Union Properties
Public Joint Stock Company
and its subsidiaries

Consolidated financial statements

31 December 2009

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Directors' Report

The Directors have the pleasure of presenting their report together with the audited consolidated statements of Union Properties Public Joint Stock Company and its subsidiaries ("the Group") for the year ended 31 December 2009.

Financial Results

The Group has made a net profit before contracting related activities and property valuation provisions of AED 372 million (a reduction of 3% over the AED 383 million in the Year 2008).

Revenue for 2009 reached AED 4,392 million (growth of 21% compared to 2008) and net loss after non-cash provisions for contracting related activities and property valuations of AED 498 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 2009.

Directors

The Board of Directors comprised of:

Mr. Khalid Bin Kalban	Chairman
Mr. Saeed Mohammed Al Sharid	Vice Chairman
Mr. Mohammed Omar Bin Haider	Director
Mr. Abdulaziz Al Serkal	Director
Mr. Ali Al Fardan	Director
Mr. Hamad Buamim	Director

Auditors

M/s. KPMG were appointed as auditors of the Company for the year ended 31 December 2009 at the Annual General Meeting held on 20 April 2009. M/s. KPMG are eligible for re-appointment for 2010 audit, and have expressed their willingness to continue in office.

On behalf of the Board

Khalid Bin Kalban
Chairman
Dubai

KPMG

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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 2009, and the related consolidated statement of comprehensive income (comprising consolidated statement of comprehensive income and a separate consolidated income statement), consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of 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 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 on the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 2009, 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 Group'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 2009, which may have had a material adverse effect on the business of the Group or its financial position.

KPMG

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

16 MAR 2010

Union Properties Public Joint Stock Company and its subsidiaries

Consolidated income statement
for the year ended 31 December 2009

	Note	2009 Property management and sales AED'000	2009 Other operating activities AED'000	2009 Total AED'000	2008 Property management and sales AED'000	2008 Other operating activities AED'000	2008 Total AED'000
Revenue	*5*	**2,286,003**	**2,105,679**	**4,391,682**	354,209	3,282,797	3,637,006
Direct costs	*5*	**(1,856,991)**	**(1,728,490)**	**(3,585,481)**	(109,520)	(3,031,621)	(3,141,141)
Gross profit		**429,012**	**377,189**	**806,201**	244,689	251,176	495,865
Administrative and general expenses	*6*			**(191,476)**			(238,559)
Finance income	*7(a)*			**1,755**			1,497
Finance expense	*7(b)*			**(293,655)**			(108,016)
(Loss)/gain on valuation of properties	*12 and 13(a)*			**(620,385)**			880,114
Gain on sale of investment properties	*12(b)*			**3,000**			153,930
Provision for contracting related activities	*8*			**(250,000)**			(500,000)
Other income	*9*			**23,794**			20,154
Share of profit in joint ventures	*30(a) and (b)*			**22,623**			58,115
(Loss)/profit for the year attributable to the shareholders of the Company				**(498,143)**			763,100
Basic and diluted earnings per share (AED)	*33*			**(0.15)**			0.23

The notes on pages 9 to 57 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 2009

	2009	2008
	AED'000	AED'000
(Loss)/profit for the year	**(498,143)**	763,100
Other comprehensive income and expense		
Director's fees	**-**	(6,880)
Net movement in cash flow hedge	**2,571**	(704)
	----------	----------
Total recognized income and expense for the year	**(495,572)**	755,516
	======	======

The notes on pages 9 to 57 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 2009

	Note	2009 AED'000	2008 AED'000
ASSETS			
Non-current assets			
Intangible assets	*10*	**40,776**	40,776
Property, plant and equipment	*11*	**200,018**	151,270
Investment properties	*12*	**3,403,688**	3,278,662
Development properties	*13*	**9,971,509**	11,831,575
Investment in joint ventures	*30(a) and (b)*	**391,643**	373,020
Non-current receivables	*14*	**145,386**	203,265
		14,153,020	15,878,568
Current assets			
Investment in marketable securities	*15*	**5,031**	6,401
Inventories	*16*	**100,100**	118,299
Contract work-in-progress	*17*	**471,399**	185,224
Trade and other receivables	*18*	**2,178,981**	2,773,061
Due from related parties	*19*	**11,749**	7,949
Cash in hand and at bank	*20*	**544,572**	250,791
		3,311,832	3,341,725
Total assets		**17,464,852**	19,220,293
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	*28*	**3,366,857**	3,060,779
Treasury shares	*28*	**(4,998)**	(4,998)
Proposed bonus shares	*28*	**-**	306,078
Statutory reserve	*29(a)*	**1,467,573**	1,467,573
General reserve	*29(a)*	**313,697**	313,697
Revaluation surplus	*29(b)*	**39,507**	39,507
Hedging reserve	*29(c)*	**(1,487)**	(4,058)
Retained earnings		**303,607**	801,750
Total equity attributable to the shareholders of the Company		**5,484,756**	5,980,328
Non-current liabilities			
Long-term bank loans	*24*	**4,677,352**	2,078,337
Advances from sale of properties	*22(b)*	**1,974,114**	2,574,364
Deferred income	*25*	**33,188**	35,438
Non-current payables	*26*	**60,534**	82,586
Provision for staff terminal benefits	*27*	**82,299**	85,757
		6,827,487	4,856,482
Current liabilities			
Trade and other payables	*21*	**2,532,293**	3,665,217
Advances and deposits	*22(a)*	**226,869**	380,522
Due to related parties	*19*	**20,315**	5,537
Short-term bank borrowings	*23*	**1,085,448**	1,816,363
Current portion of long-term bank loans	*24*	**1,287,684**	2,515,844
		5,152,609	8,383,483
Total liabilities		**11,980,096**	13,239,965
Total equity and liabilities		**17,464,852**	19,220,293

The notes on pages 9 to 57 form part of these consolidated financial statements.

16 MAR 2010

Director   General Manager

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

Union Properties Public Joint Stock Company and its subsidiaries

Consolidated statement of cash flows

for the year ended 31 December 2009

	Note	2009 AED'000	2008 AED'000
Operating activities			
(Loss)/profit for the year		**(498,143)**	763,100
Adjustments for:			
Accrual made for director's fees		**-**	(4,000)
Depreciation	*11*	**41,608**	53,887
Provision for contracting related activities	*8*	**250,000**	500,000
Loss/(gain) on fair valuation of properties	*12(c) and 13(a)*	**620,385**	(880,114)
Gain on disposal of investment properties	*12(b)*	**(3,000)**	(153,930)
Share of profit in joint ventures	*30(a) and (b)*	**(22,623)**	(58,115)
Gain on disposal of property, plant and equipment	*9*	**(377)**	(157)
Income from government grant	*9*	**(2,250)**	(2,250)
Finance income	*7(a)*	**(1,755)**	(1,497)
Finance expense	*7(b)*	**293,655**	108,016
Operating profit before working capital changes		**677,500**	324,940
Change in trade and other receivables		**220,885**	(362,208)
Change in inventories		**18,199**	(17,128)
Change in contract work-in-progress		**(286,175)**	31,984
Change in non-current receivables		**50,516**	77,855
Change in due from related parties		**(3,800)**	(867)
Change in trade and other payables		**(477,717)**	2,356,873
Change in due to related parties		**14,778**	(53)
Change in non-current payables		**(22,052)**	12,337
Change in advances and deposits		**(207,361)**	15,497
Change in staff terminal benefits (net)		**(3,458)**	30,334
Net cash (used in)/from operating activities		**(18,685)**	2,469,564
Investing activities			
Additions to property, plant and equipment	*11*	**(24,893)**	(41,666)
Proceeds from disposal of property, plant and equipment		**1,530**	741
Additions to investment properties	*12*	**(12,211)**	(24,575)
Proceeds from disposal of investment properties		**-**	594,000
Change in additions to development properties (net)	*13*	**(426,181)**	(7,626,872)
Purchase of investment in marketable securities	*15*	**-**	(1,476)
Proceeds from sale of investment in marketable securities	*15*	**1,851**	-
Interest received		**1,274**	1,337
Dividend income		**20,000**	160
Investment in a joint venture		**(16,000)**	(93,000)
Net cash from/(used in) investing activities		**(454,632)**	(7,191,351)
Financing activities			
Proceeds from long-term bank loans		**1,356,668**	2,422,490
Repayment of long-term bank loans		**(85,813)**	(97,779)
Net movement in short-term bank borrowings		**15,266**	(384,993)
Interest paid		**(163,097)**	(65,893)
Change in advance from sale of properties		**236,545**	1,918,189
Net cash from financing activities		**1,359,567**	3,792,014
Net increase/(decrease) in cash and cash equivalents		**886,254**	(929,773)
Cash and cash equivalents at the beginning of the year		**(1,527,119)**	(597,346)
Cash and cash equivalents at the end of the year	*20(a)*	**(640,865)**	(1,527,119)

