Union Properties
Public Joint Stock Company
and its subsidiaries

Interim condensed consolidated financial statements

30 June 2007

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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 balance sheet of Union Properties Public Joint Stock Company ("the Company") and its subsidiaries (collectively referred to as "the Group") as at 30 June 2007, and the related interim condensed consolidated statements of income, changes in equity and cash flows for the six month period then ended ("the interim financial information"). Management is responsible for the preparation and presentation of this interim consolidated financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial information as at 30 June 2007 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

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Union Properties Public Joint Stock Company and its subsidiaries

Interim condensed consolidated income statement

for the period ended 30 June 2007

		Six Months Ended June 30 2007			Six Months Ended June 30 2006		
		Property Management & Sales AED'000	**Other Operating Activities AED'000**	**Total AED'000**	Property Management & Sales AED'000	Other Operating Activities AED'000	Total AED'000
	Note	**Unaudited**	**Unaudited**	**Unaudited**	Unaudited	Unaudited	Unaudited
Revenue	*4*	**166,585**	**999,002**	**1,165,587**	217,373	950,322	1,167,695
Direct costs	*4*	**(48,448)**	**(925,487)**	**(973,935)**	(108,812)	(865,058)	(973,870)
Gross profit		**118,137**	**73,515**	**191,652**	108,561	85,264	193,825
Administrative and general expenses				**(49,477)**			(31,207)
Finance costs, net				**(37,533)**			(17,055)
Other income				**10,371**			21,996
Gain on valuation of investment properties				**159,056**			56,570
Share of profit in joint venture and associate companies	5			**20,856**			10,165
Net profit for the period attributable to the shareholders' of the Company				**294,925**			234,294
Earnings per share (AED) (for six month period)	*10*			**0.106**			0.084

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

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

Interim condensed consolidated income statement *(Continued)*

for the period ended 30 June 2007

		Three Months Ended June 30 2007			Three Months Ended June 30 2006		
		Property Management & Sales AED'000	Other Operating Activities AED'000	Total AED'000	Property Management & Sales AED'000	Other Operating Activities AED'000	Total AED'000
	Note	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Revenue	*4*	**101,020**	**472,900**	**573,920**	58,076	621,523	679,599
Direct costs	*4*	**(27,451)**	**(435,920)**	**(463,371)**	(28,302)	(576,815)	(605,117)
Gross profit		**73,569**	**36,980**	**110,549**	29,774	44,708	74,482
Administrative and general expenses				**(26,965)**			(18,525)
Finance costs, net				**(18,808)**			(8,901)
Other income				**2,963**			9,736
Gain on valuation of investment properties				**79,714**			56,570
Share of profit in joint venture and associate companies	5			**6,834**			8,167
Net profit for the period attributable to the shareholders' of the Company				**154,287**			121,529
Earnings per share (AED) (for the Quarter)	*10*			**0.055**			0.044

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

at 30 June 2007

	Note	Unaudited 30 June 2007 AED'000	Audited 31 December 2006 AED'000	Unaudited 30 June 2006 AED'000
Intangible assets		**40,776**	40,776	40,776
Property, plant and equipment		**363,941**	366,904	350,328
Investment properties	6	**2,542,416**	2,629,039	1,962,621
Development properties	7	**2,901,102**	1,774,679	1,626,027
Investment in an associate		**35,001**	34,520	8,640
Investment in a joint venture		**132,134**	111,757	72,993
Long-term receivables		**161,401**	125,222	203,272
Current assets				
Other investments		**10,569**	60,981	91,493
Properties held for sale		**-**	-	5,192
Inventories		**93,231**	55,361	42,304
Contract work-in-progress		**609,548**	500,236	66,678
Trade and other receivables		**1,948,323**	1,778,959	1,710,800
Due from related parties	8	**17,231**	20,459	16,243
Cash at bank and in hand		**142,237**	51,340	568,790
		2,821,139	2,467,336	2,501,500
Current liabilities				
Trade and other payables		**1,293,105**	1,271,557	1,264,922
Advances and deposits		**210,215**	199,643	337,995
Due to related parties	8	**5,611**	3,016	3,809
Bank borrowings	9	**860,220**	689,155	218,562
Current portion of long-term bank loans	9	**74,803**	87,234	72,568
		2,443,954	2,250,605	1,897,856
Net current assets		**377,185**	216,731	603,644
Long-term bank loans	9	**(1,565,488)**	(606,609)	(626,924)
Deferred income		**(38,813)**	(39,938)	(41,063)
Long-term payables		**(59,196)**	(62,260)	(23,076)
Provision for employees' terminal benefits		**(47,282)**	(37,765)	(31,096)
Net assets		**4,843,179**	4,553,056	4,146,142
Represented by				
Share capital		**2,782,526**	2,226,021	2,225,371
Treasury shares		**(4,998)**	(4,998)	(4,998)
Proposed bonus shares		**-**	556,505	-
Statutory reserve		**1,377,678**	1,377,678	1,316,228
General reserve		**168,944**	168,944	107,547
Hedging reserve		**(2,361)**	2,441	3,792
Revaluation surplus		**39,507**	39,507	6,419
Retained earnings		**481,883**	186,958	491,783
Shareholders' equity		**4,843,179**	4,553,056	4,146,142

