

Union Properties
Public Joint Stock Company
and its subsidiaries

Interim condensed consolidated
financial information (unaudited)
31 March 2013

Union Properties Public Joint Stock Company and its subsidiaries

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31 March 2013

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Independent Auditors' Report on Review of Interim Condensed Consolidated Financial Information

The Shareholders
Union Properties PJSC

Introduction

We have reviewed the accompanying 31 March 2013 interim condensed consolidated interim financial information of Union Properties PJSC ("the Company"), which comprises:

- the interim condensed consolidated statement of financial position as at 31 March 2013;
- the interim condensed consolidated income statement for the three month period ended 31 March 2013;
- the interim condensed consolidated statement of comprehensive income for the three month ended 31 March 2013;
- the interim condensed consolidated statement of changes in equity for the three month period ended 31 March 2013;
- the interim condensed consolidated statement of cash flows for the three month period ended 31 March 2013; and
- notes to the interim condensed consolidated financial information.

Management is responsible for the preparation and presentation of this interim condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this interim condensed consolidated 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 condensed consolidated financial information as at 31 March 2013 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

14 MAY 2013

Union Properties Public Joint Stock Company and its subsidiaries

Interim condensed consolidated income statement (unaudited) for the three month period ended 31 March 2013

	Note	Three month period ended 31 March 2013			Three month period ended 31 March 2012		
		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	25,768	282,594	308,362	159,836	287,202	447,038
Direct costs		(19,524)	(257,250)	(276,774)	(112,079)	(234,253)	(346,332)
Gross profit	12	6,244	25,344	31,588	47,757	52,949	100,706
Administrative and general expenses				(24,644)			(35,135)
Finance income				59			795
Finance expense				(39,201)			(60,456)
Other income				1,614			2,071
Gain on sale of investment properties	6			10,056			8,395
Share in profit of joint ventures	5			11,939			6,036
(Loss)/profit for the period before valuation of properties				(8,589)			22,412
Gain on valuation of properties				30,500			-
Profit for the period attributable to the shareholders of the Company				21,911			22,412
Basic and diluted earnings per share (AED) (for the quarter)	10			0.007			0.007

The notes on pages 7 to 15 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 2013

	Three month period ended 31 March	
	2013 AED'000	2012 AED'000
Profit for the period	21,911	22,412
Other comprehensive income for the period		
<i>Items that will be or maybe reclassified subsequently to profit or loss</i>		
Net movement in cash flow hedge	(16)	53
Total comprehensive income for the period	21,895	22,465

The notes on pages 7 to 15 form an integral part of this interim condensed consolidated financial information.


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Union Properties Public Joint Stock Company and its subsidiaries

Interim condensed consolidated statement of financial position (unaudited) at 31 March 2013

	Note	Unaudited 31 March 2013 AED'000	Audited 31 December 2012 AED'000	Unaudited 31 March 2012 AED'000
ASSETS				
Non-current assets				
Intangible assets		295	295	40,776
Property, plant and equipment		117,046	129,285	129,173
Investment properties	6	4,279,589	4,611,050	4,045,047
Development properties	7	1,192,663	1,194,758	1,482,176
Investment in joint ventures	5	466,092	464,153	474,915
Non-current receivables		157,511	151,677	149,914
		<u>6,213,196</u>	<u>6,551,218</u>	<u>6,322,001</u>
Current assets				
Other investments	11	5,240	5,294	5,374
Inventories		31,357	33,168	37,601
Contract work-in-progress		194,240	187,651	258,020
Trade and other receivables		1,784,261	1,952,185	1,972,377
Due from related parties	8	168,617	134,916	243,372
Cash in hand and at bank		277,384	227,467	166,885
		<u>2,461,099</u>	<u>2,540,681</u>	<u>2,683,629</u>
Total assets		<u>8,674,295</u>	<u>9,091,899</u>	<u>9,005,630</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		17,579	17,579	-
General reserve		313,697	313,697	313,697
Hedging reserve		18	34	6
Accumulated losses		(1,108,393)	(1,130,304)	(1,266,102)
Total equity attributable to the shareholders of the Company		<u>2,584,760</u>	<u>2,562,865</u>	<u>2,409,460</u>
Non-current liabilities				
Long-term bank loans	9	2,954,597	2,998,270	2,843,558
Advances from sale of properties		234,620	275,784	380,124
Deferred income		25,875	26,438	28,125
Non-current payables		14,804	14,804	36,002
Provision for staff terminal benefits		81,682	79,975	78,508
		<u>3,311,578</u>	<u>3,395,271</u>	<u>3,366,317</u>
Current liabilities				
Trade and other payables		2,202,857	2,406,712	2,104,620
Advances and deposits		59,201	65,951	105,099
Due to related parties		-	16,836	50,667
Short-term bank borrowings		104,184	106,357	121,507
Current portion of long-term bank loans	9	411,715	537,907	847,960
		<u>2,777,957</u>	<u>3,133,763</u>	<u>3,229,853</u>
Total liabilities		<u>6,089,535</u>	<u>6,529,034</u>	<u>6,596,170</u>
Total equity and liabilities		<u>8,674,295</u>	<u>9,091,899</u>	<u>9,005,630</u>

