

**Union Properties
Public Joint Stock
Company
and its subsidiaries**

**Interim condensed consolidated
financial information**
31 March 2012

Union Properties Public Joint Stock Company and its subsidiaries

Interim condensed consolidated financial information

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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 2012, the interim condensed consolidated income statement and interim condensed consolidated statements of comprehensive income, cash flows, and changes in equity 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 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 2012 is not prepared, in all material respects, in accordance with IAS 34 '*Interim Financial Reporting*'.

10 MAY 2012

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 2012

	Three month period ended 31 March 2012			Three month period ended 31 March 2011		
	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
Revenue	12 159,836	287,202	447,038	1,124,751	355,172	1,479,923
Direct costs	(112,079)	(234,253)	(346,332)	(901,376)	(303,148)	(1,204,524)
Gross profit	12 47,757	52,949	100,706	223,375	52,024	275,399
Administrative and general expenses			(35,135)			(38,008)
Finance income			795			1,383
Finance expense			(60,456)			(99,160)
Other income			2,071			2,393
Gain on sale of investment properties	6		8,395			3,219
Share in profit of joint ventures	5		6,036			2,312
Profit for the period before valuation of properties			22,412			147,538
Loss on valuation of properties	7		-			(65,328)
Profit for the period attributable to the shareholders of the Company			22,412			82,210
Basic and diluted earnings per share (AED) (for the quarter)	10		0.007			0.024

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 2012*

	Three month period ended	
	31 March	
	2012	2011
	AED'000	AED'000
Profit for the period	22,412	82,210
Other comprehensive income for the period		
Net movement in cash flow hedge	53	54
Total comprehensive income for the period	22,465	82,264

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 financial position (unaudited)

at 31 March 2012

	Note	Unaudited 31 March 2012 AED'000	Audited 31 December 2011 AED'000	Unaudited 31 March 2011 AED'000
ASSETS				
Non-current assets				
Intangible assets		40,776	40,776	40,776
Property, plant and equipment		129,173	131,555	202,827
Investment properties	6	4,045,047	4,266,030	2,914,889
Development properties	7	1,482,176	1,555,536	5,995,971
Investment in joint ventures	5	474,915	424,890	428,190
Non-current receivables		149,914	166,533	153,049
		<u>6,322,001</u>	<u>6,585,320</u>	<u>9,735,702</u>
Current assets				
Other investments		5,374	4,824	5,031
Inventories		37,601	41,940	1,173,107
Contract work-in-progress		258,020	241,536	401,944
Trade and other receivables		1,972,377	2,035,692	2,045,437
Due from related parties		243,372	33,687	16,031
Cash in hand and at bank		166,885	234,769	741,892
		<u>2,683,629</u>	<u>2,592,448</u>	<u>4,383,442</u>
Total assets		<u>9,005,630</u>	<u>9,177,768</u>	<u>14,119,144</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
General reserve		313,697	313,697	313,697
Hedging reserve		6	(47)	(107)
Revaluation surplus		-	-	39,507
Accumulated losses		(1,266,102)	(1,288,514)	(1,143,460)
Total equity attributable to the shareholders of the Company		<u>2,409,460</u>	<u>2,386,995</u>	<u>4,039,069</u>
Non-current liabilities				
Long-term bank loans	9	2,843,558	2,796,223	4,415,983
Advances from sale of properties		380,124	455,813	1,173,953
Deferred income		28,125	28,688	30,375
Non-current payables		36,002	17,006	67,819
Provision for staff terminal benefits		78,508	78,700	79,519
		<u>3,366,317</u>	<u>3,376,430</u>	<u>5,767,649</u>
Current liabilities				
Trade and other payables		2,104,620	2,170,929	2,031,648
Advances and deposits		105,099	124,463	163,346
Due to related parties		50,667	26,817	73,946
Short-term bank borrowings		121,507	119,282	251,137
Current portion of long-term bank loans	9	847,960	972,852	1,792,349
		<u>3,229,853</u>	<u>3,414,343</u>	<u>4,312,426</u>
Total liabilities		<u>6,596,170</u>	<u>6,790,773</u>	<u>10,080,075</u>
Total equity and liabilities		<u>9,005,630</u>	<u>9,177,768</u>	<u>14,119,144</u>

