

Union Properties P.J.S.C
and its Subsidiaries

Unaudited interim condensed
consolidated financial statements
31 March 2018

Union Properties P.J.S.C and its Subsidiaries

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF UNION PROPERTIES P.J.S.C

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Union Properties P.J.S.C (the "Company") and its subsidiaries (collectively the "Group") as at 31 March 2018, comprising of the interim consolidated statement of financial position as at 31 March 2018, and the related interim consolidated statement of profit or loss and other comprehensive income, cash flows, and changes in equity for the three-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34 *Interim Financial Reporting* (IAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with 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 statements are not prepared, in all material respects, in accordance with IAS 34.

Other matters

We draw attention to the fact that the consolidated financial statements of the Group as at and for the year ended 31 December 2017 were audited by another auditor who issued an unmodified audit report on those statements on 12 March 2018.

We also draw attention to the fact that the interim condensed consolidated financial statements of the Group as at and for the three-month period ended 31 March 2017 were reviewed by another auditor who expressed an unmodified review conclusion on those statements on 11 May 2017.

For Ernst & Young



Signed by:
Anthony O'Sullivan
Partner
Registration No.: 687

15 May 2018

Dubai, United Arab Emirates

Union Properties P.J.S.C and its Subsidiaries

Interim consolidated statement of profit or loss and other comprehensive income (unaudited)
for the three month period ended 31 March 2018

		Three month period ended 31 March	
	Notes	2018 AED'000	2017 AED'000
Property management and sales revenue	15	16,086	18,741
Contracting and other operating activities revenue	15	99,782	101,706
Gain on financial instruments at fair value through profit or loss	10	83,856	682
Share of profit of an associate and a joint venture	5	318	5,119
Gain on disposal of a joint venture	5	125,014	-
Finance income		1,269	6,798
Other income	6	3,283	134,067
Total income		329,608	267,113
Direct costs	15	(88,083)	(180,061)
Administrative and general expenses	15	(35,856)	(28,788)
Finance cost	15	(22,955)	(15,798)
Profit for the period attributable to the shareholders of the Company		182,714	42,466
Other comprehensive income for the period		-	-
Total comprehensive income for the period		182,714	42,466
Basic and diluted earnings per share (AED)	11	0.043	0.010

The notes from 1 to 16 form an integral part of these interim condensed consolidated financial statements.

Union Properties P.J.S.C and its Subsidiaries

Interim consolidated statement of financial position

as at 31 March 2018

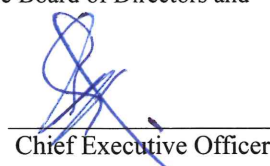
		Unaudited 31 March 2018 AED'000	Audited 31 December 2017 AED'000
	Notes		
ASSETS			
Non-current assets			
Property, plant and equipment		142,348	143,035
Investment properties	7	3,683,989	3,718,645
Development properties		8,868	8,868
Investments in an associate and a joint venture	5	119,089	493,757
Non-current receivables	8	252,310	299,259
		<u>4,206,604</u>	<u>4,663,564</u>
Current assets			
Investments at fair value through profit or loss	10	716,379	93,250
Inventories		6,119	6,359
Development properties	7	45,743	-
Contract work-in-progress		202,406	207,671
Trade and other receivables	8	566,065	483,688
Due from related parties	9	23,659	31,223
Cash in hand and at banks		137,630	129,657
		<u>1,698,001</u>	<u>951,848</u>
Total assets		<u><u>5,904,605</u></u>	<u><u>5,615,412</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		4,289,540	4,289,540
Statutory reserve		326,647	326,647
Accumulated losses		(1,778,655)	(1,961,369)
Total equity attributable to the shareholders of the Company		<u>2,837,532</u>	<u>2,654,818</u>
Non-current liabilities			
Long-term bank loans		1,360,584	919,111
Advances from sale of properties		33,579	34,263
Provision for staff terminal benefits		38,669	40,464
		<u>1,432,832</u>	<u>993,838</u>
Current liabilities			
Trade and other payables		1,211,293	1,213,262
Advances and deposits		111,273	110,823
Short-term bank borrowings		197,219	51,106
Current portion of long-term bank loans		114,456	591,565
		<u>1,634,241</u>	<u>1,966,756</u>
Total liabilities		<u>3,067,073</u>	<u>2,960,594</u>
Total equity and liabilities		<u><u>5,904,605</u></u>	<u><u>5,615,412</u></u>

The notes from 1 to 16 form an integral part of these interim condensed consolidated financial statements.