The notes on pages 6 to 11 form part of these interim condensed consolidated financial statements.

Fardan Bin Ali Al Fardan Vice chairman	Mohammed Omar Bin Haider Director	Simon E. Azzam Chief Executive Officer

17 JUL 2007

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

for the period ended 30 June 2007

	Note	Six months ended 30 June Unaudited 2007 AED'000	Unaudited 2006 AED'000
Operating activities			
Profit for the period		**294,925**	234,294
Gain on valuation of investment properties	6	**(159,056)**	(56,570)
Adjustments for:			
Depreciation		**18,545**	14,695
Directors' fees paid		**(1,435)**	2,800
Share of profit in joint venture and associate companies		**(20,856)**	(10,165)
Loss on fair valuation of investments held for trading		-	5,063
Finance costs (net)		**37,533**	17,055
Profit on disposal of property, plant and equipment		-	(878)
Income from government grant		**(1,125)**	(1,125)
Operating cash flows before working capital changes		**168,531**	205,169
Change in trade and other receivables		**(167,934)**	(802,987)
Change in property held for sale		-	31,120
Change in inventories		**(37,870)**	(7,244)
Change in contract work-in-progress		**(109,312)**	61,194
Change in long-term receivable		**(36,179)**	(47,624)
Change in due from related parties		**3,228**	14,351
Change in trade and other payables		**16,747**	254,763
Change in due to related parties		**2,595**	3,336
Change in long-term payables		**(3,064)**	(305,393)
Change in advances and deposits		**10,572**	27,354
Change in employees' terminal benefits (net)		**9,517**	6,099
Cash flows from operating activities		**(143,169)**	(559,862)
Investing activities			
Additions to property, plant and equipment		**(15,840)**	(12,223)
Additions to investment properties	6	**(105,591)**	(430)
Additions to development properties (net)	7	**(775,153)**	(139,296)
Proceeds from disposal of property, plant and equipment		**258**	1,855
Proceeds received on disposal of investment		**50,412**	-
Purchase of investment at fair value through profit or loss		-	(63,556)
Investment made in an associate		-	(4,000)
Cash flows from investing activities		**(845,914)**	(217,650)
Financing activities			
Increase in term loans		**946,448**	21,661
Increase in trust receipts (net)		**81,687**	9,004
Short-terms loans obtained (net)		**38,737**	-
Interest paid		**(37,533)**	(17,055)
Proceeds from auction of unsubscribed shares of rights issue		-	17,120
Treasury shares purchased		-	(4,998)
Cash flows from financing activities		**1,029,339**	25,732
Net increase / (decrease) in cash and cash equivalents		**40,256**	(751,780)
Cash and cash equivalents at the beginning of the period		**(359,181)**	1,118,043
Cash and cash equivalents at the end of the period		**(318,925)**	366,263