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


Director


General Manager

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 2012

	Note	Three month period ended	
		31 March 2012 AED'000	2011 AED'000
Operating activities			
Profit for the period		22,412	82,210
<i>Adjustments for:</i>			
Depreciation		4,676	5,605
Gain on disposal of investment properties		(8,395)	(3,219)
Loss on valuation of properties		-	65,328
Share in profit of joint ventures		(60,025)	(2,312)
Loss on disposal of property, plant and equipment		-	303
Income from government grant		(563)	(563)
Finance income		(795)	(1,383)
Finance expense		60,456	99,160
		-----	-----
<i>Operating profit before working capital changes</i>		17,766	245,129
Change in other investments		(550)	-
Change in trade and other receivables		48,172	151,706
Change in inventories		4,339	4,241
Change in contract work-in-progress		(16,484)	(44,061)
Change in non-current receivables		16,619	(5,769)
Change in due from related parties		(209,685)	(7,077)
Change in trade and other payables		(155,612)	(48,892)
Change in due to related parties		23,850	31,885
Change in non-current payables		18,996	8,058
Change in advances and deposits		(19,364)	(26,082)
Change in staff terminal benefits (net)		(192)	(323)
		-----	-----
<i>Net cash (used in)/from operating activities</i>		(272,145)	308,815
Investing activities			
Additions to property, plant and equipment		(1,986)	(167)
Additions to investment properties	6	-	-
Additions to development properties (net)	7	-	(35,981)
Dividend income		10,000	5,000
Proceeds from disposal of property, plant and equipment		-	166
Proceeds from disposal of investment properties		252,026	22,580
Interest income		795	1,383
		-----	-----
<i>Net cash from / (used in) investing activities</i>		260,835	(7,019)
Financing activities			
Net movement in long-term bank loans	9	(77,557)	(5,872)
Net movement in short-term bank borrowings		13,074	(4,729)
Interest paid		(45,313)	(92,300)
Change in advances from sale of properties		64,071	92,828
		-----	-----
<i>Net cash used in financing activities</i>		(45,725)	(10,073)
		-----	-----
Net (decrease)/increase in cash and cash equivalents		(57,035)	291,723
Cash and cash equivalents at the beginning of the period		121,003	69,759
		-----	-----
Cash and cash equivalents at the end of the period		63,968	361,482
		=====	=====

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

Interim condensed consolidated statement of changes in equity (unaudited) for the three month period ended 31 March 2012

	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 AED'000	Total AED'000
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
At 1 January 2012 (audited)	3,366,857	(4,998)	-	313,697	(47)	-	(1,288,514)	2,386,995
Total comprehensive income for the period	-	-	-	-	53	-	22,412	22,465
At 31 March 2012 (unaudited)	3,366,857	(4,998)	-	313,697	6	-	(1,266,102)	2,409,460

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 2012 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 2011.

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 2011.

(ii) Financial commitments

The Group has accumulated losses of AED 1,266.1 million as at 31 March 2012. Furthermore the Group has financial commitments of AED 3,813.0 million of which an amount of AED 969.5 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 from related parties 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 2011.

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 2011.

5 Share of profit in joint ventures

During the three month period ended 31 March 2012, the Group's share of profit in Properties Investment LLC amounted to AED 2.2 million (31 March 2011: AED 1.7 million) and its share of profit in Emirates District Cooling LLC amounted to AED 3.8 million (31 March 2011: AED 0.6 million). Furthermore, Properties Investment LLC has declared and paid a dividend of AED 10.0 million (31 March 2010: AED 5.0 million) during the three month period ended 31 March 2012.

Effective 1 January 2012, the Company entered into a concession agreement with its joint venture investment entity, Emicool, to provide chilled water to Motor City developments. For the period prior to this and commencing from the completion of development at Motor City, the Company expensed in the current period a one-time accumulated cost adjustment for chilled water supply by Emicool amounting to AED 108 million which has been accounted as an income by Emicool. Accordingly, the 50% share of the Company on this income has been recognized as a reduction to the cost adjustment. In addition, the Company reduced direct costs by AED 81.4 million on account of Emicool's share of infrastructure cost at Motor City. The transactions above resulted to a net reduction in direct cost amounting to AED 27.4 million for the three month period ended 31 March 2012.

