

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

Unaudited interim condensed
consolidated financial statements

30 September 2019

Union Properties Public Joint Stock Company and its subsidiaries

Unaudited interim condensed consolidated financial statements

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<i>Contents</i>	<i>Page(s)</i>
Independent auditor's report on review of interim condensed consolidated financial statements	1
Interim consolidated statement of profit or loss and other comprehensive income	2-3
Interim consolidated statement of financial position	4
Interim consolidated statement of cash flows	5
Interim consolidated statement of changes in equity	6
Notes to the interim condensed consolidated financial statements	7 - 20

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 30 September 2019, comprising of the interim consolidated statement of financial position as at 30 September 2019, and the related interim consolidated statement of profit or loss and other comprehensive income for the three-month and nine-month periods then ended and the statements of cash flows and changes in equity for the nine-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.

Basis for Qualified Conclusion – limitation of scope

As permitted by IAS 16 – Property, Plant and Equipment, in 2018, the Group changed its accounting policy for land under property, plant and equipment to a revaluation model and a revaluation was undertaken by an independent valuer (the "Valuer"), which resulted in a revaluation gain of AED 390 million in 2018, and is reflected in equity as at 30 September 2019. We were provided with the valuation report and access to the Valuer but were not able to obtain sufficient observable data to support some of the assumptions made regarding future cash flows.

As a result of this matter, we were unable to determine whether any adjustments were necessary to the carrying amount of property, plant and equipment as at 30 September 2019.

Our audit opinion on the 31 December 2018 consolidated financial statements was also qualified in regards to this matter.

Qualified Conclusion

Except for the adjustments to the interim condensed consolidated financial statements that we might have become aware of had it not been for the situation described above, 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.

For Ernst & Young



Signed by
Anthony O'Sullivan
Partner
Registration number: 687

14 November 2019

Dubai, United Arab Emirates

Union Properties Public Joint Stock Company and its subsidiaries

Interim consolidated statement of profit or loss and other comprehensive income (unaudited)
for the nine month period ended 30 September 2019

		Nine month period ended 30 September	
		2019	2018
	Notes	AED'000	AED'000
Revenue from contracts with customers	15	313,815	390,175
Net (loss)/gain on financial instruments at FVTPL	10	(90,765)	5,736
Share of results of associates, net	5	3,765	20,168
Gain on disposal of a joint venture	5	-	125,014
Gain on fair valuation of investment properties	7	9,617	120,674
Loss on disposal of investment properties	7	(4,313)	-
Finance income		1,975	4,192
Other income	6	84,357	71,276
Direct costs	15	(242,194)	(304,289)
Administrative and general expenses	15	(110,728)	(198,672)
Finance cost	15	(129,409)	(88,668)
(Loss)/profit for the period attributable to the shareholders of the Company		(163,880)	145,606
Other comprehensive income for the period		-	-
Total comprehensive (loss)/income for the period		(163,880)	145,606
Basic and diluted earnings per share (AED)	12	(0.038)	0.034

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

Union Properties Public Joint Stock Company and its subsidiaries

Interim consolidated statement of profit or loss and other comprehensive income (unaudited)
for the three month period ended 30 September 2019

		Three month period ended 30 September	
		2019	2018
	Notes	AED'000	AED'000
Revenue from contracts with customers	15	106,213	150,506
Net loss on financial instruments at FVTPL	10	(37,659)	(7,529)
Share of results of associates, net	5	8,531	(1,588)
Loss on disposal of investment properties	7	(696)	-
Finance income		722	1,675
Other income	6	6,958	2,590
Direct costs	15	(83,300)	(123,124)
Administrative and general expenses	15	(34,319)	(50,641)
Finance cost	15	(48,005)	(33,705)
Loss for the period attributable to the shareholders of the Company		(81,555)	(61,816)
Other comprehensive income for the period		-	-
Total comprehensive loss for the period		(81,555)	(61,816)
Basic and diluted earnings per share (AED)	12	(0.019)	(0.014)

