

Union Properties
Public Joint Stock
Company
and its subsidiaries

Interim condensed consolidated
financial information
31 March 2011

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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 2011, 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 2011 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

08 MAY 2011

Union Properties Public Joint Stock Company and its subsidiaries

Interim condensed consolidated income statement (unaudited) for the three month period ended 31 March 2011

	Three month period ended 31 March 2011			Three month period ended 31 March 2010		
	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	1,124,751	355,172	1,479,923	450,911	395,096	846,007
Direct costs	(901,376)	(303,148)	(1,204,524)	(332,275)	(334,733)	(667,008)
Gross profit	223,375	52,024	275,399	118,636	60,363	178,999
Administrative and general expenses			(38,008)			(30,931)
Finance income			1,383			537
Finance expense			(99,160)			(50,458)
Other income			2,393			3,931
Loss on valuation of properties			(65,328)			(70,000)
Gain on sale of investment properties			3,219			13,125
Share of profit in joint ventures			2,312			5,049
Profit for the period attributable to the shareholders of the Company			82,210			50,252
Basic and diluted earnings per share (AED) (for the quarter)			0.024			0.015

The notes on pages 7 to 11 form an integral 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 2011

	Three month period ended 31 March	
	2011 AED'000	2010 AED'000
Profit for the period	82,210	50,252
Other comprehensive income for the period		
Net movement in cash flow hedge	54	631
Total comprehensive income for the period	82,264	50,883

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Union Properties Public Joint Stock Company and its subsidiaries

Interim condensed consolidated statement of financial position (unaudited) at 31 March 2011

		31 March 2011	Audited 31 December 2010	31 March 2010
	Note	AED'000	AED'000	AED'000
ASSETS				
Non-current assets				
Intangible assets		40,776	40,776	40,776
Property, plant and equipment		202,827	208,734	207,362
Investment properties	6	2,914,889	2,915,450	3,312,108
Development properties	7	5,995,971	6,506,615	9,888,986
Investment in joint ventures	5	428,190	430,878	396,692
Non-current receivables		153,049	147,280	150,858
		<u>9,735,702</u>	<u>10,249,733</u>	<u>13,996,782</u>
Current assets				
Other investments		5,031	5,031	5,031
Inventories		1,173,107	1,565,348	91,703
Contract work-in-progress		401,944	357,883	446,484
Trade and other receivables		2,045,437	2,211,947	2,194,632
Due from related parties		16,031	8,954	16,617
Cash in hand and at bank		741,892	488,793	323,803
		<u>4,383,442</u>	<u>4,637,956</u>	<u>3,078,270</u>
Total assets		<u><u>14,119,144</u></u>	<u><u>14,887,689</u></u>	<u><u>17,075,052</u></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		(107)	(161)	(856)
Revaluation surplus		39,507	39,507	39,507
(Accumulated losses)/Retained earnings		(1,143,460)	(1,225,670)	353,859
Total equity attributable to the shareholders of the Company		<u>4,039,069</u>	<u>3,956,805</u>	<u>5,535,639</u>
Non-current liabilities				
Long-term bank loans	9	4,415,983	4,418,603	4,825,192
Advances from sale of properties		1,173,953	1,993,566	1,833,203
Deferred income		30,375	30,938	32,625
Non-current payables		67,819	59,761	52,640
Provision for staff terminal benefits		79,519	79,842	81,810
		<u>5,767,649</u>	<u>6,582,710</u>	<u>6,825,470</u>
Current liabilities				
Trade and other payables		2,031,648	2,026,594	2,370,583
Advances and deposits		163,346	189,428	206,929
Due to related parties		73,946	42,061	52,628
Short-term bank borrowings		251,137	294,490	758,425
Current portion of long-term bank loans	9	1,792,349	1,795,601	1,325,378
		<u>4,312,426</u>	<u>4,348,174</u>	<u>4,713,943</u>
Total liabilities		<u>10,080,075</u>	<u>10,930,884</u>	<u>11,539,413</u>
Total equity and liabilities		<u><u>14,119,144</u></u>	<u><u>14,887,689</u></u>	<u><u>17,075,052</u></u>

