

Union Properties
Public Joint Stock Company
and its subsidiaries

Interim condensed consolidated
financial information
30 September 2008

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P O Box 3800
Level 32, Emirates Towers
Sheikh Zayed Road
Dubai
United Arab Emirates

Telephone +971 (4) 403 0300
Fax +971 (4) 330 1515
Website www.ae-kpmg.com

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 September 2008, and the related interim condensed consolidated statements of income, changes in equity and cash flows for the nine months 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 condensed consolidated financial information as at 30 September 2008 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

12 NOV 2008

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 2008

		Nine Months Period Ended 30 September 2008			Nine Months Period Ended 30 September 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	316,156	2,337,643	2,653,799	423,183	1,600,923	2,024,106
Direct costs		<u>(86,580)</u>	<u>(2,265,404)</u>	<u>(2,351,984)</u>	<u>(132,626)</u>	<u>(1,491,614)</u>	<u>(1,624,240)</u>
Gross profit	11	229,576	72,239	301,815	290,557	109,309	399,866
Administrative and general expenses				(108,670)			(81,782)
Financial income and expense (net)				(41,035)			(52,575)
Other income				16,863			14,691
Gain from disposal of investment properties	6			153,930			-
Gain on fair valuation of investment properties	6			456,626			159,057
Share of profit in joint ventures	5			21,218			32,486
Net profit for the period attributable to the shareholders' of the Company				<u>800,747</u>			<u>471,743</u>
Basic and diluted earnings per share (AED) (for the nine months period)	10			0.262			0.154

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

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 September 2008

	Three Months Period Ended 30 September 2008			Three Months Period Ended 30 September 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		46,207	744,092	790,299	256,598	601,922	858,520
Direct costs		(14,998)	(719,425)	(734,423)	(84,178)	(566,127)	(650,305)
Gross profit		31,209	24,667	55,876	172,420	35,795	208,215
Administrative and general expenses				(36,552)			(32,306)
Financial income and expense (net)				(10,279)			(15,042)
Gain on fair valuation of investment properties				225,517			-
Other income				130			4,321
Share of profit in joint ventures				9,998			11,630
Net profit for the period attributable to the shareholders' of the Company				244,690			176,818
Basic and diluted earnings per share (AED) (for the current quarter)				0.080			0.058

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

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Union Properties Public Joint Stock Company and its subsidiaries

Interim condensed consolidated balance sheet

at 30 September 2008

		Unaudited 30 September 2008 AED'000	Audited 31 December 2007 AED'000	Unaudited 30 September 2007 AED'000
	Note			
Intangible assets		40,776	40,776	40,776
Property, plant and equipment		362,840	375,867	368,427
Investment properties	6	2,841,138	2,814,043	2,544,109
Development properties	7	10,205,972	3,992,911	3,362,346
Investment in joint ventures	5	336,123	221,905	199,914
Long-term receivables		322,812	289,440	176,170
Total non-current assets		14,109,661	7,734,942	6,691,742
Other investments		10,842	13,217	10,230
Inventories		127,828	101,171	102,701
Contract work-in-progress		231,201	217,208	492,193
Trade and other receivables		3,485,942	2,936,364	2,468,879
Due from related parties	8	10,119	7,082	14,730
Cash at bank and in hand		159,160	88,330	111,285
Total current assets		4,025,092	3,363,372	3,200,018
Total assets		18,134,753	11,098,314	9,891,760
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		(6,156)	(3,354)	(2,908)
Revaluation surplus		39,507	39,507	39,507
Retained earnings		1,304,975	782,481	658,701
Total equity		6,022,757	5,224,812	5,019,450
Long-term bank loans	9	2,516,478	2,193,667	1,792,400
Deferred income		36,000	37,688	38,250
Long-term payables		599,900	70,249	56,696
Provision for employees' terminal benefits		79,862	55,423	48,705
Total non-current liabilities		3,232,240	2,357,027	1,936,051
Trade and other payables		2,742,457	1,304,760	1,344,649
Advances and deposits		2,819,783	1,021,200	430,906
Due to related parties	8	6,240	5,590	12,298
Bank borrowings		1,803,045	1,109,122	1,073,603
Current portion of long-term bank loans	9	1,508,231	75,803	74,803
Total current liabilities		8,879,756	3,516,475	2,936,259
Total liabilities		12,111,996	5,873,502	4,872,310
Total equity and liabilities		18,134,753	11,098,314	9,891,760

