties Investment LLC

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

	2011 AED'000	2010 AED'000
Financial position:		
Non-current assets	157,864	179,739
Current assets	96,910	126,121
Non-current liabilities	(1,037)	(1,042)
Current liabilities	(47,363)	(81,540)
Inter-company elimination	(6,376)	(6,376)
	-----	-----
Net assets	199,998	216,902
	=====	=====
Results of operations:		
Income	101,265	229,802
Expenses	(98,169)	(215,883)
	-----	-----
Profit	3,096	13,919
	=====	=====

(b) Emirates District Cooling LLC

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

At 31 December 2011, 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:

	2011 AED'000	2010 AED'000
Financial position:		
Non-current assets	708,033	688,876
Current assets	44,686	42,668
Non-current liabilities	(81,021)	(424,493)
Current liabilities	(446,806)	(93,075)
	-----	-----
Net assets	224,892	213,976
	=====	=====
Results of operations:		
Income	99,842	86,620
Expenses	(88,926)	(64,994)
	-----	-----
Profit	10,916	21,626
	=====	=====

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

30 Interest in joint ventures (continued)

(c) Interest in jointly controlled operations

During the previous years, the Group has entered into various joint ventures, the details of which are set out below:

- (i) During 2008, Thermo LLC had entered into an agreement with Amena Pipeline Construction LLC for mechanical, electrical and plumbing works and other contract works for Fuel Farm Aviation project under a joint venture.
- (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.

The details of the Group's share in the results of operations, assets and liabilities of the above mentioned jointly controlled operations included in the consolidated financial statements are as follows:

	2011 AED'000	2010 AED'000
Financial position:		
Assets	17,489	17,294
Liabilities	(195)	-
	-----	-----
Net assets	17,294	17,294
	=====	=====
Results of operations:		
Income	317	2,787
Expenses	(317)	(451)
	-----	-----
Profit	-	2,336
	=====	=====

31 Non-controlling interest

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

32 Directors' fees

This represents professional fees paid/payable to the Company's directors for serving on any committee, for devoting special time and attention to the business or affairs of the Company and for performing services outside the scope of their ordinary activities. In accordance with the interpretation of Article 118 of the UAE Federal Law No. 8 of 1984 by the Ministry of Economy & Commerce, directors' fees would be recognized as an appropriation of retained earnings. The Board of Directors' have not proposed any fees for 2011.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

33 Basic and diluted earnings per share

	2011	2010
Loss attributable to shareholders (AED'000)	(1,569,924)	(1,529,277)
Weighted average number of shares	3,365,527,374	3,365,527,374
	=====	=====

34 Capital commitments and contingent liabilities

(a) Capital commitments

	2011 AED'000	2010 AED'000
<i>Company and its subsidiaries</i>		
Commitments:		
Letters of credit	222,577	246,438
Capital commitments	390,940	1,233,411
	=====	=====
Contingent liabilities:		
Letters of guarantee	141,689	936,349
	=====	=====
<i>Jointly controlled entities</i>		
Commitments:		
Letters of credit	3,771	-
	=====	=====
Contingent liabilities:		
Letters of guarantee	-	295,408
	=====	=====

(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. Based on the information presently available, these contingent liabilities cannot be quantified at this stage and therefore, no provision is considered necessary for the year ended 31 December 2011.

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
2011				
Segment revenue	3,341,549	1,495,705	87,332	4,924,586
Segment result	456,802	249,528	34,805	741,135
Administrative and general expenses	(52,483)	(64,818)	(58,347)	(175,648)
Finance income	2,006	322	41	2,369
Finance expense	(298,148)	(99,344)	-	(397,492)
Loss on sale of investment properties	(2,101)	-	-	(2,101)
Other income	6,463	4,232	1,308	12,003
Share in profit of joint venture	3,096	-	10,916	14,012
Profit/(loss) for the year before valuation	115,635	89,920	(11,277)	194,278
Loss on valuation of properties	(1,764,202)	-	-	(1,764,202)
Profit/(loss) for the year	(1,648,567)	89,920	(11,277)	(1,569,924)
Segment assets	5,771,859	2,910,167	70,852	8,752,878
Investment in joint ventures	200,122	-	224,768	424,890
Total assets	5,971,981	2,910,167	295,620	9,177,768
Segment liabilities	4,456,043	2,255,444	79,286	6,790,773
Capital expenditure	457,310	8,912	1,146	467,368
Depreciation	7,247	10,820	3,595	21,662
2010				
Segment revenue	1,342,140	1,442,951	83,208	2,868,299
Segment result	335,775	253,099	28,930	617,804
Administrative and general expenses	(61,414)	(68,291)	(61,981)	(191,686)
Finance income	132	1,810	122	2,064
Finance expense	(221,771)	(89,971)	(5,355)	(317,097)
Gain on sale of investment properties	8,868	-	-	8,868
Other income	24,410	3,782	1,872	30,064
Share in profit of joint venture	13,919	-	21,626	35,545
Profit/(loss) for the year before valuation	99,919	100,429	(14,786)	185,562
Loss on valuation of investment properties	(1,714,839)	-	-	(1,714,839)
Profit/(loss) for the year	(1,614,920)	100,429	(14,786)	(1,529,277)
Segment assets	11,227,069	3,158,880	70,862	14,456,811
Investment in joint ventures	216,902	-	213,976	430,878
Total assets	11,443,971	3,158,880	284,838	14,887,689
Segment liabilities	8,399,058	2,486,519	45,307	10,930,884
Capital expenditure	389,128	20,283	13,222	422,633
Depreciation	13,715	9,627	10,656	33,998