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

Union Properties Public Joint Stock Company and its subsidiaries

Interim consolidated statement of financial position

As at 30 September 2019

	Notes	Unaudited 30 September 2019 AED'000	Audited 31 December 2018 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment		526,648	533,324
Right-of-use assets		23,361	-
Investment properties	7	4,168,874	4,211,112
Development properties		7,504	7,504
Investments in associates	5	491,117	499,757
Investments at fair value through profit or loss	10	189,493	-
Non-current receivables	8	43,693	60,179
Total non-current assets		5,450,690	5,311,876
Current assets			
Investments at fair value through profit or loss	10	14,862	298,144
Inventories		8,141	6,571
Contract assets		203,994	197,835
Trade and other receivables	8	388,140	339,133
Due from related parties	9	20,505	19,277
Cash in hand and at banks	11	90,055	97,498
Total current assets		725,697	958,458
Total assets		6,176,387	6,270,334
EQUITY AND LIABILITIES			
Equity			
Share capital		4,289,540	4,289,540
Statutory reserve		332,880	332,880
Asset revaluation surplus		390,011	390,011
Accumulated losses		(2,081,558)	(1,905,273)
Total equity attributable to the shareholders of the Company		2,930,873	3,107,158
Non-current liabilities			
Non-current portion of bank loans	13	538,896	562,918
Contract liabilities		7,785	7,952
Lease liabilities		20,512	-
Provision for staff terminal benefits		33,325	35,447
Total non-current liabilities		600,518	606,317
Current liabilities			
Trade and other payables		1,288,006	1,254,962
Contract liabilities		91,558	88,476
Lease liabilities		2,872	-
Bank overdrafts		256,989	231,426
Current portion of bank loans	13	1,005,571	981,995
Total current liabilities		2,644,996	2,556,859
Total liabilities		3,245,514	3,163,176
Total equity and liabilities		6,176,387	6,270,334

The interim condensed consolidated financial statements were authorised for issue on 14 November 2019 by the Board of Directors and signed on its behalf by:


Board Member


Board Member

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

Union Properties Public Joint Stock Company and its subsidiaries

Interim consolidated statement of cash flows (unaudited)

For the nine month period ended 30 September 2019

	Note	Nine month period ended 30 September	
		2019 AED'000	2018 AED'000
Operating activities			
(Loss)/profit for the period		(163,880)	145,606
<i>Adjustments for:</i>			
Depreciation		10,519	9,826
Loss on sale of investment properties		4,313	-
Gain on fair valuation of investment properties		(9,617)	(120,674)
Share of results of associates, net		(3,765)	(20,168)
Loss/(gain) on financial instruments at FVTPL, net		90,765	(5,736)
Gain on disposal of a joint venture		-	(125,014)
Finance income		(1,975)	(4,192)
Finance cost		129,409	88,668
<i>Operating profit/(loss) before working capital changes</i>		55,769	(31,684)
Change in inventories		(1,570)	(644)
Change in contract assets		(6,159)	4,808
Change in trade and other receivables		(31,767)	(52,466)
Change in due from related parties		(1,228)	6,890
Change in trade and other payables and contract liabilities		(49,293)	15,545
Change in staff terminal benefits (net)		(2,122)	(4,223)
<i>Net cash used in operating activities</i>		(36,370)	(61,774)
Investing activities			
Additions to property, plant and equipment		(4,681)	(12,878)
Additions to investment properties		-	(32,500)
Additions to development properties (net)		-	(2,792)
Proceeds from/investments in financial instruments at FVTPL, net		3,024	(596,476)
Proceeds from disposal of property, plant and equipment		333	291
Proceeds from sale of investment properties		47,542	-
Proceeds from sale of Development properties		-	37,276
Proceeds from disposal of a joint venture		-	500,000
Interest income received		534	855
Change in deposits with banks		(8,175)	(1,599)
<i>Net cash from/(used in) investing activities</i>		38,577	(107,823)
Financing activities			
Proceed from long-term bank loans		114,329	473,702
Repayment of long-term bank loans		(114,775)	(426,420)
Interest paid		(42,942)	(62,949)
<i>Net cash used in financing activities</i>		(43,388)	(15,667)
Net decrease in cash and cash equivalents		(41,181)	(185,264)
Cash and cash equivalents at the beginning of the period		(176,574)	67,488
Cash and cash equivalents at the end of the period	11	(217,755)	(117,776)