The notes on pages 9 to 57 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 2009

	Share capital AED'000	Treasury shares AED'000	Proposed bonus shares AED'000	Statutory reserve AED'000	General reserve AED'000	Hedging reserve AED'000	Revaluation surplus AED'000	Retained earnings AED'000	Total AED'000
At 1 January 2008	2,782,526	(4,998)	-	1,391,263	237,387	(3,354)	39,507	782,481	5,224,812
Total comprehensive income									
– Total comprehensive income for the year	-	-	-	-	-	(704)	-	763,100	762,396
– Directors' fees (refer note 32)	-	-	-	-	-	-	-	(6,880)	(6,880)
	-	-	-	-	-	(704)	-	756,220	755,516
Other equity movements									
– Transfer to statutory reserve (refer note 29(a))	-	-	-	76,310	-	-	-	(76,310)	-
– Transfer to general reserve (refer note 29(a))	-	-	-	-	76,310	-	-	(76,310)	-
	-	-	-	76,310	76,310	-	-	(152,620)	-
Transactions with the owners									
– Bonus shares issued	278,253	-	-	-	-	-	-	(278,253)	-
– Proposed bonus shares (refer note 28)	-	-	306,078	-	-	-	-	(306,078)	-
	278,253	-	306,078	-	-	-	-	(584,331)	-
Total equity movements during the year	278,253	-	306,078	76,310	76,310	(704)	-	19,269	755,516
At 31 December 2008	**3,060,779**	**(4,998)**	**306,078**	**1,467,573**	**313,697**	**(4,058)**	**39,507**	**801,750**	**5,980,328**

Consolidated statement of changes in equity (continued)

for the year ended 31 December 2009

	Share capital AED'000	Treasury shares AED'000	Proposed bonus shares AED'000	Statutory reserve AED'000	General reserve AED'000	Hedging reserve AED'000	Revaluation surplus AED'000	Retained earnings AED'000	Total AED'000
At 1 January 2009	3,060,779	(4,998)	306,078	1,467,573	313,697	(4,058)	39,507	801,750	5,980,328
Total comprehensive income									
– Total comprehensive income for the year	-	-	-	-	-	2,571	-	(498,143)	(495,572)
	-	-	-	-	-	2,571	-	(498,143)	(495,572)
Transactions with the owners									
– Bonus shares issued (refer note 28)	306,078	-	(306,078)	-	-	-	-	-	-
	306,078	-	(306,078)	-	-	-	-	-	-
Total movements in equity during the year	306,078	-	(306,078)	-	-	2,571	-	(498,143)	(495,572)
At 31 December 2009	**3,366,857**	**(4,998)**	**-**	**1,467,573**	**313,697**	**(1,487)**	**39,507**	**303,607**	**5,484,756**

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 have been treated as an appropriation of retained earnings.

The notes on pages 9 to 57 form part of these consolidated financial statements.

Notes
(forming part of the consolidated financial statements)

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 net current liabilities of AED 1,840.8 million which include short-term bank borrowings amounting to AED 1,085.4 million and current portion of long-term bank loans amounting to AED 1,287.7 million.

The Group has implemented the following actions to ensure that the above obligations will be met:

- The Board of Directors have reviewed the Group's cash flow projections which contain the following assumptions:
  - Sufficient funds will be available, in particular, from a significant shareholder, a bank, and other financial institutions on a timely basis to complete the existing projects;
  - that the projects to be completed in 2010 will be 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 non-core assets.

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

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, manufacturing of air conditioning 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 and property 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	85%	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, BVI	British Virgin Island	100%	Organising and providing speed cars for international motor races.
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.

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 benefits from its activities. In assessing control, potential voting rights that are currently exercisable are taken into account. The financial statements of 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 statement of financial position date for the post acquisition change in the Group’s share of 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.

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 except for investment properties, investment in marketable securities 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 Dirham ("AED"), which is also 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.

2.7 Standards and interpretations effective during the current year

Following new and revised standards are effective for annual periods beginning 1 January 2009 and have therefore been applied in preparing these consolidated financial statements:

(a) Presentation of financial statements

Revised IAS 1 – Presentation of financial statements (2007) introduced the term total comprehensive income which represents changes in equity during the period other than those changes resulting from transactions with owners in their capacity as owners. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. As required by the revised standard, the Group has presented a consolidated statement of comprehensive income (comprising consolidated statement of comprehensive income and a separate consolidated income statement).

2 Basis of preparation (continued)

2.7 Standards and interpretations effective during the current year (continued)

(b) Operating segments

IFRS 8 – Operating segments introduced the "management approach" for segment reporting and requires presentation and disclosure of segment information based on internal reports used by management to assess each segment's performance and to allocate resources to them. The Group presents segment information in respect of its business and geographical segments in the same manner as viewed by management and hence the adoption of IFRS 8 does not have any material impact on the disclosures in these consolidated financial statements based on management Group.

(c) Borrowing costs

Revised IAS 23 – Borrowing costs removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset. Since the Group already followed the policy of capitalizing borrowing costs on qualifying assets, the revised standard has no effect on the financial performance of the Group.

(d) Agreements for the construction of real estate

IFRIC 15 – Agreements for the construction of real estate has been issued to clarify whether *IAS 18 Revenue* or *IAS 11 Construction contracts* should be applied to particular transactions. The Group enters into sale agreements for the property under development classified as inventories and recognizes revenue in accordance with *IAS 18 Revenue*. Since the accounting policy followed by the Group is in accordance with IFRIC 15, the adoption of IFRIC 15 has no impact on the financial performance of the Group.

(e) Improvements to IFRS

The Improvements project contains numerous amendments to IFRS that the IASB considers non-urgent but necessary. '*Improvements to IFRS*' comprise amendments that result in accounting changes for presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. Most of the amendments are effective for annual periods beginning on or after 1 January 2009. No material changes to accounting policies arose as a result of these amendments except for the amendments made to *IAS 40 Investment property* as described below:

(i) *IAS 40 – Investment property* and consequential amendment to *IAS 16 – Property, plant and equipment*

Effective 1 January 2009, property that is under construction or development for future use as an investment property should be classified as an investment property. Where the fair value model is applied, such property is measured at fair value. However, where fair value of investment property under construction is not reliably determinable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable. The above amendment resulted in a change in accounting policy of the Group for investment properties. However, the adoption of the revised amendment has no significant impact on the financial performance of the Group.