The notes on pages 7 to 15 form an integral part of this interim condensed consolidated financial information.


Director


General Manager

14 MAY 2013

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 2013

		Three month period ended 31 March	
	Note	2013 AED'000	2012 AED'000
Operating activities			
Profit for the period		21,911	22,412
<i>Adjustments for:</i>			
Depreciation		4,440	4,676
Gain on disposal of investment properties		(10,056)	(8,395)
Gain on valuation of properties		(30,500)	-
Share in profit of joint ventures		(11,939)	(60,025)
Income from government grant		(563)	(563)
Finance income		(59)	(795)
Finance expense		39,201	60,456
		-----	-----
<i>Operating profit before working capital changes</i>		12,435	17,766
Change in other investments		54	(550)
Change in trade and other receivables		163,915	48,172
Change in inventories		1,811	4,339
Change in contract work-in-progress		(6,589)	(16,484)
Change in non-current receivables		(5,834)	16,619
Change in due from related parties		(33,701)	(209,685)
Change in trade and other payables		(44,819)	(155,612)
Change in due to related parties		(16,836)	23,850
Change in non-current payables		(260,980)	18,996
Change in advances and deposits		(6,750)	(19,364)
Change in staff terminal benefits (net)		66,878	(192)
		-----	-----
<i>Net cash used in operating activities</i>		(130,416)	(272,145)
		-----	-----
Investing activities			
Additions to property, plant and equipment		(2,188)	(1,986)
Additions to development properties (net)	7	(5,236)	-
Dividend income		10,000	10,000
Proceeds from disposal of investment properties		372,017	252,026
Interest income		59	795
Change in deposit with banks		15,408	-
		-----	-----
<i>Net cash from investing activities</i>		390,060	260,835
		-----	-----
Financing activities			
Net movement in long-term bank loans	9	(169,865)	(77,557)
Net movement in short-term bank borrowings		(26,939)	13,074
Interest paid		(35,772)	(45,313)
Change in advances from sale of properties		13,491	64,071
		-----	-----
<i>Net cash used in financing activities</i>		(219,085)	(45,725)
		-----	-----
Net increase in cash and cash equivalents		40,559	(57,035)
Cash and cash equivalents at the beginning of the period		144,769	121,003
		-----	-----
Cash and cash equivalents at the end of the period		<u>185,328</u>	<u>63,968</u>

The notes on pages 7 to 15 form an integral 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 (unaudited) for the three month period ended 31 March 2013

	Share capital AED'000	Treasury shares AED'000	Statutory reserve AED'000	General reserve AED'000	Hedging reserve AED'000	Accumulated losses AED'000	Total AED'000
At 1 January 2012 (audited)	3,366,857	(4,998)	-	313,697	(47)	(1,288,514)	2,386,995
Total comprehensive profit 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
At 1 January 2013 (audited)	3,366,857	(4,998)	17,579	313,697	34	(1,130,304)	2,562,865
Total comprehensive income for the period	-	-	-	-	(16)	21,911	21,895
At 31 March 2013 (unaudited)	3,366,857	(4,998)	17,579	313,697	18	(1,108,393)	2,584,760

No allocation of profit has been made to the statutory reserve for the three month period ended 31 March 2013 as it would be effected at the year-end.