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

Union Properties Public Joint Stock Company and its subsidiaries

Interim consolidated statement of changes in equity (unaudited)

For the nine month period ended 30 September 2019

	Share capital AED'000	Statutory reserve AED'000	Asset revaluation surplus AED'000	Accumulated losses AED'000	Total AED'000
At 1 January 2018 (audited)	4,289,540	326,647	-	(1,961,369)	2,654,818
Total comprehensive income for the period	-	-	-	145,606	145,606
At 30 September 2018 (unaudited)	4,289,540	326,647	-	(1,815,763)	2,800,424
At 1 January 2019 (audited)	4,289,540	332,880	390,011	(1,905,273)	3,107,158
Effect of changes in accounting policies (note 4)	-	-	-	(12,405)	(12,405)
Total comprehensive loss for the period	-	-	-	(163,880)	(163,880)
At 30 September 2019 (unaudited)	4,289,540	332,880	390,011	(2,081,558)	2,930,873

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

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the consolidated financial statements

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Union Properties Public Joint Stock Company (“the Company”) was incorporated on 28 October 1993 as a public joint stock company by a United Arab Emirates Ministerial decree. The 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 owned 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 other entities.

The Company and its subsidiaries are collectively referred to as “the Group”.

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 2018. 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, except as disclosed in note 4.

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 nine month period ended 30 September 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

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 2018, except as disclosed in note 4.

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements (continued)

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 2018, except for the adoption of new standards and interpretations effective as of 1 January 2019.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The nature and the impact of each new standard or amendment is described below:

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The effect of adoption IFRS 16 as at 1 January 2019 (increase/(decrease) is as follows:

	Unaudited 1 January 2019 AED'000
Assets	
Right-of-use assets	25,140
Liabilities	
Lease liabilities	25,140
Total adjustment on equity	-

Nature of the effect of adoption of IFRS 16

Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease.

In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Trade and other payables, respectively.

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements (continued)

4 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP (continued)

IFRS 16 Leases (continued)

Nature of the effect of adoption of IFRS 16 (continued)

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. For all leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

Based on the foregoing, as at 1 January 2019:

- Right-of-use assets of AED 25,140 thousand were recognised and presented separately in the consolidated statement of financial position.
- Additional lease liabilities of AED 25,140 thousand were recognised and presented separately in the consolidated statement of financial position.

The Group accounted for the lease liabilities as at 1 January 2019 by applying judgement in evaluating whether it is reasonably certain to exercise the options to renew its lease arrangements. The Group considered all relevant factors that create an economic incentive for it to exercise the renewals. The Group did not have significant operating lease commitments as at 31 December 2018 whereby most of its leases are short-term in nature. The right-of-use assets and lease liabilities recognized at 1 January 2019 are mainly determined based on the Group's expected lease renewal terms derived mainly from the Group's long-term business plans.

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements (continued)

4 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP (continued)

IFRS 16 Leases (continued)

Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the profit rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of profit and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered of low value (i.e., below AED 18,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal.

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements (continued)

4 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP (continued)

IFRS 16 Leases (continued)

Summary of new accounting policies (continued)

Significant judgement in determining the lease term of contracts with renewal options (continued)

After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Amounts recognised in the consolidated statement of financial position and in profit or loss

	Right-of-use assets Unaudited AED'000	Lease liabilities Unaudited AED'000
As at 1 January 2019	25,140	25,140
Depreciation expense	(1,779)	-
Finance cost	-	1,047
Payments	-	(2,803)
As at 30 September 2019	23,361	23,384

IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted.