2 Basis of preparation (continued)

2.7 Standards and interpretations effective during the current year (continued)

(f) Financial instruments: Disclosures

The IASB published amendments to IFRS 7 in March 2009. The amendment requires enhanced disclosures about fair value measurements and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a three-level fair value measurement hierarchy. Furthermore, the amendment clarifies that the maturity analysis of liabilities should include issued financial guarantee contracts at the maximum amount of the guarantee in the earliest period in which the guarantee could be called; and secondly requires disclosure of remaining contractual maturities of financial derivatives if the contractual maturities are essential for an understanding of the timing of the cash flows. The entity has to disclose a maturity analysis of financial assets it holds for managing liquidity risk, if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk. The adoption of the amendment has resulted in additional disclosures with respect to investment in marketable securities, the details of which are set out in note 36(e).

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.

Revenue recognition

(a) Goods sold and services rendered

Revenue from sale of goods is recognized in the consolidated income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognized in the consolidated income statement in proportion to the stage of completion of the transaction at the statement of financial position 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 consolidated income statement 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.

3 Significant accounting policies (continued)

Revenue recognition (continued)

(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 consolidated income statement 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 accounting 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 consolidated income statement 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 consolidated income statement 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 as income 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.

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 consolidated income statement using the effective interest method. Dividend income is recognized in the consolidated income statement 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 consolidated income statement using the effective interest method.

3 Significant accounting policies (continued)

Finance income and expense (continued)

Borrowing costs directly attributable to the acquisition or construction of development property are capitalized as part of the cost of that property. The capitalization of borrowing costs commences from the date of incurring of expenditure related to the property and ceases when substantially all the activities necessary to prepare the development property 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 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 consolidated income statement 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 consolidated income statement 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 statement of financial position date. Other intangible assets are amortized from the date they are available for use.

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.

3 Significant accounting policies (continued)

Property, plant and equipment and depreciation (continued)

(b) Depreciation

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

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

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

(c) Capital work-in-progress

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

(d) Transfers from/(to) development properties

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

Investment properties

(a) Recognition

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

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.

3 Significant accounting policies (continued)

Investment properties (continued)

(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 consolidated income statement.

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

(c) Property interest under an operating lease

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

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

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 consolidated statement of comprehensive income 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 in consolidated statement of comprehensive income. Any loss arising in this manner is recognized in the consolidated income statement immediately.

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

(e) Transfer from development properties to investment properties

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

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. Rent paid on leased land on which development properties are being constructed is also capitalized until the asset is ready for its intended use.

3 Significant accounting policies (continued)

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 consolidated income statement when incurred. Financial instruments at fair value through profit or loss are measured at fair value and changes therein are recognized in the consolidated income statement. The fair value of quoted securities is determined by reference to their quoted bid prices as at the reporting date.

(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 consolidated statement of cash flows.

3 Significant accounting policies (continued)

Financial instruments (continued)

(b) Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to interest rate risks 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 consolidated statement of comprehensive income. The ineffective part of any gain or loss is recognized in the consolidated income statement immediately. Any gain or loss arising from changes in the time value of the derivative financial instrument is excluded from the measurement of hedge effectiveness and recognized in the consolidated income statement 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 consolidated income statement.

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 consolidated income statement.

(b) Non-financial asset

The carrying amounts of the Group’s non-financial assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, 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 consolidated income statement.

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

3 Significant accounting policies (continued)

Inventories

Inventories are valued at the lower of cost and net realizable value. The cost of 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 a weighing of all possible outcomes against their associated probabilities.

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 consolidated income statement on a straight-line basis over the term of the lease. Lease incentives allowed by the lessor are recognized in the consolidated income statement 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.

3 Significant accounting policies (continued)

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

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments. The Group's primary format for segment reporting is based on business segments. The business segments are determined based on the Group's internal reporting structure.

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

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

New standards and interpretations not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2009 and have therefore not been applied in preparing these consolidated financial statements. With particular reference to the Group are:

- Amended *IAS 27 Consolidated and Separate Financial Statements (2008)* requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the consolidated statement of comprehensive income. The amendments to IAS 27, which become mandatory for the Group's 2010 consolidated financial statements, are not expected to have a significant impact on the consolidated financial statements.

- *IFRS 9 Financial instruments: Classification and measurement:* In November 2009, the Board issued the first part of IFRS 9 relating to the classification and measurement of financial assets. IFRS 9 will ultimately replace IAS 39. The standard requires an entity to classify its financial assets on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset and subsequently measures the financial assets as either at amortized cost or fair value. The new standard is mandatory for annual periods beginning on or after 1 January 2013. The application of IFRS 9 is not expected to have a material impact on the consolidated financial statements.

3 Significant accounting policies (continued)

New standards and interpretations not yet effective (continued)

- *Improvements to IFRS (issued in April 2009):* The improvements project contains numerous amendments to IFRS that the IASB considers non-urgent but necessary. *Improvements to IFRS* comprise amendments that result in accounting changes for presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. Most of the amendments are effective for annual periods beginning on or after 1 January 2010 respectively, with earlier application permitted. No material changes to accounting policies are expected as a result of these amendments.

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;
- Market risk; and
- Operational 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 high reputation.

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.

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 unit 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, 5% percent of the Group's contract revenue, 51% of the Group's contract receivables and 67% 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 are 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 not be able to meet its financial obligations as they fall due. Liquidity risk relates to trade and other payables, security deposits, amounts due to related parties, short-term bank borrowings, long-term bank loans and non-current payables. 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.

4 Financial risk management and capital management (continued)

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates and equity prices 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) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within the Group. This responsibility is supported by the development of overall Group standards for the management of operational risk.

(e) 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) and financial covenants as discussed in note 24, the Group is not subject to any externally imposed capital requirements.

5 Revenue and direct costs

A. Property management and sales

	Property rentals AED'000	Property sales AED'000	Total AED'000
2009			
Revenue	**189,061**	**2,096,942**	**2,286,003**
Direct costs	**(38,931)**	**(1,818,060)**	**(1,856,991)**
Gross profit	**150,130**	**278,882**	**429,012**
2008			
Revenue	180,250	173,959	354,209
Direct costs	(37,543)	(71,977)	(109,520)
Gross profit	142,707	101,982	244,689

B. Other operating activities

	Contracting AED'000	Hospitality AED'000	Others AED'000	Total AED'000
2009				
Revenue	**1,976,946**	**34,301**	**94,432**	**2,105,679**
Direct costs	**(1,638,556)**	**(11,992)**	**(77,942)**	**(1,728,490)**
Gross profit	**338,390**	**22,309**	**16,490**	**377,189**
2008				
Revenue	3,106,939	46,692	129,166	3,282,797
Direct costs (refer note 6(a))	(2,833,377)	(19,930)	(178,314)	(3,031,621)
Gross profit	273,562	26,762	(49,148)	251,176

The above costs include finance costs amounting to AED Nil million *(2008: AED 13.8 million)*, staff costs amounting to AED 485.8 million *(2008: AED 545.2 million)* and depreciation amounting to AED 17.5 million *(2008: AED 33.2 million)*. It does not include the charge for the provision related to contracting related activities as discussed in note 8.

