

Union Properties PJSC  
Corporate Governance Report  
2013

**UNION PROPERTIES PJSC  
CORPORATE GOVERNANCE REPORT  
For the year 2013**

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## 1. Corporate Governance Practice

### 1.1 Overview

Union Properties PJSC (referred to as “UP” or “the company”) is committed to the highest corporate governance aiming to raise the levels of transparency of corporate operations. The corporate values of the company are derived from a system which integrates ethics, corporate integrity and the leading and compliant practices of corporate governance. Transparency, fairness, disclosure and accountability are cornerstone of the company’s performance, its management and Board of Directors (Hereinafter referred to as “**The Board of Directors**”). Indeed, the company’s commitment to the best practices of Corporate Governance predates laws and regulations issued by Securities and Commodities Authority.

Many initiatives have been undertaken by the company to ensure compliance with the application of governance rules and regulations issued by Securities and Commodities Authority and the Ministerial Resolution No. (518) for the year 2009:

- Issue of governance manual.
- Board of Directors signing the Independency Acknowledgement.
- Adoption of the code of Business Conduct and Ethics Charter
- Adoption of the Rules And Procedures governing the transactions By Board Of Directors’
- Establishment of Audit Committee and Nomination & Remuneration Committee and adoption of their charters.
- Establishing of Internal Audit Department and adoptions of its charter.

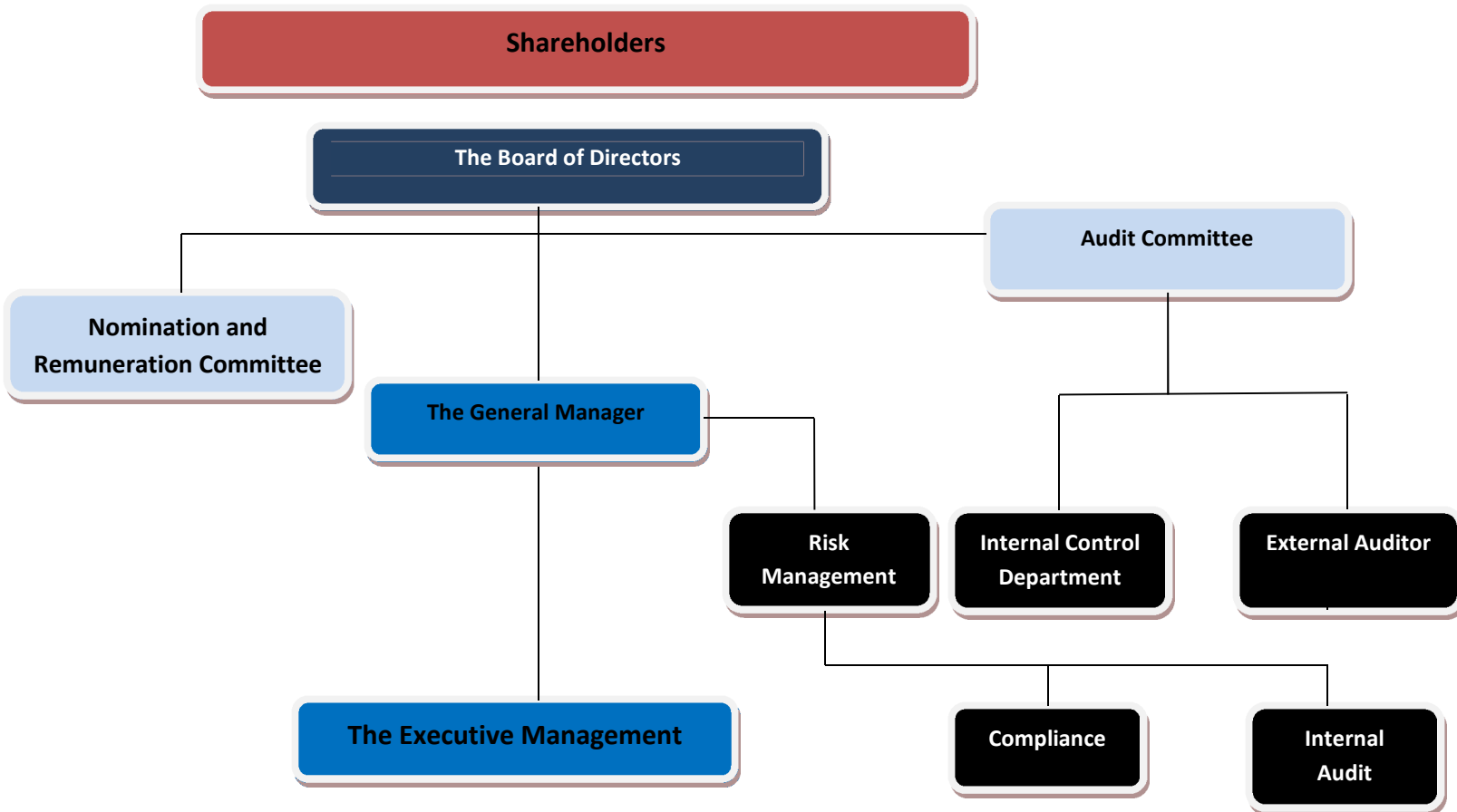
In addition to the previous and during the year 2013, the company has enhanced its governance practice through developing and adopting key initiatives as follows:

- Development of the company’s internal accounting and management policy.
- Development of the company’s risk management structure.

- Disclosure of quarterly, semiannual, and annual financial statements and send copy of the same to Dubai Financial Market and Securities and Commodities Authority, after being reviewing by the company's accounts external auditor and approved by the Board of Directors.

## 1.2 Governance Structures

The following chart shows the structure and essential elements of corporate governance.



## 2. Corporate Trading In Securities and Disclosure Policy

### 2.1 Directors' Transaction In The Company's Securities

- The Company Board and any employee familiar with fundamental data of the company comply with the conditions and requirements of Securities and Commodities Authority according to article 14 of authority Board

Decision No. 2 for the year 2001 pertaining to trading, clearing, settlement, and transfer of ownership and custody of securities, as follows:

The Chairman, members of the Board of Directors, General Manger or any of the employees, who are acquainted with fundamental data, shall not effect dispositions himself or through others by dealing in securities of the company securities of a parent, subsidiary, or allied or affiliated company, during the following periods:

- Ten (10) days prior to announcement of any significant information which might affects share price by way of rise or fall, unless the information was a result of sudden adventitious events.
- Fifteen (15) days prior to the end of quarterly, half-yearly or, annual financial period and until disclosure of financial statements has been made.
- The provisions of law shall be complied with when any of the persons aforementioned affects dispositions himself or through others by dealing in securities of company itself or the parent, subsidiary, allied or affiliate company of such company, any dealing not comply with this shall be null and void.

Any transaction in securities affected by any person shall be void if:

- The transaction is effected on the basis of unpublicized or undisclosed information the transacting party acquired by the virtue of his position.
  - Such person is one of the above mentioned persons and has exploited his insider information about the company in such transaction.
- The Board of Directors and employees shall be entitled to invest in the company's shares as per the related conditions. They are obligated to notify Securities & Commodities Authority, and Dubai Financial Market's manager, and Company Board Secretary prior to commencing with such investment.
  - The Company conducts periodical audit to the transactions of the Board of Directors and acknowledgeable employees through the Internal Control Department.

- There was no transactions related to The Board members or their first degree relatives in company's securities during the year 2013, the same as per Dubai Financial Market letter dated 19/01/2014 under Reference No. 2014/71153.

## **2.2 Company's Policy of Disclosure & Conflict of Interest:**

- The Board of Directors and employees shall have full knowledge and clear understanding for all applicable laws and regulations upon performing their duties, to adhere to during various circumstances. Any privileges that may be granted to the employees including financial and non- financial benefits and usual and compensation arrangements paid by the company to the employees by the company ,shall comply with Conflict of Interest Policy, therefore employees shall carry out their job functions as per the principals of fairness and equality subject to the professional standards .
- Awards and Gifts: Employees are not entitled to receive from third parties any gifts or rewards other than those given by the company .so their subjectivity and independency shall not be affected.
- The Board of Directors shall notify the Company Board Secretary immediately in case of any personal financial interest may arise with regard to the company's affairs. Personal financial interest indicates financial transaction with a party related to the company when the transaction value is exceeds AED 5 Million.
- A Board of Director shall not attend any board meeting at which any matter of personal interest related to him will be discussed during the meeting, unless the other Board of Directors vote otherwise.
- Should there be any conflict of interest for any major shareholders or any Director of the Board with regard to any matter that may affect the price or investment volume in company's securities, Board of Directors shall call for a meeting and issue a resolution in this regard in presence of all Directors, except for the concerned Shareholder/Director member. In unusual cases, these matters may be solved by special committee formed for this purpose.
- Each Director at the start of his tenure shall disclose to the company the nature of positions held by him within the public companies and organizations as well as other major obligations; and shall specify the time allocated to such positions and any other changes that may occur to these positions and functions, as they occur.

