

Union Properties
Public Joint Stock Company
and its subsidiaries

Interim condensed consolidated
financial information
30 September 2010

Union Properties Public Joint Stock Company and its subsidiaries

Interim condensed consolidated financial information

30 September 2010

<i>Contents</i>	<i>Pages</i>
Independent auditors' report on review of interim condensed consolidated financial information	1
Interim condensed consolidated income statement	2-3
Interim condensed consolidated statement of comprehensive income	4
Interim condensed consolidated statement of financial position	5
Interim condensed consolidated statement of cash flows	6
Interim condensed consolidated statement of changes in equity	7
Notes	8-12



P O Box 341145
Level 12, IT Plaza Tower
Dubai Silicon Oasis
Dubai
United Arab Emirates

Telephone +971 (4) 356 9500
Main Fax +971 (4) 326 3788
Audit Fax +971 (4) 326 3773
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 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 September 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 nine 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 nine month period ended 30 September 2010 is not prepared, in all material respects, in accordance with IAS 34 *'Interim Financial Reporting'*.

Sharad Bhandari
(Registration No. 267)

KPMG

08 NOV 2010

Union Properties Public Joint Stock Company and its subsidiaries

Interim condensed consolidated income statement (unaudited)

for the nine month period ended 30 September 2010

	Note	Nine month period ended 30 September 2010			Nine month period ended 30 September 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
Revenue	11	994,253	1,108,447	2,102,700	1,696,448	1,510,358	3,206,806
Direct costs		(748,950)	(919,477)	(1,668,427)	(1,415,891)	(1,259,538)	(2,675,429)
Gross profit	11	245,303	188,970	434,273	280,557	250,820	531,377
Administrative and general expenses				(140,374)			(165,505)
Finance income				1,603			1,672
Finance expense				(226,558)			(167,922)
Provision for contracting related activities				-			(125,000)
Other income				8,455			12,914
Loss on valuation of properties	6 and 7			(870,362)			(470,578)
Gain on sale of investment properties	6			13,125			3,000
Share in profit of joint ventures	5			28,925			29,932
Loss for the period attributable to the shareholders of the Company				(750,913)			(350,110)
Basic and diluted earnings per share (AED) (for the nine month period)	10			(0.22)			(0.10)

The notes on pages 8 to 12 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 income statement (unaudited) (continued) for the nine month period ended 30 September 2010

	Three month period ended 30 September 2010				Three month period ended 30 September 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
<i>Note</i>								
Revenue	11	207,591	337,563	545,154		810,669	532,630	1,343,299
Direct costs		(139,261)	(275,289)	(414,550)		(643,090)	(441,685)	(1,084,775)
Gross profit	11	68,330	62,274	130,604		167,579	90,945	258,524
Administrative and general expenses				(63,249)				(48,471)
Finance income				567				259
Finance expense				(110,758)				(78,897)
Provision for contracting related activities				-				(125,000)
Other income				1,819				3,156
Loss on valuation of properties	6 and 7			(420,000)				(166,772)
Share in profit of joint ventures	5			9,233				4,910
Loss for the period attributable to the shareholders of the Company				(451,784)				(152,291)
Basic and diluted earnings per share (AED) (for the three month period)	10			(0.13)				(0.05)

The notes on pages 8 to 12 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 nine month period ended 30 September 2010

	Nine month period ended 30 September		Three month period ended 30 September	
	2010 AED'000	2009 AED'000	2010 AED'000	2009 AED'000
Loss for the period	(750,913)	(350,110)	(451,784)	(152,291)
Other comprehensive income for the period				
Net movement in cash flow hedge	1,397	2,461	519	1,100
Total recognized loss for the period	(749,516)	(347,649)	(451,265)	(151,191)

The notes on pages 8 to 12 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 financial position (unaudited) at 30 September 2010

