Union Properties Public Joint Stock Company and its subsidiaries

Interim condensed consolidated financial statements

30 September 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 September 2007, and the related interim condensed consolidated statements of income, changes in equity and cash flows for the nine 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 September 2007 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

31 OCT 2007

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

Union Properties Public Joint Stock Company and its subsidiaries

Interim condensed consolidated income statement (unaudited)

for the nine month period ended 30 September 2007

	Note	Nine Months Ended 30 September 2007			Nine Months Ended 30 September 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
Revenue	*4*	**423,183**	**1,600,923**	**2,024,106**	367,062	1,406,520	1,773,582
Direct costs	*4*	**(132,626)**	**(1,491,614)**	**(1,624,240)**	(197,568)	(1,297,141)	(1,494,709)
Gross profit		**290,557**	**109,309**	**399,866**	169,494	109,379	278,873
Administrative and general expenses				**(81,782)**			(47,505)
Finance costs				**(52,575)**			(29,218)
Other income				**14,691**			34,517
Gain on valuation of investment properties	*6*			**159,057**			56,570
Share of profit in joint venture and associate companies	*5*			**32,486**			16,509
Net profit for the period attributable to the shareholders' of the Company				**471,743**			309,746
Earnings per share (AED) (for the nine month period)	*10*			**0.167**			0.111

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 income statement (unaudited) *(Continued)*

for the three month period ended 30 September 2007

	Note	**Three Months Ended 30 September 2007**			Three Months Ended 30 September 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
Revenue	*4*	**256,598**	**601,922**	**858,520**	149,689	456,198	605,887
Direct costs	*4*	**(84,178)**	**(566,127)**	**(650,305)**	(88,756)	(432,083)	(520,839)
Gross profit		**172,420**	**35,795**	**208,215**	60,933	24,115	85,048
Administrative and general expenses				**(32,306)**			(16,299)
Finance costs				**(15,042)**			(12,163)
Other income				**4,321**			12,521
Share of profit in joint venture and associate companies	*5*			**11,630**			6,344
Net profit for the period attributable to the Shareholders' of the Company				**176,818**			75,451
Earnings per share (AED) (for the Quarter)	*10*			**0.063**			0.027

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 (unaudited)

at 30 September2007

	Note	30 September 2007 AED'000	Audited 31 December 2006 AED'000	30 September 2006 AED'000
Intangible assets		**40,776**	40,776	41,142
Property, plant and equipment		**368,427**	366,904	348,809
Investment properties	*6*	**2,544,109**	2,629,039	1,962,820
Development properties	*7*	**3,362,346**	1,774,679	1,767,179
Investment in an associate		**56,302**	34,520	13,414
Investment in a joint venture		**143,612**	111,757	79,206
Long-term receivables		**176,170**	125,222	217,659
Current assets				
Other investments		**10,230**	60,981	61,954
Properties held for sale		**-**	-	4,981
Inventories		**102,701**	55,361	46,706
Contract work-in-progress		**492,193**	500,236	95,438
Trade and other receivables		**2,468,879**	1,778,959	1,759,272
Due from related parties	*8*	**14,730**	20,459	15,748
Cash at bank and in hand		**111,285**	51,340	502,616
		3,200,018	2,467,336	2,486,715
Current liabilities				
Trade and other payables		**1,344,649**	1,271,557	1,191,290
Advances and deposits		**430,906**	199,643	319,878
Due to related parties	*8*	**12,298**	3,016	3,444
Bank borrowings	*9*	**1,073,603**	689,155	350,241
Current portion of long-term bank loans	*9*	**74,803**	87,234	80,501
		2,936,259	2,250,605	1,945,354
Net current assets		**263,759**	216,731	541,361
Long-term bank loans	*9*	**(1,792,400)**	(606,609)	(620,480)
Deferred income		**(38,250)**	(39,938)	(40,500)
Long-term payables		**(56,696)**	(62,260)	(56,712)
Provision for employees' terminal benefits		**(48,705)**	(37,765)	(34,125)
Net assets		**5,019,450**	4,553,056	4,219,773
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		**(2,908)**	2,441	2,571
Revaluation surplus		**39,507**	39,507	6,419
Retained earnings		**658,701**	186,958	566,635
Shareholders' equity		**5,019,450**	4,553,056	4,219,773