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

Khalid Kalban
Vice Chairman

Abdul Aziz Al Serkal
Director

Simon E. Azzam
Chief Executive Officer

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

12 NOV 2008

Union Properties Public Joint Stock Company and its subsidiaries

Interim condensed consolidated statement of cash flows (unaudited)

for the period ended 30 September 2008

		Nine months Period ended 30 September	
	Note	2008 AED'000	2007 AED'000
Operating activities			
Net profit for the period		800,747	471,743
<i>Adjustments for:</i>			
Depreciation		38,586	23,276
Net gain on valuation of investment properties	6	(456,626)	(159,057)
Gain on disposal of investment properties	6	(153,930)	-
Share of profit in joint ventures	5	(21,218)	(32,486)
Profit on disposal of property, plant and equipment		(172)	-
Income from government grant		(1,688)	(1,688)
Financial income and expense (net)		41,035	52,575
		-----	-----
<i>Operating cash flows before working capital changes</i>		246,734	354,363
Change in trade and other receivables		(549,578)	(689,920)
Change in inventories		(26,657)	(47,340)
Change in contract work-in-progress		(13,993)	8,043
Change in long-term receivables		(33,372)	(50,948)
Change in due from related parties		(3,037)	5,729
Change in trade and other payables		1,434,895	67,743
Change in due to related parties		650	9,282
Change in long-term payables		529,651	(5,564)
Change in advances and deposits		1,798,583	231,263
Change in employees' terminal benefits (net)		24,439	10,940
		-----	-----
<i>Cash flows from/(used in) operating activities</i>		3,408,315	(106,409)
		-----	-----
Investing activities			
Additions to property, plant and equipment		(53,594)	(24,799)
Additions to investment properties	6	(10,539)	(107,283)
Additions to development properties (net)	7	(6,213,061)	(1,236,397)
Proceeds from disposal of property, plant and equipment		28,207	-
Proceeds from disposal of investment properties		594,000	-
Purchase of investment at fair value through profit or loss		(1,250)	(1,500)
Investment in joint ventures		(93,000)	(21,151)
Proceeds from disposal of investment		-	52,251
Interest received		1,108	-
		-----	-----
<i>Cash flows used in investing activities</i>		(5,748,129)	(1,338,879)
		-----	-----
Financing activities			
Net movement in term loans		1,755,239	1,173,360
Net movement in short-term borrowings		(150,000)	38,737
Increase in trust receipts		(53,519)	39,531
Interest paid		(38,518)	(52,575)
		-----	-----
<i>Cash flows from financing activities</i>		1,513,202	1,199,053
		-----	-----
Net decrease in cash and cash equivalents		(826,612)	(246,235)
Cash and cash equivalents at the beginning of the period		(597,346)	(359,181)
		-----	-----
Cash and cash equivalents at the end of the period		(1,423,958)	(605,416)
		=====	=====

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

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 September 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	-	-	-	-	-	-	-	471,743	471,743
Bonus shares issued	556,505	-	(556,505)	-	-	-	-	-	-
Net movement on cash flow hedge	-	-	-	-	-	(5,349)	-	-	(5,349)
Balance at 30 September 2007 (unaudited)	2,782,526	(4,998)	-	1,377,678	168,944	(2,908)	39,507	658,701	5,019,450
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	-	-	-	-	-	-	-	800,747	800,747
Bonus shares issued	278,253	-	-	-	-	-	-	(278,253)	-
Net movement on cash flow hedge	-	-	-	-	-	(2,802)	-	-	(2,802)
Balance at 30 September 2008 (unaudited)	3,060,779	(4,998)	-	1,391,263	237,387	(6,156)	39,507	1,304,975	6,022,757

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 paid during the year will be treated as an appropriation of retained earnings at the year-end.

No allocation of profit has been made to the statutory reserve for the nine month period ended 30 September 2008 as it would be effected at the year-end.

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

Union Properties Public Joint Stock Company and its subsidiaries

Notes

(forming part of the interim condensed consolidated financial information)

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 information have been prepared in accordance with the International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*. The interim condensed consolidated financial information 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 information 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 information 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 information, 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 nine months period ended 30 September 2008, the Group’s share of profit in Properties Investment LLC amounted to AED 21.71 million (*30 September 2007: AED 31.85 million*) and its share of loss in Emirates District Cooling LLC amounted to AED 0.49 million (*30 September 2007: share of profit amounted to AED 0.63 million*). Furthermore, during the nine months period ended 30 September 2008, the Group along with the other joint venture partner has invested AED 93 million equally in Emirates District Cooling LLC.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

6 Investment properties

	Unaudited 30 September 2008 AED'000	Audited 31 December 2007 AED'000	Unaudited 30 September 2007 AED'000
Opening balance	2,814,043	2,629,039	2,629,039
Additions during the period/year	10,539	108,690	107,283
Net gain on fair valuation (refer notes (iii) and (iv) below)	456,626	307,521	159,057
Transfers to development properties (refer notes (v) below and 7)	-	(231,207)	(351,270)
Disposals (refer note (ii) below)	(440,070)	-	-
Closing balance	2,841,138	2,814,043	2,544,109

- (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) During the nine months period ended 30 September 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.
- (iii) The Group has obtained fair values for certain properties based on open market valuation carried out by an independent registered valuer, Cluttons at 30 June 2008. This has resulted in a net gain on valuation of investment properties of AED 231.11, which is included in the condensed consolidated income statement.
- (iv) Management has revalued certain properties where there has been significant progress during the quarter in determining their intended use and securing related funding. Accordingly, a gain of AED 225.52 million has been recognised on fair valuation of investment properties in the interim condensed consolidated income statement.
- (v) At 31 December 2007, management re-assessed the use of certain plots of land within Motorcity and reclassified plots of land aggregating to AED 120.06 million from development properties to investment properties.