		30 September 2010 AED'000	Audited 31 December 2009 AED'000	30 September 2009 AED'000
	Note			
ASSETS				
Non-current assets				
Intangible assets		40,776	40,776	40,776
Property, plant and equipment		200,170	200,018	142,634
Investment properties	6	3,536,989	3,403,688	3,425,520
Development properties	7	8,522,147	9,971,509	10,278,354
Investment in joint ventures	5	426,918	391,643	402,953
Non-current receivables		161,446	145,386	234,736
		<u>12,888,446</u>	<u>14,153,020</u>	<u>14,524,973</u>
Current assets				
Other investments		5,031	5,031	5,031
Inventories		74,082	100,100	107,080
Contract work-in-progress		346,223	471,399	524,529
Trade and other receivables		2,220,562	2,178,981	2,238,076
Due from related parties		22,925	11,749	11,117
Cash in hand and at bank		389,522	544,572	328,440
		<u>3,058,345</u>	<u>3,311,832</u>	<u>3,214,273</u>
Total assets		<u>15,946,791</u>	<u>17,464,852</u>	<u>17,739,246</u>
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital		3,366,857	3,366,857	3,366,857
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		(90)	(1,487)	(1,597)
Revaluation surplus		39,507	39,507	39,507
Retained earnings/(accumulated losses)		(447,306)	303,607	451,640
Total equity attributable to the shareholders of the Company		<u>4,735,240</u>	<u>5,484,756</u>	<u>5,632,679</u>
Non-current liabilities				
Long-term bank loans	9	5,419,426	4,677,352	2,646,098
Advances from sale of properties		1,750,321	1,974,114	2,327,192
Deferred income		31,500	33,188	33,750
Non-current payables		59,818	60,534	28,631
Provision for staff terminal benefits		80,813	82,299	83,874
		<u>7,341,878</u>	<u>6,827,487</u>	<u>5,119,545</u>
Current liabilities				
Trade and other payables		2,109,309	2,532,293	2,527,455
Advances and deposits		189,502	226,869	294,569
Due to related parties		72,805	20,315	17,000
Short-term bank borrowings	9	325,102	1,085,448	1,169,708
Current portion of long-term bank loans	9	1,172,955	1,287,684	2,978,290
		<u>3,869,673</u>	<u>5,152,609</u>	<u>6,987,022</u>
Total liabilities		<u>11,211,551</u>	<u>11,980,096</u>	<u>12,106,567</u>
Total equity and liabilities		<u>15,946,791</u>	<u>17,464,852</u>	<u>17,739,246</u>

The notes on pages 8 to 12 form part of this interim condensed consolidated financial information.

08 NOV 2010

Director

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 nine month period ended 30 September 2010

		Nine month period ended 30 September	
		2010	2009
	Note	AED'000	AED'000
Operating activities			
Loss for the period		(750,913)	(350,110)
<i>Adjustments for:</i>			
Depreciation		22,733	27,443
Gain on disposal of investment properties		(13,125)	(3,000)
Loss on valuation of properties		870,362	470,578
Directors' fees paid		-	(2,160)
Share in profit of joint ventures		(28,925)	(29,933)
Loss on disposal of property, plant and equipment		41	237
Income from government grant		(1,688)	(1,688)
Finance income		(1,603)	(1,672)
Finance expense		226,558	167,922
		-----	-----
<i>Operating profit before working capital changes</i>		323,440	277,617
Change in trade and other receivables		(61,836)	485,145
Change in inventories		26,016	11,219
Change in contract work-in-progress		109,039	(339,305)
Change in non-current receivables		(16,057)	(31,471)
Change in due from related parties		(11,176)	(3,168)
Change in trade and other payables		(121,586)	312,901
Change in due to related parties		52,490	11,463
Change in non-current payables		(716)	(53,955)
Change in advances and deposits		(37,369)	(85,953)
Change in staff terminal benefits (net)		(1,486)	(1,883)
		-----	-----
<i>Net cash from operating activities</i>		260,759	582,610
		-----	-----
Investing activities			
Additions to property, plant and equipment		(7,251)	(19,388)
Additions to investment properties	6	(4,011)	(12,165)
Additions to development properties (net)	7	(330,734)	(497,252)
Investment in joint venture		(6,350)	-
Proceeds from disposal of property, plant and equipment		462	345
Proceeds from disposal of investment properties		150,737	-
Proceeds from sale of investments at fair value through profit or loss		-	1,370
Interest income		1,603	1,672
		-----	-----
<i>Net cash used in investing activities</i>		(195,544)	(525,418)
		-----	-----
Financing activities			
Net movement in long-term bank loans	9	739,345	80,735
Net movement in short-term bank borrowings	9	(116,265)	52,114
Interest paid		(206,304)	(115,922)
Change in advances from sale of properties		119,040	(247,172)
		-----	-----
<i>Net cash from/(used in) financing activities</i>		535,816	(230,245)
		-----	-----
Net increase/(decrease) in cash and cash equivalents		601,031	(173,053)
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		(39,834)	(1,700,172)
		=====	=====

