

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

Unaudited interim condensed
consolidated financial statements

30 June 2021

Union Properties Public Joint Stock Company and its subsidiaries

Unaudited interim condensed consolidated financial statements

30 June 2021

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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 (together referred to as the “Group”) which comprise the interim condensed consolidated statement of financial position as at June 30, 2021, the related interim condensed consolidated statement of profit or loss and other comprehensive income, the interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six months period then ended and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 – Interim Financial Reporting (IAS 34) as issued by International Accounting Standard Board (IASB). Our responsibility is to express a conclusion of 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 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. Consequently, it 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.

For:

MAZARS

Chartered Accountants LLC (Abu Dhabi Br.1)



By: Jaffer A. Rupawala

Registered Auditor Number: 852

Abu Dhabi,

August 14, 2021

Union Properties Public Joint Stock Company and its subsidiaries

Interim condensed consolidated statement of profit or loss and other comprehensive income (unaudited)

For the six-month period ended 30 June 2021

		Six-month period ended 30 June	
		2021	2020
	Notes	AED'000	AED'000
Revenue from contracts with customers	16	197,448	195,794
Net gain/(loss) on financial instruments at FVTPL	9	8,404	(74,276)
Share of profits from associates, net		-	2,338
Gain on fair valuation of investment properties	6	78,854	-
Loss on sale of investment properties	6	(23,285)	(19,836)
Finance income		1,022	741
Other income	5	32,968	9,157
Direct costs	16	(163,361)	(151,009)
Administrative and general expenses	16	(55,148)	(57,963)
Finance cost	16	(44,518)	(65,373)
Profit/(loss) for the period		32,384	(160,427)
Other comprehensive income for the period		-	-
Total comprehensive income/(loss) for the period		32,384	(160,427)
Basic and diluted earnings per share (AED)	11	0.0075	(0.0374)

The notes from 1 to 18 form an integral part of these interim condensed consolidated financial statements.

Union Properties Public Joint Stock Company and its subsidiaries

Interim condensed consolidated statement of profit or loss and other comprehensive income (unaudited)

For the three-month period ended 30 June 2021

		Three month period ended 30 June	
		2021	2020
	Notes	AED'000	AED'000
Revenue from contracts with customers	16	99,189	83,262
Net gain/(loss) on financial instruments at FVTPL	9	5,624	(10,296)
Share of profit from associates, net		-	2,338
Gain on fair valuation of investment properties	6	78,854	-
Loss on sale of investment properties	6	(30,251)	(336)
Finance income		510	683
Other income	5	10,118	8,173
Direct costs	16	(85,619)	(67,918)
Administrative and general expenses	16	(29,756)	(28,237)
Finance cost	16	(21,838)	(26,228)
Profit/(loss) for the period		26,831	(38,559)
Other comprehensive income for the period		-	-
Total comprehensive income/(loss) for the period		26,831	(38,559)
Basic and diluted earnings per share (AED)	11	0.006	(0.009)

The notes from 1 to 18 form an integral part of these interim condensed consolidated financial statements.

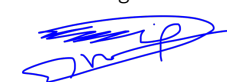
Union Properties Public Joint Stock Company and its subsidiaries

