

Union Properties
Public Joint Stock Company
and its subsidiaries

Interim condensed consolidated
financial statements
30 September 2006

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Contents

Pages

Review report of the Auditors.....	1
Interim condensed consolidated income statement.....	2
Interim condensed consolidated balance sheet	3
Interim condensed consolidated statement of cash flows	4
Interim condensed consolidated statement of changes in equity	5
Notes	6 - 11

The Shareholders
Union Properties Public Joint Stock Company

REVIEW REPORT OF THE AUDITORS

We have reviewed the accompanying interim condensed consolidated balance sheet of Union Properties Public Joint Stock Company (“the Company”) and its subsidiaries (collectively referred to as “the Group”) at 30 September 2006, and the related interim condensed consolidated statements of income, cash flows and changes in equity for the nine month period then ended.

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.

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

Union Properties Public Joint Stock Company and its subsidiaries

Interim condensed consolidated income statement (unaudited)

for the period ended 30 September 2006

	Note	Nine month ended 30 September		Three month ended 30 September	
		2006 AED'000	2005 AED'000	2006 AED'000	2005 AED'000
Revenue	4	1,773,582	598,911	605,887	228,580
Direct costs	4	(1,494,709)	(481,789)	(520,840)	(189,564)
Administrative and general expenses		(47,505)	(30,571)	(16,298)	(10,945)
Gain on valuation of investment properties	7	56,570	-	-	-
Income from government grant		1,688	1,688	563	563
Other income/(expense)	5	32,829	19,778	11,958	13,915
Share of profit in joint venture and associate companies		16,509	9,093	6,344	2,721
Finance costs (net)		(29,218)	(18,630)	(12,163)	(5,518)
Net profit for the period attributable to the shareholders of the Company		309,746	98,480	75,451	39,752
Earnings per share (AED)	13	0.139	0.049	0.034	0.019

The notes on pages 6 to 11 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 2006

	Note	Unaudited 30 September 2006 AED'000	Audited 31 December 2005 AED'000	Unaudited 30 September 2005 AED'000
Intangible assets		41,142	40,776	295
Property, plant and equipment	6	348,809	366,629	364,844
Investment properties	7	1,962,820	1,886,350	1,451,968
Development properties	8	1,767,179	1,486,731	887,928
Investment in an associate		13,414	3,206	3,256
Other investments	9	141,160	64,262	53,007
Long-term receivables		217,659	155,648	215,285
Current assets				
Other investments	9	-	33,000	33,000
Properties held for sale		4,981	36,312	-
Inventories		46,706	35,060	30,336
Contract work-in-progress		95,438	127,872	166,301
Trade and other receivables		1,759,272	904,885	510,559
Due from related parties	10	15,748	30,594	22,209
Cash at bank and in hand		502,616	1,222,999	1,341,100
		2,424,761	2,390,722	2,103,505
Current liabilities				
Trade and other payables		1,191,290	1,010,159	521,768
Advances and deposits		319,878	310,641	370,994
Due to related parties	10	3,444	473	-
Bank borrowings		350,241	111,987	53,527
Current portion of long-term bank loans		80,501	80,003	67,856
		1,945,354	1,513,263	1,014,145
Net current assets		479,407	877,459	1,089,360
Long-term bank loans		(620,480)	(597,828)	(581,680)
Deferred income		(40,500)	(42,188)	(42,750)
Long-term retentions payable		(56,712)	(328,469)	(11,382)
Provision for employees' terminal benefits		(34,125)	(24,997)	(22,583)
Net assets		4,219,773	3,887,579	3,407,548
Represented by				
Share capital	11	2,225,371	1,778,216	1,777,466
Treasury shares	12	(4,998)	-	-
Proposed bonus shares	11	-	444,554	-
Statutory reserve		1,316,228	1,301,709	1,299,069
General reserve		107,547	107,547	51,970
Hedging reserve		2,571	864	(209)
Revaluation reserve	6	6,419	-	-
Retained earnings		566,635	254,689	279,252
Shareholders' equity		4,219,773	3,887,579	3,407,548

The notes on pages 6 to 11 form part of these interim condensed consolidated financial statements.

