

Union Properties
Public Joint Stock Company
and its subsidiaries

Interim condensed consolidated
financial information

31 March 2010

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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 31 March 2010, 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), changes in equity and cash flows for the three 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 No. 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 three month period ended 31 March 2010 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

03 MAY 2010

Union Properties Public Joint Stock Company and its subsidiaries

Interim condensed consolidated income statement (unaudited)

for the three month period ended 31 March 2010

		Three months ended 31 March 2010			Three months ended 31 March 2009		
		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
	Note						
Revenue	12	450,911	395,096	846,007	44,590	527,024	571,614
Direct costs		(332,275)	(334,733)	(667,008)	(9,527)	(457,715)	(467,242)
Gross profit	12	118,636	60,363	178,999	35,063	69,309	104,372
Administrative and general expenses	6			(30,931)			(63,958)
Finance income				537			733
Finance expense				(50,458)			(29,407)
Other income				3,931			1,317
Loss on valuation of investment properties	7			(70,000)			-
Gain on sale of investment properties	7			13,125			3,000
Share of profit in joint ventures	5			5,049			14,074
Profit for the period attributable to the shareholders of the Company				50,252			30,131
Basic and diluted earnings per share (AED) (for the quarter)	11			0.015			0.009

The notes on pages 7 to 11 form part of this 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 three month period ended 31 March 2010

	Three month period ended	
	31 March	
	2010	2009
	AED'000	AED'000
Profit for the period	50,252	30,131
Other comprehensive income		
Net movement in cash flow hedge	631	1,037
	-----	-----
Total recognized income for the period	50,883	31,168
	=====	=====

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Union Properties Public Joint Stock Company and its subsidiaries

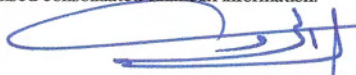
Interim condensed consolidated statement of financial position (unaudited)

at 31 March 2010

	Note	31 March 2010 AED'000	Audited 31 December 2009 AED'000	31 March 2009 AED'000
ASSETS				
Non-current assets				
Intangible assets		40,776	40,776	40,776
Property, plant and equipment		207,362	200,018	149,516
Investment properties	7	3,312,108	3,403,688	2,656,845
Development properties	8	9,888,986	9,971,509	11,894,070
Investment in joint ventures	5	396,692	391,643	387,094
Non-current receivables		150,858	145,386	216,870
		13,996,782	14,153,020	15,345,171
Current assets				
Other investments		5,031	5,031	6,432
Inventories		91,703	100,100	138,107
Contract work-in-progress		446,484	471,399	309,596
Trade and other receivables		2,194,632	2,178,981	2,536,570
Due from related parties		16,617	11,749	8,438
Cash in hand and at bank		323,803	544,572	127,945
		3,078,270	3,311,832	3,127,088
Total assets		17,075,052	17,464,852	18,472,259
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital		3,366,857	3,366,857	3,060,779
Proposed bonus shares		-	-	306,078
Treasury shares		(4,998)	(4,998)	(4,998)
Statutory reserve		1,467,573	1,467,573	1,467,573
General reserve		313,697	313,697	313,697
Hedging reserve		(856)	(1,487)	(3,021)
Revaluation surplus		39,507	39,507	39,507
Retained earnings		353,859	303,607	831,881
Total equity attributable to the shareholders of the Company		5,535,639	5,484,756	6,011,496
Non-current liabilities				
Long-term bank loans	10	4,825,192	4,677,352	1,377,649
Advances from sale of properties		1,833,203	1,974,114	3,368,623
Deferred income		32,625	33,188	34,875
Non-current payables		52,640	60,534	80,559
Provision for staff terminal benefits		81,810	82,299	87,957
		6,825,470	6,827,487	4,949,663
Current liabilities				
Trade and other payables		2,370,583	2,532,293	2,290,372
Advances and deposits		206,929	226,869	374,878
Due to related parties		52,628	20,315	5,693
Short-term bank borrowings		758,425	1,085,448	1,645,860
Current portion of long-term bank loans	10	1,325,378	1,287,684	3,194,297
		4,713,943	5,152,609	7,511,100
Total liabilities		11,539,413	11,980,096	12,460,763
Total equity and liabilities		17,075,052	17,464,852	18,472,259

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


Director


General Manager

03 MAY 2010

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 three month period ended 31 March 2010