- In addition to the above, each Director shall annually disclose the nature of positions and functions held by him at the company, or the holding company, any other the subsidiary or affiliate.
- The Board of Directors shall monitor the compliance with disclosure policy and take the remedial actions when necessary.
- The annual governance report shall be presented to the shareholders attached with the company's annual report.

### **2.3 Compliance with the Set Policy on Conflict of Interest during Last Year**

The Board of directors acknowledges that each Director of the Board was committed to requirements of Disclosure Policy with the laws and regulations issued by The Ministry of Economy and Securities and Commodities Authority. There is no indication of any non-compliance by any Director of the Board.

## **3. The Board of Directors' Structure**

### **3.1 The Board Formation**

- **Who are the Directors?**

On 21/4/2011 the Board of Directors was elected by the Annual General Assembly for three years tenure. The Board consists, as of December 31<sup>st</sup> 2011 of seven non-executive members. The Board is currently chaired by Mr. Khalid Bin Kalban. The Board members are categorized into non-executive /non independent or non-executive/independent as per definition of these categories by Securities and Commodities Authority and in accordance with the directors acknowledgment with regard to independency. During the year 2013 1/3<sup>rd</sup> of the Board members held the capacity of non-executive/independent.

- **Importance of Professional and Experience Background**

Professional background and experience of the Chairman and Board members are listed below in their profiles. The Board considers that assuming other positions in different companies and Boards by its members as enriching leadership culture of the member and his professional skills. However governance policy which is in line with Securities & commodities Authority emphasize that each Director shall dedicate the best of his efforts, time and,

experience to accomplish his duties and responsibilities as member of the Board and that his membership outside the company shall not intervene with his responsibilities if any as a member of the company`s Board.

- **Profiles of Directors**

**Khalid Bin Kalban**

Chairman of the Board, (appointed to the Board since 2008) – non-executive/ none independent.

Re-elected to the Board on 21<sup>st</sup> April 2011.

The chairman holds Degree in business administration from Arapahoe, Community College- USA. Also got Bachelor of Management Major Metropolitan State college - USA. Expertise in various fields such, industrial, financial, investment and real-estate sectors .he contributes through his ambitious vision and far-sighted skill in incorporating of many entities in United Arab Emirates and currently holds many important positions among which:

- Dubai Investments (PJSC) – Dubai-U.A.E. - Managing Director & Chief Executive Officer as of the year 1995
- National General Insurance- Dubai – U.A.E. - Director
- Arab Insurance Group (ARIG) – Bahrain Vice – Chairman
- Islamic Bank of Asia – Singapore - Director
- Takaful Re ltd –United Arab Emirates –Director

In the year 2011 he got (Creative Chief Executive Officer Award of the Year) during fourth turn of Middle East and Northern Africa Chief Financial Officer awards distribution celebration.

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**Mr. Saeed Mohammed Alsharid**

Vice chairman (appointed to the Board since 1999) non-executive/ independent.

Re-elected to the Board on 21<sup>st</sup> April 2011.



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Mr. Alsharid holds a BS degree in Accounting and Business Administration and, wide experience in General Management.

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### **Mr. Abdulaziz Yaqoob AlSerkal**

Director at the Board, (appointed to the Board since 1999) – non-executive/independent.

Re-elected to the Board on 21<sup>st</sup> April 2011

Mr. Alserkal is Systems and Industrial Engineering graduate in USA. He has a wide experience investment and private ownership within the industrial and real-estate sectors. He currently holds the following positions:

- Board of Director in Masharie, Dubai Industrial Investment, Dubai Real Estate Investment, Dubai Investment Park, Al Taif Investment (all are subsidiaries of Dubai Investment PJSC)

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### **H.E. Hamad Mubarak Buamim**

Director at the Board (appointed to the Board since 2008) – non-executive/non-independent.

Re-elected to the Board on 21<sup>st</sup> April 2011

His Excellency holds an MBA with honors in Banking and Finance Management from University of Missouri, Kansas, USA, in 2002

His Excellency had his BS Degree with Honors (Magna Cum Laude) in Electrical Engineering and Mathematics from Southern California University, Los Angeles, USA, in 1996. His Excellency occupied major and significant positions including General Secretary of Dubai Economic Council, Director of Corporate Banking Transactions at HSBC ME Limited. He also worked as a lecturer Finance and Banking at the College of business & Economics, UAE, and as a Senior System

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Engineer at the Planning and Development of Dubai Electricity & Water Authority (DEWA). He currently holds the following positions:

- Board of Director at United Arab Emirates Central Bank
- General Director of Dubai Chamber of Commerce and Industry
- Director at Dubai World -UAE
- Chairman of National General Insurance PJSC

### **Mr. Ali Fardan Ali Al Fardan**

Director at the Board (appointed to the Board since 2008) - non-executive/independent.

