

Union Properties
Public Joint Stock Company
and its subsidiaries

Interim condensed consolidated
financial statements
30 June 2008

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Interim condensed consolidated financial statements

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Independent auditors' report on review of interim condensed consolidated 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 30 June 2008, and the related interim condensed consolidated statements of income, changes in equity and cash flows for the six 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 30 June 2008 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

31 JUL 2008

KPMG
Sharad Bhandari
(Registration No. 267)
Abu Dhabi, United Arab Emirates

Union Properties Public Joint Stock Company and its subsidiaries

Interim condensed consolidated income statement (unaudited)

for the period ended 30 June 2008

		Six Month Ended 30 June 2008			Six Month Ended 30 June 2007		
	Note	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
Revenue	11	269,949	1,593,551	1,863,500	166,585	999,002	1,165,587
Direct costs		<u>(71,582)</u>	<u>(1,545,979)</u>	<u>(1,617,561)</u>	<u>(48,448)</u>	<u>(925,487)</u>	<u>(973,935)</u>
Gross profit	11	198,367	47,572	245,939	118,137	73,515	191,652
Administrative and general expenses				(72,118)			(44,477)
Financial income and expense (net)				(30,756)			(37,863)
Other income				16,733			5,701
Profit from disposal of investment properties	6			153,930			-
Net gain on fair valuation of investment properties	6			231,109			159,056
Share of profit in joint ventures	5			11,220			20,856
Net profit for the period attributable to the shareholders' of the Company				556,057			294,925
Basic and diluted earnings per share (AED) (for the six month period)	10			0.182			0.096

The notes on pages 7 to 11 form part of these interim condensed consolidated financial statements.

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

Union Properties Public Joint Stock Company and its subsidiaries

Interim condensed consolidated income statement (unaudited)

for the period ended 30 June 2008

	<i>Note</i>	Three Month Ended 30 June 2008			Three Month Ended 30 June 2007		
		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
Revenue		145,934	773,872	919,806	101,020	472,900	573,920
Direct costs		<u>(32,854)</u>	<u>(757,912)</u>	<u>(790,766)</u>	<u>(27,451)</u>	<u>(435,920)</u>	<u>(463,371)</u>
Gross profit		113,080	15,960	129,040	73,569	36,980	110,549
Administrative and general expenses				(38,842)			(24,465)
Financial income and expense (net)				(13,383)			(20,406)
Other income				2,911			2,061
Net gain on fair valuation of investment properties	6			231,109			79,714
Share of profit in joint ventures				6,872			6,834
Net profit for the period attributable to the shareholders' of the Company				<u>317,707</u>			<u>154,287</u>
Basic and diluted earnings per share (AED) (for the quarter)	10			0.104			0.050

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Union Properties Public Joint Stock Company and its subsidiaries

Interim condensed consolidated balance sheet

at 30 June 2008

		Unaudited 30 June 2008 AED'000	Audited 31 December 2007 AED'000	Unaudited 30 June 2007 AED'000
	Note			
Intangible assets		40,776	40,776	40,776
Property, plant and equipment		358,258	375,867	363,941
Investment properties	6	2,610,661	2,814,043	2,542,416
Development properties	7	8,878,356	3,992,911	2,901,102
Investment in joint ventures	5	278,125	221,905	167,135
Long-term receivables		377,685	289,440	161,401
Total non-current assets		12,543,861	7,734,942	6,176,771
Other investments		14,408	13,217	10,569
Inventories		94,193	101,171	93,231
Contract work-in-progress		198,483	217,208	609,548
Trade and other receivables		3,486,206	2,936,364	1,948,323
Due from related parties	8	8,379	7,082	17,231
Cash at bank and in hand		78,811	88,330	142,237
Total current assets		3,880,480	3,363,372	2,821,139
Total assets		16,424,341	11,098,314	8,997,910
Equity				
Share capital		3,060,779	2,782,526	2,782,526
Treasury shares		(4,998)	(4,998)	(4,998)
Statutory reserve		1,391,263	1,391,263	1,377,678
General reserve		237,387	237,387	168,944
Hedging reserve		(7,407)	(3,354)	(2,361)
Revaluation surplus		39,507	39,507	39,507
Retained earnings		1,060,285	782,481	481,883
Total equity		5,776,816	5,224,812	4,843,179
Long-term bank loans	9	3,563,312	2,193,667	1,565,488
Deferred income		36,563	37,688	38,813
Long-term payables		961,484	70,249	59,195
Provision for employees' terminal benefits		73,224	55,423	47,281
Total non-current liabilities		4,634,583	2,357,027	1,710,777
Trade and other payables		2,174,196	1,304,760	1,293,105
Advances and deposits		2,128,268	1,021,200	210,215
Due to related parties	8	2,995	5,590	5,611
Bank borrowings		1,670,750	1,109,122	860,220
Current portion of long-term bank loans	9	36,733	75,803	74,803
Total current liabilities		6,012,942	3,516,475	2,443,954
Total liabilities		10,647,525	5,873,502	4,154,731
Total equity and liabilities		16,424,341	11,098,314	8,997,910