The interim condensed consolidated financial statements were authorised for issue on 15 May 2018 by the Board of Directors and signed on its behalf by:



Chairman



Chief Executive Officer

Union Properties P.J.S.C and its Subsidiaries

Interim consolidated statement of cash flows (unaudited)

for the three month period ended 31 March 2018

	Three month period ended 31 March	
	2018 AED'000	2017 AED'000
Operating activities		
Profit for the period	182,714	42,466
<i>Adjustments for:</i>		
Depreciation	3,213	3,559
Share in profit of an associate and a joint venture	(318)	(5,119)
Gain on financial instruments at fair value through profit or loss	(83,856)	(682)
Gain on disposal of a joint venture	(125,014)	-
Provision for slow moving inventories	-	5,000
Finance income	(1,269)	(6,798)
Finance cost	22,955	15,798
	-----	-----
<i>Operating (loss)/profit before working capital changes</i>	(1,575)	54,224
Change in non-current receivables	46,949	4,004
Change in inventories	240	5,238
Change in contract work-in-progress	5,265	14,621
Change in trade and other receivables	(82,782)	114,361
Change in due from related parties	7,564	(23,244)
Change in trade and other payables	(1,969)	(88,752)
Change in advances and deposits	450	(4,206)
Change in due to related parties	-	(4,386)
Change in staff terminal benefits (net)	(1,795)	(6,770)
Change in advances from sale of properties	(684)	2,251
	-----	-----
<i>Net cash (used in)/from operating activities</i>	(28,337)	67,341
	-----	-----
Investing activities		
Additions to property, plant and equipment	(2,526)	(2,254)
Additions to investment properties	(11,087)	(42,979)
Dividend income received	-	4,000
Proceeds from disposal of property, plant and equipment	-	23
Proceeds from disposal of a joint venture	500,000	-
Interest income received	1,269	6,798
Purchase of financial instruments at fair value through profit or loss	(539,273)	(16,438)
Change in deposit with banks	2,913	39,888
	-----	-----
<i>Net cash used in investing activities</i>	(48,704)	(10,962)
	-----	-----
Financing activities		
Proceed from long-term bank loans	113,300	22,114
Repayment of long-term bank loans	(148,936)	(23,828)
Interest paid	(22,550)	(15,663)
	-----	-----
<i>Net cash used in financing activities</i>	(58,186)	(17,377)
	-----	-----
Net (decrease)/increase in cash and cash equivalents	(135,227)	39,002
Cash and cash equivalents at the beginning of the period	67,488	8,417
	-----	-----
Cash and cash equivalents at the end of the period	(67,739)	47,419
	=====	=====

The notes from 1 to 16 form an integral part of these interim condensed consolidated financial statements.

Union Properties P.J.S.C and its Subsidiaries

Interim consolidated statement of changes in equity (unaudited)

for the three month period ended 31 March 2018

	Share capital AED'000	Statutory reserve AED'000	General reserve AED'000	Proposed Directors' fees AED'000	Proposed dividend AED'000	Retained earnings / (Accumulated losses) AED'000	Total AED'000
At 1 January 2017 (audited)	3,971,796	326,647	313,697	-	-	926,313	5,538,453
Total comprehensive income for the period	-	-	-	-	-	42,466	42,466
Proposed Directors' fees (note 13)	-	-	-	5,000	-	(5,000)	-
Proposed issuance of bonus shares (note 13)	-	-	-	-	317,744	(317,744)	-
At 31 March 2017 (unaudited)	3,971,796	326,647	313,697	5,000	317,744	646,035	5,580,919
At 1 January 2018 (audited)	4,289,540	326,647	-	-	-	(1,961,369)	2,654,818
Total comprehensive income for the period	-	-	-	-	-	182,714	182,714
At 31 March 2018 (unaudited)	4,289,540	326,647	-	-	-	(1,778,655)	2,837,532

The notes from 1 to 16 form an integral part of these interim condensed consolidated financial statements.

