

Union Properties
Public Joint Stock Company
and its subsidiaries

Interim condensed consolidated
financial statements
30 September 2005

Union Properties Public Joint Stock Company and its subsidiaries

Interim condensed consolidated financial statements

30 September 2005

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The Shareholders
Union Properties Public Joint Stock Company

REVIEW REPORT

We have reviewed the accompanying interim condensed consolidated balance sheet of Union Properties Public Joint Stock Company ("the Company") and its subsidiaries as set out in note 23 (collectively referred to as "the Group") at 30 September 2005, and the related statements of income, cash flows and changes in equity for the three month and nine month period then ended. The comparative figures for the three month period and nine month period ended 30 September 2004 have not been reviewed as this is the first time interim condensed consolidated financial statements have been prepared.

These interim condensed consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these interim condensed consolidated financial statements based on our review.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not presented fairly, in all material respects in accordance with the International Accounting Standard 34 - Interim Financial Reporting.

Munther Al-Dajani
(Registration No. 268)
Dubai, United Arab Emirates

26 OCT 2005

Union Properties Public Joint Stock Company and its subsidiaries

Interim condensed consolidated income statement for the period ended 30 September 2005

		Three months ended 30 September		Nine months ended 30 September	
	Note	Reviewed 2005 AED'000	Not reviewed 2004 AED'000	Reviewed 2005 AED'000	Not reviewed 2004 AED'000
Revenue	3	228,580	149,838	598,911	418,178
Direct costs	3	(189,564)	(118,886)	(481,789)	(335,136)
Administrative and general expenses	4	(10,944)	(8,741)	(30,571)	(24,629)
Operating profit		28,072	22,211	86,551	58,413
Profit on sale of investments		-	781	-	2,812
Income from Government grant	18	562	-	1,688	-
Other income		396	362	1,530	1,643
Amortisation of goodwill	5	-	(22)	-	(65)
Share of profit in joint venture & associate companies		2,721	3,842	9,093	7,392
Finance income/(cost) (net)		8,001	(1,801)	(382)	(3,137)
Net profit for the period attributable to the shareholders of the Company		39,752	25,373	98,480	67,058
Earnings per share (AED)	21	0.024	0.018	0.065	0.046

The notes on pages 6 to 16 form part of these interim condensed consolidated financial statements.

The review report of the Auditors is set out on page 1.

Union Properties Public Joint Stock Company and its subsidiaries

Interim condensed consolidated balance sheet

at 30 September 2005

	Note	Reviewed 30 September 2005 AED'000	Audited 31 December 2004 AED'000	Not reviewed 30 September 2004 AED'000
Goodwill	5	295	295	317
Property, plant and equipment	6	364,844	353,172	41,325
Investment properties	7	1,451,968	1,504,323	1,420,450
Development properties	8	887,928	332,929	572,602
Investment in an associate		3,256	3,070	2,642
Other investments	9	53,007	77,100	42,485
Long-term receivables	10	215,285	200,127	207,836
Current assets				
Other investments	9	33,000	-	-
Inventories		30,336	9,246	7,681
Contract work-in-progress		166,301	95,190	79,446
Trade and other receivables	11	510,559	247,927	263,538
Due from related parties	12	22,209	14,247	7,079
Cash at bank and in hand	13	1,341,100	51,681	66,293
		<u>2,103,505</u>	<u>418,291</u>	<u>424,037</u>
Current liabilities				
Trade and other payables	14	521,768	307,749	237,260
Advances and deposits	15	370,994	24,978	55,822
Bank borrowings	16	53,527	402,917	353,524
Current portion of long-term bank loans	17	67,856	59,803	49,525
		<u>1,014,145</u>	<u>795,447</u>	<u>696,131</u>
Net current assets/(liabilities)		<u>1,089,360</u>	<u>(377,156)</u>	<u>(272,094)</u>
Long-term bank loans	17	<u>(581,680)</u>	<u>(481,833)</u>	<u>(497,305)</u>
Deferred income	18	<u>(42,750)</u>	<u>(44,438)</u>	<u>(45,000)</u>
Long-term retentions payable		<u>(11,382)</u>	<u>(12,277)</u>	<u>-</u>
Provision for employees' terminal benefits		<u>(22,583)</u>	<u>(18,671)</u>	<u>(17,611)</u>
Net assets		<u><u>3,407,548</u></u>	<u><u>1,536,641</u></u>	<u><u>1,455,647</u></u>
Represented by				
Share capital	19	1,777,466	774,268	774,268
Proposed bonus shares	19	-	116,140	-
Statutory reserve	19	1,299,069	412,011	410,240
General reserve		51,970	51,970	39,602
Hedging reserve	22	(209)	-	-
Retained earnings		279,252	182,252	231,537
Shareholders' equity		<u><u>3,407,548</u></u>	<u><u>1,536,641</u></u>	<u><u>1,455,647</u></u>