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

Anis Al Jallaf
Chairman

~~Mohammed Omar Bin Haider~~
Director

Simon E. Azzam
Chief Executive Officer

31 OCT 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 (unaudited)
for the period ended 30 September 2007

	Note	Nine months ended 30 September 2007 AED'000	2006 AED'000
Operating activities			
Profit for the period		**471,743**	309,746
Gain on valuation of investment properties	*6*	**(159,057)**	(56,570)
Adjustments for:			
Depreciation		**23,276**	22,475
Directors' fees reversal		**-**	2,200
Share of profit in joint venture and associate companies		**(32,486)**	(16,509)
Loss on fair valuation of investments held for trading		**-**	2,225
Finance costs		**52,575**	29,218
Profit on disposal of property, plant and equipment		**-**	(881)
Income from government grant		**(1,688)**	(1,688)
Operating cash flows before working capital changes		**354,363**	290,216
Change in trade and other receivables		**(689,920)**	(852,680)
Change in property held for sale		**-**	31,331
Change in inventories		**(47,340)**	(11,646)
Change in contract work-in-progress		**8,043**	32,434
Change in long-term receivable		**(50,948)**	(62,011)
Change in due from related parties		**5,729**	14,846
Change in trade and other payables		**67,743**	181,131
Change in due to related parties		**9,282**	2,971
Change in long-term payables		**(5,564)**	(271,757)
Change in advances and deposits		**231,263**	9,237
Change in employees' terminal benefits (net)		**10,940**	9,128
Cash flows from operating activities		**(106,409)**	(626,800)
Investing activities			
Additions to property, plant and equipment		**(24,799)**	(18,630)
Additions to investment properties	*6*	**(107,283)**	(629)
Additions to development properties (net)	*7*	**(1,236,397)**	(280,448)
Proceeds from disposal of property, plant and equipment		**-**	2,004
Proceeds on maturity of investment		**-**	33,000
Proceeds received on disposal of investment		**52,251**	-
Purchase of investment at fair value through profit or loss		**(1,500)**	(64,189)
Investment in an associate		**(21,151)**	(8,999)
Cash flows from investing activities		**(1,338,879)**	(337,891)
Financing activities			
Increase in term loans		**1,173,360**	23,150
Increase in trust receipts (net)		**39,531**	90,440
Short-terms loans obtained (net)		**38,737**	-
Interest paid		**(52,575)**	(29,218)
Proceeds from auction of unsubscribed shares of rights issue		**-**	17,120
Treasury shares purchased		**-**	(4,998)
Cash flows from financing activities		**1,199,053**	96,494
Net decrease in cash and cash equivalents		**(246,235)**	(868,197)
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		**(605,416)**	249,846

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 nine month period ended 30 September 2007

	Share capital AED'000	Treasury share 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	1,778,216	-	-	444,554	1,301,709	107,547	864	-	254,689	3,887,579
Transfer to share capital/share premium	2,601	-	14,519	-	-	-	-	-	-	17,120
Net profit for the period	-	-	-	-	-	-	-	-	309,746	309,746
Transfer to statutory reserve of share premium	-	-	(14,519)	-	14,519	-	-	-	-	-
On cash flow hedge	-	-	-	-	-	-	1,707	-	-	1,707
Treasury share purchased	-	(4,998)	-	-	-	-	-	-	-	(4,998)
Bonus shares issued during the year	444,554	-	-	(444,554)	-	-	-	-	-	-
Revaluation reserve	-	-	-	-	-	-	-	6,419	-	6,419
Directors' fees	-	-	-	-	-	-	-	-	2,200	2,200
Balance at 30 September 2006	2,225,371	(4,998)	-	-	1,316,228	107,547	2,571	6,419	566,635	4,219,773
Balance at 1 January 2007	2,226,021	(4,998)	-	556,505	1,377,678	168,944	2,441	39,507	186,958	4,553,056
Transfer to share capital	556,505	-	-	(556,505)	-	-	-	-	-	-
Net profit for the period	-	-	-	-	-	-	-	-	471,743	471,743
On cash flow hedge	-	-	-	-	-	-	(5,349)	-	-	(5,349)
Balance at 30 September 2007	2,782,526	(4,998)	-	-	1,377,678	168,944	(2,908)	39,507	658,701	5,019,450