6 Administrative and general expenses

	2009 AED'000	2008 AED'000
These include the following:		
Staff costs	**79,769**	103,409
Marketing and advertising expenses	**10,022**	31,697
Depreciation	**24,072**	20,725

6 Administrative and general expenses (continued)

(a) Change in classification

During the current year, the Group has modified the consolidated income statement classification of certain expenses from direct costs to administrative and general expenses to reflect more appropriately the way in which direct costs and gross margins are derived from other operating activities. Comparative amounts were reclassified for consistency in presentation, which resulted in AED 73.3 million being reclassified from direct costs to administrative and general expenses.

7 Finance income and expense

(a) Finance income

	2009 AED'000	2008 AED'000
Interest income	**1,274**	1,337
Dividend income on financial assets at fair value through profit or loss	**-**	160
Gain on sale of financial assets at fair value through profit or loss	**481**	-
	1,755	1,497

(b) Finance expense

	2009 AED'000	2008 AED'000
Provision for doubtful debts on contract and trade receivables (refer note 36(a))	**123,195**	25,511
Interest expense on financial liabilities	**163,097**	65,893
Net change in fair value of financial assets at fair value through profit or loss (refer note 15)	**-**	8,292
Change in the fair value of retention receivables (refer note 14(a))	**7,363**	8,320
	293,655	108,016

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 the previous year, 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 yet to be certified. Accordingly, a provision of AED 250 million for the year ended 31 December 2009 *(2008: AED 500 million)* and a cumulative provision of AED 750 million as at 31 December 2009 has been created for contract receivables to mitigate any potential losses which may be incurred in future. Also refer note 18.

9 Other income

	2009 AED'000	2008 AED'000
Gain on disposal of property, plant and equipment	**377**	157
Miscellaneous income	**21,167**	17,747
Income from government grant (refer note 25)	**2,250**	2,250
	23,794	20,154

10 Intangible assets

	Goodwill AED'000	Other intangible assets AED'000	Total AED'000
Cost			
Balance at 1 January 2008	2,838	40,481	43,319
Balance at 31 December 2008	2,838	40,481	43,319
Balance at 1 January 2009	2,838	40,481	43,319
Balance at 31 December 2009	2,838	40,481	43,319
Amortization/impairment losses			
Balance at 1 January 2008	2,543	-	2,543
Balance at 31 December 2008	2,543	-	2,543
Balance at 1 January 2009	2,543	-	2,543
Balance at 31 December 2009	2,543	-	2,543
Carrying amount			
At 31 December 2009	**295**	**40,481**	**40,776**
At 31 December 2008	295	40,481	40,776

(i) Other intangible assets 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 and for the assistance of FOA in establishing and promoting the Formula One Theme Park Project including the right to use the FOA's F1 and Formula One trademarks and logos in the official name of the Formula One Theme Park Project and gives the Company the exclusive right to develop Formula One Theme Parks around the world. The intangible asset will be amortized over a period of 10 years commencing on the launch of the Formula One Theme Park project.

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
2009					
Cost					
Land	39,288	-	-	-	39,288
Buildings and leasehold improvements (refer note (a)(ii) below and 13)	56,214	10,394	66,616	-	133,224
Plant and machinery	34,432	3,499	-	(4,368)	33,563
Furniture, fixtures and office equipments	100,394	8,647	825	(10,440)	99,426
Motor vehicles	54,766	2,050	-	(2,716)	54,100
Gymnasium equipments	1,527	22	-	(25)	1,524
Equipment and tools	4,251	209	-	(5)	4,455
Capital work-in-progress	3,704	72	(825)	-	2,951
	294,576	24,893	66,616	(17,554)	368,531
Accumulated depreciation					
Buildings and leasehold improvements	31,129	3,772	-	-	34,901
Plant and machinery	13,588	5,324	-	(4,368)	14,544
Furniture, fixtures and office equipments	70,268	18,874	-	(10,440)	78,702
Motor vehicles	25,018	13,103	-	(1,587)	36,534
Gymnasium equipments	1,283	47	-	(3)	1,327
Equipment and tools	2,020	488	-	(3)	2,505
	143,306	41,608	-	(16,401)	168,513
Net book value	**151,270**				**200,018**
2008					
Cost					
Land	39,288	-	-	-	39,288
Buildings and leasehold improvements (refer note (a)(i) below and 13)	355,545	4	(299,335)	-	56,214
Plant and machinery	25,004	9,428	-	-	34,432
Furniture, fixtures and office equipments	82,963	15,261	3,667	(1,497)	100,394
Motor vehicles	44,645	11,304	18	(1,201)	54,766
Gymnasium equipments	1,506	40	-	(19)	1,527
Equipment and tools	3,135	1,108	8	-	4,251
Capital work-in-progress	2,876	4,521	(3,693)	-	3,704
	554,962	41,666	(299,335)	(2,717)	294,576
Accumulated depreciation					
Buildings and leasehold improvements (refer note (a)(i) below and 13)	61,900	16,772	(47,543)	-	31,129
Plant and machinery	11,420	2,168	-	-	13,588
Furniture, fixtures and office equipments	49,916	21,529	-	(1,177)	70,268
Motor vehicles	13,131	12,829	-	(942)	25,018
Gymnasium equipments	1,251	46	-	(14)	1,283
Equipment and tools	1,477	543	-	-	2,020
	139,095	53,887	(47,543)	(2,133)	143,306
Book value	415,867				151,270
Less: Impairment provision (refer note (a)(i) below)	(40,000)		40,000		-
Net book value	**375,867**		**40,000**		**151,270**

11 Property, plant and equipment (continued)

(a) Transfer (to)/from development properties

(i) In the previous years, management had identified that on the basis of current and forecast performance, the carrying cost of the Autodrome may need to be adjusted for impairment losses. In accordance with IAS 36, a discounted cash flow forecast was prepared to ascertain value in use. This indicated that an impairment provision was required and an impairment provision of AED 40 million was made.

During the previous year, management reassessed the use of the Autodrome. The Autodrome is being constructed within the Motorcity project. Apart from the general public, the main beneficiaries of the Autodrome would be the residents of the Motorcity project. In view of the above, the Board of Directors' resolved to transfer the net book value of the Autodrome amounting to AED 211.8 million (net of impairment provision of AED 40 million) to development properties for the Motorcity project and apportion the cost over the expected units to be sold and units being constructed as an investment property in the Motorcity project. As and when the units are sold or valued for investment properties units, the apportioned costs would be either charged off to the consolidated income statement as cost of properties sold or would be recognized as cost of investment properties on transfer of Motorcity units from development properties to investment properties.

(ii) During the current year, management has reassessed the use of certain development properties. In view of the Board of Directors', development properties with a cost of AED 66.6 million will be used to generate revenues for the Group. Accordingly, the cost of such development properties has been transferred from development properties to property, plant and equipment.

12 Investment properties

	2009	2008
	AED'000	AED'000
Balance at 1 January	**3,278,662**	2,814,043
Additions during the year	**12,211**	24,575
Transfer from development properties (refer note (a) below and 13)	**1,240,200**	-
Sale of investment properties (refer note (b) below)	**(627,000)**	(440,070)
(Loss)/gain on fair valuation (refer notes (b) and (c) below)	**(500,385)**	880,114
	------------	------------
Balance at 31 December	**3,403,688**	3,278,662
	=======	=======
Investment properties comprise:		
Freehold land and buildings	**3,307,688**	3,208,662
Buildings on leasehold land	**96,000**	70,000
	=======	=======

12 Investment properties (continued)

(a) Transfer from development properties

During the current year, the Group has transferred development properties with a cost of AED 1,240 million from development properties to investment properties following a change in the use of such properties. These properties are now either rented out to third parties or still vacant.