The notes on pages 6 to 16 form part of these interim condensed consolidated financial statements.

26 OCT 2005

Anis Al Jallaf
Chairman

Mohammed Omar Bin Haider
Director

Simon E. Azzam
Chief Executive Officer

The review report of the Auditors is set out on page 1.

Union Properties Public Joint Stock Company and its subsidiaries

Interim condensed consolidated statement of cash flows for the period ended 30 September 2005

	Note	Reviewed 30 September 2005 AED'000	Not reviewed 30 September 2004 AED '000
Operating activities			
Profit for the year before minority interest		98,480	67,058
<i>Adjustments for:</i>			
Depreciation		18,540	7,280
Amortisation of goodwill		-	65
Directors' fees paid		(1,480)	(1,080)
Share of profit in a jointly controlled entity		(8,907)	(8,238)
Share of (profit)/loss in an associate		(186)	846
Finance costs (net)		382	3,137
Profit on disposal of property, plant and equipment		(182)	(163)
Profit on sale of investments		-	(2,812)
Income from government grant		(1,688)	-
<i>Operating cash flows before working capital changes</i>		104,959	66,093
(Increase)/ decrease in inventories		(21,090)	3,383
(Increase)/decrease in contract work-in-progress		(71,111)	1,523
Increase in trade and other receivables		(262,625)	(41,390)
Increase in long-term retentions receivable		(19,167)	(12,203)
(Increase)/decrease in due from related parties		(7,962)	1,527
Increase in trade and other payables		213,803	21,202
Decrease in due to related parties		-	(350)
Decrease in long-term retention payable		(895)	-
Increase in advances and deposits		346,016	33,525
Provision for employees' terminal benefits - net		3,912	2,853
<i>Cash flows from operating activities</i>		285,840	76,163
Investing activities			
Additions to property, plant and equipment		(30,366)	(4,513)
Additions to investment properties (net)		(7,645)	(220)
Additions to development properties		(494,999)	(357,507)
Proceeds from disposal of property, plant and equipment		336	266
Net movement in receivable from a jointly controlled entity		4,009	(82,623)
Proceeds from sale of investments		-	11,679
<i>Cash flows from investing activities</i>		(528,665)	(432,918)
Financing activities			
Increase in term loans		107,900	315,699
Increase in trust receipts		206	7,054
Finance costs (net)		(382)	(3,137)
Increase in share capital on account of rights issue		1,774,116	-
<i>Cash flows from financing activities</i>		1,881,840	319,616
Net increase/(decrease) in cash and cash equivalents		1,639,015	(37,139)
Cash and cash equivalents at the beginning of the period		(346,249)	(236,438)
Cash and cash equivalents at the end of the period	20	1,292,766	(273,577)

The notes on pages 6 to 16 form part of these interim condensed consolidated financial statements.

The review report of the Auditors is set out on page 1.