7 Development properties

	Unaudited 30 September 2008 AED'000	Audited 31 December 2007 AED'000	Unaudited 30 September 2007 AED'000
Opening balance	3,992,911	1,774,679	1,774,679
Additions during the period/year	6,257,603	2,113,166	1,340,204
Transfer from investment properties (net) (refer note 6)	-	231,207	351,270
Sale of properties	(44,542)	(126,141)	(103,807)
Closing balance	10,205,972	3,992,911	3,362,346

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

7 Development properties (continued)

	Unaudited 30 September 2008 AED'000	Audited 31 December 2007 AED'000	Unaudited 30 September 2007 AED'000
Development properties comprises of:			
Land	3,703,000	1,165,776	1,298,993
Construction cost	6,351,930	2,768,099	2,029,148
Interest capitalised	151,042	59,036	34,205
	-----	-----	-----
	10,205,972	3,992,911	3,362,346
	=====	=====	=====

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 September 2008 AED'000	Unaudited 30 September 2007 AED'000
Project management income and income from contracts	7,239	12,045
Interest paid	100,654	31,972
Long-term loans obtained from consortium of banks for which a significant shareholder of the Company is the lead arranger	1,740,479	-
<i>Compensation to key management personnel are as follows:</i>		
- Salaries and other short-term employee benefits	14,618	8,552
- Provision towards employees' terminal benefits	2,489	617
	=====	=====

9 Long-term bank loans

During the nine months period ended 30 September 2008, the Group has availed of long-term borrowings amounting to AED 1,840.5 million from various banks. These borrowings carry interest at normal commercial rates and are secured by deposit of title deeds of certain properties together with an undertaking to create a legal mortgage over the properties at any time during the tenure of the loan in the event of default, a guarantee cheque amounting to AED 400 million and assignment of the receivables from the sale of properties of the Company.

10 Earnings per share

	Nine months ended 30 September		Three months ended 30 September	
	2008	2007	2008	2007
Net profit attributable to shareholders ('000)	800,747	471,743	244,689	176,818
Weighted average number of shares	3,059,570,342	3,059,570,342	3,059,570,342	3,059,570,342
	=====	=====	=====	=====

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
Nine months period ended 30 September 2008				
Segment revenue	316,156	2,215,021	122,622	2,653,799
Segment result	229,576	145,375	(73,136)	301,815
Share of profit in joint ventures	21,710	-	(492)	21,218
Administrative and general expenses	(59,049)	(43,248)	(6,373)	(108,670)
Financial income and expense (net)	(28,451)	(12,584)	-	(41,035)
Profit from disposal of investment properties	153,930	-	-	153,930
Net gain on fair valuation of investment properties	456,626	-	-	456,626
Other income	15,601	1,237	25	16,863
Net profit for the period	789,943	90,780	(79,976)	800,747
Segment assets	14,652,053	3,089,060	57,517	17,798,630
Investment in joint ventures	170,580	-	165,543	336,123
Total assets	14,822,633	3,089,060	223,060	18,134,753
Segment liabilities	9,289,825	2,803,560	18,611	12,111,996
Capital expenditure	6,309,453	11,327	956	6,321,736
Depreciation	28,832	7,823	1,931	38,586
Nine months period ended 30 September 2007				
Segment revenue	423,183	1,505,881	95,042	2,024,106
Segment result	290,557	88,869	20,440	399,866
Share of profit in joint ventures	31,855	-	631	32,486
Administrative and general expenses	(47,321)	(27,035)	(7,426)	(81,782)
Financial income and expense (net)	(42,902)	(9,673)	-	(52,575)
Net gain on fair valuation of investment properties	159,057	-	-	159,057
Other income	11,282	3,035	374	14,691
Net profit for the period	402,528	55,196	14,019	471,743
Segment assets	7,805,451	1,854,990	31,405	9,691,846
Investment in joint ventures	143,612	-	56,302	199,914
Total assets	7,949,063	1,854,990	87,707	9,891,760
Segment liabilities	2,918,731	1,865,872	87,707	4,872,310
Capital expenditure	1,461,145	11,141	-	1,472,286
Depreciation	14,968	6,172	2,136	23,276

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 information.