

Union Properties
Public Joint Stock Company
and its subsidiaries

Interim condensed consolidated
financial information
31 March 2009

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Interim condensed consolidated financial information

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P O Box 3800
Level 32, Emirates Towers
Sheikh Zayed Road
Dubai
United Arab Emirates

Telephone +971 (4) 4030 300
Fax +971 (4) 3301 515
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 31 March 2009, 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), interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of 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 (IAS) 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 2009 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

05 MAY 2009

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 three month period ended 31 March 2009

	Note	Three Month Ended 31 March 2009			Three Month Ended 31 March 2008		
		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	11	44,590	527,024	571,614	124,015	819,679	943,694
Direct costs	11	(9,527)	(490,081)	(499,608)	(38,728)	(788,067)	(826,795)
Gross profit		35,063	36,943	72,006	85,287	31,612	116,899
Administrative and general expenses				(31,592)			(33,276)
Financial income and expense (net)				(28,674)			(17,373)
Other income				1,317			13,822
Gain on sale of investment properties	6			3,000			153,930
Share in profit of joint ventures	5			14,074			4,348
Profit for the period attributable to the shareholders' of the Company				30,131			238,350
Basic and diluted earnings per share (AED) (for the quarter)	10			0.010			0.078

The notes on pages 7 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 three month period ended 31 March 2009

	Three month period ended	
	31 March	
	2009	2008
	AED'000	AED'000
Profit for the period	30,131	238,350
Other comprehensive income and expense		
Net movement in cash flow hedge	1,037	(3,518)
	-----	-----
Total recognized income and expense for the period	31,168	234,832
	=====	=====

The notes on pages 7 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 31 March 2009

		31 March 2009	Audited 31 December 2008	31 March 2008
	Note	AED'000	AED'000	AED'000
Intangible assets		40,776	40,776	40,776
Property, plant and equipment		149,516	151,270	365,956
Investment properties	6	2,656,845	3,278,662	2,378,120
Development properties	7	11,894,070	11,831,575	5,569,959
Investment in joint ventures	5	387,094	373,020	226,253
Long-term receivables		216,870	203,265	321,338
Total non-current assets		15,345,171	15,878,568	8,902,402
Investment in marketable securities		6,432	6,401	13,348
Inventories		138,107	118,299	99,637
Contract work-in-progress		309,596	185,224	345,645
Trade and other receivables		2,536,570	2,773,061	2,913,118
Due from related parties	8	8,438	7,949	8,620
Cash in hand and at bank		127,945	250,791	287,416
Total current assets		3,127,088	3,341,725	3,667,784
Total assets		18,472,259	19,220,293	12,570,186
Equity				
Share capital		3,060,779	3,060,779	2,782,526
Treasury shares		(4,998)	(4,998)	(4,998)
Proposed bonus shares	12(ii)	306,078	306,078	-
Statutory reserve		1,467,573	1,467,573	1,391,263
General reserve		313,697	313,697	237,387
Hedging reserve		(3,021)	(4,058)	(6,872)
Revaluation surplus		39,507	39,507	39,507
Retained earnings		831,881	801,750	1,020,831
Total equity		6,011,496	5,980,328	5,459,644
Long-term bank loans	9	1,377,649	2,078,337	2,733,501
Advances from sale of properties		3,368,623	2,574,364	1,201,058
Deferred income		34,875	35,438	37,125
Long-term payables		80,559	82,586	126,487
Provision for employees' terminal benefits		87,957	85,757	63,679
Total non-current liabilities		4,949,663	4,856,482	4,161,850
Trade and other payables		2,290,372	3,665,217	1,443,648
Advances and deposits		374,878	380,522	320,197
Due to related parties	8	5,693	5,537	4,042
Short-term bank borrowings		1,645,860	1,816,363	1,105,002
Current portion of long-term bank loans	9	3,194,297	2,515,844	75,803
Total current liabilities		7,511,100	8,383,483	2,948,692
Total liabilities		12,460,763	13,239,965	7,110,542
Total equity and liabilities		18,472,259	19,220,293	12,570,186

The notes on pages 7 to 12 form part of this interim condensed consolidated financial information.