The notes on pages 8 to 12 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 nine month period ended 30 September 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/ earnings/ (Accumulated losses) AED'000	Total AED'000
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 expense for the period	-	-	-	-	-	2,461	-	(350,110)	(347,649)
Transactions with shareholders									
Bonus shares issued	306,078	-	(306,078)	-	-	-	-	-	-
At 30 September 2009 (unaudited)	3,366,857	(4,998)	-	1,467,573	313,697	(1,597)	39,507	451,640	5,632,679
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 expense for the period	-	-	-	-	-	1,397	-	(750,913)	(749,516)
At 30 September 2010 (unaudited)	3,366,857	(4,998)	-	1,467,573	313,697	(90)	39,507	(447,306)	4,735,240

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.

The notes on pages 8 to 12 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) 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 811 million which include short-term bank borrowings amounting to AED 325 million and current portion of long-term bank loans amounting to AED 1,173 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 development projects to be completed 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 in profit of joint ventures

During the nine month period ended 30 September 2010, the Group's share in profit of Properties Investment LLC amounted to AED 11 million (30 September 2009: AED 25 million) and its share in profit of Emirates District Cooling LLC amounted to AED 18 million (30 September 2009: AED 5 million).

6 Investment properties

	Unaudited 30 September 2010 AED'000	Audited 31 December 2009 AED'000	Unaudited 30 September 2009 AED'000
Opening balance	3,403,688	3,278,662	3,278,662
Additions during the period/year	44,066	12,211	12,165
Loss on valuation of investment properties (refer note (i) below)	(180,362)	(500,385)	(470,578)
Transfer from development properties (refer note (iii) below)	407,209	1,240,200	1,232,271
Sale of investment properties (refer note (ii) below)	(137,612)	(627,000)	(627,000)
Closing balance	<u>3,536,989</u>	<u>3,403,688</u>	<u>3,425,520</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 fair valued based on an open market valuation carried out by an independent registered valuer, JAJ Consultants LLC, who carried out the valuation in accordance with RICS Appraisal and Valuation Manual issued by the Royal Institute of Chartered Surveyors.
- (ii) During the nine month period ended 30 September 2010, the Group has sold various investment properties at a consideration of AED 151 million (net of expenses incurred of AED 2 million) resulting in a net gain of AED 13 million.
- (iii) During the nine month period ended 30 September 2010, the Group has transferred development properties with a cost of AED 407 million from development properties to investment properties following a change in the use of such properties. These properties are now either rented out to third parties or still vacant.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

7 Development properties

	Unaudited 30 September 2010 AED'000	Audited 31 December 2009 AED'000	Unaudited 30 September 2009 AED'000
Opening balance	9,971,509	11,831,575	11,831,575
Additions during the period/year	273,538	2,200,676	1,887,282
Cost of properties sold	(625,691)	(2,633,926)	(2,208,232)
Transfer to property, plant and equipment	-	(66,616)	-
Transfer to investment properties	(407,209)	(1,240,200)	(1,232,271)
Impairment provision	(690,000)	(120,000)	-
	=====	=====	=====
Closing balance	8,522,147	9,971,509	10,278,354
	=====	=====	=====
Development properties comprise :			
Construction cost	5,137,668	6,803,793	6,975,324
Land	2,825,240	2,756,617	2,945,240
Interest capitalized	559,239	411,099	357,790
	=====	=====	=====
	8,522,147	9,971,509	10,278,354
	=====	=====	=====

- (i) During the current period, management has carried out a detailed review of the carrying value of its development properties. A fair valuation study was done by an independent registered valuer. Accordingly a fair valuation loss of AED 690 million has been recognized in the interim condensed consolidated income statement for the nine month period ended 30 September 2010.