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

36 Financial instruments

Financial assets of the Group include non-current receivables, investment in marketable securities, 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:

		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
	<i>Note</i>						
31 December 2011							
Financial assets							
Non-current receivables	14	-	166,533	-	-	166,533	166,533
Investment in marketable securities	15	4,824	-	-	-	4,824	4,824
Trade and other receivables	18	-	1,862,488	-	-	1,862,488	1,862,488
Due from related parties	19	-	33,687	-	-	33,687	33,687
Cash in hand and at bank	20	-	234,769	-	-	234,769	234,769
		-----	-----	---	---	-----	-----
Total		4,824	2,297,477	-	-	2,302,301	2,302,301
		=====	=====	==	==	=====	=====
Financial liabilities							
Trade and other payables	21	-	-	1,989,019	-	1,989,019	1,989,019
Security deposits	22(a)	-	-	14,033	-	14,033	14,033
Due to related parties	19	-	-	26,817	-	26,817	26,817
Short-term bank borrowings	23	-	-	119,282	-	119,282	119,282
Long-term bank loans	24	-	-	3,769,075	-	3,769,075	3,769,075
Non-current payables	26	-	-	17,006	-	17,006	17,006
Interest rate swaps	21	-	-	-	47	47	47
		----	---	-----	-----	-----	-----
Total		-	-	5,935,232	47	5,935,279	5,935,279
		==	==	=====	=====	=====	=====

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

36 Financial instruments (continued)

		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
	Note						
31 December 2010							
Financial assets							
Non-current receivables	14	-	147,280	-	-	147,280	147,280
Investment in marketable securities	15	5,031	-	-	-	5,031	5,031
Trade and other receivables	18	-	1,929,566	-	-	1,929,566	1,929,566
Due from related parties	19	-	8,954	-	-	8,954	8,954
Cash in hand and at bank	20	-	488,793	-	-	488,793	488,793
		-----	-----	----	---	-----	-----
Total		5,031	2,574,593	-	-	2,579,624	2,579,624
		=====	=====	==	==	=====	=====
Financial liabilities							
Trade and other payables	21	-	-	1,819,864	-	1,819,864	1,819,864
Security deposits	22(a)	-	-	14,751	-	14,751	14,751
Due to related parties	19	-	-	42,061	-	42,061	42,061
Short-term bank borrowings	23	-	-	294,490	-	294,490	294,490
Long-term bank loans	24	-	-	6,214,204	-	6,214,204	6,214,204
Non-current payables	26	-	-	59,761	-	59,761	59,761
Interest rate swaps	21	-	-	-	161	161	161
		----	---	-----	-----	-----	-----
Total		-	-	8,445,131	161	8,445,292	8,445,292
		==	==	=====	=====	=====	=====

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	2011 AED'000	2010 AED'000
Non-current receivables	14	166,533	147,280
Investment in marketable securities	15	4,824	5,031
Trade and other receivables	18	1,862,488	1,929,566
Due from related parties	19	33,687	8,954
Cash at bank	20	229,602	488,011
		-----	-----
		2,297,134	2,578,842
		=====	=====

Trade and other receivables (including non-current receivables) include an amount of AED 102.7 million (2010: AED 277.2 million) on sale of property where the legal ownership to the property is retained by the Group as a collateral. At 31 December 2011, the fair value of the properties held as collateral by the Group approximates to AED 102.7 million.

