

Union Properties
Public Joint Stock Company
and its subsidiaries

Interim condensed consolidated
financial statements
31 March 2007

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Interim condensed consolidated financial statements

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Independent auditors' report on review of condensed consolidated interim financial information

The Shareholders
Union Properties Public Joint Stock Company

Introduction

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") as at 31 March 2007, and the related condensed consolidated statements of income, changes in equity and cash flows for the three month period then ended ("the interim financial information"). Management is responsible for the preparation and presentation of this interim consolidated financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial information as at 31 March 2007 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

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

10 MAY 2007

Union Properties Public Joint Stock Company and its subsidiaries

Interim condensed consolidated income statement for the period ended 31 March 2007

		Three Months Ended March 31 2007			Three Months Ended March 31 2006		
		Property Management & Sales AED'000	Other Operating Activities AED'000	Total AED'000	Property Management & Sales AED'000	Other Operating Activities AED'000	Total AED'000
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Revenue	4	65,565	526,102	591,667	159,297	328,799	488,096
Direct costs	4	(20,997)	(489,567)	(510,564)	(80,510)	(288,242)	(368,752)
Gross profit		44,568	36,535	81,103	78,787	40,557	119,344
Administrative and general expenses				(22,512)			(15,138)
Finance costs, net				(18,725)			(8,154)
Other income				7,408			14,715
Gain on valuation of investment property	6			79,342			-
Share of profit in joint venture and associate companies	5			14,022			1,998
Net profit for the period attributable to the shareholders' of the Company				140,638			112,765
Earnings per share (AED) (for the Quarter)	10			0.0506			0.0406

The notes on pages 6 to 10 form part of these interim condensed consolidated financial statements.

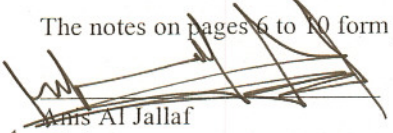
The independent auditors' report on review of condensed consolidated interim financial information is set out on page 1.

Union Properties Public Joint Stock Company and its subsidiaries

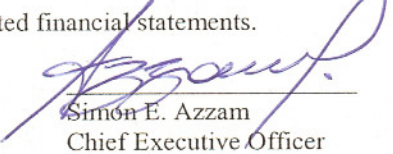
Interim condensed consolidated balance sheet at 31 March 2007

	Note	Unaudited 31 March 2007 AED'000	Audited 31 December 2006 AED'000	Unaudited 31 March 2006 AED'000
Intangible assets		40,776	40,776	40,776
Property, plant and equipment		363,138	366,904	363,506
Investment properties	6	2,588,506	2,629,039	1,886,499
Development properties	7	2,340,761	1,774,679	1,534,062
Investment in an associate		34,765	34,520	5,482
Investment in a joint venture		125,535	111,757	73,496
Long-term receivables		143,979	125,222	169,320
Current assets				
Other investments		8,143	60,981	33,000
Properties held for sale		-	-	11,643
Inventories		38,245	55,361	51,894
Contract work-in-progress		674,876	500,236	61,156
Trade and other receivables		1,861,616	1,778,959	1,362,243
Due from related parties	8	23,014	20,459	23,973
Cash at bank and in hand		228,324	51,340	935,547
		<u>2,834,218</u>	<u>2,467,336</u>	<u>2,479,456</u>
Current liabilities				
Trade and other payables		1,123,456	1,271,557	1,088,187
Advances and deposits		398,706	199,643	320,070
Due to related parties	8	4,653	3,016	6,779
Bank borrowings	9	945,085	689,155	122,698
Current portion of long-term bank loans	9	74,803	87,234	82,089
		<u>2,546,703</u>	<u>2,250,605</u>	<u>1,619,823</u>
Net current assets		287,515	216,731	859,633
Long-term bank loans	9	(1,094,220)	(606,609)	(600,092)
Deferred income		(39,375)	(39,938)	(41,625)
Long-term payables		(58,008)	(62,260)	(246,339)
Provision for employees' terminal benefits		(43,222)	(37,765)	(27,063)
Net assets		<u>4,690,150</u>	<u>4,553,056</u>	<u>4,017,655</u>
Represented by				
Share capital		2,226,021	2,226,021	2,225,371
Treasury shares		(4,998)	(4,998)	(4,998)
Proposed bonus shares		556,505	556,505	-
Statutory reserve		1,377,678	1,377,678	1,316,228
General reserve		168,944	168,944	107,547
Hedging reserve		(1,103)	2,441	2,153
Revaluation surplus		39,507	39,507	-
Retained earnings		327,596	186,958	371,354
Shareholders' equity		<u>4,690,150</u>	<u>4,553,056</u>	<u>4,017,655</u>

The notes on pages 6 to 10 form part of these interim condensed consolidated financial statements.