Interim condensed consolidated statement of financial position

As at 30 June 2021

		Unaudited 30 June 2021 AED'000	Audited 31 December 2020 AED'000
	Notes		
ASSETS			
Non-current assets			
Property, plant and equipment		345,677	348,076
Right-of-use assets		24,032	26,371
Investment properties	6	4,499,741	4,612,744
Development properties		7,504	7,504
Investments in an associate		87,368	87,368
Investments at fair value through profit or loss	9	-	114,608
Non-current receivables	7	5,535	33,194
Total non-current assets		4,969,857	5,229,865
Current assets			
Investments at fair value through profit or loss	9	158,441	37,276
Inventories		8,571	7,913
Contract assets		221,506	218,864
Trade and other receivables	7	598,863	394,888
Due from related parties	8	2,073	7,648
Cash and cash equivalents	10	42,203	45,400
Total current assets		1,031,657	711,989
Total assets		6,001,514	5,941,854
EQUITY AND LIABILITIES			
Equity			
Share capital		4,289,540	4,289,540
Statutory reserve		352,978	352,978
Asset revaluation surplus		212,689	212,689
Accumulated losses		(1,928,689)	(1,961,073)
Total equity attributable to the shareholders of the Company		2,926,518	2,894,134
Non-current liabilities			
Non-current portion of bank loans	12	398,745	463,056
Contract liabilities		8,118	8,118
Lease liabilities		18,572	20,333
Provision for staff terminal benefits		35,370	32,935
Total non-current liabilities		460,805	524,442
Current liabilities			
Trade and other payables	13	1,254,812	1,237,010
Contract liabilities		104,520	88,692
Lease liabilities		4,643	5,084
Bank overdrafts	14	200,044	192,235
Current portion of bank loans	12	1,050,172	1,000,257
Total current liabilities		2,614,191	2,523,278
Total liabilities		3,074,996	3,047,720
Total equity and liabilities		6,001,514	5,941,854

The interim condensed consolidated financial statements were authorised for issue on 14 August 2021 by the Board of Directors and signed on its behalf by:



Board Member




General Manager

The notes from 1 to 18 form an integral part of these interim condensed consolidated financial statements.

Union Properties Public Joint Stock Company and its subsidiaries

Interim condensed consolidated statement of cash flows (unaudited)

For the six-month period ended 30 June 2021

	Note	Six-month period ended 30 June	
		2021 AED'000	2020 AED'000
Operating activities			
Profit/(loss) for the period		32,384	(160,427)
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment		5,721	6,676
Depreciation of right of use assets		2,339	2,466
Loss on sale of investment properties		23,285	19,836
Gain on fair valuation of investment properties		(78,854)	-
Share of results of associates, net		-	(2,338)
(Gain)/loss on financial instruments at FVTPL, net		(8,404)	74,276
Gain on disposal of property, plant and equipment		7,095	-
Finance income		(1,022)	(741)
Finance cost		44,518	65,373
<i>Operating profit before working capital changes</i>		27,062	5,121
Change in non-current receivables			
Change in inventories		(658)	(847)
Change in contract assets		14,141	16,317
Change in trade and other receivables		(63,880)	33,099
Change in due from related parties		5,575	-
Change in non-current payables		(153)	16,158
Change in trade and other payables and contract liabilities		20,746	(41,110)
Change in staff terminal benefits (net)		2,435	1,618
<i>Net cash from operating activities</i>		5,268	30,356
Investing activities			
Additions to property, plant and equipment		(6,203)	(3,597)
Proceeds from/investments in financial instruments at FVTPL, net		1,847	2,113
Proceeds from disposal of property, plant and equipment		363	31
Proceeds from sale of investment properties		56,946	31,580
Interest income received		35	29
Changes in deposits with banks		1,403	(2,091)
<i>Net cash from investing activities</i>		54,391	28,065
Financing activities			
Proceed from long-term bank loans		31,412	36,107
Repayment of long-term bank loans		(45,808)	(64,446)
Advances to banks against loan principal and interest		(42,000)	(30,000)
Interest paid		(16,481)	(17,431)
<i>Net cash used in financing activities</i>		(72,877)	(75,770)
Net increase in cash and cash equivalents		(13,218)	(17,349)
Cash and cash equivalents at the beginning of the period		(172,765)	(247,895)
Cash and cash equivalents at the end of the period	10	(185,983)	(265,244)

The notes from 1 to 18 form an integral part of these interim condensed consolidated financial statements.