Anis Al Jallaf
Chairman

Mohammed Omar Bin Haider
Director

Simon E. Azzam
Chief Executive Officer

05 MAY 2009

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 2009

	Note	Three month period ended 31 March	
		2009 AED'000	2008 AED'000
Operating activities			
Profit for the period		30,131	238,350
<i>Adjustments for:</i>			
Depreciation		8,162	9,794
Gain on disposal of investment properties	6	(3,000)	(153,930)
Directors' fees paid		(720)	(720)
Share of profit in joint ventures		(14,074)	(4,348)
(Loss)/profit on disposal of property, plant and equipment		32	(92)
Income from government grant		(563)	(563)
Financial income and expense (net)		28,674	17,373
		-----	-----
<i>Operating cash flows before working capital changes</i>		48,642	105,864
Change in trade and other receivables		231,211	20,966
Change in inventories		(19,808)	1,534
Change in contract work-in-progress		(124,372)	(128,437)
Change in long-term receivables		(13,605)	(31,898)
Change in due from related parties		(489)	(1,538)
Change in trade and other payables		74,394	135,370
Change in due to related parties		156	(1,548)
Change in long-term payables		(2,027)	56,238
Change in advances and deposits		(5,644)	(44,828)
Change in employees' terminal benefits (net)		2,200	8,256
		-----	-----
<i>Net cash flows from operating activities</i>		190,658	119,979
		-----	-----
Investing activities			
Additions to property, plant and equipment		(6,454)	(27,700)
Additions to investment properties	6	(5,183)	(4,147)
Additions to development properties (net)	7	(880,697)	(1,577,048)
Proceeds from disposal of property, plant and equipment		14	27,909
Proceeds from disposal of investment properties		-	594,000
Purchase of investment at fair value through profit or loss		-	(1,250)
Interest income		702	737
		-----	-----
<i>Net cash used in investing activities</i>		(891,618)	(987,499)
		-----	-----
Financing activities			
Net movement in long-term bank loans		(22,235)	539,834
Net movement in short-term bank borrowings		(1,051)	(97,466)
Interest paid		(23,407)	(13,991)
Change in advances from sale of properties		794,259	544,883
		-----	-----
<i>Net cash flows from financing activities</i>		747,566	973,260
		-----	-----
Net increase in cash and cash equivalents		46,606	105,740
Cash and cash equivalents at the beginning of the period		(1,527,119)	(597,346)
		-----	-----
Cash and cash equivalents at the end of the period		(1,480,513)	(491,606)
		=====	=====

The notes on pages 7 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 three month period ended 31 March 2009

	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 AED'000	Total AED'000
Balance at 1 January 2008 (audited)	2,782,526	(4,998)	-	1,391,263	237,387	(3,354)	39,507	782,481	5,224,812
Total comprehensive income for the period	-	-	-	-	-	(3,518)	-	238,350	234,832
Balance at 31 March 2008 (unaudited)	2,782,526	(4,998)	-	1,391,263	237,387	(6,872)	39,507	1,020,831	5,459,644
Balance 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 income for the period	-	-	-	-	-	1,037	-	30,131	31,168
Balance at 31 March 2009 (unaudited)	3,060,779	(4,998)	306,078	1,467,573	313,697	(3,021)	39,507	831,881	6,011,496

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 treated as an appropriation of retained earnings at the year-end.

No allocation of profit has been made to the statutory reserve for the three month period ended 31 March 2009 as it would be effected at the year-end.

The notes on pages 7 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) 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 securities, properties, land and financial derivatives are carried out within the UAE. The Group does not have significant foreign currency exposure.

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 2008.

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 2008.