Mans Al Jallaf
Chairman


Mohammed Omar Bin Haider
Director


Simon E. Azzam
Chief Executive Officer

10 MAY 2007

The independent auditors' report on review of condensed consolidated interim financial information 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 31 March 2007

		Three months ended 31 March	
	Note	Unaudited 2007 AED'000	Unaudited 2006 AED'000
Operating activities			
Profit for the period		140,638	112,765
Gain on valuation of investment properties		(79,342)	
<i>Adjustments for:</i>			
Depreciation		8,231	7,826
Directors' fees paid		(720)	(600)
Share of profit in joint venture and associate companies		(14,022)	(1,998)
Loss on fair valuation of investments held for trading		706	2,456
Finance costs (net)		18,725	8,154
Profit on disposal of property, plant and equipment		(154)	(57)
Income from government grant		(563)	(563)
<i>Operating cash flows before working capital changes</i>		<u>73,499</u>	<u>127,983</u>
Change in trade and other receivables		(84,380)	(456,069)
Change in property held for sale		-	24,669
Change in inventories		17,116	(16,834)
Change in contract work-in-progress		(174,640)	66,716
Change in long-term retention receivable		(18,757)	(13,672)
Change in due from related parties		(2,555)	6,621
Change in trade and other payables		(149,204)	82,528
Change in due to related parties		1,637	6,306
Change in long-term payables		(4,252)	(82,130)
Change in advances and deposits		199,063	9,429
Increase in employees' terminal benefits (net)		5,456	2,066
<i>Cash flows from operating activities</i>		<u>(137,017)</u>	<u>(242,387)</u>
Investing activities			
Additions to property, plant and equipment		(4,487)	(4,737)
Additions to investment properties	6	(105,275)	(149)
Additions to development properties (net)	7	(340,932)	(47,331)
Proceeds from disposal of property, plant and equipment		179	91
Proceeds received on disposal of investment		52,132	-
Purchase of investment at fair value through profit or loss		-	(9,968)
Investment in an associate		-	(2,000)
<i>Cash flows from investing activities</i>		<u>(398,383)</u>	<u>(64,094)</u>
Financing activities			
Increase in term loans		475,180	4,350
Increase in trust receipts		50,459	6,308
Short-term loans obtained		150,000	-
Interest paid		(18,725)	(8,154)
Proceeds from auction of unsubscribed shares of rights issue		-	17,120
Treasury shares purchased		-	(4,998)
<i>Cash flows from financing activities</i>		<u>656,914</u>	<u>14,626</u>
Net increase / (decrease) in cash and cash equivalents		<u>121,514</u>	<u>(291,855)</u>
Cash and cash equivalents at the beginning of the period		<u>(359,181)</u>	<u>1,118,043</u>
Cash and cash equivalents at the end of the period		<u><u>(237,667)</u></u>	<u><u>826,188</u></u>

The notes on pages 6 to 10 form part of these interim condensed consolidated financial statements.

The independent auditors' report on review of condensed consolidated interim financial information 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 31 March 2007

	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 Surplus AED'000	Retained earnings AED'000	Total AED'000
Balance at 1 January 2006 (audited)	1,778,216	-	-	444,554	1,301,709	107,547	864	-	254,689	3,887,579
Auction of unsubscribed shares of rights issue	2,601	-	14,519	-	-	-	-	-	-	17,120
Bonus shares issued	444,554	-	-	(444,554)	-	-	-	-	-	-
Treasury shares purchased	-	(4,998)	-	-	-	-	-	-	-	(4,998)
Transfer to statutory reserve	-	-	(14,519)	-	14,519	-	-	-	-	-
Net profit for the period	-	-	-	-	-	-	-	-	112,765	112,765
Net movement on cash flow hedge	-	-	-	-	-	-	1,289	-	-	1,289
Excess accrual for Directors' fees reversed, net of current period charge of AED 0.6 million	-	-	-	-	-	-	-	-	3,900	3,900
Balance at 31 March 2006 (unaudited)	2,225,371	(4,998)	-	-	1,316,228	107,547	2,153	-	371,354	4,017,655
Balance at 1 January 2007 (audited)	2,226,021	(4,998)	-	556,505	1,377,678	168,944	2,441	39,507	186,958	4,553,056
Net profit for the period	-	-	-	-	-	-	-	-	140,638	140,638
Net movement on cash flow hedge	-	-	-	-	-	-	(3,544)	-	-	(3,544)
Balance at 31 March 2007 (unaudited)	2,226,021	(4,998)	-	556,505	1,377,678	168,944	(1,103)	39,507	327,596	4,690,150

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 three month period ended 31 March 2007 as it would be affected at the year-end.

The notes on pages 6 to 10 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 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.

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"), which is also the Company's functional currency, 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 2006.

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 2006.