Union Properties Public Joint Stock Company and its subsidiaries

Interim condensed consolidated statement of changes in equity (unaudited)

For the six-month period ended 30 June 2021

	Share capital AED'000	Statutory reserve AED'000	Currency translation reserve AED'000	Asset revaluation surplus AED'000	Accumulated losses AED'000	Total AED'000
At 1 January 2020 (audited)	4,289,540	332,880	15,508	212,689	(2,141,959)	2,708,658
Total comprehensive loss for the period	-	-	-	-	(160,427)	(160,427)
At 30 June 2020 (unaudited)	4,289,540	332,880	15,508	212,689	(2,302,386)	2,548,231
At 1 January 2021 (audited)	4,289,540	352,978	-	212,689	(1,961,073)	2,894,134
Total comprehensive income for the period	-	-	-	-	32,384	32,384
At 30 June 2021 (unaudited)	4,289,540	352,978	-	212,689	(1,928,689)	2,926,518

The notes from 1 to 18 form an integral part of these interim condensed consolidated financial statements.

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed 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 NEW STANDARDS, AMENDMENT TO STANDARDS AND INTERPRETATIONS

There are no new standards issued, however, there are number of amendments to standards which are effective from January 1, 2021 and has been explained in Group annual consolidated financial statements as at year ended December 31, 2020 but they do not have a material impact on the Group's interim condensed consolidated financial statements.

3 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 2020. 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 six-month period ended 30 June 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements (continued)

4 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 2020.

5 OTHER INCOME

	Unaudited 30 June 2021	Unaudited 30 June 2020
Reversals of liabilities (refer note below)	20,298	-
Gain on disposal of property, plant and equipment	-	-
Miscellaneous income	12,670	9,157
Income from government grant (refer note 25)	-	-
	32,968	9,157

The reversals of liabilities are mainly related to payables and accruals in relation to completed projects and cancelation of contracts for which management assessed that no settlement will be required against.

6 INVESTMENT PROPERTIES

	Unaudited 30 June 2021 AED'000	Audited 31 December 2020 AED'000
At 1 January	4,612,744	4,111,636
Transfer from property, plant and equipment	-	8,570
Gain on fair valuation	78,854	743,549
Sale of investment properties	(191,857)	(251,011)
Closing balance	4,499,741	4,612,744

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 30 June 2021 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. The independent valuers have been appointed to provide the fair value of the Group's investment property portfolio on a semi annual basis.

Based on the above, fair value gain of AED 78.9 million has been recognised in the consolidated statement of profit or loss for the six months period ended 30 June 2021 (2020: nil). The Group also sold investment properties with a carrying value of AED 191.9 million for a consideration of AED 168.6 million.

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements (continued)

6 INVESTMENT PROPERTIES (CONTINUED)

During the previous years, the Group had undertaken a full review of the Masterplan for Dubai Motorcity and had submitted a formal request to the concerned regulatory authorities for the issuance of revised affection plans with amended Gross Floor Areas (the "GFA's"). Furthermore, in accordance with the directions of Dubai Development Authority, the Group had appointed approved independent third party surveyors to perform a detailed survey of the entire land bank at Dubai Motorcity. Based on the official third party surveyor reports, the Group got an attestation from Dubai Land for an additional GFA and thereafter also got an approval of the Traffic Impact Study from Road and Transport Authority during the period ended 30 June 2021. Based on surveyor reports, valuation and approvals received from the experts and authorities, the management continued with inclusion of the additional GFA to the value of AED 1,312 Million in the valuation of the Motorcity land bank in the Group financial statements as at 30 June 2021 (31 December 2020: AED 1,249 million), on the understanding that the approvals expected to be updated on the Dubai Development Authority system at the earliest.

7 TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2021 AED'000	Audited 31 December 2020 AED'000
Financial instruments		
Trade receivables	1,999,311	1,955,931
Retention receivables	52,839	52,059
Property sales receivables	149,750	46,104
	2,201,900	2,054,094
Less: allowance for expected credit losses	(1,838,741)	(1,837,352)
	363,159	216,742
Other receivables	48,957	64,441
Total (A)	412,116	281,183
Non-financial instruments		
Advances to contractors	54,454	26,241
Advances to banks against loan principal and interest	112,000	70,000
Prepayments and advances	20,293	17,464
Total (B)	186,747	113,705
Total (A+B)	598,863	394,888