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

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 2007

	Share capital AED'000	Treasury shares AED'000	Share premium 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 2006 (audited)	1,778,216	-	-	444,554	1,301,709	107,547	864	-	254,689	3,887,579
Auction of unsubscribed shares of rights issue	2,601	-	14,519	-	-	-	-	-	-	17,120
Bonus shares issued	444,554	-	-	(444,554)	-	-	-	-	-	-
Treasury shares purchased	-	(4,998)	-	-	-	-	-	-	-	(4,998)
Transfer to statutory reserve	-	-	(14,519)	-	14,519	-	-	-	-	-
Net profit for the period	-	-	-	-	-	-	-	-	234,294	234,294
Net movement on cash flow hedge	-	-	-	-	-	-	2,928	-	-	2,928
Revaluation surplus	-	-	-	-	-	-	-	6,419	-	6,419
Excess accrual for Directors' fees reversed, net of current period charge of AED 0.6 million	-	-	-	-	-	-	-	-	2,800	2,800
Balance at 30 June 2006 (unaudited)	**2,225,371**	**(4,998)**	-	-	**1,316,228**	**107,547**	**3,792**	**6,419**	**491,783**	**4,146,142**
Balance at 1 January 2007 (audited)	2,226,021	(4,998)	-	556,505	1,377,678	168,944	2,441	39,507	186,958	4,553,056
Net profit for the period	-	-	-	-	-	-	-	-	294,925	294,925
Net movement on cash flow hedge	-	-	-	-	-	-	(4,802)	-	-	(4,802)
Bonus shares issued	556,505	-	-	(556,505)	-	-	-	-	-	-
Balance at 30 June 2007 (unaudited)	**2,782,526**	**(4,998)**	-	-	**1,377,678**	**168,944**	**(2,361)**	**39,507**	**481,883**	**4,843,179**

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 have been treated as an appropriation of shareholders' equity.

No allocation of profit has been made to the statutory reserve for the six month period ended 30 June 2007 as it would be effected at the year-end.

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

Notes
(forming part of the interim condensed consolidated financial statements)

1. Legal status and principal activities

Union Properties Public Joint Stock Company ("the Company") was incorporated on 28 October 1993 as a public joint stock company by a United Arab Emirates Ministerial decree.

The principal activities of the Company are investment in and development of properties, the management and maintenance of its own properties and the undertaking of property related services on behalf of other parties, including related parties and acting as the holding company of its subsidiaries and investing in an associate company and a jointly controlled entity.

The Company and its subsidiaries are collectively referred to as "the Group". The Company's registered office address is P.O. Box 24649, Dubai, United Arab Emirates.

2 Basis of preparation and significant accounting policies

These interim condensed consolidated interim financial statements have been prepared in accordance with the International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. The interim condensed consolidated financial statements of the Group, presented in UAE Dirhams ("AED"), which is also the Company's functional currency, rounded to the nearest thousand, have been prepared under the historical cost convention except in respect of investment properties, derivatives and investments in marketable equity securities, which are stated at fair values.

The interim condensed consolidated financial statements are to be read in conjunction with the latest audited consolidated financial statements of the Group for the year ended 31 December 2006.

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 2006.

3 Accounting estimates and judgements

The preparation of interim financial statements 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 condensed consolidated interim financial statements, 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 2006.

4 Revenue and direct costs

A. Property management & sales:

	Property rentals AED'000	Property sales AED'000	Total AED'000
Six month period ended 30 June 2007 (unaudited)			
Revenue	94,508	72,077	166,585
Direct costs	(13,649)	(34,799)	(48,448)
Gross profit	80,859	37,278	118,137
Six month period ended 30 June 2006 (unaudited)			
Revenue	61,122	156,251	217,373
Direct costs	(13,241)	(95,571)	(108,812)
Gross profit	47,881	60,680	108,561

B. Other operating activities:

	Contracting AED'000	Hotel apartm-ents AED'000	Others AED'000	Total AED'000
Six month period ended 30 June 2007 (unaudited)				
Revenue	931,348	20,855	46,799	999,002
Direct costs	(877,018)	(8,301)	(40,168)	(925,487)
Gross profit	54,330	12,554	6,631	73,515
Six month period ended 30 June 2006 (unaudited)				
Revenue	892,570	18,120	39,632	950,322
Direct costs	(828,759)	(7,015)	(29,284)	(865,058)
Gross profit	63,811	11,105	10,348	85,264

The above costs include staff costs amounting to AED 205.2 million for the six months period ended 30 June 2007 *(30 June 2006: AED 147.3 million*) and depreciation amounting to AED 14.5million *(30 June 2006: AED 13.2 million).*

5 Share of profit in joint venture and associate companies

During the six month period ended 30 June 2007, the Group's share of profit in Properties Investment LLC, a joint venture entity, amounted to AED 20.38 million *(30 June 2006: AED 8.7 million)* and its share of profit in Emirates District Cooling LLC, an associate, amounted to AED 0.48 million (*30 June 2006: AED 1.4 million*).

