Union Properties
Public Joint Stock Company
and its subsidiaries

Interim condensed consolidated financial statements

31 March 2006

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KPMG

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The Shareholders
Union Properties Public Joint Stock Company

REVIEW REPORT

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") at 31 March 2006, and the related statements of income, cash flows and changes in equity for the three months period then ended. The comparative figures for the three months period ended 31 March 2005 have not been reviewed.

These interim condensed consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these interim condensed consolidated financial statements based on our review.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not presented fairly, in all material respects, in accordance with the International Accounting Standard 34 - Interim Financial Reporting.

KPMG 29 APR 2006

Vijendranath Malhotra
(Registration No. B 48)
Dubai, United Arab Emirates

Union Properties Public Joint Stock Company and its subsidiaries

Interim condensed consolidated income statement
for the period ended 31 March 2006

	Note	Three months ended 31 March Reviewed 2006 AED'000	Not reviewed 2005 AED'000
Revenue	*4*	**488,096**	152,958
Direct costs	*4*	**(368,752)**	(118,617)
Administrative and general expenses		**(15,138)**	(10,281)
Income from government grant		**563**	563
Other income		**14,152**	1,122
Share of profit in joint venture and associate companies		**1,998**	1,623
Finance costs (net)		**(8,154)**	(6,670)
		---------	--------
Net profit for the period attributable to the shareholders of the Company		**112,765**	20,698
		======	=====
Earnings per share (AED)	*11*	0.0507	0.0095

The notes on pages 6 to 10 form part of these interim condensed consolidated financial statements.

The review report of the Auditors is set out on page 1.

Union Properties Public Joint Stock Company and its subsidiaries

Interim condensed consolidated balance sheet

at 31 March 2006

	Note	Reviewed 31 March 2006 AED'000	Audited 31 December 2005 AED'000	Not reviewed 31 March 2005 AED'000
Intangible assets		**40,776**	40,776	274
Property, plant and equipment	*5*	**363,506**	366,629	351,725
Investment properties	*6*	**1,886,499**	1,886,350	1,504,402
Development properties	*7*	**1,534,062**	1,486,731	406,469
Investment in an associate		**5,482**	3,206	3,116
Other investments		**73,496**	64,262	78,677
Long-term receivables		**169,320**	155,648	204,936
Current assets				
Other investments		**33,000**	33,000	-
Properties held for sale		**11,643**	36,312	-
Inventories		**51,894**	35,060	10,984
Contract work-in-progress		**61,156**	127,872	93,142
Trade and other receivables		**1,362,243**	904,885	396,093
Due from related parties	*8*	**23,973**	30,594	8,934
Cash at bank and in hand		**935,547**	1,222,999	124,511
		2,479,456	2,390,722	633,664
Current liabilities				
Trade and other payables		**1,088,187**	1,010,159	320,716
Advances and deposits		**320,070**	310,641	292,238
Due to related parties	*8*	**6,779**	473	-
Bank borrowings		**122,698**	111,987	340,405
Current portion of long-term bank loans		**82,089**	80,003	58,480
		1,619,823	1,513,263	1,011,839
Net current assets/(liabilities)		**859,633**	877,459	(378,175)
Long-term bank loans		**(600,092)**	(597,828)	(544,420)
Deferred income		**(41,625)**	(42,188)	(43,875)
Long-term retentions payable		**(246,339)**	(328,469)	(6,580)
Provision for employees' terminal benefits		**(27,063)**	(24,997)	(19,570)
Net assets		**4,017,655**	3,887,579	1,556,979
Represented by				
Share capital	*9*	**2,225,371**	1,778,216	890,408
Treasury shares	*10*	**(4,998)**	-	-
Proposed bonus shares	*9*	-	444,554	-
Statutory reserve		**1,316,228**	1,301,709	412,011
General reserve		**107,547**	107,547	51,970
Hedging reserve		**2,153**	864	-
Retained earnings		**371,354**	254,689	202,590
Shareholders' equity		**4,017,655**	3,887,579	1,556,979

The notes on pages 6 to 10 form part of these interim condensed consolidated financial statements.