Non-current receivables

	Unaudited 30 June 2021 AED'000	Audited 31 December 2020 AED'000
Retention receivables	5,535	5,167
Property sales receivables	-	28,027
	5,535	33,194

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)

7 TRADE AND OTHER RECEIVABLES (CONTINUED)

	Trade receivables					
			Past due			
	Retentions receivable	Current	1-90 days	91-365 days	>365 days	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
30 June 2021						
Expected credit loss rate	69.30%	0.00%	0.00%	0.00%	99.48%	
Gross amount	58,374	199,909	44,779	96,662	1,807,711	2,207,435
Expected credit loss	40,456	-	-	-	1,798,285	1,838,741
31 December 2020						
Expected credit loss rate	81.76%	3.59%	14.79%	7.75%	98.51%	
Gross amount	57,226	74,515	58,632	100,900	1,787,549	2,078,822
Expected credit loss	40,456	-	11,094	11,095	1,774,707	1,837,352

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 June 2021 AED'000	Audited 31 December 2020 AED'000
At 1 January	1,837,352	1,831,650
Addition for the period/year	1,389	7,991
Amounts written off	-	(2,289)
Closing balance	1,838,741	1,837,352

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

	Unaudited 30 June 2021 AED'000	Unaudited 30 June 2020 AED'000
Compensation to key management personnel are as follows :		
- Salaries and other short-term employee benefits	5,718	4,785
- Provision towards staff terminal benefits	395	309

Balances with related parties in the consolidated statement of financial position represent balances due from an equity accounted investee of AED 2.1 million (31 December 2020: AED 7.6 million).

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements (continued)

9 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 six-month period ended 30 June 2021, the Group sold investments in funds and invested in various listed equity investments, having a fair value of AED 158.4 million at the reporting date (31 December 2020: AED 151.9 million), which resulted in a net profit on change in fair value of AED 8.4 million during the six month period ended 30 June 2021 (2020: net loss of AED 74.3 million).

The Group also has an investment in a real estate fund valued at AED 0.8 million at end of the period (2020: AED 0.8 million).

10 CASH AND CASH EQUIVALENTS

	Unaudited 30 June 2021 AED'000	Audited 31 December 2020 AED'000
Cash in hand	1,481	889
Cash at bank		
– in deposit accounts held under lien	21,042	14,781
– in current accounts	12,580	18,581
– in other deposit accounts	7,100	11,149
	42,203	45,400

	Unaudited 30 June 2021 AED'000	Audited 31 December 2020 AED'000
Cash and cash equivalents comprise:		
Cash in hand and at banks (excluding deposits under lien)	14,061	19,470
Bank overdrafts	(200,044)	(192,235)
	(185,983)	(172,765)

11 BASIC AND DILUTED EARNINGS PER SHARE

	Unaudited Six month period ended 30 June		Unaudited Three month period ended 30 June	
	2021	2020	2021	2020
Profit/(loss) attributable to shareholders (AED'000)	32,384	(160,427)	26,831	(38,559)
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)	0.0075	(0.0374)	0.0063	(0.0090)

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements (continued)

12 BANK LOANS

	Unaudited 30 June 2021 AED'000	Audited 31 December 2020 AED'000
Balance	1,448,917	1,463,313
Less: Current portion	(1,050,172)	(1,000,257)
Non-current portion	398,745	463,056

The bank loans carry interest at commercial rates.

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

	Unaudited 30 June 2021 AED'000	Audited 31 December 2020 AED'000
At 1 January	1,463,313	1,518,304
Availed during the period/year	31,412	47,697
Repayments during the period/year	(45,808)	(102,688)
At the end of the period/year	1,448,917	1,463,313

At 30 June 2021, the two loans that have been classified as current liabilities at year-ended 2020 due to breach in contractual payments continue to be classified as current liabilities. Subsequent to 30 June 2021, the Group is in advanced discussions with the bank to rectify the breach.

During the 6 months period ended 30 June 2021, the Company has finalized sale of certain mortgaged units and agreed with bank that the cash proceed will be settled towards the loan outstanding, the Company has received an amount of AED 85 million in their escrow bank account on 10 August 2021 which was underlying under the property sales receivables as at 30 June 2021 and the Company further confirmed the bank to process the transfer of the funds towards the loan outstanding.