(ii) Standards and interpretations effective in the current period

Following new and revised standards are effective for annual periods beginning 1 January 2009 and therefore, have been applied in preparing the interim condensed consolidated financial information.

IFRS 8 – Operating segments introduced the “management approach” for segment reporting and requires presentation and disclosure of segment information based on internal reports used by management to assess each segment’s performance and to allocate resources to them. The Group presents segment information in respect of its business and geographical segments in the same manner as viewed by management and hence the adoption of IFRS 8 does not have any material impact on the disclosures in the interim condensed consolidated financial information based on management approach.

Revised IAS 1 - Presentation of financial statements (2007) introduced the term total comprehensive income which represents changes in equity during the period other than those changes resulting from transactions with owners in their capacity as owners. As required by the revised standard, the Group has presented an income statement and a separate statement of comprehensive income.

Revised IAS 23 – Borrowing costs removed the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of cost of the asset. Since the Group already followed the policy of capitalizing borrowing costs on qualifying assets, the revised standard has no effect on financial performance of the Group.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

2 Basis of preparation and significant accounting policies (continued)

(iii) Financial commitments

The Group has net current liabilities of AED 4,375.3 million which include short-term bank borrowings amounting to AED 1,645.9 million and current portion of long-term bank loans amounting to AED 3,194.3 million. The Group's management expect, per the Group's cash flow projections, that projects to be completed in 2009 will be profitable, which along with the continued profits from the Group's existing core businesses, and the restructuring of its liabilities would enable it to meet its short term financial commitments.

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 2008.

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 2008.

5 Share of profit in joint ventures

During the three month period ended 31 March 2009, the Group's share of profit in Properties Investment LLC amounted to AED 9.76 million (31 March 2008: AED 5.10 million) and its share of profit in Emirates District Cooling LLC amounted to AED 4.31 million (31 March 2008: share of loss of AED 0.75 million).

6 Investment properties

	Unaudited 31 March 2009 AED'000	Audited 31 December 2008 AED'000	Unaudited 31 March 2008 AED'000
Opening balance	3,278,662	2,814,043	2,814,043
Additions during the period/year	5,183	24,575	4,147
Gain on fair valuation	-	880,114	-
Disposals (refer note (ii) below)	(627,000)	(440,070)	(440,070)
	-----	-----	-----
Closing balance	2,656,845	3,278,662	2,378,120
	=====	=====	=====

- (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, Cluttons. Furthermore, the Directors' of the Company have reviewed the carrying value of investment properties and are of the opinion that there is no decrease in the fair values of investment properties as compared to the previous valuation carried out as at 31 December 2008. Fair valuation of the investment properties will be fully reassessed in the next quarter by an independent registered valuer, Cluttons as per group accounting policy.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

6 Investment properties (continued)

- (ii) During the three months period ended 31 March 2009, the Group sold two of its investment properties at a net consideration of AED 618 million resulting in a gain of AED 3 million. The sale value of one of the two properties was used as the basis for valuing this property at the end of 2008 which contributed AED 238 million to the gain on valuation of investment properties reported for the year 2008.
- (iii) Certain title deeds of land have been deposited with banks against bank borrowings (refer note 9).

7 Development properties

	Unaudited 31 March 2009 AED'000	Audited 31 December 2008 AED'000	Unaudited 31 March 2008 AED'000
Opening balance	11,831,575	3,992,911	3,992,911
Additions during the period/year	880,697	7,671,414	1,602,157
Transfer from property, plant and equipment properties (net) (refer note (iii) below)	-	211,792	-
Sale of properties (refer note (i) below)	(818,202)	(44,542)	(25,109)
Closing balance	11,894,070	11,831,575	5,569,959
Development properties comprises of:			
Land	2,884,799	3,703,001	1,695,418
Construction cost	8,764,174	7,936,990	3,786,018
Interest capitalised	245,097	191,584	88,523
	11,894,070	11,831,575	5,569,959

- (i) During the three months period ended 31 March 2009, the Group entered into agreements whereby AED 1,455.2 million of its current liabilities on the purchase of land were settled. Settlement included transferring back a plot of land at its original purchase cost of AED 818.2 million.
- (ii) The 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.