The Group adopted these amendments effective 1 January 2019 with retrospective effect. The application of these amendments had a significant effect on the financial statements of one of the Group's associates, which resulted in a negative adjustment to the Group's opening equity at 1 January 2019 of AED 12.4 million recorded directly in accumulated losses. The Group did not restate the 2018 profit or loss as the effect on the 2018 share of results of the associate was not material.

Other amendments and improvements

The following amendments and improvements, which became effective 1 January 2019, did not have any significant impact on the Group's consolidated financial statements:

- IFRIC Interpretation 23 Uncertainty over Income Tax Treatment
- Amendments to IFRS 9: Prepayment Features with Negative Compensation
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
- Amendments to IAS 28: Long-term interests in associates and joint ventures
- IFRS 3 Business Combinations
- IFRS 11 Joint Arrangements
- IAS 12 Income Taxes

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements (continued)

5 INVESTMENTS IN AN ASSOCIATES 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 nine month period ended 30 September 2018.

Investments in associates

	Unaudited Nine month period ended 30 September		Unaudited Three month period ended 30 September	
	2019	2018	2019	2018
	AED'000	AED'000	AED'000	AED'000
Share of profit/(loss) in Properties Investment LLC	(12,886)	20,168	-	(1,588)
Share of profit in Palm Hills Development PJSC	16,651	-	8,531	-
	<u>3,765</u>	<u>20,168</u>	<u>8,531</u>	<u>(1,588)</u>

During the current period, management engaged an independent third party specialist to complete the purchase price allocation exercise as required by IFRSs. As a result, the embedded goodwill has been entirely allocated to the different categories of assets and liabilities of the associate as the difference between book value and fair value at the date of acquisition, with no additional material tangible or intangible assets identified. Management has taken account of the change in the Group's shareholding in the associate in the prior year in its purchase price allocation exercise.

6 OTHER INCOME

Other income mainly represents positive saving on account of liabilities settlement for certain contracts amounting to AED 74 million (30 September 2018: AED 55.3 million).

7 INVESTMENT PROPERTIES

	Unaudited 30 September 2019 AED'000	Audited 31 December 2018 AED'000
At 1 January	4,211,112	3,718,645
Additions during the period/year	-	32,500
Transfer to development properties	-	(46,637)
Transfer from development properties	-	7,170
Transfer from property, plant and equipment	-	893
Transfer from receivables	-	412,137
Gain on fair valuation	9,617	86,404
Disposals	(51,855)	-
Closing balance	<u>4,168,874</u>	<u>4,211,112</u>

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements (continued)

7 INVESTMENT PROPERTIES (CONTINUED)

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 2018 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 nine month period ended 30 September 2019, investment properties amounting to AED 51.9 million were disposed of for a consideration of AED 47.6 million resulting in a loss of AED 4.3 million.

During the nine month ended 30 September 2019, valuation gain of AED 9.6 million was recognised in relation to a property that was not previously revalued and was being carried at cost.

8 TRADE AND OTHER RECEIVABLES

	Unaudited 30 September 2019 AED'000	Audited 31 December 2018 AED'000
Financial instruments		
Trade receivables	2,005,997	1,969,528
Retention receivables	61,298	54,179
Property sales receivables	10,000	20,032
	2,077,295	2,043,739
Less: allowance for expected credit losses	(1,807,746)	(1,805,375)
	269,549	238,364
Other receivables	66,176	47,048
Total (A)	335,725	285,412
Non-financial instruments		
Advances to contractors	24,375	28,429
Prepayments and advances	28,040	25,292
Total (B)	52,415	53,721
Total (A+B)	388,140	339,133

Non-current receivables

	Unaudited 30 September 2019 AED'000	Audited 31 December 2018 AED'000
Retention receivables	6,752	24,679
Property sales receivables	36,941	35,500
	43,693	60,179

Impairment losses

Set out below is the information about the credit risk exposure on the Group's trade and retention receivables using a provision matrix:

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements (continued)