The notes on pages 7 to 11 form part of these interim condensed consolidated financial statements.

Khalid Kalban
Vice Chairman

Abdul Aziz Al Serkal
Director

Simon E. Azzam
Chief Executive Officer

3 JUL 2008

The independent auditors' report on review of interim condensed consolidated financial information 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 June 2008

		Six months ended 30 June	
		2008	2007
	Note	AED'000	AED'000
Operating activities			
Profit for the period		556,057	294,925
<i>Adjustments for:</i>			
Depreciation		25,765	18,545
Net gain on valuation of investment properties	6	(231,109)	(159,056)
Gain on disposal of investment properties	6	(153,930)	-
Directors' fees paid		(960)	(1,435)
Share of profit in joint ventures		(11,220)	(20,856)
Profit on disposal of property, plant and equipment		(120)	-
Income from government grant		(1,125)	(1,125)
Financial income and expense (net)		30,756	37,533
<i>Operating cash flows before working capital changes</i>		214,114	168,531
Change in trade and other receivables		(548,882)	(167,934)
Change in inventories		6,978	(37,870)
Change in contract work-in-progress		18,725	(109,312)
Change in long-term receivables		(88,245)	(36,179)
Change in due from related parties		(1,297)	3,228
Change in trade and other payables		865,383	16,747
Change in due to related parties		(2,595)	2,595
Change in long-term payables		891,235	(3,064)
Change in advances and deposits		1,107,068	10,572
Change in employees' terminal benefits (net)		17,801	9,517
<i>Cash flows from/(used in) operating activities</i>		2,480,285	(143,169)
Investing activities			
Additions to property, plant and equipment		(36,008)	(15,840)
Additions to investment properties	6	(5,579)	(105,591)
Additions to development properties (net)	7	(4,885,445)	(775,153)
Proceeds from disposal of property, plant and equipment		27,972	258
Proceeds from disposal of investment properties		594,000	-
Purchase of investment at fair value through profit or loss		(1,191)	-
Investment in joint ventures		(45,000)	-
Proceeds received on disposal of investment		-	50,412
Interest received		1,049	-
<i>Cash flows used in investing activities</i>		(4,350,202)	(845,914)
Financing activities			
Net movement in term loans		1,330,575	946,448
Net movement in short-term borrowings		(150,000)	38,737
Increase in trust receipts		38,077	81,687
Interest paid		(31,805)	(37,533)
<i>Cash flows from financing activities</i>		1,186,847	1,029,339
Net (decrease)/increase in cash and cash equivalents		(683,070)	40,256
Cash and cash equivalents at the beginning of the period		(597,346)	(359,181)
Cash and cash equivalents at the end of the period		(1,280,416)	(318,925)

The notes on pages 7 to 11 form part of these interim condensed consolidated financial statements.