Fardan Bin Ali Alfardan
Vice-Chairman

Simon 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 (unaudited)
for the period ended 30 September 2006

		Nine month ended 30 September	
	Note	2006 AED'000	2005 AED'000
Operating activities			
Profit for the period		309,746	98,480
<i>Adjustments for:</i>			
Depreciation	6	22,475	18,540
Accrual made/(excess accrual reversed) for directors' fees		2,200	(1,480)
Share of profit in a jointly controlled entity		(14,934)	(8,907)
Share of profit in an associate		(1,575)	(186)
Loss on fair valuation of investments (net)	5	2,225	-
Profit on valuation of investment properties		(56,570)	-
Finance costs (net)		29,218	18,630
Profit on disposal of property, plant and equipment		(881)	(182)
Income from government grant		(1,688)	(1,688)
<i>Operating cash flows before working capital changes</i>		<u>290,216</u>	<u>123,207</u>
Increase in inventories		(11,646)	(21,090)
Decrease in property held for sale		31,331	-
Decrease/(increase) in contract work-in-progress		32,434	(71,111)
Increase in trade and other receivables		(852,680)	(262,625)
Increase in long-term receivable		(62,011)	(19,167)
Decrease/(increase) in due from related parties		14,846	(7,962)
Increase in trade and other payables		181,131	213,803
Increase in due to related parties		2,971	-
Decrease in long-term retention payable		(271,757)	(895)
Increase in advances and deposits		9,237	346,016
Provision for employees' terminal benefits (net)		9,128	3,912
<i>Cash flows from operating activities</i>		<u>(626,800)</u>	<u>304,088</u>
Investing activities			
Additions to property, plant and equipment	6	(18,630)	(30,366)
Additions to investment properties (net)	7	(629)	(7,645)
Additions to development properties (net)	8	(280,448)	(494,999)
Investment in an associate		(8,999)	-
Proceeds from disposal of property, plant and equipment		2,004	336
Proceeds received on maturity of investment		33,000	-
Purchase of investment held for trading		(64,189)	-
Net movement in receivable from a jointly controlled entity		-	4,009
<i>Cash flows from investing activities</i>		<u>(337,891)</u>	<u>(528,665)</u>
Financing activities			
Increase in term loans		23,150	107,900
Increase in trust receipts (net)		90,440	206
Finance costs (net)		(29,218)	(18,630)
Proceeds from auction of unsubscribed shares of rights issue		17,120	-
Increase in share capital on account of rights issue		-	1,774,116
Treasury shares purchased		(4,998)	-
<i>Cash flows from financing activities</i>		<u>96,494</u>	<u>1,863,592</u>
Net (decrease)/increase in cash and cash equivalents		<u>(868,197)</u>	<u>1,639,015</u>
Cash and cash equivalents at the beginning of the period		<u>1,118,043</u>	<u>(346,249)</u>
Cash and cash equivalents at the end of the period		<u>249,846</u>	<u>1,292,766</u>

The notes on pages 6 to 11 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 (unaudited)

for the period ended September 2006

	Share capital AED'000	Treasury shares AED'000	Share premium AED'000	Proposed bonus shares AED'000	Statutory reserve AED'000	General reserve AED'000	Hedging reserve AED'000	Revaluation reserve AED'000	Retained earnings AED'000	Total AED'000
Balance at 1 January 2005	774,268	-	-	116,140	412,011	51,970	-	-	182,252	1,536,641
Net profit for the period	-	-	-	-	-	-	-	-	98,480	98,480
Increase in share capital on account of rights issue	887,058	-	887,058	-	-	-	-	-	-	1,774,116
Bonus shares issued	116,140	-	-	(116,140)	-	-	-	-	-	-
Directors' fees	-	-	-	-	-	-	-	-	(1,480)	(1,480)
Transfer to statutory reserve	-	-	(887,058)	-	887,058	-	-	-	-	-
Net movement in unrealised loss on cash flow hedge	-	-	-	-	-	-	(209)	-	-	(209)
Balance at 30 September 2005	1,777,466	-	-	-	1,299,069	51,970	(209)	-	279,252	3,407,548
Balance at 1 January 2006	1,778,216	-	-	444,554	1,301,709	107,547	864	-	254,689	3,887,579
Net profit for the period	-	-	-	-	-	-	-	-	309,746	309,746
Auction of unsubscribed shares of rights issue	2,601	-	14,519	-	-	-	-	-	-	17,120
Bonus shares issued	444,554	-	-	(444,554)	-	-	-	-	-	-
Treasury shares purchased (refer note 12)	-	(4,998)	-	-	-	-	-	-	-	(4,998)
Transfer to statutory reserve	-	-	(14,519)	-	14,519	-	-	-	-	-
Net movement in unrealised gain on cash flow hedge	-	-	-	-	-	-	1,707	-	-	1,707
Excess accrual for Directors' fees reversed, net of current period charge of AED 1.2 million	-	-	-	-	-	-	-	-	2,200	2,200
Gain on revaluation of property, plant and equipment transferred to investment property (refer note 6)	-	-	-	-	-	-	-	6,419	-	6,419
Balance at 30 September 2006	2,225,371	(4,998)	-	-	1,316,228	107,547	2,571	6,419	566,635	4,219,773

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 of profit has been made to the statutory reserve for the nine month period ended 30 September 2006 as it would be effected at the year-end.