8 TRADE AND OTHER RECEIVABLES (CONTINUED)

		Trade receivables			
			Past due		
<i>Retentions receivable</i>	<i>Current</i>	<i>1-90 days</i>	<i>91-365 days</i>	<i>>365 days</i>	<i>Total</i>
AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
30 September 2019					
Expected credit loss rate	75.33%	3.42%	14.34%	8.15%	99.34%
Gross amount	68,050	116,890	42,429	147,807	2,120,988
Expected credit loss	51,260	3,998	6,086	12,042	1,807,746
31 December 2018					
Expected credit loss rate	81.76%	3.59%	14.79%	7.75%	98.51%
Gross amount	78,858	116,784	39,583	121,248	2,103,918
Expected credit loss	64,478	4,191	5,856	9,397	1,805,375

The movement in the allowance for expected credit losses in respect of trade and retention receivables during the period/year is as follows:

	Unaudited 30 September 2019 AED'000	Audited 31 December 2018 AED'000
At 1 January	1,805,375	1,792,210
Addition for the period/year	2,371	13,264
Amounts written off/reversed	-	(99)
Closing balance	1,807,746	1,805,375

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 30 September 2019 AED'000	Unaudited 30 September 2018 AED'000
Compensation to key management personnel are as follows :		
- Salaries and other short-term employee benefits	9,559	12,711
- Provision towards staff terminal benefits	429	547

Due from related parties in the interim consolidated statement of financial position represents balances owed by an associate as at 30 September 2019 (30 September 2018 owed by an associate).

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements (continued)

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 nine month period ended 30 September 2019, the Group sold investments in funds and invested in various listed equity investments, having a fair value of AED 204.4 million as at the reporting date, which resulted in a net loss on change in fair value of AED 90.8 million during the period (2018: *profit of AED 5.7 million*).

As at 30 September 2019, investments amounting to AED 189.5 million were classified as non-current assets in the interim consolidated statement of financial position as the management intends to hold those investments for a period exceeding 12 months from the reporting date.

11 CASH AND CASH EQUIVALENTS

	Unaudited 30 September 2019 AED'000	Audited 31 December 2018 AED'000
Cash in hand	628	658
Cash at bank		
– in deposit accounts held under lien	50,821	42,646
– in current accounts	27,478	37,053
– in other deposit accounts	11,128	17,141
	<u>90,055</u>	<u>97,498</u>

	Unaudited 30 September 2019 AED'000	Audited 31 December 2018 AED'000
Cash and cash equivalents comprise:		
Cash in hand and at banks (excluding deposits under lien)	39,234	54,852
Bank overdrafts	(256,989)	(231,426)
	<u>(217,755)</u>	<u>(176,574)</u>

12 BASIC AND DILUTED EARNINGS PER SHARE

	Unaudited Nine month period ended 30 September		Unaudited Three month period ended 30 September	
	2019	2018	2019	2018
(Loss)/profit attributable to shareholders (AED'000)	(163,880)	145,606	(81,555)	(61,816)
Weighted average number of shares	4,289,540,134	4,289,540,134	4,289,540,134	4,289,540,134
Basic and diluted earnings per share (AED)	<u>(0.0382)</u>	<u>0.0339</u>	<u>(0.0190)</u>	<u>(0.0144)</u>

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements (continued)

13 BANK LOANS

	Unaudited 30 September 2019 AED'000	Audited 31 December 2018 AED'000
At 31 December	1,544,467	1,544,913
Less: Current portion	(1,005,571)	(981,995)
Non-current portion	538,896	562,918

The bank loans carry interest at commercial rates.

The movement in bank loans during the period/year was as follows:

	Unaudited 30 September 2019 AED'000	Audited 31 December 2018 AED'000
At 1 January	1,544,913	1,510,676
Availed during the period/year	114,329	485,110
Repayments during the period/year	(114,775)	(450,873)
At the end of the period/year	1,544,467	1,544,913

At 30 September 2019, the two loans that have been classified as current liabilities at year-end 2018 due to breach in contractual payments continue to be classified as current liabilities. Subsequent to 30 September 2019, the Group is in advanced discussions with the bank to rectify the breach.