The independent auditors' report on review of interim condensed consolidated 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 30 June 2008

	Share capital AED'000	Treasury shares AED'000	Proposed bonus shares AED'000	Statutory reserve AED'000	General reserve AED'000	Hedging reserve AED'000	Revaluation Surplus AED'000	Retained earnings AED'000	Total AED'000
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	-	-	-	-	-	-	-	294,925	294,925
Bonus shares issued	556,505	-	(556,505)	-	-	-	-	-	-
Net movement on cash flow hedge	-	-	-	-	-	(4,802)	-	-	(4,802)
Balance at 30 June 2007 (unaudited)	2,782,526	(4,998)	-	1,377,678	168,944	(2,361)	39,507	481,883	4,843,179
Balance at 1 January 2008 (audited)	2,782,526	(4,998)	-	1,391,263	237,387	(3,354)	39,507	782,481	5,224,812
Net profit for the period	-	-	-	-	-	-	-	556,057	556,057
Bonus shares issued	278,253	-	-	-	-	-	-	(278,253)	-
Net movement on cash flow hedge	-	-	-	-	-	(4,053)	-	-	(4,053)
Balance at 31 March 2008 (unaudited)	3,060,779	(4,998)	-	1,391,263	237,387	(7,407)	39,507	1,060,285	5,776,816

In accordance with the interpretation of Article 118 of the UAE Federal Law No. 8 of 1984 by the Ministry of Economy & Commerce, Directors' fees have been treated as an appropriation of retained earnings.

No allocation of profit has been made to the statutory reserve as will be done at the year end.

The notes on pages 7 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 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 joint ventures.

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 Group’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 2007.

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 2007.

3 Significant accounting estimates and judgements

The preparation of interim condensed consolidated 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 interim condensed consolidated 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 2007.

4 Financial risk management

The Group’s financial risk management objectives and policies are consistent with that disclosed in the consolidated financial statements as at and for the year ended 31 December 2007.

5 Share of profit in joint ventures

During the six month period ended 30 June 2008, the Group’s share of profit in Properties Investment LLC amounted to AED 11.26 million (*30 June 2007: AED 20.38 million*) and its share of loss in Emirates District Cooling LLC amounted to AED 0.04 million (*30 June 2007: share of profit amounted to AED 0.48 million*). Furthermore, during the six month period ended 30 June 2008, the Group along with the other joint venture partner has invested AED 45 million equally in Emirates District Cooling LLC.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

6 Investment properties

	Unaudited 30 June 2008 AED'000	Audited 31 December 2007 AED'000	Unaudited 30 June 2007 AED'000
Opening balance	2,814,043	2,629,039	2,629,039
Additions during the period/year	5,579	108,690	105,591
Net gain on fair valuation (refer note (ii) below)	231,109	307,521	159,056
Transfers to development properties (refer note 7)	-	(231,207)	(351,270)
Disposals (refer note (iii) below)	(440,070)	-	-
Closing balance	<u>2,610,661</u>	<u>2,814,043</u>	<u>2,542,416</u>

- (i) The Group 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.
- (ii) Management had revalued certain properties where there had been significant development in the six month period ended 30 June 2008 and accordingly, recognized a AED 231.11 million net gain on fair valuation of investment properties.
- (iii) During the six month period ended 30 June 2008, the Group has sold two of its investment properties for a consideration of AED 594.0 million (net of brokerage paid amounting to AED 6.0 million) resulting in a gain of AED 153.93 million.
- (iv) Certain plots of land have been pledged against bank borrowings (refer note 9).