6 Investment properties

	Unaudited 31 March 2012 AED'000	Audited 31 December 2011 AED'000	Unaudited 31 March 2011 AED'000
Opening balance	4,266,030	2,915,450	2,915,450
Additions during the period/year	5,142	25,179	18,800
Loss on fair valuation	-	(855,489)	-
Transfer from property, plant and equipment	-	61,139	-
Transfer from development properties	17,506	3,371,319	-
Sale of investment properties (refer note (i) below)	(243,631)	(1,251,568)	(19,361)
	-----	-----	-----
Closing balance	<u>4,045,047</u>	<u>4,266,030</u>	<u>2,914,889</u>

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

6 Investment properties (continued)

- (i) During the three month period ended 31 March 2012, the Group has sold various investment properties with carrying value of AED 243.6 million for a net consideration of AED 252.0 million resulting in a net gain of AED 8.4 million.

7 Development properties

	Unaudited 31 March 2012 AED'000	Audited 31 December 2011 AED'000	Unaudited 31 March 2011 AED'000
Opening balance	1,555,536	6,506,615	6,506,615
Net additions during the period/year	-	431,010	47,474
Cost of properties sold	(55,854)	(1,102,057)	(492,790)
Transfer to investment properties	(17,506)	(3,371,319)	-
Impairment provision (refer note (i) below)	-	(908,713)	(65,328)
Closing balance	<u>1,482,176</u>	<u>1,555,536</u>	<u>5,995,971</u>

- (i) During the three month period ended 31 March 2012, the Directors' of the Company have reviewed the carrying value of development properties and are of the opinion that there is no decrease in the fair value of development properties as compared to the previous valuation carried out as at 31 December 2011. Accordingly, no fair valuation loss has been recognized in this interim condensed consolidated financial information.

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 2012 AED'000	Unaudited 31 March 2011 AED'000
Project management income and income from contracts	18,042	18,153
Interest paid	58,358	97,526
Short-term loan from a related party	-	29,541
Funds with joint venture (refer (i) below)	232,838	-
Compensation to key management personnel are as follows :		
- Salaries and other short-term employee benefits	2,692	2,299
- Provision towards staff terminal benefits	85	62
	<u> </u>	<u> </u>

- (i) Included in balances due from related parties is an amount of AED 232.8 million held in trust by a related party, which are expected to be repaid to the Company shortly.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

9 Long-term bank loans

- (i) During the three month period ended 31 March 2012, the Group has obtained a long term bank loans amounting to AED 47.4 million and repaid long-term bank loans amounting to AED 125.0 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.
- (ii) During the three month period ended 31 March 2012, the Group has entered into an agreement with a significant shareholder, a bank, consolidating all loans under one agreement. As per the revised repayment terms, the loan is repayable in 5 equal annual instalments commencing on 28 February 2017. Furthermore, the Group have successfully negotiated the interest rate which has resulted in downward revision of the interest rate as compared to the previous rate of interest.

10 Earnings per share

	Unaudited 31 March 2012	Unaudited 31 March 2011
Net profit attributable to shareholders (AED'000)	22,412	82,210
Weighted average number of shares	<u>3,365,527,374</u>	<u>3,365,527,374</u>

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)

	Property management and sales AED'000	Construction AED'000	Others AED'000	Total AED'000
Three month period ended 31 March 2012				
Segment revenue	159,836	262,824	24,378	447,038
Segment result	47,757	43,819	9,130	100,706
Administrative and general expenses	(9,747)	(15,051)	(10,337)	(35,135)
Finance income	163	626	6	795
Finance expense	(34,240)	(26,216)	-	(60,456)
Gain on sale of investment properties	8,395	-	-	8,395
Other income	1,305	558	208	2,071
Share of profit in joint venture	2,180	-	3,856	6,036
Profit for the period before valuation	15,813	3,736	2,863	22,412
Loss on valuation of properties	-	-	-	-
Profit for the period	15,812	3,737	2,863	22,412
Segment assets	5,532,293	2,920,140	78,282	8,530,715
Investment in joint ventures	193,707	-	281,208	474,915
Total assets	5,726,000	2,920,140	359,490	9,005,630
Segment liabilities	4,227,267	2,283,063	85,840	6,596,170
Capital expenditure	5,448	1,680	25	7,153
Depreciation	1,454	2,598	624	4,676
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)
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/(loss) for the period before valuation	141,541	17,802	(11,805)	147,538
Loss on Valuation of properties	(65,328)	-	-	(65,328)
Profit/(loss) for the period	76,213	17,802	(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