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 2009 AED'000	Unaudited 31 March 2008 AED'000
Project management income and income from contracts	6,372	2,436
Interest paid	43,103	13,991
Long-term loans obtained from consortium of banks for which a significant shareholder of the Company is the lead arranger	-	559,973
Compensation to key management personnel are as follows:		
- Salaries and other short-term employee benefits	4,835	4,336
- Provision towards employees' terminal benefits	334	624
	=====	=====

9 Long-term bank loans

During the three months period ended 31 March 2009, the Group has repaid long-term bank loans amounting to AED 22.24 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. Also refer note 12(i).

10 Earnings per share

	Unaudited 31 March 2009	Unaudited 31 March 2008
Net profit attributable to shareholders (AED'000)	30,131	238,350
Weighted average number of shares	3,059,570,340	3,059,570,340
	=====	=====

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

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:

	Real estate property management and sales AED'000	Construction AED'000	Others AED'000	Total AED'000
Three month period ended 31 March 2009				
Segment revenue	44,590	396,917	130,107	571,614
	-----	-----	-----	-----
Segment result	9,527	33,259	29,220	72,006
Share of profit in joint ventures	9,763	-	4,311	14,074
Administrative and general expenses	(20,475)	(7,270)	(3,847)	(31,592)
Financial income and expense (net)	(21,995)	(6,719)	40	(28,674)
Gain on sale of investment properties	3,000	-	-	3,000
Other income	900	333	84	1,317
	-----	-----	-----	-----
Profit for the period	(19,280)	19,603	29,808	30,131
	=====	=====	=====	=====
Segment assets	15,425,234	2,494,872	165,059	18,085,165
Investment in joint ventures	213,934	-	173,160	387,094
	-----	-----	-----	-----
Total assets	15,639,168	2,494,872	338,219	18,472,259
	=====	=====	=====	=====
Segment liabilities	10,173,581	2,171,681	115,501	12,460,763
	=====	=====	=====	=====
Capital expenditure	885,880	636	5,818	892,334
Depreciation	3,672	2,505	1,985	8,162
	=====	=====	=====	=====
Three month period ended 31 March 2008				
Segment revenue	124,015	762,823	56,856	943,694
	-----	-----	-----	-----
Segment result	85,287	39,139	(7,527)	116,899
Share of profit in joint ventures	5,106	-	(758)	4,348
Administrative and general expenses	(18,176)	(6,578)	(8,522)	(33,276)
Financial income and expense (net)	(10,888)	(6,485)	-	(17,373)
Gain on sale of investment properties	153,930	-	-	153,930
Other income	13,822	-	-	13,822
	-----	-----	-----	-----
Net profit for the period	229,081	26,076	(16,807)	238,350
	=====	=====	=====	=====
Segment assets	9,581,847	2,649,552	112,534	12,343,933
Investment in joint ventures	153,978	-	72,275	226,253
	-----	-----	-----	-----
Total assets	9,735,825	2,649,552	184,809	12,570,186
	=====	=====	=====	=====
Segment liabilities	4,676,727	2,401,045	32,770	7,110,542
	=====	=====	=====	=====
Capital expenditure	1,610,961	1,049	21,994	1,634,004
Depreciation	7,287	2,226	281	9,794
	=====	=====	=====	=====

Union Properties Public Joint Stock Company and its subsidiaries

Notes *(continued)*

12 Subsequent events

- (i) The Company entered into an arrangement to refinance AED 1,070.0 million of its current portion of long term bank loans to mature commencing 2011.
- (ii) The Board of Director's had proposed to issue bonus shares amounting to AED 306.1 million which has been approved in the Company's annual general meeting held on 20 April 2009.