Re-elected to the Board 21 April 2011.

Mr. Al Fardan holds a Bachelor of Science Degree in Management and Information Systems. He has been involved with various sectors including Real Estate Management and Property Investment, Capital Investment Management and Hospitality Management. Mr. Al Fardan currently holds the following positions:

- Director at the Board of Commercial Bank of Dubai PJSC
- Director at the Board of Dubai Investment Company PJSC

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### **Mr. Saeed Humaid Bin Draï**

Director at the Board (appointed to the Board since 2010) - non-executive/independent.

Re-elected to the Board on 21st April 2011.

Mr. Bin Draï graduated in Politics and International Relations at University of Canterbury in 1997. In September 1998, he joined his family business of ship handling, foodstuff, steel trading, road marking and real estate development among others. Currently, Mr. Bin Draï holds the following positions:

- Managing Director of Bin Draï Enterprises, UAE
- Director at the Board of Emirates Consumer Finance Company LLC, UAE

### Mr. Saeed Abdullah Yousuf

Director at the Board (appointed to the Board since 2011) – non-executive/ non-independent.

Re-elected to the Board on 12 April 2011.

Mr. Saeed obtained his Master’s Degree in law from Harvard University.

### 3.2 The Board Meetings:

8 meetings have been held by the Board during the year from 1 January 2013 till 31 December 2013, below attendance list of the board members:

S.N.	The Board Meeting Time Line	The board members						
		1	2	3	4	5	6	7
1	27 January 2013	✓	✓	✓	✓	✓	✓	✓
2	18 February 2013	✓	✓	✓	✓	✓	✓	✓
3	22 April 2013	✓	✓	✓	✓	✓	✗	✓
4	14 May 2013	✓	✓	✓	✓	✓	✓	✓
5	3 July 2013	✓	✓	✗	✓	✓	✓	✓
6	12 September 2013	✓	✓	✓	✓	✓	✗	✓
7	20 October 2013	✓	✓	✓	✗	✗	✓	✓
8	18 December 2013	✓	✓	✓	✓	✗	✓	✓
	1. Khalid Bin Kalban. 2. Mr. Saeed Mohammed Alsharid 3. Mr. Abdul Aziz AlSerkal 4. Mr.Hamad Mubarak Buamim	5. Mr. Ali Fardan Ali Al Fardan 6. Mr. Saeed Humaid Bin Draï 7. Mr. Saeed Abdullah Yousuf					✓ attended ✗apologized	

Last ordinary general assembly was held on 4 April 2013 and the following resolutions have been passed:

- Approval of the report of the Company's board of directors and auditor's report on the Company's activities and its financial position for the financial year ended on 31/12/2012.
- Approval of the Company's consolidated financial statement for the year ended on 31/12/2012.
- Approval not to transfer 10% of net profits to general reserve of the year ended 31 December 2012
- Discharge of the Company's Board members and its auditors of the liability for the financial year ended on 31/12/2012.
- Approval of appointing M/S. KPMG as company auditors directly after conclusion of assembly annual general meeting in order to audit company books for the year 2013.

### **3.3 Board of Directors' Responsibilities**

- The Board of Director's role is to represent shareholders and is accountable to them for creating and delivering value through the effective governance of the business.
- The Board of Directors will annually publish an Annually Corporate Governance Report, which is a statement of practices and processes the Board has adopted to discharge each responsibilities. It shall include the processes the Board has implemented to undertake its own tasks and activities; the matters it has reserved for its consideration and decision making; the authority it has delegated to the General Manager, including the limits in which the General Manager can execute that authority; and provide guidance on the relationship between the Board and the General Manager.
- Once appointed, each Director shall disclose to the company the nature of relations he has with other listed companies, including positions, investments and other significant obligations through signing of Independency Declaration form.
- Additionally, the Board of Directors shall have the following roles and responsibilities:
  - Set and review the strategic direction and approves the annual operating budget and business plans; make decisions concerning the company's capital structure and dividends policy;