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 2006.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

4 Revenue and direct costs

A. Property management & sales:

	Property rentals AED'000	Property sales AED'000	Total AED'000
Three month period ended 31 March 2007 (unaudited)			
Revenue	45,476	20,089	65,565
Direct costs	(7,078)	(13,919)	(20,997)
Gross profit	38,398	6,170	44,568
Three month period ended 31 March 2006 (unaudited)			
Revenue	29,616	129,681	159,297
Direct costs	(7,550)	(72,960)	(80,510)
Gross profit	22,066	56,721	78,787

B. Other operating activities:

	Contracting AED'000	Hotel apartm- ents AED'000	Others AED'000	Total AED'000
Three month period ended 31 March 2007 (unaudited)				
Revenue	491,081	11,579	23,442	526,102
Direct costs	(465,140)	(4,331)	(20,096)	(489,567)
Gross profit	25,941	7,248	3,346	36,535
Three month period ended 31 March 2006 (unaudited)				
Revenue	303,079	9,406	16,314	328,799
Direct costs	(274,005)	(3,408)	(10,829)	(288,242)
Gross profit	29,074	5,998	5,485	40,557

The above costs include staff costs amounting to AED 92.05 million for the three months period ended 31 March 2007 (31 March 2006: AED 50.2 million) and depreciation amounting to AED 5.7 million (31 March 2006: AED 7.4 million).

5 Share of profit in joint venture and associate companies

During the three month period ended 31 March 2007, the Group's share of profit in Properties Investment LLC, a joint venture entity, amounted to AED 13.78 million (31 March 2006: AED 1.7 million) and its share of profit in Emirates District Cooling LLC, an associate, amounted to AED 0.24 million (31 March 2006: AED 0.29 million).

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

6 Investment properties

	Unaudited 31 March 2007 AED'000	Audited 31 December 2006 AED'000	Unaudited 31 March 2006 AED'000
Opening balance	2,629,039	1,886,350	1,886,350
Additions during the period/year	105,275	272,288	149
Gain on fair valuation	79,342	229,690	-
Transfers (to)/from development properties (Refer note 7)	(225,150)	182,640	-
Transfer from property, plant & equipment	-	58,071	-
Closing balance	<u>2,588,506</u>	<u>2,629,039</u>	<u>1,886,499</u>

The Company follows the fair value model under IAS 40 (Revised 2003) where investment property defined as land and buildings owned for the purpose of generating rental income or capital appreciation, or both, are marked to market. Management has revalued certain properties where there has been significant development since the year end. Furthermore, the fair value of all other properties has also been reviewed and management has concluded that there is no diminution in their value. Certain plots of land have been pledged against bank borrowings (refer note 9).

7 Development properties

	Unaudited 31 March 2007 AED'000	Audited 31 December 2006 AED'000	Unaudited 31 March 2006 AED'000
Opening balance	1,774,679	1,486,731	1,486,731
Additions during the period/year	350,292	647,164	92,594
Transfer from/(to) investment properties ,net (Refer note 6)	225,150	(182,640)	-
Sale of properties	(9,360)	(176,576)	(45,263)
Closing balance	<u>2,340,761</u>	<u>1,774,679</u>	<u>1,534,062</u>
Development properties include:			
Land	1,227,024	999,058	1,023,533
Construction cost	1,078,922	744,256	506,333
Interest capitalised	<u>34,815</u>	<u>31,365</u>	<u>4,196</u>

Land on which property is currently being developed for the intent of being sold when completed has been transferred to development property at carrying value.

8 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 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:

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

8 Transactions with related parties (continued)

	Unaudited 31 March 2007 AED'000	Unaudited 31 March 2006 AED'000
Project management income and income from contracts for related parties	3,125	2,073
Compensation to key management personnel are as follows:		
- Salaries and other short-term employee benefits	2,753	1,452
- Provision towards employees' terminal benefits	381	64
	<u> </u>	<u> </u>

9 Bank borrowings

During the period, the Group has availed of long-term borrowings amounting to AED 493.5 million and short-term borrowings amounting to AED 150 million from various banks. These borrowings carry interest at normal commercial rates and are secured by the mortgage of 2 plots of land in favour of a bank (refer note 6), and assignment of the receivables from the sale of properties of the Company.

10 Earnings per share

	Three months ended 31 March Unaudited 2007	Unaudited 2006
Net profit attributable to shareholders (AED'000)	140,638	112,765
Weighted average number of shares	<u>2,781,427,582</u>	<u>2,779,280,898</u>

11 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, trade and other payables, long term retentions payable, advances and deposits and amounts due to related parties.

Interest rate risk

The Group's deposits with banks carry interest at prevailing commercial 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. Contract receivables are exposed to concentration risk as one customer accounts for 53% of the total contract receivables of the Group.

Union Properties Public Joint Stock Company and its subsidiaries

Notes *(continued)*

11 Financial instruments (continued)

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. Exposure to other currencies is monitored by the Group on a regular basis. The Group has forward contracts to hedge its exposure to foreign currency risk as deemed appropriate.

Fair value

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

12 Comparatives

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