Union Properties P.J.S.C and its Subsidiaries

Notes to the interim condensed consolidated financial statements

1 Legal status and principal activities

Union Properties P.J.S.C (“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 associates and 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 and securities are carried out within the UAE. The Group does not have any foreign exposure towards land and properties but has exposure towards certain investments in securities.

2 Basis of preparation and significant accounting policies

The interim condensed consolidated financial statements of the Group are prepared in accordance with International Accounting Standard 34: Interim Financial Reporting and applicable requirements of the United Arab Emirates laws.

The interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards (IFRS), and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2017. The same accounting policies, methods of computation, significant accounting judgments and estimates and assumptions are followed in these interim condensed consolidated financial statements as compared with the most recent annual consolidated financial statements.

The interim condensed consolidated financial statements have been prepared in United Arab Emirates Dirhams (AED), which is the Company’s functional and presentation currency, and all values are rounded to the nearest thousand except where otherwise indicated.

The interim condensed consolidated financial statements have been prepared on a historical cost basis except for financial assets at fair value through profit and loss and investment properties that have been measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The results for the three-month period ended 31 March 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

3 Significant accounting estimates and judgements

The preparation of interim condensed consolidated 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 interim condensed consolidated financial statements, 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 2017.

4 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards and interpretations effective as of 1 January 2018.

Union Properties P.J.S.C and its Subsidiaries

Notes to the interim condensed consolidated financial statements (*continued*)

4 New standards, interpretations and amendments adopted by the Group (continued)

Although these new standards and amendments apply for the first time in 2018, they do not have a material impact on the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group. The nature and the impact of each new standard or amendment is described below:

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group adopted the new standard on the required effective date. Overall, the Group did not have any significant impact on its interim consolidated statement of financial position and equity as follows:

Classification and measurement

The Group did not have a significant impact on its interim consolidated statement of financial position or equity on applying the classification and measurement requirements of IFRS 9. The Group continues measuring at fair value all financial assets that were held at fair value. In regards to financial asset at fair value through profit or loss, the Group has elected to apply the fair value through profit or loss (FVTPL) classification, which is consistent with its previous accounting treatment under IAS 39, and hence, the application of IFRS 9 did not have an impact on these financial assets.

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments was not required upon adoption of IFRS 9.

Impairment

IFRS 9 requires the Group to record expected credit losses on all of its loans and trade receivables, either on a 12-month or lifetime basis. The Group applied the simplified approach and recorded lifetime expected losses on all trade and retentions receivables. However, the application of IFRS 9 did not have a significant impact on the carrying value of its loans and receivables on the application date.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

Union Properties P.J.S.C and its Subsidiaries

Notes to the interim condensed consolidated financial statements (*continued*)

4 New standards, interpretations and amendments adopted by the Group (*continued*)

IFRS 15 Revenue from Contracts with Customers (continued)

Revenue recognition

The Group has several revenue sources and has assessed the impact of the adoption of IFRS 15 on its interim condensed consolidated financial statements from each revenue source as follows:

a. Trading activities (excluding development properties sales)

In relation to the Group's activities related to sales of goods, in which the sale of goods and delivery of services is generally expected to be the only performance obligation, adoption of IFRS 15 did not have any major impact on the Group's revenue and profit or loss. The Group concluded that the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

b. Sales of development properties

In relation to the Group's activities related to sales of development properties, the Group concluded that, based on the terms and conditions of its open sale contracts with customers at the reporting date, revenue from sale of development properties is recognized at a point of time, when the unit is handed over to the customer. The Group will reassess the revenue recognition criteria when changes to the terms and conditions of its contracts occur.

c. Rental income and facility management and maintenance services

The Group concluded that the services are satisfied over time given that the customer simultaneously receives and consumes the benefits provided by the Group. Consequently, under IFRS 15 the Group would continue to recognise revenue for these services over time.

d. Contracting activities

The Group is engaged in electro-mechanical and plumbing projects, as well as interior design projects, which are generally long-term in nature.