The notes on pages 7 to 15 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 2012.

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2012, except for the adoption of new standards and interpretations effective as of 1 January 2013.

The Group applies, for the first time, certain standards and amendments which are effective from 1 January 2013. These include IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interest in Other Entities, IFRS 13 Fair Value Measurement and amendments to IAS 1 Presentation of Financial Statements. The adoption of these new standards and amendments do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial information of the Group, except for the presentation and disclosures. As required by IAS 34, the nature and the effect of these changes are disclosed below.

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time now have to be presented separately from items that will never be reclassified. The amendment affected presentation only and had no impact on the Group's financial position.

IFRS 10 Consolidated Financial Statements

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including:

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

2 Basis of preparation and significant accounting policies (continued)

IFRS 10 Consolidated Financial Statements (continued)

- an investor has power over an investee;
- the investor has exposure, or rights, to variable returns from its involvement with the investee; and
- the investor has the ability to use its power over the investee to affect the amount of the investor's returns.

IFRS 10 had no impact on the consolidation of investments held by the Group.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method. IFRS 11 had no impact on the Group's financial position.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group. IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required for financial instruments by IAS 34, thereby affecting the interim condensed consolidated financial information period. The Group provides these disclosures in Note 11.

In addition to the above-mentioned amendments and new standards, IFRS 1 First-time Adoption of International Financial Reporting Standards was amended with effect for reporting periods starting on or after 1 January 2013. The Group is not a first-time adopter of IFRS, therefore, this amendment is not relevant to the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

(ii) Financial commitments

The Group has made a profit of AED 21.9 million as at 31 March 2013. The Group has accumulated losses of AED 1,108.4 million as at 31 March 2013. Furthermore the Group has bank borrowings of AED 3,470.5 million of which an amount of AED 515.9 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. Also refer note 13.

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 2012.

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 2012.

5 Share of profit in joint ventures

During the three month period ended 31 March 2013, the Group's share of profit in Properties Investment LLC amounted to AED 9.7 million (31 March 2012: AED 2.2 million) and its share of profit in Emirates District Cooling LLC amounted to AED 2.2 million (31 March 2012: AED 3.8 million). Furthermore, Properties Investment LLC has declared and paid a dividend of AED 10.0 million (31 March 2012: AED 10 million) during the three month period ended 31 March 2013.

6 Investment properties

	Unaudited 31 March 2013 AED'000	Audited 31 December 2012 AED'000	Unaudited 31 March 2012 AED'000
Opening balance	4,611,050	4,266,030	4,266,030
Additions during the period/year	-	92,049	5,142
Gain on fair valuation	30,500	207,686	-
Transfer from development properties	-	597,987	17,506
Sale of investment properties (refer note (i) below)	(361,961)	(552,702)	(243,631)
Closing balance	<u>4,279,589</u>	<u>4,611,050</u>	<u>4,045,047</u>

- (i) During the three month period ended 31 March 2013, the Group has sold various investment properties with carrying value of AED 362.0 million for a net consideration of AED 372.1 million resulting in a net gain of AED 10.1 million. Also refer note 8.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

7 Development properties

	Unaudited 31 March 2013 AED'000	Audited 31 December 2012 AED'000	Unaudited 31 March 2012 AED'000
Opening balance	1,194,758	1,555,536	1,555,536
Net additions during the period/year	-	460,142	-
Cost of properties sold	(2,095)	(222,933)	(55,854)
Transfer to investment properties	-	(597,987)	(17,506)
Closing balance	<u>1,192,663</u>	<u>1,194,758</u>	<u>1,482,176</u>

- (i) During the three month period ended 31 March 2013, 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 2012. Accordingly, no impairment provision has been recognized in this interim condensed consolidated income statement.

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 2013 AED'000	Unaudited 31 March 2012 AED'000
Project management income and income from contracts	11,649	18,042
Interest expenses	28,222	58,358
Sale of properties (refer note 6)	251,295	-
Funds transferred to a joint venture (refer (i) below)	20,537	232,838
Compensation to key management personnel are as follows :		
- Salaries and other short-term employee benefits	1,803	2,692
- Provision towards staff terminal benefits	59	85

- (i) Included in balances due from related parties is an amount of AED 143.8 (31 March 2012: AED 232.8) million held in trust by a joint venture, which are expected to be repaid to the Company shortly.