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- Review, adopt and monitor major investments and strategic commitments;
- Review and adopt the annual and interim financial statements;
- Ensure compliance with applicable laws issued by Dubai Financial Market, Labor Law and Law of Pensions and Social Insurance in UAE;
- Ensure that an adequate risk management framework is in place to identify, assess and mitigate risks;
- Ensure appropriate policies and authorities are in place to have effective corporate governance;
- Adopt a governance structure that is aligned with the company's values and strategies, taking into consideration the following:
  - Enhancing company reputation;
  - Maintaining high standard of behavior;
  - Promoting ethical and responsible decision making;
  - Communicating clear expectations and delegation of authority; and
  - Complying with the applicable Governance Regulation (i.e. SCA regulations)
- Appointing of the General Manger and evaluation of his on-going performance and remunerations (through Nomination and Remuneration Committee, and ensure that an appropriate succession plan for General Manager and Senior Management is in place;
- Recognize the legitimate interests of all stakeholders, being the shareholders, customers, staff and the countries the company operates;
- Set written rules for the dealings of the Directors of the Board and staff in the securities issued by the company;
- Ensure the integrity of the external reporting to the shareholders including:
  - Review and monitor controls, processes and procedures in place to maintain the integrity of the company's financial and accounting records and statements, with the guidance of the Audit Committee upon its formation;
  - Ensure accurate, objective and comprehensive information is conveyed to the shareholders to ensure that they are fully informed of material developments; and
  - Review the reports of the Audit Committee in relation to risk, internal controls and internal and external audit reports.
- The Board in exceptional cases may issue resolutions regarding emergency situation by circulating draft thereof for signature, provided the following are taken into considerations:

- That the cases of issuing resolutions by circulation for signature may not exceed four (4) cases a year;
- The agreement of the majority of the members of the Board of Directors that the concerned case is an emergency situation that requires issuing resolution by circulation;
- Directors to receive resolution in writing for the purpose of their consent, provided that the documents and evidences necessary to study the same are accompanied therewith; and
- The written consent of the majority shall be attained on any resolution by the Board of Directors that is issued through circulation for signature, and provided that the same is presented to the subsequent meeting so as to include the same in the minutes of the meeting.
- Tasks of the Non-Executive Directors shall include, without limitation:
  - To participate in meetings of The Board of Directors, and to provide independent opinion on strategic matters, general policy, performance, Accountability, resources, appointments activities implementations.
  - To ensure that priority shall be given to the company and shareholders' interest in case of conflict of interest;
  - To participate in the company's Audit Committee;
  - To control the company's performance in realizing its agreed objectives and goals and to monitor its performance reports;
  - To develop procedural rules for the company's governance and supervise and monitor their implementation in compliance therewith; and
  - To avail the Board of Directors and its different committees of their skills, experience, diversified specialties and qualifications through regular presence and efficient participation in general meetings.
- Follow up company's performance in accomplishing its approved goals, objectives and monitoring performance reports.
- Setting out corporate e governance procedures and follow up and control the application thereto in line with such rules.
- To empower board and different committees to make use of their skills and experiences, their multi specializations, qualifications the same through punctual attendance, their effective participation in board general assembly meetings.

### **3.4 Remuneration of Board of Directors**

The remunerations of Board members shall be a percentage of net profit. The Company may pay ancillary fees or a month salary, determined through a

Board resolution, to any member if such a member works in any committee, exerts special efforts or undertakes additional duties for the Company beyond his/her normal duties as a member of the board of Directors of the company. In all cases, the remunerations of Board members may not exceed ten percent (10%) of net profits, having deducted depreciation, reserve and distribution of a dividend of at least five percent (5%) of capital to shareholders. In implementation of the above, the Directors remuneration is determined by a suggestion or a recommendation by the Board of Directors raised to the Annual General Meeting. In all cases, Directors' remuneration shall not exceed ten percent (10%) of net profits as per the previously mentioned controls.

As for Board and emerging committees attendance allowance, such allowances which is received by members amounts to AED 1,639,000 for financial year 2013 from the other hand the suggested remunerations for the Board of the Directors for the financial year 2013 was AED 4,000,000.00 and there was no allowance paid to the Board of Directors for the financial year 2012.

### **3.5 Responsibilities Assigned to the Executive Management:**

During 2013 there were no additional roles or responsibilities assigned to Executive Management. Below is an overview of tasks and authorities assigned by the Board to Executive Management for the day to day business:

- The Board empowered the Executive Management to carry out the day to day business as prescribed in the company's Articles of Association.
- Represent the company before ministries, governmental departments and organizations and official bodies in the United Arab Emirates, whether federal or local.
- Appoint and lay-off employees, fix their salaries, specified their job description, and to evaluate their performance on behalf of the company.
- Follow-up on and issue periodical reports to be presented to the Board of Directors.
- Sign on behalf of the company as per authorization by the Chairman on all official transactions related to the activities of the company, as well to sign contracts.
- Executive Management shall refer to the Board when taking decisions related to strategic policies of the company.