2 9 APR 2006

Anis Al Jallaf	Mohammed Omar Bin Haider	Simon E. Azzam
Chairman	Director	Chief Executive Officer

The review report of the Auditors 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 31 March 2006

	Note	**Three months ended 31 March** **Reviewed 2006 AED'000**	**Not reviewed 2005 AED '000**
Operating activities			
Profit for the period		**112,765**	20,698
Adjustments for:			
Depreciation	*5*	**7,826**	6,170
Amortisation of goodwill		**-**	21
Directors' fees paid		**(600)**	(360)
Share of profit in a jointly controlled entity		**(1,722)**	(1,577)
Share of profit in an associate		**(276)**	(46)
Loss on fair valuation of investments held for trading		**2,456**	-
Finance costs (net)		**8,154**	6,670
Profit on disposal of property, plant and equipment		**(57)**	(60)
Income from government grant		**(563)**	(563)
Operating cash flows before working capital changes		**127,983**	30,953
Increase in inventories		**(16,834)**	(1,738)
Decrease in property held for sale		**24,669**	-
Decrease in contract work-in-progress		**66,716**	2,048
Increase in trade and other receivables		**(456,069)**	(148,166)
Increase in long-term receivable		**(13,672)**	(4,809)
Decrease in due from related parties		**6,621**	5,313
Increase in trade and other payables		**82,528**	12,967
Increase in due to related parties		**6,306**	-
Decrease in long-term retention payable		**(82,130)**	(5,696)
Increase in advances and deposits		**9,429**	267,260
Provision for employees' terminal benefits (net)		**2,066**	899
Cash flows from operating activities		**(242,387)**	159,031
Investing activities			
Additions to property, plant and equipment	*5*	**(4,737)**	(4,748)
Additions to investment properties	*6*	**(149)**	(79)
Additions to development properties (net)	*7*	**(47,331)**	(73,540)
Investment in an associate		**(2,000)**	-
Proceeds from disposal of property, plant and equipment		**91**	84
Purchase of investment held for trading		**(9,968)**	-
Cash flows from investing activities		**(64,094)**	(78,283)
Financing activities			
Increase in term loans		**4,350**	61,264
Increase/(decrease) in trust receipts		**6,308**	(953)
Finance costs (net)		**(8,154)**	(6,670)
Proceeds from auction of unsubscribed shares of rights issue		**17,120**	-
Treasury shares purchased		**(4,998)**	-
Cash flows from financing activities		**14,626**	53,641
Net decrease in cash and cash equivalents		**(291,855)**	134,389
Cash and cash equivalents at the beginning of the period		**1,118,043**	(346,249)
Cash and cash equivalents at the end of the period		**826,188**	(211,860)

The notes on pages 6 to 10 form part of these interim condensed consolidated financial statements.

The review report of the Auditors 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 31 March 2006

	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	Retained earnings AED'000	Total AED'000
Balance at 1 January 2005	774,268	-	-	116,140	412,011	51,970	-	182,252	1,536,641
Net profit for the period	-	-	-	-	-	-	-	20,698	20,698
Bonus shares issued	116,140	-	-	(116,140)	-	-	-	-	-
Directors' fees	-	-	-	-	-	-	-	(360)	(360)
Balance at 31 March 2005 (not reviewed)	890,408	-	-	-	412,011	51,970	-	202,590	1,556,979
Balance at 1 January 2006	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 (refer note 10)	-	(4,998)	-	-	-	-	-	-	(4,998)
Transfer to statutory reserve	-	-	(14,519)	-	14,519	-	-	-	-
Net profit for the period	-	-	-	-	-	-	-	112,765	112,765
Net movement in unrealised gain on cash flow hedge	-	-	-	-	-	-	1,289	-	1,289
Excess accrual for Directors' fees reversed, net of current period charge of AED 0.6 million	-	-	-	-	-	-	-	3,900	3,900
Balance at 31 March 2006	**2,225,371**	**(4,998)**	**-**	**-**	**1,316,228**	**107,547**	**2,153**	**371,354**	**4,017,655**

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 three month period ended 31 March 2006 as it would be effected at the year-end.

The notes on pages 6 to 10 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 including the operation of cold stores, 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 PO 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") rounded to the nearest thousand, have been prepared under the historical cost convention except in respect of investment properties, derivatives and investments, which are stated at fair values.

The interim condensed consolidated financial statements are to read in conjunction with the latest audited consolidated financial statements of the Group for the year ended 31 December 2005.

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 2005.

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 2005.