9 Long-term bank loans

- (i) During the three month period ended 31 March 2013, the Group has repaid long-term bank loans amounting to AED 169.9 million. The 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, assignment of rental income in respect of a property, assignment of insurance policy of a property and assignment of sales receivables in respect of a property.

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

9 Long-term bank loans (continued)

- (ii) The Company had a term loan facility of AED 290 million from a bank, which was repayable in 40 quarterly instalments commencing 31 March 2006. During the previous years, the term loan facility had increased to AED 400 million and was restructured to be fully repayable on 20 January 2013. During the three month period ended 31 March 2013, the repayments terms has been revised and the loan is now repayable in one instalment on 20 April 2013. However, subsequent to the period-end, the management is in finalising the repayment terms with the bank.

Also refer note 13.

10 Earnings per share

	Unaudited 31 March 2013	Unaudited 31 March 2012
Net profit attributable to shareholders (AED'000)	21,911	22,412
Weighted average number of shares	3,365,527,374	3,365,527,374

11 Financial instruments

Financial assets of the Group include non-current receivables, other investments, trade and other receivables, amounts due from related parties and cash in hand and at bank. Financial liabilities of the Group include trade and other payables, security deposits, amounts due to related parties, short-term bank borrowings, long-term bank loans and non-current payables. The table below sets out the Group's classification of each class of financial assets and financial liabilities and their fair values for the current and the comparative period:

	Designated as fair value through profit or loss AED'000	Loans and receivables AED'000	Others at amortized cost AED'000	Designated as cash flow hedge AED'000	Carrying amount AED'000	Fair value AED'000
31 March 2013						
Financial assets						
Non-current receivables	-	157,511	-	-	157,511	157,511
Other investments	5,240	-	-	-	5,240	5,240
Trade and other receivables	-	1,658,464	-	-	1,658,464	1,658,464
Due from related parties	-	168,617	-	-	168,617	168,617
Cash in hand and at bank	-	277,384	-	-	277,384	277,384
Total	5,240	2,261,976	-	-	2,267,216	2,267,216
Financial liabilities						
Trade and other payables	-	-	2,030,872	-	2,030,872	2,030,872
Security deposits	-	-	11,605	-	11,605	11,605
Short-term bank borrowings	-	-	104,184	-	104,184	104,184
Long-term bank loans	-	-	3,366,312	-	3,366,312	3,366,312
Non-current payables	-	-	14,804	-	14,804	14,804
Interest rate swaps	-	-	-	(18)	(18)	(18)
Total	-	-	5,527,777	(18)	5,527,759	5,527,759

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

11 Financial instruments (continued)

	Designated as fair value through profit or loss AED'000	Loans and receivables AED'000	Others at amortized cost AED'000	Designated as cash flow hedge AED'000	Carrying amount AED'000	Fair value AED'000
31 December 2012						
Financial assets						
Non-current receivables	-	151,677	-	-	151,677	151,677
Other investments	5,294	-	-	-	5,294	5,294
Trade and other receivables	-	1,805,953	-	-	1,805,953	1,805,953
Due from related parties	-	134,916	-	-	134,916	134,916
Cash in hand and at bank	-	227,467	-	-	227,467	227,467
Total	5,294	2,320,013	-	-	2,325,307	2,325,307
Financial liabilities						
Trade and other payables	-	-	2,248,292	-	2,248,292	2,248,292
Security deposits	-	-	12,693	-	12,693	12,693
Due to related parties	-	-	16,836	-	16,836	16,836
Short-term bank borrowings	-	-	106,357	-	106,357	106,357
Long-term bank loans	-	-	3,536,177	-	3,536,177	3,536,177
Non-current payables	-	-	14,804	-	14,804	14,804
Interest rate swaps	-	-	-	(34)	(34)	(34)
Total	-	-	5,935,159	(34)	5,935,125	5,935,125
31 March 2012						
Financial assets						
Non-current receivables	-	149,914	-	-	149,914	149,914
Other investments	5,374	-	-	-	5,374	5,374
Trade and other receivables	-	1,801,654	-	-	1,801,654	1,801,654
Due from related parties	-	243,372	-	-	243,372	243,372
Cash in hand and at bank	-	166,885	-	-	166,885	166,885
Total	5,374	2,361,825	-	-	2,367,199	2,367,199
Financial liabilities						
Trade and other payables	-	-	1,931,962	-	1,931,962	1,931,962
Security deposits	-	-	14,504	-	14,504	14,504
Due to related parties	-	-	50,667	-	50,667	50,667
Short-term bank borrowings	-	-	121,507	-	121,507	121,507
Long-term bank loans	-	-	2,843,558	-	2,843,558	2,843,558
Non-current payables	-	-	36,002	-	36,002	36,002
Interest rate swaps	-	-	-	(6)	(6)	(6)
Total	-	-	4,998,200	(6)	4,998,194	4,998,194