Union Properties Public Joint Stock Company and its subsidiaries

Interim condensed consolidated statement of changes in equity

for the period ended 30 September 2005

	Share capital AED'000	Proposed bonus shares AED'000	Share premium AED'000	Statutory reserve AED'000	General reserve AED'000	Hedging reserve AED'000	Retained earnings AED'000	Total AED'000
Balance at 1 January 2004	703,880	70,388	-	410,240	39,602	-	165,560	1,389,670
Net profit for the period	-	-	-	-	-	-	67,057	67,057
Transfer to statutory reserve	-	-	-	-	-	-	-	-
Bonus shares issued (refer note 19)	70,388	(70,388)	-	-	-	-	-	--
Directors' fees	-	-	-	-	-	-	(1,080)	(1,080)
	-----	-----	-----	-----	-----	-----	-----	-----
Balance at 30 September 2004	774,268	-	-	410,240	39,602	-	231,537	1,455,647
	=====	=====	=====	=====	=====	=====	=====	=====
Balance at 1 January 2005	774,268	116,140	-	412,011	51,970	-	182,252	1,536,641
Bonus shares issued (refer note 19)	116,140	(116,140)	-	-	-	-	-	-
Increase in share capital on account of rights issue (refer note 19)	887,058	-	887,058	-	-	-	-	1,774,116
Transfer to statutory reserve (refer note 19)	-	-	(887,058)	887,058	-	-	-	-
Net profit for the period	-	-	-	-	-	-	98,480	98,480
Net movement in unrealised loss on cash flow hedge (refer note 22)	-	-	-	-	-	(209)	-	(209)
Directors' fees	-	-	-	-	-	-	(1,480)	(1,480)
	-----	-----	-----	-----	-----	-----	-----	-----
Balance at 30 September 2005	1,777,466	-	-	1,299,069	51,970	(209)	279,252	3,407,548
	=====	=====	=====	=====	=====	=====	=====	=====

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 shareholders' equity.

No allocation has been made to the statutory reserve for the nine month period ended 30 September 2005 as it would be affected at the year-end.

The notes on pages 6 to 16 form part of these interim condensed consolidated financial statements.

Union Properties Public Joint Stock Company and its subsidiaries

Notes

(forming part of the interim condensed 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 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, and 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 an associate company and a jointly controlled entity as set out in note 23. Certain investment properties of the Company were acquired from its majority shareholder, namely Emirates Bank International PJSC in prior years.

The Company and its subsidiaries are collectively referred to as "the Group". The Company's registered office address is PO Box 24649, Dubai, United Arab Emirates.

2 Basis of preparation and significant accounting policies

These interim condensed consolidated interim financial statements have been prepared in accordance with the International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. The interim condensed consolidated financial statements of the Group, presented in UAE Dirhams ("AED") rounded to the nearest thousand, have been prepared under the historical cost convention except in respect of investment properties, derivatives and investments, which are stated at fair values.

The interim condensed consolidated financial statements are to read in conjunction with the latest audited consolidated financial statements of the Group for the year ended 31 December 2004.

The accounting policies applied in the preparation of the interim condensed consolidated financial information are consistent with those applied in the annual financial statements of the Group for the year ended 31 December 2004, except for the following accounting policies, which have either changed or have been newly adopted:

Investments

Investments held for trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in the income statement. Where the Group has the positive intent and ability to hold bonds to maturity, they are stated at amortised cost less impairment losses. Other investments held by the Group are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised in the income statement.

The fair value of investments held for trading and investments available-for-sale is their quoted bid price at the balance sheet date and incorporates an assessment by the Company's Directors of the liquidity, or lack thereof, of the particular financial instrument on a case by case basis. Investments in unquoted marketable securities are stated at cost, less impairment losses, if any, where there is no market price in the active market and other methods of reasonably estimating the fair value are inappropriate or unworkable.

Investments held for trading and available-for-sale investments are recognised / derecognised by the Group on the date it commits to purchase / sell the investments. Investments held-to-maturity are recognised / derecognised on the day there are transferred to / by the Group.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

(forming part of the interim condensed consolidated financial statements)

2 Basis of preparation and significant accounting policies (continued)

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, associate or jointly controlled entity at the date of acquisition is recorded as goodwill. Goodwill attributable to investments in associate companies is shown as part of the carrying value of investments in associate companies. Goodwill attributable to subsidiaries is shown as goodwill on the consolidated balance sheet.

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.