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

Director

General Manager

08 MAY 2011

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 2011

	Note	Three month period ended 31 March	
		2011 AED'000	2010 AED'000
Operating activities			
Profit for the period		82,210	50,252
Adjustments for:			
Depreciation		5,605	9,116
Gain on disposal of investment properties		(3,219)	(13,125)
Loss on valuation of properties		65,328	70,000
Share of profit in joint ventures		(2,312)	(5,049)
Gain on disposal of property, plant and equipment		303	(20)
Income from government grant		(563)	(563)
Finance income		(1,383)	(537)
Finance expense		99,160	50,458
<i>Operating profit before working capital changes</i>		<u>245,129</u>	<u>160,532</u>
Change in trade and other receivables		151,706	(21,651)
Change in inventories		4,241	8,397
Change in contract work-in-progress		(44,061)	8,777
Change in non-current receivables		(5,769)	(5,472)
Change in due from related parties		(7,077)	(4,868)
Change in trade and other payables		(48,892)	(161,079)
Change in due to related parties		31,885	32,313
Change in non-current payables		8,058	(7,894)
Change in advances and deposits		(26,082)	(19,940)
Change in staff terminal benefits (net)		(323)	(489)
<i>Net cash (used in)/from operating activities</i>		<u>308,815</u>	<u>(11,374)</u>
Investing activities			
Additions to property, plant and equipment		(167)	(338)
Additions to investment properties	6	-	(2,073)
Additions to development properties (net)	7	(35,981)	(174,335)
Dividend income		5,000	-
Proceeds from disposal of property, plant and equipment		166	36
Proceeds from disposal of investment properties		22,580	123,125
Interest income		1,383	537
<i>Net cash from / (used in) investing activities</i>		<u>(7,019)</u>	<u>(53,048)</u>
Financing activities			
Net movement in long-term bank loans	9	(5,872)	185,534
Net movement in short-term bank borrowings		(4,729)	23,465
Interest paid		(92,300)	(44,458)
Change in advances from sale of properties		92,828	29,600
<i>Net cash (used in) / from financing activities</i>		<u>(10,073)</u>	<u>194,141</u>
Net increase in cash and cash equivalents		<u>291,723</u>	<u>129,719</u>
Cash and cash equivalents at the beginning of the period		69,759	(640,865)
Cash and cash equivalents at the end of the period		<u>361,482</u>	<u>(511,146)</u>

The notes on pages 7 to 11 form an integral 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 2011

	Share capital AED'000	Treasury shares AED'000	Statutory reserve AED'000	General reserve AED'000	Hedging reserve AED'000	Revaluation surplus AED'000	(Accumulated losses)/Retained earnings AED'000	Total AED'000
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
At 31 March 2010 (unaudited)	3,366,857	(4,998)	1,467,573	313,697	(856)	39,507	353,859	5,535,639
At 1 January 2011 (audited)	3,366,857	(4,998)	1,467,573	313,697	(161)	39,507	(1,225,670)	3,956,805
Total comprehensive income for the period	-	-	-	-	54	-	82,210	82,264
At 31 March 2011 (unaudited)	3,366,857	(4,998)	1,467,573	313,697	(107)	39,507	(1,143,460)	4,039,069

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 2011 as it would be effected at the year-end.

The notes on pages 7 to 11 form an integral 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 2010.

The accounting policies applied in the preparation of the interim condensed consolidated financial information are consistent with those applied in the annual consolidated financial statements of the Group for the year ended 31 December 2010.

(ii) Financial commitments

The Group has accumulated losses of AED 1,143.5 million as at 31 March 2011. Furthermore the Group has financial commitments of AED 6,459.5 million of which an amount of AED 2,043.5 million is due within twelve months from the reporting date.

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 are 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 assets.

On this basis, the Board of Directors have concluded that the Group will be able to meet its commitments as they fall due 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 2010.

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 2010.

