

**Union Properties
Public Joint Stock Company
and its subsidiaries**

**Interim condensed consolidated
financial information**
30 June 2009

Union Properties Public Joint Stock Company and its subsidiaries

Interim condensed consolidated financial information

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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 statement of financial position of Union Properties Public Joint Stock Company ("the Company") and its subsidiaries (collectively referred to as "the Group") as at 30 June 2009, and the related interim condensed consolidated statements of comprehensive income (comprising an interim condensed consolidated statement of comprehensive income and a separate interim condensed consolidated income statement), interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six month period then ended ("the interim condensed consolidated financial information"). Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard (IAS) 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this interim condensed consolidated 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 condensed consolidated 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 and for the six month period ended 30 June 2009 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

10 AUG 2009

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 six month period ended 30 June 2009

		Six month period ended 30 June 2009			Six month period ended 30 June 2008		
	Note	Property management and sales AED'000	Other operating activities AED'000	Total AED'000	Property management and sales AED'000	Other operating activities AED'000	Total AED'000
Revenue	11	885,779	977,728	1,863,507	269,949	1,593,551	1,863,500
Direct costs		(772,801)	(817,853)	(1,590,654)	(71,582)	(1,504,787)	(1,576,369)
Gross profit	11	112,978	159,875	272,853	198,367	88,764	287,131
Administrative and general expenses				(117,034)			(113,310)
Financial income and expense (net)				(87,612)			(30,756)
(Loss)/gain on fair valuation of investment properties	6			(303,806)			231,109
Gain on sale of investment properties	6			3,000			153,930
Other income				9,758			16,733
Share in profit of joint ventures (net)	5			25,022			11,220
(Loss)/profit for the period attributable to the shareholders of the Company				(197,819)			556,057
Basic and diluted earnings per share (AED) (for the six month period)	10			(0.06)			0.16

The notes on pages 8 to 13 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) (continued)

for the six month period ended 30 June 2009

	Three month period ended 30 June 2009			Three month period ended 30 June 2008		
	Property management and sales AED'000	Other operating activities AED'000	Total AED'000	Property management and sales AED'000	Other operating activities AED'000	Total AED'000
Revenue	841,189	450,704	1,291,893	145,934	773,872	919,806
Direct costs	(763,274)	(327,772)	(1,091,046)	(32,854)	(716,720)	(749,574)
Gross profit	77,915	122,932	200,847	113,080	57,152	170,232
Administrative and general expenses			(85,442)			(80,034)
Financial income and expense (net)			(58,938)			(13,383)
(Loss)/gain on fair valuation of investment properties			(303,806)			231,109
Other income			8,441			2,911
Share in profit of joint ventures (net)			10,948			6,872
(Loss)/profit for the period attributable to the shareholders of the Company			(227,950)			317,707
Basic and diluted earnings per share (AED) (for the three month period)			(0.07)			0.09

The notes on pages 8 to 13 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 comprehensive income (unaudited)
for the six month period ended 30 June 2009

	2009 AED'000	2008 AED'000
(Loss)/profit for the period	(197,819)	556,057
Other comprehensive income and expense		
Net movement in cash flow hedge	1,361	(4,053)
Total recognized income and expense for the period	<u>(196,458)</u>	<u>552,004</u>

The notes on pages 8 to 13 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 financial position (unaudited)