The notes on pages 6 to 11 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.

The Company and its subsidiaries are collectively referred to as “the Group”. The Company's registered office address is P.O. Box 24649, Dubai, United Arab Emirates (“UAE”).

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 be read in conjunction with the latest audited consolidated financial statements of the Group for the year ended 31 December 2005 and the interim condensed consolidated financial statements for the three and six month periods ended 31 March 2006 and 30 June 2006 respectively.

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 2005.

3 Accounting estimates and judgements

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2005.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

4 Revenue and direct costs (unaudited)

	Construc- tion AED'000	Property rentals AED'000	Hotel apartments AED'000	Property sales AED'000	Others AED'000	Total AED'000
Nine month period ended 30 September 2006						
Revenue	1,321,833	94,947	27,176	272,115	57,511	1,773,582
Direct costs	(1,241,669)	(21,546)	(11,013)	(176,022)	(44,459)	(1,494,709)
Margin	80,164	73,401	16,163	96,093	13,052	278,873

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

The above costs include staff costs amounting to AED 248.1 million for the nine month period ended 30 September 2006 (*nine month period ended 30 September 2005: AED 99.2 million*) and depreciation amounting to AED 18.7 million (*nine month period ended 30 September 2005: AED 16.3 million*).

Three month period ended 30 September 2006						
Revenue	429,263	33,825	9,056	115,864	17,879	605,887
Direct costs	(412,911)	(8,305)	(3,998)	(80,451)	(15,175)	(520,840)
Margin	16,352	25,520	5,058	35,413	2,704	85,047

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

The above costs include staff costs amounting to AED 100.8 million for the three month period ended 30 September 2006 (*three month period ended 30 September 2005: AED 45 million*) and depreciation amounting to AED 5.6 million (*three month period ended 30 September 2005: AED 5.3 million*).

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

5 Other income/(expense) (unaudited)

	Nine month ended 30 September		Three month ended 30 September	
	2006	2005	2006	2005
	AED'000	AED'000	AED'000	AED'000
This includes the following:				
Interest income	32,158	18,248	8,627	13,536
Profit on disposal of property, plant and equipment	881	-	3	-
Loss on fair valuation of investment (net) (refer note 9)	(2,225)	-	2,838	-
Miscellaneous income	2,015	1,530	490	379
	-----	-----	-----	-----
	32,829	19,778	11,958	13,915
	=====	=====	=====	=====

6 Property, plant and equipment

During the nine month period ended 30 September 2006, the Group acquired assets with a cost of AED 18.6 million and assets with a net book value of AED 1.1 million were sold during the period. Depreciation charge for the period amounted to AED 22.5 million.

Three floors of Union House, a building owned by the Company, which were owner occupied, were vacated during the period. Accordingly, these were transferred to investment property at fair value amounting to AED 12.8 million (refer note 7) and a revaluation gain of AED 6.4 million was recognised directly in equity.

7 Investment properties

	Unaudited 30 September 2006 AED'000	Audited 31 December 2005 AED'000	Unaudited 30 September 2005 AED'000
Opening balance	1,886,350	1,504,323	1,504,323
Additions during the period/year	629	11,891	11,281
Gain on fair valuation	62,990	316,076	-
Transfer from development properties (refer note 8)	-	57,672	-
Transfer to development properties (refer note 8)	-	-	(60,000)
Transfer from property, plant and equipment (refer note 6)	12,851	-	-
Disposals	-	(3,612)	(3,636)
	-----	-----	-----
Closing balance	1,962,820	1,886,350	1,451,968
	=====	=====	=====

Management had reviewed the fair value of investment properties at 30 June 2006 and increased the fair value by AED 63 million. As at 30 September 2006, management do not consider it necessary to adjust the valuation of properties. The gain in fair valuation of AED 63 million includes AED 6.4 million which relates to the previously owner occupied three floors of Union House (refer note 6), which has been recognised in revaluation reserve in equity. The remaining gain of AED 56.6 million has been recognised in the income statement.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