Derivative financial instrument

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

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

(i) Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised liability, a firm commitment or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. The ineffective part of any gain or loss is recognised in the 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 is recognised in the income statement immediately.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

3 Revenue and direct costs

	Construction AED'000	Property rentals AED'000	Hotel apartments AED'000	Others AED'000	Total AED'000
Three month period ended 30 September 2005					
Revenue	185,502	26,314	8,765	7,999	228,580
Direct costs	169,814	(6,409)	(3,781)	(9,560)	(189,564)
	-----	-----	-----	-----	-----
Margin	15,688	19,905	4,984	1,561	39,016
	=====	=====	=====	=====	=====
Three month period ended 30 September 2004 (not reviewed)					
Revenue	114,116	23,748	6,331	5,643	149,838
Direct costs	(102,927)	(6,527)	(3,398)	(6,034)	(118,886)
	-----	-----	-----	-----	-----
Margin	11,189	17,221	2,933	(391)	30,952
	=====	=====	=====	=====	=====

The above costs include staff costs amounting to AED 36 million for the three months period ended 30 September 2005 (30 September 2004: AED 22million) and depreciation amounting to AED 4 million (30 September 2004: AED 1 million).

Nine month period ended 30 September 2005

Revenue	466,339	75,362	23,458	33,752	598,911
Direct costs	(423,159)	(16,936)	(10,290)	(31,404)	(481,789)
	-----	-----	-----	-----	-----
Margin	43,180	58,426	13,168	(2,348)	117,122
	=====	=====	=====	=====	=====

Nine month period ended 30 September 2004 (not reviewed)

Revenue	320,258	64,223	19,108	14,589	418,178
Direct costs	(288,355)	(17,441)	(10,110)	(19,230)	(335,136)
	-----	-----	-----	-----	-----
Margin	31,903	46,782	8,998	(4,641)	83,042
	=====	=====	=====	=====	=====

The above costs include staff costs amounting to AED 89 million for the nine months period ended 30 September 2005 (30 September 2004: AED 62 million) and depreciation amounting to AED 16.3 million (30 September 2004: AED 1.2 million).

4 Administrative and general expenses

	Three months ended 30 September		Nine months ended 30 September	
	Reviewed 2005 AED'000	Not reviewed 2004 AED'000	Reviewed 2005 AED'000	Not reviewed 2004 AED'000
These include the following:				
Staff costs	5,293	3,977	15,137	11,429
Depreciation	698	788	2,221	2,260
Provision for doubtful debts	830	840	2,470	2,515
	=====	=====	=====	=====

The Group had 7,767 employees at 30 September 2005 (30 September 2004: 3,971 employees).

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

5 Goodwill

	Reviewed 30 September 2005 AED'000	Audited 31 December 2004 AED'000	Not reviewed 30 September 2004 AED'000
Cost			
Opening balance	295	2,838	2,838
Addition during the period / year	-	-	-
Closing balance	295	2,838	2,838
Accumulated amortisation			
Opening balance	-	2,456	2,456
Amortisation / impairment during the period / year	-	87	65
Closing balance	-	2,543	2,521
Carrying value at 30 September / 31 December	295	295	317

Until 2004, goodwill was being amortised over a period of 5 years based on the acquired businesses' performance, expansion plans and expected revenue and earnings profile. During 2005, in accordance with International Financial Reporting Standard ("IFRS") 3, *Business Combinations*, goodwill is annually tested for impairment and carried at cost less accumulated impairment losses.

In accordance with the transitional provisions of IFRS 3, at the beginning of the current financial year, the carrying amount of the accumulated amortisation is eliminated with a corresponding decrease in goodwill.

6 Property, plant and equipment

	Balance at beginning of the period 1 January 2005 AED'000	Additions/ charge AED'000	Transfers in/(out) AED'000	Disposals AED'000	Balance at end of the period 30 September 2005 AED'000
Cost					
Land	48,790	-	-	-	48,790
Buildings and leasehold improvements	305,370	11,775	-	-	317,145
Plant and machinery	10,729	4,216	-	-	14,945
Furniture, fixtures and office equipment	30,308	9,211	10	(247)	39,282
Motor vehicles	8,551	4,811	-	(702)	12,660
Gymnasium equipment	1,814	4	-	-	1,818
Equipment and tools	731	92	-	-	823
Capital work in progress	-	257	-	-	257
	406,293	30,366	10	(949)	435,720
Accumulated depreciation					
Buildings and leasehold improvements	15,858	12,089	-	-	27,947
Plant and machinery	6,899	539	-	-	7,438
Furniture, fixtures and office equipment	23,403	3,919	10	(168)	27,164
Motor vehicles	4,905	1,603	-	(627)	5,881
Gymnasium equipment	1,387	216	-	-	1,603
Equipment and tools	669	174	-	-	843
	53,121	18,540	10	(795)	70,876
Net book value	353,172				364,844