**3.6 Transactions with Related Parties:**

- Company in its normal work course shall enter in transactions with other companies fall within definitions of related parties included in criterion 24 of international accounting. Company management believes that such transactions is done as per similar terms of that can be obtained from other parties. Below is transaction with related parties for the year 2013.

	2013 <u>Thousand Dirham</u>
Project Management Revenues and Contracts Revenues	49,797
Repayment of Long term loans to third party, one of the banks	1,968,873
Benefits acquired from deposit	293
Over draft interests	1,920
Term loans interests	56,073
Sale properties	2,459,635
Received Cash from corporate Consortium	123,253
<b>Senior Management Employees' Compensation</b>	7,316
Staff Salaries and other short term compensations	346
	=====

**3.7 Executive Management:**

The following chart showing senior executives in the company, their designation and appointment date:

Name	Designation	Date of joining	Total annual salary / dirham	Total annual remuneration / dirham
Mr. Ahmed Al Marri	General Manger	December 2009	1,325,113	330,000
Mr.Murtza Shevel	Chief Executive Officer -finance	February 2010	1,112,454	200,000
Mr. Bassam El Gawi	Chief Executive Officer-internal audit department	May 2011	978,653	125,000
Mr.Ayman Okasha	Chief Executive Officer-properties department	January 2012	753,944	108,000
Mrs.Shanaz Hassan	Human Resources Manger	February 2012	494,205	76,000
Mr. Isam Ababneh *part of the year	Project Department Manger	October 2013	*169,437	-

\*Part of the year



#### 4. External Audit

The annual general meeting held on 4 April 2013 has ratified the re-appointment of M/s KPMG as company external auditor for the year 2013. The Audit committee, a committee emanating from the Board attested the annual plan presented by the external auditor. KPMG is the company's external auditor for the period of 20 years. External audit company is independent from the company and its Board of directors and complies with best highest professional standard. They take part at the ordinary and extraordinary general assembly, they comply with international and local accounting rules and standards, present periodical reports on the company's business to the audit committee and hold regular meeting with audit committee to share views with regards to internal regulations applied in the company and the effectiveness and organization of its management.

The professional fee which was calculated amounted to AED 165,000 against auditing of annual financial statements and amount of AED 200,000 against revising of quarter accounts.

Other than the foresaid, the company did not appoint any external auditors to render other services during the year 2013.

#### 5. Audit Committee

##### 5.1 Audit Committee Formation:

The Audit Committee is composed of the following Board members:

S. No	Name	Role	Capacity
1	Mr. Abdulaziz Yaqoob Alserkal	Chairman	None executive /independent
2	Mr. Saeed Mohammed Alsharid*	Member	None executive /independent
3	Mr. Hamad Mubarak Buamim	Member	None executive /independent
4	Mr. Saeed Abdullah Yousuf ***	Member	None executive /none independent

\* Mr. .Saeed Mohammed Alsharid named as financial and accounting expert in the committee \*\* appointed on December 2013

## 5.2 Audit Committee Meetings:

Audit committee is held for 8 times during the year as of 1 January 2013 up to 31 December 2013 minutes of meetings is being recorded and approved and copy of the same is being distributed to the Board members, shown below is committee attendance list:

S.No	Committee meeting time line	Committee members			
		1	2	3	4
1	27 January 2013	✓	✓	✓	
2	24 March 2013	✓	✓	✓	
3	12 May 2013	✓	✓	✓	
4	19 June 2013	✓	✓	✓	
5	22 July 2013	✓	✓	✗	
6	7 November 2013	✓	✓	✓	
7	15 December 2013	✓	✓	✓	✓
	**1. Mr.Abdulaziz Yaqoob Alserkal	✓ attended			
	2.Mr. Saeed Mohammed Alsharid	✗ Apologized			
	3.Mr. Hamad Mubarak Buamim				
	4.Mr.Saeed Abdullah Yousuf				

## 5.3 Roles & Responsibilities (Terms of Reference)

- Review of annual and interim financial statement before being presented to the Board;
- Review action plans of the external and internal auditors;
- Review company internal audit system to ensure its effectiveness. Such task may be outsourced to external consultancy firms;
- Review reports made by auditors and evaluation of the company's internal control system;
- Evaluate the extent of corporation offered by the Executive Management to the external and internal auditors;
- Nominate and review the appointment of external auditor;
- Consider internal and external auditors' independency;
- Ensure that risk management policies are developed, and carry out regular non-compliance tests on such policies;
- Report to the Board in writing about the procedures, results and recommendations.