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 information, are as follows:

	Unaudited 30 September 2010 AED'000	Unaudited 30 September 2009 AED'000
Project management income and income from contracts	18,494	14,993
Long-term loans obtained from consortium of banks for which a significant shareholder of the company is the lead arranger	92,898	1,087,536
Interest paid	206,103	137,170
Short-term loans from a related party	30,000	-
Compensation to key management personnel are as follows :		
- Salaries and other short-term employee benefits	6,476	13,946
- Provision towards staff terminal benefits	238	678
	=====	=====

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

9 Long-term bank loans

- (i) During the nine month period ended 30 September 2010, the Group has repaid long-term bank loans amounting to AED 694 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 nine month period ended 30 September 2010, the Group has obtained a term loan facility from a bank. The outstanding loan amount as of 30 September 2010 is AED 205 million. The loan carries interest at normal commercial rates and is secured by assignment of receivables.
- (iii) During the nine month period ended 30 September 2010, the Group renegotiated the repayment terms of certain short terms bank borrowings related to a significant shareholder. These short terms bank borrowings are now considered as long term bank loans. The outstanding loan amount as of 30 September 2010 is AED 824 million.

10 Earnings per share

	Unaudited Nine month period ended 30 September		Unaudited Three month period ended 30 September	
	2010	2009	2010	2009
Loss attributable to shareholders (AED '000)	(750,913)	(350,110)	(451,784)	(152,291)
Weighted average number of shares	3,365,527,374	3,365,527,374	3,365,527,374	3,365,527,374
	=====	=====	=====	=====

11 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)

11 Segment reporting (continued)

	Real estate property management and sales AED'000	Construction AED'000	Others AED'000	Total AED'000
Nine month period ended 30 September 2010				
Segment revenue	994,253	1,049,223	59,224	2,102,700
Segment result	245,303	169,524	19,446	434,273
Administrative and general expenses	(37,337)	(52,013)	(51,024)	(140,374)
Finance income	128	1,372	103	1,603
Finance expense	(160,940)	(64,102)	(1,516)	(226,558)
Loss on valuation of investment properties	(870,362)	-	-	(870,362)
Gain on sale of investment properties	13,125	-	-	13,125
Other income	6,315	1,291	849	8,455
Share of profit in joint venture	10,949	-	17,976	28,925
(Loss)/profit for the period	(792,819)	56,072	(14,166)	(750,913)
Segment assets	12,253,582	3,209,521	56,770	15,519,873
Investment in joint ventures	237,283	-	189,635	426,918
Total assets	12,490,865	3,209,521	246,405	15,946,791
Segment liabilities	8,584,045	2,559,946	67,560	11,211,551
Capital expenditure	324,855	20,617	438	345,910
Depreciation	10,975	7,365	4,393	22,733
Nine month period ended 30 September 2009				
Segment revenue	1,696,448	1,167,528	342,830	3,206,806
Segment result	280,557	176,829	73,991	531,377
Administrative and general expenses	(52,267)	(19,434)	(93,804)	(165,505)
Finance income	10	1,572	90	1,672
Finance expense	(61,891)	(96,160)	(9,871)	(167,922)
Provision for contracting related activities	-	(125,000)	-	(125,000)
Loss on valuation of investment properties	(470,578)	-	-	(470,578)
Gain on sale of investment properties	3,000	-	-	3,000
Other income	7,999	1,392	3,523	12,914
Share of profit in joint venture	25,404	-	4,528	29,932
(Loss)/profit for the period	(267,766)	(60,801)	(21,543)	(350,110)
Segment assets	14,077,995	3,109,738	148,560	17,336,293
Investment in joint ventures	229,650	-	173,303	402,953
Total assets	14,307,645	3,109,738	321,863	17,739,246
Segment liabilities	9,295,493	2,743,455	67,619	12,106,567
Capital expenditure	1,899,878	10,094	8,863	1,918,835
Depreciation	10,025	7,696	9,722	27,443