7 Development properties

	Unaudited 30 June 2008 AED'000	Audited 31 December 2007 AED'000	Unaudited 30 June 2007 AED'000
Opening balance	3,992,911	1,774,679	1,774,679
Additions during the period/year	4,929,987	2,113,166	803,057
Transfer from investment properties (net) (refer note 6)	-	231,207	351,270
Sale of properties	(44,542)	(126,141)	(27,904)
Closing balance	<u>8,878,356</u>	<u>3,992,911</u>	<u>2,901,102</u>

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

7 Development properties (continued)

	Unaudited 30 June 2008 AED'000	Audited 31 December 2007 AED'000	Unaudited 30 June 2007 AED'000
Development properties comprises of:			
Land	3,703,000	1,165,776	1,338,611
Construction cost	5,056,360	2,768,099	1,549,779
Interest capitalised	118,996	59,036	12,713
	<u>8,878,356</u>	<u>3,992,911</u>	<u>2,901,102</u>

The land on which property is currently being developed with the intent of being sold when completed is classified under 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:

	Unaudited 30 June 2008 AED'000	Unaudited 30 June 2007 AED'000
Project management income and income from contracts	5,415	10,505
Long-term loans obtained from consortium of Banks for which a significant shareholder of the Company is the lead arranger	1,202	-
Compensation to key management personnel are as follows:		
- Salaries and other short-term employee benefits	9,618	5,950
- Provision towards employees' terminal benefits	1,682	511
	<u>11,302</u>	<u>6,461</u>

9 Long-term bank loans

During the period, the Group has availed of long-term borrowings amounting to AED 1,425.8 million from various banks. These borrowings carry interest at normal commercial rates and are secured by the mortgage of two plots of land in favour of a bank and assignment of the receivables from the sale of properties of the Company.

10 Earnings per share

	Six Months ended 30 June 2008	2007	Three Months ended 30 June 2008	2007
Net profit attributable to shareholders (AED'000)	556,057	294,925	317,707	154,287
Weighted average number of shares	<u>3,059,570,342</u>	<u>3,059,570,342</u>	<u>3,059,570,342</u>	<u>3,059,570,341</u>

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

11 Segment reporting

Business segments

The Group's activities include two main business segments, namely, real estate property management and sales and construction activities. Other activities mainly comprise hospitality services. The details of segment revenue, segment result, segment assets and segment liabilities are as under:

	Property management and sales AED'000	Construction AED'000	Others AED'000	Total AED'000
Six month period ended 30 June 2008				
Segment revenue	269,949	1,500,958	92,593	1,863,500
Segment result	198,367	95,611	(48,039)	245,939
Share of profit in joint ventures	11,255	-	(35)	11,220
Administrative and general expenses	(40,518)	(16,113)	(15,487)	(72,118)
Financial income and expense (net)	(18,013)	(12,933)	190	(30,756)
Profit from disposal of investment properties	153,930	-	-	153,930
Net gain on fair valuation of investment properties	231,109	-	-	231,109
Other income	16,733	-	-	16,733
Net profit for the period	552,863	66,565	(63,371)	556,057
Segment assets	12,469,276	3,098,735	578,204	16,146,215
Investment in joint ventures	160,126	-	118,000	278,126
Total assets	12,629,402	3,098,735	696,204	16,424,341
Segment liabilities	7,358,964	2,725,244	563,317	10,647,525
Capital expenditure	4,943,402	5,331	22,842	4,971,575
Depreciation	17,260	4,512	3,993	25,765
Six month period ended 30 June 2007				
Segment revenue	166,585	931,348	67,654	1,165,587
Segment result	118,137	54,330	19,185	191,652
Share of profit in joint ventures	20,376	-	480	20,856
Administrative and general expenses	(28,193)	(8,595)	(7689)	(44,477)
Financial income and expense (net)	(27,154)	(10,709)	-	(37,863)
Net gain on fair valuation of investment properties	159,056	-	-	159,056
Other income	5,701	-	-	5,701
Net profit for the period	247,923	35,026	11,976	294,925
Segment assets	6,275,034	1,955,276	600,465	8,830,775
Investment in joint ventures	132,134	-	35,001	167,135
Total assets	6,407,168	1,955,276	635,466	8,997,910
Segment liabilities	2,110,285	1,761,470	282,978	4,154,733
Capital expenditure	913,801	7,125	8,648	929,574
Depreciation	12,716	5,019	810	18,545

Union Properties Public Joint Stock Company and its subsidiaries

Notes *(continued)*

12 Comparatives

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