## 6. Nomination and Remuneration Committee

### 6.1 Formation of Nomination and Remuneration Committee

Nomination and Remuneration Committee is composed of the following Board members:

S. No	Name	Role	Capacity
1	Mr.Saeed Hameed Bin Draï	Chairman	None executive /independent
2	Mr. Ali Fradan Alfardan	Member	None executive /independent
4	Mr. Saeed Abdullah Yousuf ***	Member	None executive /none independent

### 6.2 Roles and Responsibilities (Terms of Reference)

- Ensure at all times, the independency of the directors designated as independent Board members.
- Prepare, and annually review, the policy related to granting bonuses, benefits, incentives and salaries to the directors of the Board and higher Executive anagement. The committee should verify that the bonuses and benefits given to the higher management are reasonable and consistent with the general performance of the company.
- Plan and follow-up on the procedures related to the nomination of Board of directors.
- Draw policies relating to staffing, end of service and deductions for the higher management.
- Follow-up and evaluate the content of the plans related to human resources and training.
- Report to the Board in writing about the procedures, results and recommendations

### 6.3 Nomination and Remuneration Committee Meetings

Nomination and Remuneration Committee Meeting is held for 3 times during the year from 1 January 2013 up to 31december 2013. Minutes of meetings is being recorded and approved and copy of the same is being distributed for Board Members, shown below is committee attendance list:

S.No	Committee meeting timeline	Committee members **		
		1	2	3
1	July 2013	✓	✓	✓
	1- Mr. Saeed Hameed Bin Draif	Attended		✓
	2- Mr. Ali Fradan Alfardan	Apologized		✗
	3- Mr. Saeed Abdullah Yousuf			

## 7. Internal Control

Currently the Board of directors is handling the responsibility of all transactions related to internal control and compliance within the company. The Board has established the department of internal control on 20 December 2010, and technically internal control department is affiliated to the audit committee pursuant to the board resolution dated 29 May 2011 and submit its reports to the Board through Audit Committee. Management and its employees are entitled with sufficient independency to carry out duties and responsibilities assigned to them thereof. The Internal audit head has been appointed as of June 2011.

The Board executes and shall execute the following activities based on internal audit:

- Establishing independent department for internal audit affiliated to internal control department.
- Specifying goals, commitments ,and delegations related to Internal Control Department
- Developing job descriptions of Internal Control Department.
- Commencing Internal Control Department staff recruitment.
- Discussing all key issues related to control and risks systems in connection with internal and external audit.

### Internal Control Department Mechanism:

Internal Control Department goals are represented as follows:

- To provide comprehensive confirmation regarding an Internal Control Department activities in the company.
- Develop an annual audit plan based on risk evaluation to ensure efficiency and effectiveness of internal audit environment.
- Submitting reports to the Board through company Audit Committee.

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- To provide reports (as per required) to Securities and Commodities Authority, and
- Notifying company management regarding any violations of rules which might affect the company or breaching of any laws or regulations related to Securities and Commodities Authority.

Company is approving the best international practices to evaluate and improve internal control, whereas, Internal Control Department has developed annual audit plan which based on risk evaluation to confirm efficiency and effectiveness of internal control environment and submitting reports with remarks and recommendations to the Board through Audit Committee. As for compliance, the job description of internal control head is being amended to include compliance officer duties and responsibilities in the company, whereas, Internal Control Department Manager shall handle compliance officer's assignments, the same by ensuring company and its employees compliance with applicable laws, rules, resolutions and regulations issued from the competent authorities including Securities and Commodities Authority, Dubai Financial Market, and follow-up compliance with company policies and procedures, vocational attitudes in the company in addition to providing clarifications for the Board of directors and employees with regard to the issues connected to compliance.

#### **Internal Control Department Manager's Profile:**

Bassam El Ghawi is company Internal Control Department manager as of May 2011, whereas, he is delegated to establish this department in the company, and he is having around 16 years experience in internal and external audit, risk management, corporate governance, fraud and swindling, compliance, graduated with Bachelor Degree in Accounts and Economy, Risk Management diploma from American Academy for financial management, also he is having the flowing professional certificates: ACPA, CFE, CRISC, CISA, CIA, CCO, CIC and member in : ILA, ISACA, ACFE, ASCA associations/institutions.

#### **How Internal Control Department handle intractable problems**

Internal Control Department is handling the intractable problems if any thorough evaluation and studying such problem, to eliminate its seriousness and prevent future recurrence, department shall provide reports by including remarks and recommendations for solving such problems to the Board of Directors through Audit Committee.