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

7 Investment properties

	Reviewed 30 September 2005 AED'000	Audited 31 December 2004 AED'000	Not reviewed 30 September 2004 AED'000
Opening balance	1,504,323	1,307,049	1,307,049
Additions during the period	11,281	2,718	401
Gain on fair valuation	-	39,478	-
Transfer (to) /from development properties (refer note 8 & 7(iii) below)	(60,000)	157,565	113,181
Disposals	(3,636)	-	-
Transfer of owner-occupied property to property, plant and equipment	-	(2,487)	-
Others	-	-	(181)
Closing balance	1,451,968	1,504,323	1,420,450

- (i) The Group fair values its properties on an annual basis. As at 31 December 2004, the Group had obtained fair values for all properties based on open market valuation carried out by an independent registered valuation company, Cluttons.
- (ii) The Company during the current period has purchased building amounting to AED 11 million for the purpose of letting out the properties units on short-term lease basis.
- (iii) The transfer to development property during the period comprises a plot of land that was earlier held for undetermined use. The land was transferred at its fair values at the time of commencement of development.

8 Development properties

	Reviewed 30 September 2005 AED'000	Audited 31 December 2004 AED'000	Not reviewed 30 September 2004 AED'000
Opening balance	332,929	328,276	328,276
Additions during the period	494,999	471,896	359,069
Transfer from/(to) investment properties (refer note 7)	60,000	(157,565)	(113,181)
Transfer to property, plant and equipment	-	(309,678)	-
Others	-	-	(1,562)
Closing balance	887,928	332,929	572,602
Development properties include:			
Interest capitalised	18,235	8,765	6,862

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

9 Other investments

	Reviewed 30 September 2005 AED'000	Audited 31 December 2004 AED'000	Not reviewed 30 September 2004 AED'000
Investment in a jointly controlled entity (refer note (i) below)	53,007	44,100	9,485
Held to maturity investment (refer note (ii) below)	33,000	33,000	33,000
Less: Classified as short-term	(33,000)	-	-
	-----	-----	-----
Long-term investments	53,007	77,100	42,485
	=====	=====	=====
(i) Investment in a jointly controlled entity comprises the investment in Properties Investment LLC, a limited liability company registered in the Emirate of Dubai ("the jointly controlled entity"). The Group's share of profit for the period in the jointly controlled entity amounts to AED 8.9 million (31 December 2004: AED 42.9 million; 30 September 2004: AED 8.2 million). At 30 September 2005, the jointly controlled entity has capital commitments amounting to AED 17.5 million (31 December 2004: AED 94.8 million; 30 September 2004: AED 127.5 million) towards property development projects in progress.			
(ii) This represents purchase at original issuance of five-year floating rate notes issued by Emirates Airlines amounting to AED 33 million. Until the previous year, these bonds were classified as originated debt security. In the current year, with the adoption of IAS 39 (revised 2003), <i>Financial Instruments: Recognition and Measurement</i> , management has designated these bonds as held to maturity. During the current period, these bonds have been classified as short-term as the maturity date of these bonds is July 2006.			

10 Long-term receivables

	Reviewed 30 September 2005 AED'000	Audited 31 December 2004 AED'000	Not reviewed 30 September 2004 AED'000
Long-term retention receivables	49,181	30,014	35,753
Long-term receivable from a jointly controlled entity	166,104	170,113	172,083
	-----	-----	-----
	215,285	200,127	207,836
	=====	=====	=====

11 Trade and other receivables

	Reviewed 30 September 2005 AED'000	Audited 31 December 2004 AED'000	Not reviewed 30 September 2004 AED'000
Contract receivables	360,446	185,905	218,037
Other trade receivables	35,615	30,857	15,272
Retentions due within one year	28,702	22,747	10,716
	-----	-----	-----
	424,763	239,509	244,025
Other receivables and prepayments	97,586	18,358	32,951
	-----	-----	-----
	522,349	257,867	276,976
Less: provision for doubtful debts and retentions	(11,790)	(9,940)	(13,438)
	-----	-----	-----
	510,559	247,927	263,538
	=====	=====	=====

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

12 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 IAS 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:

	Reviewed 30 September 2005 AED'000	Audited 31 December 2004 AED'000	Not reviewed 30 September 2004 AED'000
Project management income and income from contracts for related parties	22,210	13,170	10,011
Compensation to key management personnel including Directors are as follows:			
- Salaries and other short-term employee benefits	4,266	4,492	3,516
- Provision towards employees' terminal benefits	467	310	262
	=====	=====	=====

13 Cash at bank and in hand

	Reviewed 30 September 2005 AED'000	Audited 31 December 2004 AED'000	Not reviewed 30 September 2004 AED'000
Cash in hand	350	345	7,389
Cash at bank in:			
- Fixed deposit accounts	1,273,679	29,597	54,196
- Current accounts	66,863	21,459	4,616
- Margin deposit accounts	208	280	92
	-----	-----	-----
	1,341,100	51,681	66,293
	=====	=====	=====

14 Trade and other payables

	Reviewed 30 September 2005 AED'000	Audited 31 December 2004 AED'000	Not reviewed 30 September 2004 AED'000
Trade payables	207,049	159,623	83,080
Billings in excess of valuation	157,353	38,471	39,050
Other payables and accruals	114,622	80,819	81,323
Retention due within a year	42,088	28,167	33,140
Dividend payable	656	669	667
	-----	-----	-----
	521,768	307,749	237,260
	=====	=====	=====

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

15 Advances and deposits

	Reviewed 30 September 2005 AED'000	Audited 31 December 2004 AED'000	Not reviewed 30 September 2004 AED'000
Rent received in advance	18,032	19,115	15,789
Membership fee received in advance	1,915	1,679	1,615
Deposits	3,315	4,184	3,174
Advance received from customers	347,732	-	35,244
	-----	-----	-----
	370,994	24,978	55,822
	=====	=====	=====

Advance received from customers represent booking fees and instalments received from customers towards sale of properties under development.

16 Bank borrowings

	Reviewed 30 September 2005 AED'000	Audited 31 December 2004 AED'000	Not reviewed 30 September 2004 AED'000
Bank overdraft	48,334	389,268	330,008
Bills/cheques discounted	-	8,662	9,862
Trust receipts	5,193	4,987	13,654
	-----	-----	-----
	53,527	402,917	353,524
	=====	=====	=====

Bank overdraft includes AED 35.6 million (31 December 2004: AED 269.1 million; 30 September 2004: AED 25.9 million) due to a significant shareholder, a bank.

17 Long-term bank loans

	Reviewed 30 September 2005 AED'000	Audited 31 December 2004 AED'000	Not reviewed 30 September 2004 AED'000
Balance at 30 September / 31 December	649,536	541,636	546,830
Less: current portion	(67,856)	(59,803)	(49,525)
	-----	-----	-----
Non-current portion	581,680	481,833	497,305
	=====	=====	=====

During 2005, the Group has obtained an additional loan facility of AED 290 million from a bank which is payable in 40 quarterly instalments starting from 31 March 2006. At 30 September 2005, the Company had drawn down AED 156.06 million. The loan is secured by:

- 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 and
- Assignment of insurance policy of a property.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

18 Deferred income

	Reviewed 30 September 2005 AED'000	Audited 31 December 2004 AED'000	Not reviewed 30 September 2004 AED'000
Opening balance	44,438	45,000	-
Fair value of government grant received	-	-	45,000
Less: income recognised during the year	(1,688)	(562)	-
	-----	-----	-----
Closing balance	42,750	44,438	45,000
	=====	=====	=====

19 Share capital and bonus shares

	Reviewed 30 September 2005	Audited 31 December 2004	Not reviewed 30 September 2004
Authorised, issued and fully paid up:			
1,777,466,174 shares of AED 1 each			
(31 December 2004 & 30 September 2004:			
77,426,811 shares of AED 10 each)	1,777,466	774,268	774,268
	=====	=====	=====

The shareholders in their Annual General Meeting held on 23 February 2005, resolved to split the shares of the Company to a nominal value of AED 1 per share. The share split was followed by a bonus issue of AED 116,140,216 to the shareholders, being 15% of the revised paid-up share capital of the Company. Furthermore, in the Extraordinary General Meeting held on the same day, it was resolved to issue right shares in the ratio of one share for every share held by the shareholders (after the share split and bonus issue) at a premium of AED 1 per share.