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

11 Financial instruments (continued)

Fair value hierarchy

The table below analyzes financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- **Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- **Level 3:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group has other investments which are stated at fair value. The fair value of quoted securities is determined by reference to their quoted bid prices as at the reporting date. Investments in marketable securities are stated at cost where no observable market data is available. Accordingly, the fair value hierarchy is set out as below:

	Level 1	Level 2	Level 3	Total
31 March 2013				
Other investment	740	18	4,500	5,258
	=====	=====	=====	=====
31 December 2012				
Other investment	794	34	4,500	5,328
	=====	=====	=====	=====
31 March 2012				
Other investment	874	6	4,500	5,380
	=====	=====	=====	=====

There have been no reclassifications made during the current period or in the previous year/period.

Level 1:

	Unaudited 31 March 2013 AED'000	Audited 31 December 2012 AED'000	Unaudited 31 March 2012 AED'000
Investment securities			
Opening balance	794	324	324
Total gains or losses – net:			
- in the condensed consolidated interim statement of income	(54)	470	550
	-----	-----	-----
Closing balance	740	794	874
	=====	=====	=====

Level 2:

	Unaudited 31 March 2013 AED'000	Audited 31 December 2012 AED'000	Unaudited 31 March 2012 AED'000
Investment securities			
Opening balance	34	(47)	(47)
Total gains or losses – net:			
- in the condensed consolidated interim statement of other comprehensive income	(16)	81	53
	-----	-----	-----
Closing balance	18	34	6
	=====	=====	=====

Union Properties Public Joint Stock Company and its subsidiaries

Notes (continued)

12 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:

	Property management and sales AED'000	Construction AED'000	Others AED'000	Total AED'000
Three month period ended 31 March 2013				
Segment revenue	25,768	265,423	17,171	308,362
Segment result	6,244	18,932	6,412	31,588
Administrative and general expenses	(8,648)	(12,535)	(3,461)	(24,644)
Finance income	4	55	-	59
Finance expense	(25,255)	(13,946)	-	(39,201)
Gain on sale of investment properties	10,056	-	-	10,056
Other income	1,072	184	358	1,614
Share of profit in joint venture	9,783	-	2,156	11,939
(Loss)/profit for the period before valuation	(6,744)	(7,310)	5,465	(8,589)
Gain on valuation of properties	30,500	-	-	30,500
Profit/(loss) for the period	23,756	(7,310)	5,465	21,911
Segment assets	5,290,975	2,846,566	70,662	8,208,203
Investment in joint ventures	-	-	466,092	466,092
Total assets	5,290,975	2,846,566	536,754	8,674,295
Segment liabilities	3,856,729	2,166,960	65,846	6,089,535
Capital expenditure	89	462	1,637	2,188
Depreciation	889	2,932	619	4,440
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	2180	-	3,856	6,036
Profit for the period before valuation	15,813	3,736	2,863	22,412
Gain/(loss) on valuation of properties	-	-	-	-
Profit for the period	15,813	3,736	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

Union Properties Public Joint Stock Company and its subsidiaries

Notes *(continued)*

13 Subsequent events

The Board of Directors of the Company has approved to sell certain properties amounting to AED 2,221.4 million to a related party, a significant shareholder, a bank. The prices for this transaction have been determined based on an open market valuation carried out by an independent valuer. The proceeds from this disposal of properties is being used to settle a portion of the loan amounting to AED 2,012.8 million taken from a related party, significant shareholder, a bank. Also refer notes 2(ii) and 9.