6 Investment properties

	Unaudited 30 June 2007 AED'000	Audited 31 December 2006 AED'000	Unaudited 30 June 2006 AED'000
Opening balance	**2,629,039**	1,886,350	1,886,350
Additions during the period/year	**105,591**	272,288	430
Gain on fair valuation	**159,056**	229,690	62,990
Transfers (to)/from development properties (refer note 7)	**(351,270)**	182,640	-
Transfer from property, plant & equipment	-	58,071	12,851
Closing balance	**2,542,416**	2,629,039	1,962,621

The Company follows the fair value model under IAS 40 (Revised 2003) where investment property defined as land and buildings owned for the purpose of generating rental income or capital appreciation, or both, are marked to market. Management has revalued certain properties where there has been significant development since the year end. Furthermore, the fair value of all other properties has also been reviewed and management has concluded that there is no diminution in their value. Certain plots of land serve as security against bank borrowings (refer note 9).

7 Development properties

	Unaudited 30 June 2007 AED'000	Audited 31 December 2006 AED'000	Unaudited 30 June 2006 AED'000
Opening balance	**1,774,679**	1,486,731	1,486,731
Additions during the period/year	**803,057**	647,164	195,563
Transfer from/(to) investment properties,net (refer note 6)	**351,270**	(182,640)	-
Transfer to property held for sale	-	-	(56,267)
Sale of properties	**(27,904)**	(176,576)	-
Closing balance	**2,901,102**	1,774,679	1,626,027
Development properties include:			
Land	**1,338,611**	999,058	1,023,533
Construction cost	**1,549,778**	744,256	595,859
Interest capitalised	**12,713**	31,365	6,635

Land on which property is currently being developed for the intent of being sold when completed has been transferred to development property at carrying value.

8 Transactions with related parties

The Group, in the normal course of business, enters into transactions with other enterprises, which fall within the definition of a related party contained in IAS 24. Such transactions are carried out at agreed rates. The transactions with related parties, other than those already disclosed separately elsewhere in the interim condensed consolidated financial statements, are as follows:

8 Transactions with related parties (continued)

	Unaudited 30 June 2007 AED'000	Unaudited 30 June 2006 AED'000
Project management income and income from contracts for related parties	**10,505**	7,652
Interest charged	**16,426**	11,206
Compensation to key management personnel are as follows:		
- Salaries and other short-term employee benefits	**5,950**	3,463
- Provision towards employees' terminal benefits	**511**	626

9 Bank borrowings

During the period, the Group has availed of long-term borrowings (net) amounting to AED 946 million and short-term borrowings amounting to AED 150 million from various banks. These borrowings carry interest at normal commercial rates and are secured by land title deposit with the banks (refer note 6), 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**	
	2007	2006	**2007**	2006
Net profit attributable to shareholders ('000)	**294,925**	234,294	**154,287**	121,529
Weighted average number of shares	**2,781,427,582**	2,781,269,658	**2,781,427,582**	2,781,269,658

11 Financial instruments

Financial assets of the Group include cash and bank balances, trade and other receivables, amounts due from related parties, long-term receivables and investments in marketable equity securities. Financial liabilities of the Group include bank borrowings, trade and other payables, long term retentions payable, advances and deposits and amounts due to related parties.

Interest rate risk

The Group's deposits with banks carry interest at prevailing commercial rates. The Company hedges interest rate risks on certain term loans by obtaining interest rate swaps.

Credit risk

Cash is placed with local and international banks of repute. Trade and other receivables include contract receivables, retentions and other receivables and are stated at cost less impairment losses.

11 Financial instruments (continued)

These receivables are subject to market credit risks, which are closely monitored by management. Contract receivables are exposed to concentration risk as one customer accounts for 53% of the total contract receivables of the Group.

Currency risk
Currency risk faced by the Group is minimal as majority of the foreign currency purchases are in US Dollars, to which the UAE Dirham is pegged. Exposure to other currencies is monitored by the Group on a regular basis. The Group has forward contracts to hedge its exposure to foreign currency risk as deemed appropriate.

Fair value
The fair values of the Group's financial instruments approximate their carrying values.