Impairment losses

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

	2011		2010	
	Gross AED'000	Provision AED'000	Gross AED'000	Provision AED'000
Not past due	166,533	-	146,505	-
Past due 1 – 90 days	749,201	-	694,150	-
Past due 91 – 365 days	339,594	3,786	494,804	-
More than one year	1,587,494	921,947	1,583,609	943,855
	-----	-----	-----	-----
Total	2,842,822	925,733	2,919,068	943,855
	=====	=====	=====	=====

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

	2011 AED'000	2010 AED'000
At 1 January	193,855	164,654
Provision for the year (refer note 7(b))	34,416	30,965
Amounts written off/provision reversed during the year	(52,538)	(1,764)
	-----	-----
At 31 December (refer note 18)	175,733	193,855
	=====	=====
Provision for contracting related activities (refer note 8)	750,000	750,000
	=====	=====

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

36 Financial instruments (continued)

(b) Liquidity risk

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

	Carrying amount AED'000	Contractual cash flows AED'000	Less than one year AED'000	More than one year AED'000
Financial liabilities				
31 December 2011				
Non-derivative financial instruments				
Trade and other payables	1,989,019	1,989,019	1,989,019	-
Security deposits	14,033	14,033	14,033	-
Due to related parties	26,817	26,817	26,817	-
Short-term bank borrowings	119,282	125,246	125,246	-
Long-term bank loans	3,769,075	4,522,890	1,167,422	3,355,468
Non-current payables	17,006	17,006	-	17,006
Derivative financial instruments				
Interest rate swaps	47	56	56	-
Total	5,935,279	6,695,067	3,322,593	3,372,474
	=====	=====	=====	=====
	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 2010				
Non-derivative financial instruments				
Trade and other payables	1,819,864	1,819,864	1,819,864	-
Security deposits	14,751	14,751	14,751	-
Due to related parties	42,061	42,061	42,061	-
Short-term bank borrowings	294,490	309,215	309,215	-
Long-term bank loans	6,214,204	7,457,045	2,154,721	5,302,324
Non-current payables	59,761	59,761	-	59,761
Derivative financial instruments				
Interest rate swaps	161	193	193	-
Total	8,445,292	9,702,890	4,340,805	5,362,085
	=====	=====	=====	=====

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

	2011 AED'000	2010 AED'000
Fixed rate instruments		
Cash at bank – in deposit accounts	75,001 =====	197,859 =====

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

	2011 AED'000	2010 AED'000
Variable rate instruments		
Short-term bank borrowings	119,282	294,490
Long-term bank loans	3,769,075	6,214,204
	-----	-----
	3,888,357 =====	6,508,694 =====

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 2011		
Variable rate instruments	(51,985) =====	51,985 =====
31 December 2010		
Variable rate instruments	(67,796) =====	67,796 =====

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

36 Financial instruments (continued)

(d) Equity price risk

Sensitivity analysis – equity price risk

Certain of the Group's quoted marketable equity investments are listed on the Dubai Financial Market. A ten percent increase in the price of its equity holding would have increased the fair value of the securities by AED 0.5 million (2010: AED 0.5 million); an equal change in the opposite direction would have decreased the fair value of the securities by AED 0.5 million (2010: AED 0.5 million). The analysis is performed on the same basis for 2010.

(e) Fair value hierarchy

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

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

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

	Level 1 AED'000	Level 3 AED'000	Total AED'000
31 December 2011			
Investment in marketable securities	324	4,500	4,824
	===	===	===
31 December 2010			
Investment in marketable securities	531	4,500	5,031
	====	====	====

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

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

37 Significant estimates and judgements

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

Going concern assumption

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

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

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

Revenue recognition for real estate properties

Revenue from sale of properties on 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.

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 project is 5-10% complete. 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 estimates often need to be revised as events occur and uncertainties are resolved. Therefore, the amount of contract revenue may increase or decrease from period to period.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

37 Significant estimates and judgements (continued)

Impairment losses on property, plant and equipment and intangible assets

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

Impairment losses on development properties

The Group's management reviews the development properties to assess impairment, if there is an indication of impairment. In determining whether impairment losses should be recognized in the profit or loss, the management assesses the current selling prices of the property units and the anticipated costs for completion of such property units for properties which remain unsold at the reporting date. If the current selling prices are lower than the anticipated costs to complete, an impairment provision is recognized for the identified loss event or condition to reduce the cost of development properties to its net realizable value.

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 2011 and the management has not highlighted any requirement for an adjustment to the residual values and remaining useful lives of the assets for the current or future periods. However, these will be reviewed again in the next year.

Valuation of investment properties

The Group obtains fair values for all its investment properties based on an open market valuation carried out by an independent registered valuer (also refer note 12(c)).

Provision for obsolete inventory

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

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

37 Significant estimates and judgements (continued)

Provisions on 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.