Long-term projects – performance obligations

In the previous year, the Group recorded revenue from long-term projects on the basis of percentage of completion arrived at using cost-to-cost method as per the provisions of IAS 11 *Construction Contracts*. Management assessed that the above mentioned services are not distinct in the context of the contract based on the following:

- The Group effectively manages and coordinates all the various services and assumes the risks associated with the integration of these services. This includes coordinating the activities performed by the Group's staff and subcontractors (if any) and making sure the quality of the work performed is in compliance with contract specifications.
- Each of the services significantly modifies and customises the other services to provide a combined output. More specifically, supply and delivery of the goods will define the quantity of materials to be installed, the testing activities and related maintenance work.
- The various services from supply and delivery to maintenance are all highly interdependent and interrelated as each of the services significantly affects the other services.

Warranty obligations

The Group provides its customers warranty against defects arising from normal and/or expected usage and maintenance for a period of 1 year from the date of taking over certificates. Management assessed that 1 year warranty for defects are considered as an assurance type warranty as this warranty is necessary to ensure that the delivered products/services are as specified in the contract for a minimum period. There is no separate performance obligation for this warranty.

Where warranty is considered as an assurance type warranty, the Group will accrue for the cost of satisfying the warranty liability on the basis of historical experiences in accordance with the provisions of IAS 37.

Union Properties P.J.S.C and its Subsidiaries

Notes to the interim condensed consolidated financial statements (*continued*)

4 New standards, interpretations and amendments adopted by the Group (*continued*)

IFRS 15 Revenue from Contracts with Customers (continued)

Revenue recognition (continued)

d. Contracting activities (continued)

Variable consideration

Contracts with customers specify that the Group is liable to pay penalty or for liquidated damages if certain conditions specified in the contract are not met for reasons not attributable to the customer. This penalty amount may vary for different contracts and/or customers.

Upon implementation of IFRS 15, liquidated damages, penalties and similar payments, price concession (discounts) or deductions have been accounted for as variable consideration. Management has assessed its estimate of the variable consideration for liquidated damages and penalty (including any amounts that are constrained) at the reporting date and concluded that, to the best knowledge of management, none of the contracts with customers is subject to delays, liquidated damages or penalty.

Contract modifications

Variation orders or modifications to original contracts are common to the Group considering the long-term contracting nature of business. The terms for variation orders are defined in each contract. Generally, variations are priced by reference to the per unit rates agreed in the contract and the revised quantities required for the completion of the contract. In accordance with IFRS 15, the Group will account for a modification through a cumulative catch-up adjustment if the goods or services in the modification are not distinct and are part of a single performance obligation that is only partially satisfied when the contract is modified. Alternatively, the Group will account for a contract modification as a separate contract if the scope of contract increases due to addition of distinct goods or services and price of the contract increases by an amount that reflects the Group's standalone selling prices.

The Group has assessed whether variation orders on its open contracts at the application date would be accounted for as a single or separate contract in accordance with the provisions of IFRS 15, and concluded that a significant portion of such modifications to contracts cannot be distinguished from the original contract as variations are not necessarily reflective of distinct products but rather part of a single performance obligation. Accordingly, the application of IFRS 15 on contract modification did not have a significant impact on the Group interim condensed consolidated financial statements.

Advances received from customers

The Group receives advance payments from its customers in relation to its contracts. Such advance payments are adjusted progressively against the subsequent invoicing during the tenure of a contract.

IFRS 15 requires the total transaction price to include the effects of time value of money (significant financing component) if the timing of the payment does not match the timing of the transfer of goods or services to the customer. In accordance with IFRS 15, and as a practical expedient, a significant financing component need not be accounted for if the difference in timing of payment and delivery is one year or less. There is no financing component explicitly stated in the Group's contracts with customers, and management has assessed that advances from customers do not include any financing component. Accordingly, the application of IFRS 15 did not have a material impact on the Group's interim condensed consolidated financial statements on transition.