		Three month period ended 31 March	
		2010	2009
	Note	AED'000	AED'000
Operating activities			
Profit for the period		50,252	30,131
<i>Adjustments for:</i>			
Depreciation		9,116	8,162
Gain on disposal of investment properties		(13,125)	(3,000)
Loss on valuation of investment properties		70,000	-
Directors' fees paid		-	(720)
Share of profit in joint ventures		(5,049)	(14,074)
(Profit)/loss on disposal of property, plant and equipment		(20)	32
Income from government grant		(563)	(563)
Finance income		(537)	(733)
Finance expense		50,458	29,407
		-----	-----
<i>Operating profit before working capital changes</i>		160,532	48,642
Change in trade and other receivables		(21,651)	231,211
Change in inventories		8,397	(19,808)
Change in contract work-in-progress		8,777	(124,372)
Change in non-current receivables		(5,472)	(13,605)
Change in due from related parties		(4,868)	(489)
Change in trade and other payables		(161,079)	74,394
Change in due to related parties		32,313	156
Change in non-current payables		(7,894)	(2,027)
Change in advances and deposits		(19,940)	(5,644)
Change in staff terminal benefits (net)		(489)	2,200
		-----	-----
<i>Net cash (used in)/from operating activities</i>		(11,374)	190,658
		-----	-----
Investing activities			
Additions to property, plant and equipment		(338)	(6,454)
Additions to investment properties	7	(2,073)	(5,183)
Additions to development properties (net)	8	(174,335)	(880,697)
Proceeds from disposal of property, plant and equipment		36	14
Proceeds from disposal of investment properties		123,125	-
Interest income		537	702
		-----	-----
<i>Net cash used in investing activities</i>		(53,048)	(891,618)
		-----	-----
Financing activities			
Net movement in long-term bank loans	10	185,534	(22,235)
Net movement in short-term bank borrowings		23,465	(1,051)
Interest paid		(44,458)	(23,407)
Change in advances from sale of properties		29,600	794,259
		-----	-----
<i>Net cash from financing activities</i>		194,141	747,566
		-----	-----
Net increase in cash and cash equivalents		129,719	46,606
Cash and cash equivalents at the beginning of the period		(640,865)	(1,527,119)
		-----	-----
Cash and cash equivalents at the end of the period		(511,146)	(1,480,513)
		=====	=====

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

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 three month period ended 31 March 2010

	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 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	-	-	-	-	-	1,037	-	30,131	31,168
Balance at 31 March 2009 (unaudited)	3,060,779	(4,998)	306,078	1,467,573	313,697	(3,021)	39,507	831,881	6,011,496
Balance at 1 January 2010 (audited)	3,366,857	(4,998)	-	1,467,573	313,697	(1,487)	39,507	303,607	5,484,756
Total comprehensive income for the period	-	-	-	-	-	631	-	50,252	50,883
Balance at 31 March 2010 (unaudited)	3,366,857	(4,998)	-	1,467,573	313,697	(856)	39,507	353,859	5,535,639

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 period will be recognized as other comprehensive expense at the year-end.

No allocation of profit has been made to the statutory reserve for the three month period ended 31 March 2010 as it would be effected at the year-end.

The notes on pages 7 to 11 form part of this 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 land, properties, securities and financial derivatives are carried out within the UAE. The Group does not have significant foreign currency exposure towards land, properties, securities and financial derivatives.

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 2009.

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 2009.

(ii) Financial commitments

The Group has net current liabilities of AED 1,635.7 million which include short-term bank borrowings amounting to AED 758.4 million and current portion of long-term bank loans amounting to AED 1,325.4 million.

The Group has implemented the following actions to ensure that the above obligations will be met:

- The Board of Directors have reviewed the Group’s cash flow projections which contain the following assumptions:
 - Sufficient funds will be available, in particular, from a significant shareholder, a bank, and other financial institutions on a timely basis to complete the existing projects;
 - that the projects to be completed in 2010 will be profitable,
 - the Group’s existing core businesses will continue to remain profitable; and
 - Where appropriate and if deemed necessary, funds may be generated from sale of some of the Group’s non-core assets.

On this basis, the Board of Directors have concluded that the Group will be able to meet its commitments in the foreseeable future.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

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 judgements 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 2009.

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 2009.

5 Share of profit in joint ventures

During the three month period ended 31 March 2010, the Group's share of profit in Properties Investment LLC amounted to AED 3.5 million (31 March 2009: AED 9.8 million) and its share of profit in Emirates District Cooling LLC amounted to AED 1.5 million (31 March 2009: AED 4.3 million).

6 Administrative and general expenses

During the current period, the Group has modified the consolidated income statement classification of certain expenses from direct costs to administrative and general expenses to reflect more appropriately the way in which direct costs and gross margins are derived from other operating activities. Comparative amounts were reclassified for consistency in presentation, which resulted in AED 32.4 million being reclassified from direct costs to administrative and general expenses.