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, lease liabilities, 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:

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements (continued)

14 FINANCIAL INSTRUMENTS (CONTINUED)

	At fair value through profit or loss AED'000	At amorized cost AED'000	Carrying amount AED'000	Fair value AED'000
30 September 2019 (unaudited)				
<i>Financial assets</i>				
Non-current receivables	-	43,693	43,693	43,693
Investments at FVTPL	204,355	-	204,355	204,355
Trade and other receivables	-	339,482	339,482	339,482
Due from related parties	-	20,505	20,505	20,505
Cash in hand and at banks	-	90,055	90,055	90,055
Total	204,355	493,735	698,090	698,090
<i>Financial liabilities</i>				
Trade and other payables	-	1,277,825	1,277,825	1,277,825
Lease liabilities	-	23,384	23,384	23,384
Bank overdrafts	-	256,989	256,989	256,989
Bank loans	-	1,544,467	1,544,467	1,544,467
Total	-	3,102,665	3,102,665	3,102,665
31 December 2018 (audited)				
<i>Financial assets</i>				
Non-current receivables	-	60,179	60,179	60,179
Investments at FVTPL	298,144	-	298,144	298,144
Trade and other receivables	-	285,412	285,412	285,412
Due from related parties	-	19,277	19,277	19,277
Cash in hand and at banks	-	97,498	97,498	97,498
Total	298,144	462,366	760,510	760,510
<i>Financial liabilities</i>				
Trade and other payables	-	1,254,962	1,254,962	1,254,962
Bank overdrafts	-	231,426	231,426	231,426
Bank loans	-	1,544,913	1,544,913	1,544,913
Total	-	3,031,301	3,031,301	3,031,301

Fair value hierarchy

The table below analyses 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); and
- **Level 3:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements (continued)

14 FINANCIAL INSTRUMENTS (CONTINUED)

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
30 September 2019 (unaudited)			
Investments at fair value through profit or loss	203,007	1,348	204,355
31 December 2018 (audited)			
Investments at fair value through profit or loss	296,796	1,348	298,144

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

Level 1:

	Unaudited 30 September 2019 AED'000	Audited 31 December 2018 AED'000	Unaudited 30 September 2018 AED'000
Opening balance	296,796	91,902	91,902
Additions	1,857,386	940,233	596,476
Disposals	(1,860,410)	(359,422)	(374,130)
Transfer to investment in associate	-	(374,130)	-
Total gains or losses – net:	(90,765)	(1,787)	5,736
Closing balance	203,007	296,796	319,984

15 SEGMENT REPORTING

Business segments

The Group's activities include four main business segments, namely, real estate property management, contracting activities, investing activities, and sales of goods and services. The details of segment revenue, segment result, segment assets and segment liabilities are as follows:

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements (continued)