Presentation and disclosure requirements

As required for the interim condensed financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Refer to Note 15 for the disclosure on disaggregated revenue.

Union Properties P.J.S.C and its Subsidiaries

Notes to the interim condensed consolidated financial statements (*continued*)

4 New standards, interpretations and amendments adopted by the Group (*continued*)

IFRS 15 Revenue from Contracts with Customers (continued)

Other adjustments

In addition to the adjustments described above, upon adoption of IFRS 15, other items of the primary financial statements such as investments in associate and a joint venture, share of profit of an associate and a joint venture, and retained earnings, were adjusted as necessary. However, such adjustments did not have a material impact on the Group's interim condensed consolidated financial statements.

Amendments to IAS 40 Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. During the three month period ended 31 March 2018, the Group transferred certain investment properties to development properties (refer note 7) as a result of change in use of those properties. All other properties transferred to or from investment properties in previous years have been made based on evidence of the change in use. Accordingly, these amendments do not have any significant impact on the Group's interim condensed consolidated financial statements.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met.

The Group does not provide share-base payments. Therefore, these amendments did not have any impact on the Group's interim condensed consolidated financial statements.

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 Insurance Contracts, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. These amendments are not relevant to the Group.

Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

These amendments do not have any impact on the Group's interim condensed consolidated financial statements.

Union Properties P.J.S.C and its Subsidiaries

Notes to the interim condensed consolidated financial statements (*continued*)

4 New standards, interpretations and amendments adopted by the Group (continued)

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters

Short-term exemptions in paragraphs E3–E7 of IFRS 1 were deleted because they have now served their intended purpose. These amendments are not relevant to the Group.

5 Investments in an associate and a joint venture

Investment in a joint venture

On 18 January 2018, the Group disposed of its 50% interest in Emirates District Cooling (Emicool) LLC to Dubai Investments PJSC for a total consideration of AED 500 million, resulting in a gain on disposal amounting to AED 125 million recognised in profit or loss. No share of results of the joint venture was recorded during the current period (31 March 2017: *profit of AED 5.2 million*).

Investment in an associate

The Group's share of profit in Properties Investment LLC, during the current period amounted to AED 0.3 million (31 March 2017: *loss of AED 0.1 million*).

6 Other income

Other income of the previous period mainly represents positive saving on account of liabilities settlement with the contractors for certain projects amounting to AED 124 million.

7 Investment properties

	Unaudited 31 March 2018 AED'000	Audited 31 December 2017 AED'000	Unaudited 31 March 2017 AED'000
Opening balance	3,718,645	5,595,437	5,595,437
Additions during the period/year	11,087	198,906	42,979
Transfer to development properties (refer the notes below)	(45,743)	-	-
Loss on fair valuation	-	(2,075,698)	-
Closing balance	3,683,989	3,718,645	5,638,416

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. The most recent valuation was carried out on 31 December 2017 by an independent registered valuer, ValuStrat Consulting FZCO, who carried out the valuation in accordance with RICS Appraisal and the Valuation Manual issued by the Royal Institute of Chartered Surveyors.

During the three month period ended 31 March 2018, investment properties under construction amounting to AED 45.7 million have been transferred to development properties.

Union Properties P.J.S.C and its Subsidiaries

Notes to the interim condensed consolidated financial statements (*continued*)

8 Trade and other receivables

	Unaudited 31 March 2018 AED'000	Audited 31 December 2017 AED'000
Financial instruments		
Trade and contract receivables	1,963,710	1,947,953
Retention receivables	60,021	58,249
Property sales receivables	245,086	207,244
	-----	-----
	2,268,817	2,213,446
Less: allowance for doubtful receivables	(1,792,615)	(1,792,210)
	-----	-----
	476,202	421,236
Other receivables	47,831	24,025
	-----	-----
Total (A)	524,033	445,261
	-----	-----
Non-financial instruments		
Advances to contractors	14,717	11,275
Prepayments and advances	27,315	27,152
	-----	-----
Total (B)	42,032	38,427
	-----	-----
Total (A+B)	566,065	483,688
	=====	=====