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 nine month period ended 30 September 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 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 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
Nine month period ended 30 September 2007 (unaudited)			
Revenue	**142,840**	**280,343**	**423,183**
Direct costs	**(22,105)**	**(110,521)**	**(132,626)**
Gross profit	**120,735**	**169,822**	**290,557**
Nine month period ended 30 September 2006 (unaudited)			
Revenue	94,947	272,115	367,062
Direct costs	(21,546)	(176,022)	(197,568)
Gross profit	73,401	96,093	169,494

B. Other operating activities:

	Contracting AED'000	Hospitality AED'000	Others AED'000	Total AED'000
Nine month period ended 30 September 2007 (unaudited)				
Revenue	**1,505,881**	**30,235**	**64,807**	**1,600,923**
Direct costs	**(1,417,012)**	**(12,502)**	**(62,100)**	**(1,491,614)**
Gross profit	**88,869**	**17,733**	**2,707**	**109,309**
Nine month period ended 30 September 2006 (unaudited)				
Revenue	1,321,833	27,176	57,511	1,406,520
Direct costs	(1,241,669)	(11,013)	(44,459)	(1,297,141)
Gross profit	80,164	16,163	13,052	109,379

The above costs include staff costs amounting to AED 305.5 million for the nine month period ended 30 September 2007 *(30 September 2006: AED 248.1 million)* and depreciation amounting to AED 21.1 million *(30 September, 2006: AED 18.7 million)*.

5 Share of profit in joint venture and associate companies

During the nine month period ended 30 September 2007, the Group's share of profit in Properties Investment LLC, a joint venture entity, amounted to AED 31.85 million *(30 September 2006: AED 14.9 million)* and its share of profit in Emirates District Cooling LLC, an associate, amounted to AED 0.63 million (*30 September 2006: AED 1.6 million*).

Union Properties Public Joint Stock Company and its subsidiaries

Notes *(continued)*

6 Investment properties

	Unaudited 30 September 2007 AED'000	Audited 31 December 2006 AED'000	Unaudited 30 September 2006 AED'000
Opening balance	**2,629,039**	1,886,350	1,886,350
Additions during the period/year	**107,283**	272,288	629
Gain on fair valuation	**159,057**	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	**2,544,109**	2,629,039	1,962,820

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 was reviewed in the previous quarter and a fair valuation gain was booked based on open market valuation carried out by an independent registered valuer. Certain plots of land serve as security against bank borrowings (refer note 9).

7 Development properties

	Unaudited 30 September 2007 AED'000	Audited 31 December 2006 AED'000	Unaudited 30 September 2006 AED'000
Opening balance	**1,774,679**	1,486,731	1,486,731
Additions during the period / year	**1,340,204**	647,164	409,754
Transfer from / (to) investment properties, net (refer note 6)	**351,270**	(182,640)	-
Transfer to properties held for sale	-	-	(129,306)
Sale of properties	**(103,807)**	(176,576)	-
Closing balance	**3,362,346**	1,774,679	1,767,179
Development properties comprise:			
Land cost	**1,298,993**	999,058	949,296
Construction cost	**2,029,148**	744,256	789,128
Interest capitalized	**34,205**	31,365	28,755

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:

	Unaudited Nine month ended 30 September 2007 AED'000	Unaudited Nine month ended 30 September 2006 AED'000
Project management income and income from contracts for related parties	**12,045**	14,285
Interest charged	**31,972**	17,648
Compensation to key management personnel are as follows:		
- Salaries and other short-term employee benefits	**8,552**	4,911
- Provision towards employees' terminal benefits	**617**	586

9 Bank borrowings

During the period, the Group has availed of long-term borrowings (net) amounting to AED 1,198 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

	Nine months ended 30 September		**Three months ended 30 September**	
	2007	2006	**2007**	2006
Net profit attributable to shareholders ('000)	**471,743**	309,746	**176,818**	75,451
Weighted average number of shares	**2,781,427,582**	2,780,041,863	**2,781,427,582**	2,780,041,863

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 other investments. 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.

11 Financial instruments (continued)

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 54% 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.