at 30 June 2009

		30 June 2009	Audited 31 December 2008	30 June 2008
	Note	AED'000	AED'000	AED'000
Intangible assets		40,776	40,776	40,776
Property, plant and equipment		150,851	151,270	358,258
Investment properties	6	2,955,888	3,278,662	2,610,661
Development properties	7	11,205,020	11,831,575	8,878,356
Investment in joint ventures	5	398,042	373,020	278,125
Long-term receivables		216,581	203,265	377,685
Total non-current assets		14,967,158	15,878,568	12,543,861
Investment in marketable securities		6,783	6,401	14,408
Inventories		124,624	118,299	94,193
Contract work-in-progress		347,183	185,224	198,483
Trade and other receivables		2,544,769	2,773,061	3,486,206
Due from related parties	8	10,807	7,949	8,379
Cash in hand and at bank		79,362	250,791	78,811
Total current assets		3,113,528	3,341,725	3,880,480
Total assets		18,080,686	19,220,293	16,424,341
Equity				
Share capital		3,366,857	3,060,779	3,060,779
Treasury shares		(4,998)	(4,998)	(4,998)
Proposed bonus shares		-	306,078	-
Statutory reserve		1,467,573	1,467,573	1,391,263
General reserve		313,697	313,697	237,387
Hedging reserve		(2,697)	(4,058)	(7,407)
Revaluation surplus		39,507	39,507	39,507
Retained earnings		603,931	801,750	1,060,285
Total equity		5,783,870	5,980,328	5,776,816
Long-term bank loans	9	1,739,042	2,078,337	3,563,312
Advances from sale of properties		2,796,051	2,574,364	1,830,820
Deferred income		34,313	35,438	36,563
Long-term payables		61,979	82,586	961,484
Provision for employees' terminal benefits		82,274	85,757	73,224
Total non-current liabilities		4,713,659	4,856,482	6,465,403
Trade and other payables		2,648,561	3,665,217	2,174,196
Advances and deposits		328,071	380,522	297,448
Due to related parties	8	9,554	5,537	2,995
Short-term bank borrowings		1,776,927	1,816,363	1,670,750
Current portion of long-term bank loans	9	2,820,044	2,515,844	36,733
Total current liabilities		7,583,157	8,383,483	4,182,122
Total liabilities		12,296,816	13,239,965	10,647,525
Total equity and liabilities		18,080,686	19,220,293	16,424,341

The notes on pages 8 to 13 form part of these interim condensed consolidated financial information.

Director

10 AUG 2009

General Manager

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 six month period ended 30 June 2009

	Note	2009 AED'000	2008 AED'000
Operating activities			
Net profit for the period		(197,819)	556,057
Adjustments for:			
Depreciation		18,095	25,765
Loss/(gain) on fair valuation of investment properties	6	303,806	(231,109)
Gain on sale of investment properties	6	(3,000)	(153,930)
Directors' fees paid		(1,440)	(960)
Share in profit of joint ventures (net)	5	(25,022)	(11,220)
Loss/(profit) on disposal of property, plant and equipment		236	(120)
Income from government grant		(1,125)	(1,125)
Financial income and expense (net)		87,612	30,756
<i>Operating cash flows before working capital changes</i>		<u>181,343</u>	<u>214,114</u>
Change in trade and other receivables		217,732	(548,882)
Change in inventories		(6,325)	6,978
Change in contract work-in-progress		(161,959)	18,725
Change in long-term receivables		(13,316)	(88,245)
Change in due from related parties		(2,858)	(1,297)
Change in trade and other payables		432,907	865,383
Change in due to related parties		4,017	(2,595)
Change in long-term payables		(20,607)	891,235
Change in advances and deposits		(52,451)	(67,647)
Change in employees' terminal benefits (net)		(3,483)	17,801
<i>Net cash from operating activities</i>		<u>575,000</u>	<u>1,305,570</u>
Investing activities			
Additions to property, plant and equipment		(18,095)	(36,008)
Additions to investment properties	6	(10,134)	(5,579)
Additions to development properties (net)	7	(789,544)	(4,885,445)
Proceeds from disposal of property, plant and equipment		183	27,972
Proceeds from disposal of investment properties		-	594,000
Purchase of investments at fair value through profit or loss		-	(1,191)
Investment in joint ventures		-	(45,000)
Interest received		1,031	1,049
<i>Net cash used in investing activities</i>		<u>(816,559)</u>	<u>(4,350,202)</u>
Financing activities			
Net movement in term loans		(35,095)	1,330,575
Net movement in short-term bank borrowings		68,670	(111,923)
Change in advances from sale of properties		221,687	1,174,715
Interest paid		(77,025)	(31,805)
<i>Net cash from financing activities</i>		<u>178,237</u>	<u>2,361,562</u>
Net decrease in cash and cash equivalents		<u>(63,322)</u>	<u>(683,070)</u>
Cash and cash equivalents at the beginning of the period		<u>(1,527,119)</u>	<u>(597,346)</u>
Cash and cash equivalents at the end of the period		<u><u>(1,590,441)</u></u>	<u><u>(1,280,416)</u></u>

The notes on pages 8 to 13 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 June 2009