Non-current receivables

	Unaudited 31 March 2018 AED'000	Audited 31 December 2017 AED'000
Retention receivables	31,233	35,497
Property sales receivables	220,960	263,608
Other receivables	117	154
	-----	-----
	252,310	299,259
	=====	=====

Union Properties P.J.S.C and its Subsidiaries

Notes to the interim condensed consolidated financial statements (*continued*)

8 Trade and other receivables (continued)

The ageing of trade/contract and retention receivables (including non-current receivables) at the reporting date is as follows:

	Unaudited 31 March 2018		Audited 31 December 2017	
	Gross AED '000	Provision AED '000	Gross AED '000	Provision AED '000
Not Past Due	263,646	-	80,809	-
Past due 1-90 days	111,370	372	57,655	425
Past due 91-365 days	108,638	1,808	69,227	1,960
More than one year	2,037,356	1,790,435	2,211,114	1,789,825
	-----	-----	-----	-----
	2,521,010	1,792,615	2,418,805	1,792,210
	=====	=====	=====	=====

The Board of Directors and management believe that the existing allowance for doubtful debts is adequate and consider that the net balance amounts are fully recoverable.

The movement in the allowance for doubtful debts in respect of trade/contract and retention receivables during the period/year is as follows:

	Unaudited 31 March 2018 AED'000	Audited 31 December 2017 AED'000
Opening balance	1,792,210	1,791,976
Additions for the period/year	405	599
Amounts written off/reversed during the period/year	-	(365)
	-----	-----
Closing balance	1,792,615	1,792,210
	=====	=====

9 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 significant transactions with related parties, other than those already disclosed separately elsewhere in the interim condensed consolidated financial statements are as follows:

	Unaudited 31 March 2018 AED'000	Unaudited 31 March 2017 AED'000
Compensation to key management personnel are as follows :		
- Salaries and other short-term employee benefits	3,258	1,757
- Provision towards staff terminal benefits	179	101
	===	===

Union Properties P.J.S.C and its Subsidiaries

Notes to the interim condensed consolidated financial statements (*continued*)

9 Transactions with related parties (continued)

Due from related parties in the interim consolidated statement of financial position represents balances owed by the associate as at 31 March 2018 (*31 March 2017 owed by the associate and joint venture*).

10 Investments at fair value through profit or loss

The Group holds investment securities which are classified as investments at fair value through profit or loss in accordance with IFRS 9.

During the three month period ended 31 March 2018, the Group invested in a fund, having a fair value of AED 281.4 million as at the reporting date, which resulted in a loss on change in fair value of AED 5.2 million during the current period (*31 March 2017: nil*).

During the current three month period ended 31 March 2018, the Group made additional purchases of 292.8 million shares in Palm Hills Development PJSC, a company based in Egypt and listed on the Egyptian Stock Market and London Stock Exchange, increasing its ownership of shares as at the reporting date to 405.6 million shares, representing 18.67% shareholding in the company. The fair value of this investment as at the reporting date is AED 433.6 million which resulted in a gain on change in fair value of AED 89 million during the current period (*31 March 2017: nil*).

The Group also has an investment in a real estate fund valued at AED 1.35 million (*31 March 2017: 2.5 million*).

11 Basic and diluted earnings per share

	Unaudited Three month period ended 31 March	
	2018	2017
Net profit attributable to shareholders (AED'000)	182,714	41,216
Weighted average number of shares	4,289,540,134	4,289,540,134
	-----	-----
Basic and diluted earnings per share (AED)	0.043	0.010
	=====	=====

The net profit attributable to shareholders for the period ended 31 March 2017 excludes Directors' fees of AED 1.25 million, being the appropriated prorated portion of the total fees proposed for the period.

12 General reserve

According to the Articles of Association of the Company, 10% of the annual net profit is appropriated to general reserve. The transfer to general reserve may be suspended at the recommendation of the Board of Directors or when it equals 50% of the paid-up share capital.