(b) Sale of investment properties

The Group has sold two of its investment properties for a consideration of AED 630 million resulting in a gain of AED 3 million. The sale value of one of the two properties was used as the basis for valuing this property during the previous year. A valuation gain of AED 238 million was recognized in the consolidated income statement for the year ended 31 December 2008.

(c) Valuation of investment properties

The Group follows the fair value model under IAS 40 (Revised 2003) whereby 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, Cluttons, who carried out the valuation in accordance with RICS Appraisal and Valuation Manual issued by the Royal Institute of Chartered Surveyors.

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 500.4 million *(2008: fair value gain of AED 642.1 million)* has been recognized in the consolidated income statement.

(d) Mortgaged as security

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

13 Development properties

	2009	2008
	AED'000	AED'000
Balance at 1 January	**11,831,575**	3,992,911
Additions during the year	**2,200,676**	7,671,414
Cost of properties sold (refer note (b) below)	**(2,633,926)**	(44,542)
Impairment provision (refer note (a) below)	**(120,000)**	-
Transfer (to)/ from property, plant and equipment (refer note 11(a))	**(66,616)**	211,792
Transfer to investment properties (refer note 12(a))	**(1,240,200)**	-
	------------	--------------
Balance at 31 December	**9,971,509**	11,831,575
	=======	========
Development properties comprise:		
Construction cost	**6,803,793**	7,936,990
Land cost	**2,756,617**	3,703,001
Interest capitalized	**411,099**	191,584
	------------	--------------
	9,971,509	11,831,575
	=======	========

(a) Impairment provision

During the previous year, the Group had purchased certain plots of land for AED 1,397 million for development of trading properties. As at 31 December 2009, no construction work has commenced on these plots of land.

During the current year, management has carried out a detailed review of the carrying value of these plots of land. Based on the forecasted performance, 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. This has indicated that the value in use may be lower than the carrying value of these plots of land. Accordingly, the Board of Directors' of the Company are of the opinion that an impairment provision of AED 120 million would be adequate to mitigate any potential loss, if any, against the carrying amount of the land included in development properties in the consolidated financial statements for the year ended 31 December 2009.

(b) Cost of properties sold

During the current year, the Group has entered into two agreements whereby AED 1,455.2 million of its commitments on the purchase of land were settled. Settlement included transferring back a plot of land at its original purchase cost of AED 818.2 million which has been included in cost of properties sold for the current year.

14 Non-current receivables

	2009 AED'000	2008 AED'000
Retention receivables (refer note (a) below)	**127,223**	77,329
Property sales receivables	**17,337**	125,067
Other receivables	**826**	869
	145,386	203,265

(a) Retention receivables

	2009 AED'000	2008 AED'000
Balance at 31 December	**336,585**	243,982
Less: difference between fair value and face value of retention receivables at the statement of financial position date (refer note 7(b))	**(15,683)**	(8,320)
	320,902	235,662
Disclosed in the consolidated statement of financial position:		
Non-current retention receivables	**127,223**	77,329
Current portion of retention receivables (refer note 18)	**193,679**	158,333
	320,902	235,662

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

15 Investment in marketable securities

	2009 AED'000	2008 AED'000
Balance at 1 January	**6,401**	13,217
Purchase of investments during the year	**-**	1,476
Disposal of investments during the year	**(1,370)**	-
Loss on revaluation to fair value (net)	**-**	(8,292)
Balance at 31 December	**5,031**	6,401

(a) Designated as at fair value through profit or loss

The Group has made investments in certain quoted marketable equity securities, which have been designated as financial assets at fair value through profit and loss account and accounted for at fair value. Fair value loss of AED Nil *(2008: fair value loss of AED 8.3 million)* has been recognized in the consolidated income statement (also refer note 7(b)).

15 Investment in marketable securities (continued)

(b) Investment in marketable securities stated at cost

The Group has invested AED 4.5 million in a real estate fund. The amount invested forms 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 2009.

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

	2009 AED'000	2008 AED'000
Project related material	**64,508**	81,989
Stock-in-trade	**29,015**	28,573
Spares and consumables	**6,637**	7,943
Less: provision for slow moving materials	**(574)**	(787)
	99,586	117,718
Goods-in-transit	**514**	581
	100,100	118,299

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

	2009 AED'000	2008 AED'000
Costs plus attributable profit less foreseeable losses	**6,801,304**	2,695,705
Less: progress billings	**(6,653,011)**	(2,783,772)
	148,293	(88,067)
Disclosed in the consolidated statement of financial position:		
Contract work-in-progress	**471,399**	185,224
Billings in excess of valuation (refer note 21)	**(323,106)**	(273,291)
	148,293	(88,067)

18 Trade and other receivables

	2009 AED'000	2008 AED'000
Financial instruments		
Trade and contract receivables	**2,457,778**	2,417,664
Property sales receivables	**169,242**	112,470
Retention receivables (refer note 14(a))	**193,679**	158,333
	2,820,699	2,688,467
Less: provision for doubtful receivables (refer note 36(a))	**(164,654)**	(41,459)
Less: provision for contracting related activities (refer note 8)	**(750,000)**	(500,000)
	1,906,045	2,147,008
Other receivables	**79,188**	83,740
Total (A)	**1,985,233**	2,230,748
Non-financial instruments		
Advances to contractors	**148,417**	456,288
Prepayments	**45,331**	86,025
Total (B)	**193,748**	542,313
Total (A+B)	**2,178,981**	2,773,061

(i) Certain contract receivables are assigned in favour of the banks for facilities availed by a subsidiary (refer note 23).

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

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:

	2009 AED'000	2008 AED'000
Project management income and income from contracts	**33,023**	36,079
Long-term loans obtained from consortium of banks for which a significant shareholder of the Company is the lead arranger	**-**	2,184,756
Interest earned from deposit with a significant shareholder, a bank	**73**	826
Interest on bank overdraft paid to a significant shareholder, a bank	**15,840**	9,837
Interest on term loans paid to a significant shareholder, a bank	**183,674**	149,934
Advertisement expenses	**3,584**	22,484

19 Transactions with related parties (continued)

	2009 AED'000	2008 AED'000
Compensation to key management personnel are as follows:		
- Salaries and other short term employee benefits	**15,829**	19,548
- Provision towards employees terminal benefits (year-end balance)	**698**	2,683
	=====	=====

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

20 Cash in hand and at bank

	2009 AED'000	2008 AED'000
Cash in hand	**1,154**	734
Cash at bank		
– in deposit accounts	**166,704**	92,234
– in current accounts	**376,537**	157,811
– in margin deposit accounts	**177**	12
	----------	----------
	544,572	250,791
	======	======

(a) Cash and cash equivalents

	2009 AED'000	2008 AED'000
Cash and cash equivalents comprise:		
Cash in hand and at bank (excluding deposit under lien (refer note 24(c)(vii))	**390,864**	250,791
Bank overdrafts (refer note 23)	**(925,594)**	(831,149)
Bills/cheques discounted (refer note 23)	**(106,135)**	(946,761)
	----------	------------
	(640,865)	(1,527,119)
	======	=======

(b) Cash at bank in deposit accounts

Cash at bank in deposit accounts carry interest at normal commercial rates and have an original maturity of three months or less.

(c) Balances with a related party

Cash at bank includes balances with a significant shareholder, a bank, amounting to AED 364.8 million *(2008: AED 133.1 million)*.