4 Revenue and direct costs

	Construc-tion AED'000	Property rentals AED'000	Hotel apartments AED'000	Property sales AED'000	Others AED'000	Total AED'000
Three month period ended 31 March 2006						
Revenue	303,079	29,616	9,406	129,681	16,314	488,096
Direct costs	(274,005)	(7,550)	(3,408)	(72,960)	(10,829)	(368,752)
Margin	29,074	22,066	5,998	56,721	5,485	119,344
Three month period ended 31 March 2005 (not reviewed)						
Revenue	112,702	23,928	7,363	-	8,965	152,958
Direct costs	(100,469)	(4,290)	(3,302)	-	(10,556)	(118,617)
Margin	12,233	19,638	4,061	-	(1,591)	34,341

The above costs include staff costs amounting to AED 50.2 million for the three months period ended 31 March 2006 *(31 March 2005: AED 23.2 million*) and depreciation amounting to AED 7.4 million *(31 March 2005: AED 6 million).*

5 Property, plant and equipment

During the three months ended 31 March 2006, the Group acquired assets with a cost of AED 4.7 million and assets with a cost of AED 0.6 million were sold during the period. Depreciation charge for the period amounts to AED 7.8 million.

6 Investment properties

	Reviewed 31 March 2006 AED'000	Audited 31 December 2005 AED'000	Not reviewed 31 March 2005 AED'000
Opening balance	**1,886,350**	1,504,323	1,504,323
Additions during the period/year	**149**	11,891	79
Gain on fair valuation	-	316,076	-
Transfer from development properties (refer note 5)	-	57,672	-
Disposals	-	(3,612)	-
Closing balance	**1,886,499**	1,886,350	1,504,402

Management has reviewed the fair valuation and believe that there is no diminution in the valuation of properties. Fair valuations would be reassessed fully in the next quarter and adjustments would be made accordingly.

Notes *(continued)*

7 Development properties

	Reviewed 31 March 2006 AED'000	Audited 31 December 2005 AED'000	Not reviewed 31 March 2005 AED'000
Opening balance	**1,486,731**	332,929	332,929
Additions during the period	**92,594**	1,466,003	73,540
Transfer to investment properties (refer note 4)	-	(57,672)	-
Transfer to property, plant and equipment	-	(44,128)	-
Transfer to properties held for sale	-	(36,312)	-
Sale of properties	**(45,263)**	(174,089)	-
Closing balance	**1,534,062**	1,486,731	406,469
Development properties include:			
Interest capitalised	**4,196**	19,700	2,346

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:

	Reviewed 31 March 2006 AED'000	Audited 31 December 2005 AED'000	Not reviewed 31 March 2005 AED'000
Project management income and income from contracts for related parties	**2,073**	12,099	2,848
Compensation to key management personnel including Directors are as follows:			
- Salaries and other short-term employee benefits	**1,452**	5,334	1,172
- Provision towards employees' terminal benefits	**64**	504	78

9 Share capital and bonus shares

	Reviewed 31 March 2006 AED'000	Audited 31 December 2005 AED'000	Not reviewed 31 March 2005 AED'000
Authorised, issued and fully paid up:			
2,225,423,516 shares of AED 1 each *(31 December 2005: 1,778,216,174 shares of AED 1 each & 31 March 2005: 890,408,326 shares of AED 1 each)*	**2,225,371**	1,778,216	890,408

9 Share capital and bonus shares (continued)

During the period, the Company issued proposed bonus shares of AED 444,554,044, being 25% of the paid up share capital of the Company as at 31 December 2005.

10 Treasury shares

The cost of treasury shares purchased is debited to Treasury Shares account, which is shown as a deduction from equity. When treasury shares are sold, the amount received for the shares is also credited to this account.

11 Earnings per share

	Three months ended 31 March	
	Reviewed 2006	**Not reviewed 2005**
Net profit attributable to shareholders (AED'000)	**112,765**	20,698
Weighted average number of shares	**2,222,574,610**	2,177,747,170
	==========	==========

12 Capital commitments and contingent liabilities

	Reviewed 31 March 2006 AED'000	**Audited 31 December 2005 AED'000**	**Not reviewed 31 March 2005 AED'000**
Commitments:			
Purchase commitments (letters of credit)	**278,369**	248,113	32,737
Capital commitments	**1,982,956**	1,232,161	225,703
	=======	=======	======
Contingent liabilities:			
Letters of guarantee	**700,627**	686,414	628,031
	======	======	======

13 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 securities. Financial liabilities of the Group include bank borrowings, term loans from banks, 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 agreed 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.

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 34% of the total contract receivables of the Group.

13 Financial instruments (continued)

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.

Fair value

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

14 Comparatives

Certain comparative figures have been reclassified to conform to the presentation adopted in these interim condensed consolidated financial statements.