	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
At 1 January 2008 (audited)	2,782,526	(4,998)	-	1,391,263	237,387	(3,354)	39,507	782,481	5,224,812
Total comprehensive income for the period	-	-	-	-	-	(4,053)	-	556,057	552,004
	2,782,526	(4,998)	-	1,391,263	237,387	(7,407)	39,507	1,338,538	5,776,816
Bonus shares issued	278,253	-	-	-	-	-	-	(278,253)	-
At 30 June 2008 (unaudited)	3,060,779	(4,998)	-	1,391,263	237,387	(7,407)	39,507	1,060,285	5,776,816
At 1 January 2009 (audited)	3,060,779	(4,998)	306,078	1,467,573	313,697	(4,058)	39,507	801,750	5,980,328
Total comprehensive income for the period	-	-	-	-	-	1,361	-	(197,819)	(196,458)
	3,060,779	(4,998)	306,078	1,467,573	313,697	(2,697)	39,507	603,931	5,783,870
Bonus shares issued	306,078	-	(306,078)	-	-	-	-	-	-
At 30 June 2009 (unaudited)	3,366,857	(4,998)	-	1,467,573	313,697	(2,697)	39,507	603,931	5,783,870

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 six month period ended 30 June 2009 as it would be effected at the year-end.

The notes on pages 8 to 13 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 Company's registered office address is P.O. Box 24649, Dubai, United Arab Emirates ("UAE").

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, 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". All of the Group's significant business and investment activities in securities, properties, land and financial derivatives are carried out within the UAE. The Group does not have significant foreign currency exposure.

2 Basis of preparation and significant accounting policies

- (i) These interim condensed consolidated 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, derivative financial instruments and investment in marketable securities, 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 2008.

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 2008.

(ii) Standards and interpretations effective during the current period

Following new and revised standards are effective for annual periods beginning 1 January 2009 and therefore, have been applied in preparing these interim condensed consolidated financial information.

IFRS 8 – Operating segments introduced the "management approach" for segment reporting and requires presentation and disclosure of segment information based on internal reports used by management to assess each segment's performance and to allocate resources to them. The Group presents segment information in respect of its business and geographical segments in the same manner as viewed by management and hence the adoption of IFRS 8 does not have any material impact on the disclosures in these interim condensed consolidated financial information based on management approach.

Revised IAS 1 – Presentation of financial statements (2007) introduced the term total comprehensive income which represents changes in equity during the period other than those changes resulting from transactions with owners in their capacity as owners. As required by the revised standard, the Group has presented an income statement and a separate statement of comprehensive income.

Revised IAS 23 – Borrowing costs removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset. Since the Group already followed the policy of capitalizing borrowing costs on qualifying assets, the revised standard has no effect on the financial performance of the Group.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

2 Basis of preparation and significant accounting policies (continued)

(iii) Financial commitments

The Group has net current liabilities of AED 4,469.6 million which include short-term bank borrowings amounting to AED 1,776.9 million and current portion of long-term bank loans amounting to AED 2,820.0 million. The Group's management expect, per the Group's cash flow projections, that projects to be completed in 2009 will be profitable, which along with the continued profits from the Group's existing core businesses, and the restructuring of its liabilities would enable it to meet its short-term financial commitments.

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 2008.

4 Financial risk management and capital management

The Group's financial risk management and capital management objectives and policies are consistent with that disclosed in the consolidated financial statements as at and for the year ended 31 December 2008.

5 Share in profit of joint ventures

During the six month period ended 30 June 2009, the Group's share in profit of Properties Investment LLC amounted to AED 18.4 million (30 June 2008: AED 11.3 million) and its share in profit of Emirates District Cooling LLC amounted to AED 6.6 million (30 June 2008: share in loss of AED 0.1 million).

6 Investment properties

	Unaudited 30 June 2009 AED'000	Audited 31 December 2008 AED'000	Unaudited 30 June 2008 AED'000
Opening balance	3,278,662	2,814,043	2,814,043
Additions during the period/year	10,134	24,575	5,579
Transfer from development properties (refer notes (iii) below and 7)	597,898	-	-
(Loss)/gain on fair valuation (refer note (i) below)	(303,806)	880,114	231,109
Disposals (refer note (ii) below)	(627,000)	(440,070)	(440,070)
Closing balance	<u>2,955,888</u>	<u>3,278,662</u>	<u>2,610,661</u>

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

6 Investment properties (continued)

- (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 fair valued based on an open market valuation carried out by an independent registered valuer, Cluttons.
- (ii) During the six month period ended 30 June 2009, the Group has sold two of its investment properties for a consideration of AED 618 million resulting in a gain of AED 3 million. The sale value of one of the two properties was used as the basis for valuing this property at the end of 2008 which contributed AED 238 million to the gain on valuation of investment properties reported for the year 2008.
- (iii) During the six month period ended 30 June 2009, the Group has transferred properties costing AED 597.9 million from development properties to investment properties as these properties would be rented out to third parties. As at 30 June 2009, these properties have been fair valued by an independent registered valuer, Cluttons.
- (iv) Certain title deeds of land have been deposited with banks against bank borrowings (refer note 9).