During the previous year and in accordance to the Article of Association of the Company, the Board of Directors have resolved to apply the general reserve amounting to AED 313.7 million to partially offset the Group's accumulated losses as at 31 December 2017.

13 Directors' fees and proposed dividend

At the Annual General Meeting held on 26 April 2017, the shareholders approved the proposed Directors' fees amounting to AED 5 million for the year ended 31 December 2016.

At the Annual General Meeting held on 26 April 2017, the shareholders approved issuing 8% bonus shares as dividends for the year ended 31 December 2016.

Union Properties P.J.S.C and its Subsidiaries

Notes to the interim condensed consolidated financial statements (*continued*)

14 Financial instruments

Financial assets of the Group include non-current receivables, investments at FVTPL, trade and other receivables, amounts due from related parties and cash in hand and at banks. Financial liabilities of the Group include trade and other payables, security deposits, 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 periods:

	Designated as fair value through profit or loss AED'000	Loans and receivables AED'000	Others at amortized cost AED'000	Carrying amount AED'000	Fair value AED'000
31 March 2018 (unaudited)					
<i>Financial assets</i>					
Non-current receivables	-	252,310	-	252,310	252,310
Investments at FVTPL	716,379	-	-	716,379	716,379
Trade and other receivables	-	528,377	-	528,377	528,377
Due from related parties	-	23,659	-	23,659	23,659
Cash in hand and at banks	-	137,630	-	137,630	137,630
	-----	-----	-----	-----	-----
Total	716,379	941,976	-	1,658,355	1,658,355
	=====	=====	=====	=====	=====
<i>Financial liabilities</i>					
Trade and other payables	-	-	1,205,790	1,205,790	1,205,790
Security deposits	-	-	11,246	11,246	11,246
Short-term bank borrowings	-	-	197,219	197,219	197,219
Long-term bank loans	-	-	1,475,040	1,475,040	1,475,040
	-----	-----	-----	-----	-----
Total	-	-	2,889,295	2,889,295	2,889,295
	=====	=====	=====	=====	=====
31 December 2017 (audited)					
<i>Financial assets</i>					
Non-current receivables	-	299,259	-	299,259	299,259
Investments at FVTPL	93,250	-	-	93,250	93,250
Trade and other receivables	-	445,261	-	445,261	445,261
Due from related parties	-	31,223	-	31,223	31,223
Cash in hand and at banks	-	129,657	-	129,657	129,657
	-----	-----	-----	-----	-----
Total	93,250	905,400	-	998,650	998,650
	=====	=====	=====	=====	=====
<i>Financial liabilities</i>					
Trade and other payables	-	-	1,208,611	1,208,611	1,208,611
Security deposits	-	-	10,245	10,245	10,245
Short-term bank borrowings	-	-	51,106	51,106	51,106
Long-term bank loans	-	-	1,510,676	1,510,676	1,510,676
	-----	-----	-----	-----	-----
Total	-	-	2,780,638	2,780,638	2,780,638
	=====	=====	=====	=====	=====

Union Properties P.J.S.C and its Subsidiaries

Notes to the interim condensed consolidated financial statements (*continued*)

14 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 holds investments at fair value through profit or loss. 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 AED'000	Level 3 AED'000	Total AED'000
31 March 2018 (unaudited)			
Investments at fair value through profit or loss	715,031	1,348	716,379
	=====	=====	=====
31 December 2017 (audited)			
Investments at fair value through profit or loss	91,902	1,348	93,250
	=====	=====	=====

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

Level 1:

	Unaudited 31 March 2018 AED'000	Audited 31 December 2017 AED'000	Unaudited 31 March 2017 AED'000
Investment securities			
Opening balance	91,902	170,908	170,908
Additions	539,273	111,878	18,267
Disposals	-	(190,408)	(1,842)
Total gains or losses – net:			
- in profit or loss	83,856	(476)	695
	=====	=====	=====
Closing balance	715,031	91,902	188,028
	=====	=====	=====