15 SEGMENT REPORTING (CONTINUED)

	Real estate	Contracting	Goods and services	Investments	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
Nine month period ended 30 September 2019 (unaudited)					
Segment revenue	51,573	56,311	205,931	-	313,815
Loss on financial instruments at FVTPL	-	-	-	(90,765)	(90,765)
Share of loss of associates	-	-	-	3,765	3,765
Gain on valuation of properties	9,617	-	-	-	9,617
Loss on sale of investment properties	(4,313)	-	-	-	(4,313)
Finance income	1,540	223	212	-	1,975
Other income	79,268	120	4,969	-	84,357
Direct cost	(32,853)	(45,177)	(164,164)	-	(242,194)
Administrative and general expenses	(54,575)	(14,287)	(25,028)	(16,838)	(110,728)
Finance cost	(45,502)	(35,088)	(6,065)	(42,754)	(129,409)
Profit/(loss) for the period	4,755	(37,898)	15,855	(146,592)	(163,880)
Capital expenditure	285	3,043	1,237	116	4,681
Depreciation	5,628	2,633	2,188	70	10,519
As at 30 September 2019 (unaudited)					
Segment assets	4,960,887	297,578	222,438	204,367	5,685,270
Investments in associates	-	-	-	491,117	491,117
Total assets	4,960,887	297,578	222,438	695,484	6,176,387
Segment liabilities	1,289,574	1,559,388	188,725	207,827	3,245,514
Nine month period ended 30 September 2018 (unaudited)					
Segment revenue	107,144	61,046	221,985	-	390,175
Gain on financial instruments at FVTPL	-	-	-	5,736	5,736
Share in profit of associates	-	-	-	20,168	20,168
Gain on disposal of a joint venture	-	-	-	125,014	125,014
Gain on valuation of properties	120,674	-	-	-	120,674
Finance income	3,960	107	125	-	4,192
Other income	65,326	440	3,039	2,471	71,276
Direct cost	(78,890)	(46,860)	(178,539)	-	(304,289)
Administrative and general expenses	(137,607)	(21,822)	(27,640)	(11,603)	(198,672)
Finance cost	(34,781)	(27,592)	(5,813)	(20,482)	(88,668)
Profit/(loss) for the period	45,826	(34,681)	13,157	121,304	145,606
Capital expenditure	46,469	1,307	394	-	48,170
Depreciation	4,798	654	4,374	-	9,826
As at 31 December 2018 (audited)					
Segment assets	4,930,119	319,074	221,861	299,523	5,770,577
Investment in an associate and joint venture	-	-	-	499,757	499,757
Total assets	4,930,119	319,074	221,861	799,280	6,270,334
Segment liabilities	1,285,655	1,533,054	184,644	159,823	3,163,176

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements (continued)

15 SEGMENT REPORTING (CONTINUED)

	Real estate	Contracting	Goods and services	Investments	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
Three month period ended 30 September 2019 (unaudited)					
Segment revenue	18,213	22,698	65,302	-	106,213
Loss on financial instruments at FVTPL	-	-	-	(37,659)	(37,659)
Share of profit of associates	-	-	-	8,531	8,531
Loss on sale of investment properties	(696)	-	-	-	(696)
Finance income	481	49	192	-	722
Other income	4,707	52	2,199	-	6,958
Direct cost	(10,379)	(17,447)	(55,474)	-	(83,300)
Administrative and general expenses	(17,222)	(4,266)	(7,748)	(5,083)	(34,319)
Finance cost	(15,542)	(17,046)	(2,067)	(13,350)	(48,005)
Profit/(loss) for the period	(20,438)	(15,960)	2,404	(47,561)	(81,555)
Depreciation	1,793	845	602	25	3,265
Three month period ended 30 September 2018 (unaudited)					
Segment revenue	75,410	5,751	69,345	-	150,506
Loss on financial instruments at FVTPL	-	-	-	(7,529)	(7,529)
Share in profit of associates	-	-	-	(1,588)	(1,588)
Gain on valuation of properties	-	-	-	-	-
Finance income	1,602	36	37	-	1,675
Other income	2,141	14	750	(315)	2,590
Direct cost	(58,325)	(6,493)	(58,306)	-	(123,124)
Administrative and general expenses	(24,787)	(7,193)	(9,447)	(9,214)	(50,641)
Finance cost	(13,532)	(10,324)	(2,050)	(7,799)	(33,705)
Profit/(loss) for the period	(17,491)	(18,209)	329	(26,445)	(61,816)
Capital expenditure	4,146	955	534	-	5,635
Depreciation	1,735	163	1,252	-	3,150

16 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

	Unaudited 30 September 2019 AED'000	Audited 31 December 2018 AED'000
<i>Company and its subsidiaries</i>		
Commitments:		
Capital commitments	12,015	12,015
Contingent liabilities:		
Letters of guarantee	307,787	309,960
<i>Associate</i>		
Contingent liabilities:		
Letters of guarantee	252,500	252,500