7 Development properties

	Unaudited 30 June 2009 AED'000	Audited 31 December 2008 AED'000	Unaudited 30 June 2008 AED'000
Opening balance	11,831,575	3,992,911	3,992,911
Additions during the period/year	1,547,550	7,671,414	4,929,987
Sale of properties	(1,576,207)	(44,542)	(44,542)
Transfer from property, plant and equipment (net)	-	211,792	-
Transfer to investment properties (refer note 6)	(597,898)	-	-
Closing balance	<u>11,205,020</u>	<u>11,831,575</u>	<u>8,878,356</u>
Development properties comprises of:			
Land	2,945,240	3,703,001	3,703,001
Construction cost	7,961,951	7,936,990	5,056,300
Interest capitalized	297,829	191,584	119,055
	<u>11,205,020</u>	<u>11,831,575</u>	<u>8,878,356</u>

- (i) During the six month period ended 30 June 2009, the Group entered into two agreements whereby AED 1,455.2 million of its current liabilities on the purchase of land were settled. Settlement included transferring back a plot of land at its original purchase cost of AED 818.2 million.
- (ii) 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.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

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 2009 AED'000	Unaudited 30 June 2008 AED'000
Project management income and income from contracts	11,461	5,415
Interest paid	75,888	39,363
Long-term loans obtained from consortium of banks for which a significant shareholder of the Company is the lead arranger	-	1,202
<i>Compensation to key management personnel are as follows:</i>		
- Salaries and other short-term employee benefits	9,253	9,618
- Provision towards employees' terminal benefits	452	1,682
	<u>9,705</u>	<u>11,300</u>

9 Long-term bank loans

During the six month period ended 30 June 2009, the Group has repaid long-term bank loans of AED 35.1 million obtained from various banks. These long-term bank loans 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

	Six months ended 30 June		Three months ended 30 June	
	2009	2008	2009	2008
Profit attributable to shareholders ('000)	(197,819)	556,057	(227,950)	317,707
Weighted average number of shares	<u>3,365,527,374</u>	<u>3,365,527,374</u>	<u>3,365,527,374</u>	<u>3,365,527,374</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	Contracting AED'000	Others AED'000	Total AED'000
Six months period ended 30 June 2009				
Segment revenue	885,779	724,600	253,128	1,863,507
Segment result	112,978	113,899	45,976	272,853
Share in profit of joint ventures	18,377	-	6,645	25,022
Administrative and general expenses	(42,779)	(12,744)	(61,511)	(117,034)
Financial income and expense (net)	(41,524)	(45,959)	(129)	(87,612)
Gain from sale of investment properties	3,000	-	-	3,000
Loss on fair valuation of investment properties	(303,806)	-	-	(303,806)
Other income	6,218	729	2,811	9,758
Loss for the period	(247,536)	55,925	(6,208)	(197,819)
Segment assets	14,412,332	3,104,965	165,347	17,682,644
Investment in joint ventures	220,824	-	177,218	398,042
Total assets	14,633,156	3,104,965	342,565	18,080,686
Segment liabilities	9,466,242	2,745,904	84,670	12,296,816
Capital expenditure	1,559,476	3,048	13,255	1,575,779
Depreciation	6,993	5,034	6,068	18,095
Six months period ended 30 June 2008				
Segment revenue	269,949	1,500,958	92,593	1,863,500
Segment result	198,367	95,611	(6,847)	287,131
Share in profit of joint ventures	11,255	-	(35)	11,220
Administrative and general expenses	(40,518)	(16,113)	(56,679)	(113,310)
Financial income and expense (net)	(18,013)	(12,933)	190	(30,756)
Gain from disposal of investment properties	153,930	-	-	153,930
Gain on fair valuation of investment properties	231,109	-	-	231,109
Other income	16,733	-	-	16,733
Profit for the period	552,863	66,565	(63,371)	556,057
Segment assets	12,469,277	3,098,735	578,204	16,146,216
Investment in joint ventures	160,125	-	118,000	278,125
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	22,841	4,971,574
Depreciation	17,260	4,512	3,993	25,765

Union Properties Public Joint Stock Company and its subsidiaries

Notes *(continued)*

12 Subsequent events

- (i) The Group has entered into an arrangement with a bank where short-term bank borrowings amounting to AED 956 million has become a long-term bank loan, the repayment of which shall commence from October 2009 on a quarterly basis for a period of six years.