7 Investment properties

	Unaudited 31 March 2010 AED'000	Audited 31 December 2009 AED'000	Unaudited 31 March 2009 AED'000
Opening balance	3,403,688	3,278,662	3,278,662
Additions during the period/year	55,347	12,211	5,183
Loss on valuation of investment properties (refer note (i) below)	(70,000)	(500,385)	-
Transfer from development properties	33,073	1,240,200	-
Sale of investment properties (refer note (ii) below)	(110,000)	(627,000)	(627,000)
Closing balance	3,312,108	3,403,688	2,656,845

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

7 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. During the current period, the Directors' of the Company have reviewed the carrying value of investment properties and are of the opinion that there is a decrease in the fair values of certain investment properties as compared to the previous valuation carried out as at 31 December 2009. Accordingly, a fair valuation loss of AED 70 million has been recognized in the interim condensed consolidated income statement. Fair valuation of the investment properties will be fully reassessed in the next quarter by an independent registered valuer, as per group accounting policy.
- (ii) During the three months period ended 31 March 2010, the Group has sold one of its investment properties at a consideration of AED 123.2 million (net of expenses incurred of AED 1.8 million) resulting in a net gain of AED 13.2 million.

8 Development properties

	Unaudited 31 March 2010 AED'000	Audited 31 December 2009 AED'000	Unaudited 31 March 2009 AED'000
Opening balance	9,971,509	11,831,575	11,831,575
Additions during the period/year	264,550	2,200,676	880,697
Cost of properties sold	(314,000)	(2,633,926)	(818,202)
Transfer to property, plant and equipment	-	(66,616)	-
Transfer to investment properties	(33,073)	(1,240,200)	-
Impairment provision	-	(120,000)	-
	-----	-----	-----
Closing balance	9,888,986	9,971,509	11,894,070
	=====	=====	=====
Development properties comprise :			
Construction cost	6,592,986	6,803,793	8,764,174
Land	2,825,240	2,756,617	2,884,799
Interest capitalized	470,760	411,099	245,097
	-----	-----	-----
	9,888,986	9,971,509	11,894,070
	=====	=====	=====

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

9 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 information, are as follows:

	Unaudited 31 March 2010 AED'000	Unaudited 31 March 2009 AED'000
Project management income and income from contracts	5,727	6,372
Interest paid	63,099	43,103
Short-term loan from a related party	30,000	-
Compensation to key management personnel are as follows :		
- Salaries and other short-term employee benefits	1,954	4,835
- Provision towards staff terminal benefits	60	334
	=====	=====

10 Long-term bank loans

- (i) During the three months period ended 31 March 2010, the Group has repaid long-term bank loans amounting to AED 154 million obtained 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.
- (ii) During the three months period ended 31 March 2010, the Group has obtained a term loan facility from a bank. The outstanding loan amount is AED 205 million. The loan carries interest at normal commercial rates and is secured by assignment of receivables.

11 Earnings per share

	Unaudited 31 March 2010	Unaudited 31 March 2009
Net profit attributable to shareholders (AED'000)	50,252	30,131
Weighted average number of shares	3,365,527,374	3,365,527,374
	=====	=====

12 Segment reporting

Business segments

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

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

12 Segment reporting (continued)

	Real estate property management and sales AED'000	Construction AED'000	Others AED'000	Total AED'000
Three month period ended 31 March 2010				
Segment revenue	450,911	374,850	20,246	846,007
Segment result	118,636	54,449	5,914	178,999
Administrative and general expenses	(10,778)	(11,686)	(8,467)	(30,931)
Finance income	38	470	29	537
Finance expense	(28,942)	(21,471)	(45)	(50,458)
Loss on valuation of investment properites	(70,000)	-	-	(70,000)
Gain on sale of investment properties	13,125	-	-	13,125
Other income	3,396	328	207	3,931
Share of profit in joint venture	3,522	-	1,527	5,049
Profit for the period	28,997	22,090	(835)	50,252
Segment assets	13,351,945	3,244,784	81,630	16,678,360
Investment in joint ventures	213,410	-	183,282	396,692
Total assets	13,565,355	3,244,784	264,912	17,075,052
Segment liabilities	8,921,041	2,613,539	4,833	11,539,413
Capital expenditure	319,948	287	-	320,235
Depreciation	3,662	2,666	2,788	9,116
Three month period ended 31 March 2009				
Segment revenue	44,590	396,917	130,107	571,614
Segment result	35,063	33,259	36,050	104,372
Administrative and general expenses	(20,475)	(7,270)	(36,213)	(63,958)
Finance income	5	688	40	733
Finance expense	(22,000)	(7,407)	-	(29,407)
Gain on sale of investment properties	3,000	-	-	3,000
Other income	900	333	84	1,317
Share of profit in joint venture	9,763	-	4,311	14,074
Profit for the period	6,256	19,603	4,272	30,131
Segment assets	15,425,234	2,494,872	165,059	18,085,165
Investment in joint ventures	213,934	-	173,160	387,094
Total assets	15,639,168	2,494,872	338,219	18,472,259
Segment liabilities	10,173,581	2,171,681	115,501	12,460,763
Capital expenditure	885,880	636	5,818	892,334
Depreciation	3,672	2,505	1,985	8,162