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

21 Trade and other payables

	2009 AED'000	2008 AED'000
Financial instruments		
Trade payables	**949,247**	599,940
Retention payables	**113,126**	127,078
Other payables and accruals (refer note (a) below)	**1,144,207**	2,656,850
Payable on interest rate swap (refer note 29(c))	**1,487**	4,058
Directors' fees payable (refer note 32)	**1,120**	4,000
Total (A)	**2,209,187**	3,391,926
Non-financial instruments		
Billings in excess of valuation (refer note 17)	**323,106**	273,291
Total (B)	**323,106**	273,291
Total (A+B)	**2,532,293**	3,665,217

(a) Other payables and accruals

	2009 AED'000	2008 AED'000
Other payables and accruals include:		
Payable for purchase of land (refer note 13(b)(i))	**83,600**	1,553,110
Provision for development properties cost	**300,000**	504,000
Provision for staff related payables	**142,700**	110,085

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

	2009 AED'000	2008 AED'000
Financial instruments		
Security deposits	**13,290**	12,304
Total (A)	**13,290**	12,304
Non-financial instruments		
Advances relating to construction contracts	**191,457**	318,528
Income received in advance	**22,122**	49,690
Total (B)	**213,579**	368,218
Total (A+B)	**226,869**	380,522

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

22 Advances and deposits (continued)

(b) Non-current portion of advances and deposits

	2009 AED'000	2008 AED'000
Non-financial instruments		
Advances from sale of properties (refer note (i) below)	**1,974,114**	2,574,364
	=======	=======

(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.

	2009 AED'000	2008 AED'000
Bank overdrafts (refer note 24(b)(iii))	**925,594**	831,149
Bills/cheques discounted (refer note 24(b)(iii))	**106,135**	946,761
Trust receipts	**53,719**	38,453
	------------	------------
	1,085,448	1,816,363
	=======	=======

(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 563.5 million *(2008: AED 1,308.8 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 the 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).

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.

	2009 AED'000	2008 AED'000
Balance at 31 December	**5,965,036**	4,594,181
Less: Current portion	**(1,287,684)**	(2,515,844)
Non-current portion	**4,677,352**	2,078,337

(a) Movement in long-term bank loans

	2009 AED'000	2008 AED'000
The movement in long-term bank loans is as under:		
At 1 January	**4,594,181**	2,269,470
Availed during the year	**1,456,668**	2,422,490
Repayments during the year	**(85,813)**	(97,779)
At 31 December	**5,965,036**	4,594,181

(b) Revision in the repayment terms of certain long-term bank loans

(i) During the previous years, the Company had obtained a term loan facility of AED 2,750 million from a consortium of banks, including a significant shareholder, a bank, which was repayable in 4 quarterly instalments commencing 30 September 2009. During the current year, an agreement has been reached whereby this loan will be now repayable in 4 annual instalments commencing 31 December 2010. At 31 December 2009, the loan amount outstanding is AED 2,750 million *(2008: AED 2,750 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;
b. Assignment of receivables in connection with the project financed;
c. Assignment of lease proceeds of certain properties; and
d. Bank guarantee by a significant shareholder, a bank.

The above loan has the following financial covenants which need to be complied with:

(i) Aggregate amount of utilizations of Company funding not to be more than 1.5:1;
(ii) Aggregate financial indebtedness of the Group to tangible net worth not to be more than 2:1;
(iii) Bank borrowings of the Group to tangible net worth not to be more than 1.5:1; and
(iv) The Group is to maintain a minimum tangible net worth of AED 4.5 billion.

As at 31 December 2009, the above mentioned financial covenants have been complied with.

24 Long-term bank loans (continued)

(b) Revision in the repayment terms of long-term bank loans (continued)

(ii) During the previous years, the Company had obtained a term loan facility of AED 1,070 million from a significant shareholder, a bank, which was repayable in 4 quarterly instalments commencing 31 March 2008. During the current year, the term loan facility has been increased to AED 1,440 million and the loan is now repayable in 4 annual instalments commencing 30 June 2011. At 31 December 2009, the loan amount outstanding was AED 1,400 million *(2008: AED 1,070 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.

(iii) During the current year, the Group has entered into an agreement from a significant shareholder, a bank, to obtain a term loan of AED 1,026.2 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 is repayable over a period of six years, in quarterly instalments commencing April 2010. At 31 December 2009, the loan amount outstanding is AED 1,026.2 million *(2008: AED Nil 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 1,026.2 million.

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

(i) 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 year, the term loan facility was increased to AED 400 million and is now fully repayable in 2012. At 31 December 2009, the loan amount outstanding is AED 400 million *(2008: 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.

24 Long-term bank loans (continued)

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

(ii) The Company has a term loan facility from a significant shareholder, a bank, of AED 188.2 million. At 31 December 2009, the loan amount outstanding is AED 98.1 million *(2008: AED 113.1 million)*. The loan is repayable in quarterly instalments commencing 31 March 2003 over the period of eleven years and nine months or until 31 December 2012, whichever is earlier, depending on drawings under the facility and carries interest at prevailing commercial rates. 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. Promissory note of AED 188.2 million.

(iii) The Company has a term loan of AED 150 million from a significant shareholder, a bank, which is repayable in 16 equal half yearly instalments commencing 28 January 2005. At 31 December 2009, the loan amount outstanding is AED 56.3 million *(2008: AED 75.0 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; and
- b. Promissory note of AED 150 million.

(iv) The Company has a term loan facility from a bank of AED 70 million. At 31 December 2009, the loan amount outstanding is AED 28.1 million *(2008: AED 35.9 million)*. The loan is repayable in 36 quarterly instalments commencing 26 January 2005. This loan is secured by:

- a. Assignment of lease proceeds of a property;
- b. Assignment of fire insurance policy of a property; and
- c. Deposit of title deeds 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.

(v) The Company has a term loan facility from a bank of AED 65 million, which is repayable in 32 equal quarterly instalments commencing 20 July 2004. At 31 December 2009, the loan amount outstanding is AED 20.3 million *(2008: AED 28.4 million)*. This loan is secured by:

- a. Assignment of lease proceeds of certain properties;
- b. Assignment of insurance policy of properties; and
- c. Irrevocable undertaking/commitment to mortgage over the properties at any time during the tenure of the loan in the event of default.

24 Long-term bank loans (continued)

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

(vi) The Company has a term loan facility from a bank of AED 50 million, which is repayable in 32 equal quarterly instalments commencing 30 June 2004. This loan has been fully repaid during the current year *(2008: AED 21.8 million)*.

(vii) During the previous year, the Company has obtained a term loan facility of AED 100 million from a significant shareholder, a bank, which is repayable in 27 equal quarterly instalments commencing 18 February 2009. At 31 December 2009, the loan amount outstanding is AED 86.0 million *(2008: AED 100 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; and
b. Promissory note of AED 100 million.

(viii) During the current year, the Company has obtained a term loan facility of AED 100 million from a bank against cash deposit,. At 31 December 2009, the loan amount outstanding is AED 100 million. The loan is secured by a lien over fixed deposit of AED 100 million.

25 Deferred income

	2009	2008
	AED'000	AED'000
Balance at 1 January	**35,438**	37,688
Less: income recognized during the year (refer note 9)	**(2,250)**	(2,250)
	--------	--------
Balance at 31 December	**33,188**	35,438
	=====	=====

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.

25 Deferred income (continued)

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 the previous year, 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 2009 would be recognized in the consolidated income statement 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.