5 Share of profit in joint ventures

During the three month period ended 31 March 2011, the Group's share of profit in Properties Investment LLC amounted to AED 1.7 million (31 March 2010: AED 3.5 million) and its share of profit in Emirates District Cooling LLC amounted to AED 0.6 million (31 March 2010: AED 1.5 million). Furthermore, Properties Investment LLC has declared and paid a dividend of AED 5.0 million during the three month period ended 31 March 2011.

6 Investment properties

	Unaudited 31 March 2011 AED'000	Audited 31 December 2010 AED'000	Unaudited 31 March 2010 AED'000
Opening balance	2,915,450	3,403,688	3,403,688
Additions during the period/year	18,800	62,357	55,347
Loss on valuation of investment properites	-	(320,309)	(70,000)
Transfer to inventories	-	(406,072)	-
Transfer from development properites	-	426,953	33,073
Sale of investment properties (refer note (i) below)	(19,361)	(251,167)	(110,000)
Closing balance	2,914,889	2,915,450	3,312,108

- (i) During the three months period ended 31 March 2011, the Group has sold various investment properties with carrying value of AED 19.4 million for a net consideration of AED 22.6 resulting in a net gain of AED 3.2 million.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

7 Development properties

	Unaudited 31 March 2011 AED'000	Audited 31 December 2010 AED'000	Unaudited 31 March 2010 AED'000
Opening balance	6,506,615	9,971,509	9,971,509
Net additions during the period/year	47,474	317,071	264,550
Cost of properties sold	(492,790)	(860,482)	(314,000)
Transfer to investment properties	-	(426,953)	(33,073)
Impairment provision (refer note (i) below)	(65,328)	(1,394,530)	-
Transfer to inventories	-	(1,100,000)	-
Closing balance	<u>5,995,971</u>	<u>6,506,615</u>	<u>9,888,986</u>
Development properties comprise :			
Land and construction cost	5,448,657	5,959,301	9,418,226
Interest capitalized	547,314	547,314	470,760
	<u>5,995,971</u>	<u>6,506,615</u>	<u>9,888,986</u>

- (i) During the three months period ended 31 March 2011, the Directors' of the Company have reviewed the carrying value of development properties and are of the opinion that there is a decrease in the fair values of certain development properties as compared to the previous valuation carried out as at 31 December 2010. Accordingly, a fair valuation loss of AED 65.4 million has been recognized in the interim condensed consolidated income statement.

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 information, are as follows:

	Unaudited 31 March 2011 AED'000	Unaudited 31 March 2010 AED'000
Project management income and income from contracts	18,153	5,727
Interest paid	97,526	63,099
Short-term loan from a related party	29,541	30,000
Compensation to key management personnel are as follows :		
- Salaries and other short-term employee benefits	2,299	1,954
- Provision towards staff terminal benefits	62	60
	=====	=====

9 Long-term bank loans

- (i) During the three months period ended 31 March 2011, the Group has obtained long term bank loans amounting to AED 53 million and repaid long-term bank loans amounting to AED 59 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.

10 Earnings per share

	Unaudited 31 March 2011	Unaudited 31 March 2010
Net profit attributable to shareholders (AED'000)	82,210	50,252
Weighted average number of shares	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
Three month period ended 31 March 2011				
Segment revenue	1,124,751	328,747	26,425	1,479,923
Segment result	223,375	53,411	(1,387)	275,399
Administrative and general expenses	(11,981)	(14,705)	(11,322)	(38,008)
Finance income	1,310	60	13	1,383
Finance expense	(77,549)	(21,611)	-	(99,160)
Loss on valuation of properites	(65,328)	-	-	(65,328)
Gain on sale of investment properties	3,219	-	-	3,219
Other income	1,440	647	306	2,393
Share of profit in joint venture	1,727	-	585	2,312
Profit for the period	76,212	17,803	(11,805)	82,210
Segment assets	10,492,405	3,141,805	56,744	13,690,954
Investment in joint ventures	215,158	-	213,032	428,190
Total assets	10,707,563	3,141,805	269,776	14,119,144
Segment liabilities	7,442,541	2,578,127	59,407	10,080,075
Capital expenditure	66,307	97	-	66,404
Depreciation	2,647	2,428	531	5,605
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 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