In accordance with Article 203 of the Federal Commercial Companies Law No. 8 of 1984 (as amended), the share premium that arose on the issuance of right shares is transferred to statutory reserve.

20 Cash and cash equivalents

	Reviewed 30 September 2005 AED'000	Audited 31 December 2004 AED'000	Not reviewed 30 September 2004 AED'000
Cash at bank and in hand (refer note 13)	1,341,100	51,681	66,293
Bank overdraft (refer note 16)	(48,334)	(389,268)	(330,008)
Bills discounted (refer note 16)	-	(8,662)	(9,862)
	-----	-----	-----
	1,292,766	(346,249)	(273,577)
	=====	=====	=====

21 Earnings per share

	Three months ended 30 September		Nine months ended 30 September	
	Reviewed 2005	Not reviewed 2004	Reviewed 2005	Not reviewed 2004
Net profit attributable to shareholders (AED'000)	39,752	25,373	98,480	67,058
Weighted average number of shares	1,669,384,569	1,453,221,359	1,525,275,763	1,453,221,359
	=====	=====	=====	=====

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

22 Hedge accounting

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

During 2005, the Group obtained interest rate swaps with periodic knockout structure to hedge 50% of its long-term loan portfolio representing a total notional amount of AED 258.4 million. As per the swap arrangement, the Group pays a fixed rate and receives floating. The swap was used to protect the term loans taken by the Company from exposure to any increase in interest rates. At 30 September 2005, the fair value (net) on the interest rate swaps amounted to AED 0.2 million, which has been debited to hedging reserve and included as part of equity.

23 Subsidiary, joint venture and associate companies

At 30 September 2005, the Company holds investments in the following subsidiaries, joint venture and associate. These entities are limited liability companies and have 31 December as their reporting date:

Entity	Incorporated in	Effective ownership	Principal activities
Subsidiaries			
Thermo LLC	UAE	100%	Contracting of electrical, mechanical and plumbing works of building projects, facilities management services, manufacturing of air conditioning ducts, fire dampers and attenuators.
Serve U LLC	UAE	100%	Facilities management, security, MEP and energy management services.
Nautilus LLC	UAE	80%	Providing services to operate and manage health clubs and all related or ancillary services.
Edara LLC	UAE	100%	Project management services and property services.
OITC Thermo WLL	Qatar	85%	Contracting of electrical, mechanical and plumbing works of building projects, facilities management services, manufacturing of air conditioning ducts, fire dampers and attenuators.
Jointly controlled entity			
Properties Investment LLC	UAE	50%	Property investment and development related activities.
Associate			
Emicool District Cooling LLC	UAE	40%	Constructing, installing and operating cooling and conditioning systems.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

24 Capital commitments and contingent liabilities

	Reviewed 30 September 2005 AED'000	Audited 31 December 2004 AED'000	Not reviewed 30 September 2004 AED'000
Commitments:			
Purchase commitments (letters of credit)	106,690	22,631	18,982
Capital commitments	266,295	344,973	433,774
	=====	=====	=====
Contingent liabilities:			
Letters of guarantee	668,054	326,847	327,720
	=====	=====	=====

25 Financial instruments

Financial assets of the Group include cash and bank balances, trade and other receivables, amounts due from related parties, long-term receivables and investments in securities. Financial liabilities of the Group include bank borrowings, term loans from banks, trade and other payables, long term retentions payable and advances and deposits.

Interest rate risk

The Group's deposits with banks carry interest at agreed rates. The Company hedges interest rate risks on certain term loans by obtaining interest rate swaps.

Credit risk

Cash is placed with local and international banks of repute. Trade and other receivables include contract receivables, retentions and other receivables and are stated at cost less impairment losses.

These receivables are subject to market credit risks, which are closely monitored by management. There is no significant concentration of contract receivables as at the reporting date.

Currency risk

Currency risk faced by the Group is minimal as majority of the foreign currency purchases are in US Dollars, to which the UAE Dirham is pegged.

Fair value

The fair values of the Group's financial instruments approximate their carrying values.

26 Comparatives

Certain comparative figures have been reclassified to conform to the presentation adopted in these interim condensed consolidated financial statements.