26 Non-current payables

	2009	2008
	AED'000	AED'000
Purchase of land	**-**	23,443
Retention payables	**60,534**	59,143
	60,534	82,586

27 Provision for staff terminal benefits

	2009	2008
	AED'000	AED'000
Balance at 1 January	**85,757**	55,423
Provision made during the year	**20,250**	36,984
Payments made during the year	**(23,708)**	(6,650)
Balance at 31 December	**82,299**	85,757

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 statement of financial position date.

28 Share capital and treasury shares

	2009	2008
	AED'000	AED'000
Issued and fully paid up:		
3,366,856,483 *(2008: 3,060,778,621)* shares of AED 1 each	**3,366,857**	3,060,779
Treasury shares purchased:		
1,329,109 *(2008: 1,208,281)* shares of AED 1 each	**(4,998)**	(4,998)
Shares outstanding at 31 December	**3,361,859**	3,055,781

28 Share capital and treasury shares (continued)

At 31 December 2009, the share capital comprised of 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.

During the year, as approved by its shareholders, the Company issued bonus shares of AED 306.1 million, being 10% of the paid-up share capital of the Company at 31 December 2008.

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

29 Reserves

(a) Statutory and general reserves

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.

Furthermore, 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.

These reserves are not available for distribution.

(b) Revaluation surplus

Revaluation surplus represent the revaluation gain on assets transferred from property, plant and equipment to investment properties.

(c) Hedging reserve

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

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 2009, the fair value loss on the interest rate swaps amounting to AED 1.5 million *(2008: AED 4 million)* has been debited to hedging reserve and included as part of equity.

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:

	2009	2008
	AED'000	AED'000
Financial position:		
Non-current assets	**354,175**	541,243
Current assets	**99,616**	82,496
Non-current liabilities	**(1,005)**	(3,250)
Current liabilities	**(243,427)**	(409,869)
Inter-company elimination	**(6,376)**	(6,376)
	----------	----------
Net assets	**202,983**	204,244
	======	======
Results of operations:		
Income	**318,749**	354,903
Expenses	**(299,991)**	(298,219)
Inter-company elimination	-	(1,311)
	---------	--------
Profit	**18,758**	55,373
	=====	=====

(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. During the current year, the Group has contributed a further capital of AED 16 million *(2008: AED 93 million).*

At 31 December 2009, 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:

	2009	2008
	AED'000	AED'000
Financial position:		
Non-current assets	**661,092**	469,906
Current assets	**31,066**	48,236
Non-current liabilities	**(119,870)**	(287,679)
Current liabilities	**(383,628)**	(61,687)
	----------	----------
Net assets	**188,660**	168,776
	======	======
Results of operations:		
Income	**66,050**	29,462
Expenses	**(62,185)**	(26,720)
	---------	--------
Profit	**3,865**	2,742
	=====	=====

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) On 4 April 2002, Thermo LLC entered into an agreement with Airmech (Dubai) LLC to carry out a contract under a joint venture, Thermo/Airmech Joint Venture. Furthermore, on 16 June 2004, Thermo LLC entered into an agreement with Overseas AST Company LLC to carry out contract under joint venture, Thermo/Overseas AST Joint Venture. At 31 December 2009, these joint ventures have been ended.

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

(iii) 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:

	2009 **AED'000**	2008 AED'000
Financial position:		
Assets	**17,621**	44,056
Liabilities	**-**	(30,136)
Net assets	**17,621**	13,920
Results of operations:		
Income	**2,787**	110,190
Expenses	**(451)**	(102,597)
Profit	**2,336**	7,593

31 Non-controlling interest

During 2003, Thermo LLC had acquired 85% of the voting power of OITC Thermo WLL and 15% is held by a minority shareholder. Thermo has agreed with the minority shareholder that he 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 otherwise 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 have been treated as an appropriation of retained earnings. The board of Directors' have not proposed any fees for 2009.

33 Basic and diluted earnings per share

	2009	2008
(Loss)/profit attributable to shareholders (AED'000)	**(498,143)**	763,100
Weighted average number of shares	**3,365,527,374**	3,365,527,374
	==========	===========

For recalculating the earnings per share for 2008, the weighted average number of shares has been adjusted as if the bonus issue had occurred at the beginning of 2008.

34 Capital commitments and contingent liabilities

	2009	2008
	AED'000	AED'000
Company and its subsidiaries		
Commitments:		
Purchase commitments (letters of credit)	**105,381**	396,519
Capital commitments	**1,639,358**	2,741,924
	=======	=======
Contingent liabilities:		
Letters of guarantee	**1,637,954**	1,830,237
	=======	=======
Jointly controlled entities		
Commitments:		
Purchase commitments (letters of credit)	**259**	3,825
Capital commitments	**175,362**	390,388
	=======	=======
Contingent liabilities:		
Letters of guarantee	**112,500**	615,040
	=======	=======

The Company has provided corporate guarantees of AED 112.5 million *(2008: AED 615 million)* to banks in respect of facilities granted by the banks to the jointly controlled entities.

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:

	Property management and sales AED'000	Construction AED'000	Others AED'000	Total AED'000
2009				
Segment revenue	**2,286,003**	**1,976,946**	**128,733**	**4,391,682**
Segment result	**429,012**	**338,390**	**38,799**	**806,201**
Administrative and general expenses	**(64,253)**	**(54,635)**	**(72,588)**	**(191,476)**
Finance income	**-**	**-**	**1,755**	**1,755**
Finance expense	**(153,712)**	**(128,572)**	**(11,371)**	**(293,655)**
Loss on valuation of properties	**(620,385)**	**-**	**-**	**(620,385)**
Gain on sale of investment properties	**3,000**	**-**	**-**	**3,000**
Provision for contracting related activities	-	**(250,000)**	**-**	**(250,000)**
Other income	**15,334**	**2,320**	**6,140**	**23,794**
Share of profit in joint ventures	**18,758**	**-**	**3,865**	**22,623**
Loss for the year	**(372,246)**	**(92,497)**	**(33,400)**	**(498,143)**
Segment assets	**13,906,440**	**3,059,806**	**106,963**	**17,073,209**
Investment in joint ventures	**202,983**	**-**	**188,660**	**391,643**
Total assets	**14,109,423**	**3,059,806**	**295,623**	**17,464,852**
Segment liabilities	**9,164,401**	**2,768,597**	**47,098**	**11,980,096**
Capital expenditure	**2,212,887**	**24,470**	**423**	**2,237,780**
Depreciation	**14,130**	**13,800**	**13,678**	**41,608**
2008				
Segment revenue	354,209	3,106,939	175,858	3,637,006
Segment result	244,689	273,562	(22,386)	495,865
Administrative and general expenses	(63,289)	(101,389)	(73,881)	(238,559)
Finance income	1,497	-	-	1,497
Finance expense	(52,490)	(55,526)	-	(108,016)
Gain on valuation of investment properties	880,114	-	-	880,114
Gain on sale of investment properties	153,930	-	-	153,930
Provision for contracting related activities	-	(500,000)	-	(500,000)
Other income	16,702	2,386	1,066	20,154
Share of profit in joint ventures	55,373	-	2,742	58,115
Profit for the year	1,236,526	(380,967)	(92,459)	763,100
Segment assets	15,554,641	3,177,008	115,624	18,847,273
Investment in joint ventures	204,244	-	168,776	373,020
Total assets	15,758,885	3,177,008	284,400	19,220,293
Segment liabilities	10,507,024	2,719,146	13,795	13,239,965
Capital expenditure	7,717,268	16,098	4,289	7,737,655
Depreciation	36,409	10,730	6,748	53,887

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:

	Note	**Designated as fair value through profit or loss AED'000**	**Loans and receivables AED'000**	**Others at amortized cost AED'000**	**Designated as cash flow hedge AED'000**	**Carrying amount AED'000**	**Fair value AED'000**
31 December 2009							
Financial assets							
Non-current receivables	*14*	-	145,386	-	-	145,386	145,386
Investment in marketable securities	*15*	5,031	-	-	-	5,031	5,031
Trade and other receivables	*18*	-	1,985,233	-	-	1,985,233	1,986,233
Due from related parties	*19*	-	11,749	-	-	11,749	11,749
Cash in hand and at bank	*20*	-	544,572	-	-	544,572	544,572
Total		**5,031**	**2,686,940**	**-**	**-**	**2,691,971**	**2,691,971**
Financial liabilities							
Trade and other payables	*21*	-	-	2,207,700	-	2,207,700	2,207,700
Security deposits	*22(a)*	-	-	13,290	-	13,290	13,290
Due to related parties	*19*	-	-	20,315	-	20,315	20,315
Short-term bank borrowings	*23*	-	-	1,085,448	-	1,085,448	1,085,448
Long-term bank loans	*24*	-	-	5,965,036	-	5,965,036	5,965,036
Non-current payables	*26*	-	-	60,534	-	60,534	60,534
Interest rate swaps	*21*	-	-	-	1,487	1,487	1,487
Total		**-**	**-**	**9,352,323**	**1,487**	**9,353,810**	**9,353,810**

36 Financial instruments (continued)

	Note	Designated as fair value through profit or loss AED'000	Loans and receivables AED'000	Others at amortized cost AED'000	Designated as cash flow hedge AED'000	Carrying amount AED'000	Fair value AED'000
31 December 2008							
Financial assets							
Non-current receivables	*14*	-	203,265	-	-	203,265	203,265
Investment in marketable securities	*15*	6,401	-	-	-	6,401	6,401
Trade and other receivables	*18*	-	2,230,748	-	-	2,230,748	2,230,748
Due from related parties	*19*	-	7,949	-	-	7,949	7,949
Cash in hand and at bank	*20*	-	250,791	-	-	250,791	250,791
Total		**6,401**	**2,692,753**	-	-	**2,699,154**	**2,699,154**
Financial liabilities							
Trade and other payables	*21*	-	-	3,387,868	-	3,387,868	3,387,868
Security deposits	*22(a)*	-	-	12,304	-	12,304	12,304
Due to related parties	*19*	-	-	5,537	-	5,537	5,537
Short-term bank borrowings	*23*	-	-	1,816,363	-	1,816,363	1,816,363
Long-term bank loans	*24*	-	-	4,594,181	-	4,594,181	4,594,181
Non-current payables	*26*	-	-	82,586	-	82,586	82,586
Interest rate swaps	*21*	-	-	-	4,058	4,058	4,058
Total		-	-	**9,898,839**	**4,058**	**9,902,897**	**9,902,897**

36 Financial instruments (continued)

(a) Credit risk

Exposure to credit risk

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

	Note	**2009 AED'000**	2008 AED'000
Non-current receivables	*14*	**145,386**	203,265
Investment in marketable securities	*15*	**4,500**	4,500
Trade and other receivables	*18*	**1,985,233**	2,230,748
Due from related parties	*19*	**11,749**	7,949
Cash at bank	*20*	**543,418**	250,057
		2,690,286	2,696,519

Trade and other receivables (including non-current receivables) include an amount of AED 186.9 million *(2008: AED 237.5 million)* on sale of property where the legal title to the property is retained by the Group as a collateral. At 31 December 2009, the fair value of the properties held as collateral by the Group approximates to AED 449.3 million.

Impairment losses

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

	2009		2008	
	Gross AED'000	**Provision AED'000**	Gross AED'000	Provision AED'000
Not past due	**144,560**	-	202,396	-
Past due 1 – 90 days	**727,517**	-	1,291,906	-
Past due 91 – 365 days	**596,391**	-	755,609	-
More than one year	**1,496,791**	**164,654**	640,952	41,459
Total	**2,965,259**	**164,654**	2,890,863	41,459

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:

	2009 AED'000	2008 AED'000
Balance at 1 January	**41,459**	30,772
Provision for the year (refer note 7(b))	**123,195**	25,511
Amounts written off/provision reversed during the year	-	(14,824)
Balance at 31 December (refer note 18)	**164,654**	41,459
Provision for contracting related activities (refer note 8)	**750,000**	500,000

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 statement of financial position date:

Financial liabilities	Carrying amount AED'000	Contractual cash flows AED'000	Less than one year AED'000	More than one year AED'000
31 December 2009				
Non-derivative financial instruments				
Trade and other payables	2,207,700	2,207,700	2,207,700	-
Security deposits	13,290	13,290	13,290	-
Due to related parties	20,315	20,315	20,315	-
Short-term bank borrowings	1,085,448	1,139,720	1,139,720	-
Long-term bank loans	5,965,036	7,198,758	1,585,936	5,612,822
Non-current payables	60,534	60,534	-	60,534
Derivative financial instruments				
Interest rate swaps	1,487	1,987	1,987	-
Total	**9,353,810**	**10,642,304**	**4,968,948**	**5,673,356**

Financial liabilities	Carrying amount AED'000	Contractual cash flows AED'000	Less than one year AED'000	More than one year AED'000
31 December 2008				
Non-derivative financial instruments				
Trade and other payables	3,387,868	3,387,868	3,387,868	-
Security deposits	12,304	12,304	12,304	-
Due to related parties	5,537	5,537	5,537	-
Short-term bank borrowings	1,816,363	1,898,099	1,898,099	-
Long-term bank loans	4,594,181	4,887,364	2,663,730	2,223,634
Non-current payables	82,586	82,586	-	82,586
Derivative financial instruments				
Interest rate swaps	4,058	6,058	6,058	-
Total	**9,902,897**	**10,279,816**	**7,973,596**	**2,306,220**

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

	2009 AED'000	2008 AED'000
Fixed rate instruments		
Cash at bank – in deposit accounts	**166,704**	92,234
	======	=====

Sensitivity analysis for fixed rate instruments
Since the rate of interest is fixed, any change in the interest rates at the reporting date would not impact the consolidated income statement of the Group.

(ii) Variable rate instruments

	2009 AED'000	2008 AED'000
Variable rate instruments		
Short-term bank borrowings	**1,085,448**	1,816,363
Long-term bank loans	**5,965,036**	4,594,181
	------------	-----------
	7,050,484	6,410,544
	=======	=======

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.

	Consolidated income statement and equity	
	100 bp increase AED'000	**100 bp decrease AED'000**
31 December 2009		
Variable rate instruments	**(29,107)**	**29,107**
	======	=====
31 December 2008		
Variable rate instruments	(25,907)	25,907
	======	=====

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 *(2008: AED 0.6 million);* an equal change in the opposite direction would have decreased the fair value of the securities by AED 0.5 million *(2008: AED 0.6 million).* The analysis is performed on the same basis for 2008.

(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 2009			
Investment in marketable securities	**531**	**4,500**	**5,031**
	===	====	====
31 December 2008			
Investment in marketable securities	1,901	4,500	6,401
	====	====	====

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

37 Significant estimates and judgements

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

Going concern assumption

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

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 consolidated statement of comprehensive income, 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 consolidated statement of comprehensive income, 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 statement of financial position 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 2009 and the management has not highlighted any requirement for an adjustment to the residual lives 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 consolidated statement of comprehensive income, 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.

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 consolidated statement of comprehensive income, 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 a weighing of all possible outcomes against their associated probabilities.