During the year 2013 there was no significant or/big problems faced by the Internal Control Department in the company.

## **8. Details Regarding Corporate Non-Compliance**

During the year ended in (2013), the company did not undergo any fines or imposed to any restrictions by Securities and Commodities Authority or any legal authority, regarding any issue related to capital markets, in addition to that, there was no availability of any non-compliance issues regarding any of applied laws or regulation.

## **9. Contribution to Community Development and Environmental Protection During The Year 2013**

The company's management and staff consider that health, safety and environment protection is a priority in day to day operations. The Company regularly reviews and enhances its health, safety and environmental policies to prevent pollution within the communities where the company operates. This is achieved by reducing the use of tools that produce pollution as well as reducing waste through recycling and re-use. From the other hand, there were no any additional initiatives made by the company during the ended year 2013.

## **10. General Information**

### **10.1 The significant events experienced by the company during the year 2013**

- Company's Indebtedness reduced to 1.5 Billion Dirham with 46% ratio.
- The company was able to save 130 Million Dirham the same through negotiating with contractors.
- Emirates National Bank of Dubai (the company main shareholder) has reduced its share from 47.6% to 15 %.
- Commencement of expansion project of "Uptown Midriff" retail area with additional 180 thousand square feet.

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## 10.2 Statements by company's share price at Dubai Financial Market during Financial year 2013:

Based on trading releases by Dubai Financial Market the following chart showing company's share price at the end of each month during financial year 2013:

Date	Highest price	Lower price
01/2013	0.489	0.39
02/2013	0.47	0.42
03/2013	0.421	0.394
04/2013	0.476	0.393
05/2013	0.504	0.405
06/2013	0.439	0.38
07/2013	0.457	0.4
08/2013	0.638	0.41
09/2013	0.944	0.575
10/2013	1	0.81
11/2013	1.03	0.92
12/2013	1.24	0.965

The following table showing the company's share performance compared to DFM index and real estate index by the end of each month during financial year 2013.

Date	Closing Price	DFM Index	Real Estate Index
01/2013	0.448	1734.62	3700.68
02/2013	0.447	1870.67	4183.08
03/2013	0.407	1882.07	4194.21
04/2013	0.397	1880.42	4143.66
05/2013	0.457	2286.60	4628.32
06/2013	0.406	2399.86	4677.16
07/2013	0.435	2446.27	4796.39
08/2013	0.543	2700.08	5425.25
09/2013	0.75	2659.33	5424.01
10/2013	0.956	2909.91	5795.69
11/2013	0.939	2813.08	5637.09
12/2013	1.08	3144.04	6421.47

## 10.3 Shareholders' Ownership as of December 2013

### Main Shareholders

Based on shareholders' records in Dubai Financial Market, the following chart showing names of the company's main shareholders as of 31 December 2013.

Main Shareholders	Category	No. of shares	Percentage
Emirates Dubai National Bank	Bank	505,028,550	15%
Ghobash trading Investment Company	Company	172,415,625	5.121%
Mohammed Bin Ahmed Alqasmi	Individual	217,276,541	6.4534%
<b>Total</b>		<b>894,720,716</b>	<b>26.5744%</b>

## Shareholders' Ownership as Per Their Nationality

The following chart shows the distribution of shareholders' ownership based on their nationalities:

Shareholders Category	Individuals		Banks		Companies		Government		Establishments		Total		
	No. of share-holders	(%)	Number of share-holders	(%)	Number of share-holders	(%)	Number of share-holders	(%)	Number of share-holders	(%)	Percentage	Number of shareholders	Number of shares
Local	5,907	48.1102	5	18.6977	92	15.2291	2	0.0787	8	3.5755	85.69%	6,014	2,885,096,897
GCC	407	1.1718	5	0.0389	28	1.6750	0	0	0	0	2.88%	440	97,156,482
Arab	1,753	7.7356	2	0.0091	13	0.2195	0	0	0	0	7.96%	1,768	268,141,757
Foreign	1,291	2.7859	2	0.2334	18	0.4105	0	0	1	0.0292	3.45%	1,312	116,461,347
<b>Total</b>	<b>9,358</b>	<b>59.8035</b>	<b>14</b>	<b>18.9791</b>	<b>151</b>	<b>17.5341</b>	<b>2</b>	<b>0.0787</b>	<b>9</b>	<b>3.6047</b>	<b>100%</b>	<b>9,534</b>	<b>3,366,856,483</b>

Signature: Chairman

Company Seal

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Mr. Khalid Jasim Bin Kalabn