Union Properties P.J.S.C and its Subsidiaries

Notes to the interim condensed consolidated financial statements (*continued*)

15 Segment reporting

Business segments

The Group's activities comprise of two main business segments, namely, (i) real estate property management and sales (ii) construction activities, (iii) investments. Other activities mainly comprise of services. The details of segment revenue, segment result, segment assets and segment liabilities are as below:

	Real estate property management and sales AED'000	Construction AED'000	Investments AED'000	Others AED'000	Total AED'000
Three month period ended 31 March 2018 (unaudited)					
Segment revenue	16,086	84,109	-	15,673	115,868
Gain on financial instruments at FVTPL	-	-	83,856	-	83,856
Share in profit of associate	-	-	318	-	318
Gain on disposal of a joint venture	-	-	125,014	-	125,014
Finance income	1,244	25	-	-	1,269
Other income	1,646	299	-	1,338	3,283
	-----	-----	-----	-----	-----
Total Income	18,976	84,433	209,188	17,011	329,608
Direct costs	(11,472)	(68,209)	-	(8,402)	(88,083)
Administrative and general expenses	(21,930)	(10,957)	(450)	(2,519)	(35,856)
Finance cost	(10,875)	(7,004)	(5,076)	-	(22,955)
	-----	-----	-----	-----	-----
Profit/(loss) for the period	(25,301)	(1,737)	203,662	6,090	182,714
	=====	=====	=====	=====	=====
Capital expenditure	12,859	382	-	372	13,613
Depreciation	1,532	939	-	742	3,213
	=====	=====	=====	=====	=====
As at 31 March 2018 (unaudited)					
Segment assets	4,374,534	640,860	710,665	59,457	5,785,516
Investment in an associate	-	-	119,089	-	119,089
	-----	-----	-----	-----	-----
Total assets	4,374,534	640,860	829,754	59,457	5,904,605
	=====	=====	=====	=====	=====
Segment liabilities	1,106,518	1,771,273	151,336	37,946	3,067,073
	=====	=====	=====	=====	=====
Three month period ended 31 March 2017 (audited)					
Segment revenue	18,741	89,477	-	12,229	120,447
Finance income	6,724	74	-	-	6,798
Gain on financial instruments at FVTPL	-	-	682	-	682
Other income	128,759	4,435	-	873	134,067
Share in profit/(loss) of an associate and a joint venture	-	-	5,119	-	5,119
	-----	-----	-----	-----	-----
Total Income	154,224	93,986	5,801	13,102	267,113
Direct costs	(10,073)	(161,675)	-	(8,313)	(180,061)
Administrative and general expenses	(11,599)	(14,272)	-	(2,917)	(28,788)
Finance cost	(9,223)	(6,575)	-	-	(15,798)
	-----	-----	-----	-----	-----
Profit/(loss) for the period	123,329	(88,536)	5,801	1,872	42,466
	=====	=====	=====	=====	=====
Capital expenditure	43,023	798	-	1,412	45,233
Depreciation	1,663	984	-	912	3,559
	=====	=====	=====	=====	=====
As at 31 December 2017 (audited)					
Segment assets	4,443,635	539,200	91,902	46,918	5,121,655
Investment in associates and joint ventures	-	-	493,757	-	493,757
	-----	-----	-----	-----	-----
Total assets	4,443,635	539,200	585,659	46,918	5,615,412
	=====	=====	=====	=====	=====
Segment liabilities	313,712	2,506,574	-	140,308	2,960,594
	=====	=====	=====	=====	=====

Union Properties P.J.S.C and its Subsidiaries

Notes to the interim condensed consolidated financial statements (*continued*)

16 Capital commitments and contingent liabilities

	Unaudited 31 March 2018 AED'000	Audited 31 December 2017 AED'000
<i>Company and its subsidiaries</i>		
Commitments:		
Capital commitments	44,571 =====	49,571 =====
Contingent liabilities:		
Letters of guarantee	316,874 =====	398,791 =====
<i>Associate</i>		
Contingent liabilities:		
Letters of guarantee	150,000 =====	150,000 =====