8 Development properties

	Unaudited 30 September 2006 AED'000	Audited 31 December 2005 AED'000	Unaudited 30 September 2005 AED'000
Opening balance	1,486,731	332,929	332,929
Additions during the period	409,754	1,466,003	494,999
Transfer to investment properties (refer note 7)	-	(57,672)	-
Transfer from investment properties (refer note 7)	-	-	60,000
Transfer to property, plant and equipment	-	(44,128)	-
Transfer to properties held for sale	(129,306)	(36,312)	-
Sale of properties	-	(174,089)	-
Closing balance	1,767,179	1,486,731	887,928
Development properties include:			
Interest capitalised	28,755	19,700	18,235

9 Other investments

During the nine month period ended 30 September 2006, the Group made investments in certain quoted securities, which have been accounted for at fair value. Fair valuation loss of AED 2.2 million has been recognised during the period (refer note 5). Furthermore, the Group has made investment in certain structured deposits amounting to AED 53.7 million, which have been fair valued at AED 53.5 million at 30 September 2006 and resultant loss of AED 0.2 million has been recognised in the income statement. The Group's share of profit from the joint venture amounts to AED 14.9 million during the nine month period ended 30 September 2006.

The Group acquired an additional 10% shareholding in the associate company effective 1 August 2006 at a cost of AED 2.5 million. This amount includes an amount for goodwill of AED 0.4 million.

Investment in Emirates Airline Bonds matured during the nine month period ended 30 September 2006 and payment, together with interest amounting to AED 0.9 million, was received in respect of these bonds.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

10 Transactions with related parties (unaudited)

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 carried out at agreed rates. The transactions with related parties, other than those already disclosed separately elsewhere in the interim condensed consolidated financial statements, are as follows:

	Nine month ended 30 September		Three month ended 30 September	
	2006	2005	2006	2005
	AED'000	AED'000	AED'000	AED'000
Project management income and income from contracts for related parties	14,285	9,411	6,633	3,118
Compensation to key management personnel including Directors are as follows:				
- Salaries and other short-term employee benefits	4,911	3,460	1,722	1,194
- Provision towards employees' terminal benefits	586	203	64	59
	=====	=====	=====	=====

11 Share capital and bonus shares

	Unaudited 30 September 2006 AED'000	Audited 31 December 2005 AED'000	Unaudited 30 September 2005 AED'000
Authorised, issued and fully paid up:			
2,224,544,766 shares of AED 1 each (31 December 2005: 1,778,216,174 shares of AED 1 each & 30 September 2005: 1,777,466,174 shares of AED 1 each)	2,225,371	1,778,216	1,777,466
	=====	=====	=====

During the nine month period ended 30 September 2006, as approved by its shareholders, the Company issued bonus shares of AED 444,554,044, being 25% of the paid up share capital of the Company at 31 December 2005.

12 Treasury shares

The cost of treasury shares purchased is debited to Treasury Shares account, which is shown as a deduction from equity. When treasury shares are sold, the amount received for the shares is also credited to this account.

13 Earnings per share (unaudited)

The calculation of earnings per share was based on the following:

	Nine month ended 30 September		Three month ended 30 September	
	2006	2005	2006	2005
Net profit attributable to shareholders (AED'000)	309,746	98,480	75,451	39,752
Weighted average number of shares (adjusted for bonus share issue)	2,224,117,388	1,998,815,845	2,224,544,766	2,126,874,990
	=====	=====	=====	=====

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

14 Capital commitments and contingent liabilities

	Unaudited 30 September 2006 AED'000	Audited 31 December 2005 AED'000	Unaudited 30 September 2005 AED'000
Commitments:			
Purchase commitments (letters of credit)	311,237	248,113	106,690
Capital commitments	2,142,099	1,232,161	266,295
	=====	=====	=====
Contingent liabilities:			
Letters of guarantee	724,145	686,414	668,054
	=====	=====	=====

15 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 quoted securities and structured deposits. Financial liabilities of the Group include bank borrowings, term loans from banks, trade and other payables, long term retentions payable, advances and deposits and amounts due to related parties.

Interest rate risk

The Group's deposits and borrowings 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, if any.

These receivables are subject to market credit risks, which are closely monitored by management. Contract receivables are exposed to concentration risk as one customer accounts for 38% of the total contract receivables of the Group.

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.

16 Comparatives

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