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements (continued)

13 TRADE AND OTHER PAYABLES

	Unaudited 30 June 2021 AED'000	Audited 31 December 2020 AED'000
Financial instruments		
Trade payables	320,045	323,471
Retention payables	39,580	39,355
Other payables and accruals	895,187	874,184
Total	1,254,812	1,237,010
	Unaudited 30 June 2021 AED'000	Audited 31 December 2020 AED'000
Provisions and accruals against contracting business	572,076	518,716
Provision for staff related payables	33,091	42,415
Provisions and accruals for payment to contractors cost	36,763	36,504

14 BANK OVERDRAFTS

	Unaudited 30 June 2021 AED'000	Audited 31 December 2020 AED'000
Bank overdrafts	200,044	192,235

Significant terms and conditions

Bank overdrafts have been obtained from local and foreign banks to finance the working capital requirements of the Group, which carry interest at commercial rates.

Securities

Bank overdrafts are secured by:

- Promissory notes;
- Joint and several guarantees of the Company;
- A letter of undertaking by the Company not to reduce its shareholding in Thermo LLC ("a subsidiary") as long as the banking facilities are outstanding; and
- Assignment of certain contract and retention receivables.

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements (continued)

15 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, 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:

	At fair value through profit or loss AED'000	At amortized cost AED'000	Carrying amount AED'000	Fair value AED'000
30 June 2021 (unaudited)				
<i>Financial assets</i>				
Non-current receivables	-	5,535	5,535	5,535
Investments at FVTPL	158,441	-	158,441	158,441
Trade and other receivables	-	412,116	412,116	412,116
Due from related parties	-	2,073	2,073	2,073
Cash in hand and at banks	-	42,203	42,203	42,203
Total	158,441	461,927	620,368	620,368
<i>Financial liabilities</i>				
Trade and other payables	-	1,254,812	1,254,812	1,254,812
Lease liabilities	-	23,215	23,215	23,215
Bank overdrafts	-	200,044	200,044	200,044
Bank loans	-	1,448,917	1,448,917	1,448,917
Total	-	2,926,988	2,926,988	2,926,988
	At fair value through profit or loss AED'000	At amortized cost AED'000	Carrying amount AED'000	Fair value AED'000
31 December 2020 (audited)				
<i>Financial assets</i>				
Non-current receivables	-	33,194	33,194	33,194
Investments at FVTPL	151,884	-	151,884	151,884
Trade and other receivables	-	281,183	281,183	281,183
Due from related parties	-	7,648	7,648	7,648
Cash in hand and at banks	-	45,400	45,400	45,400
Total	151,884	367,425	519,309	519,309
<i>Financial liabilities</i>				
Trade and other payables	-	1,237,010	1,237,010	1,237,010
Bank overdrafts	-	192,235	192,235	192,235
Bank loans	-	1,463,313	1,463,313	1,463,313
Lease liabilities	-	25,417	25,417	25,417
Total	-	2,917,975	2,917,975	2,917,975

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements (continued)

15 FINANCIAL INSTRUMENTS (CONTINUED)

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).

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 June 2021 (unaudited)			
Investments at fair value through profit or loss	157,685	756	158,441
31 December 2020 (audited)			
Investments at fair value through profit or loss	151,128	756	151,884

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

Level 1:

	Unaudited 30 June 2021 AED'000	Audited 31 December 2020 AED'000	Unaudited 30 June 2020 AED'000
Opening balance	151,128	196,164	196,756
Additions	111,940	830,395	411,722
Sales	(113,787)	(833,313)	(413,835)
Transfer from investment in associate	-	1,213	-
Total gains or losses – net:	8,404	(43,331)	(74,276)
Closing balance	157,685	151,128	120,367

16 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)

16 SEGMENT REPORTING (CONTINUED)

	Real estate	Contracting	Goods and services	Investments	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
Six-month period ended 30 June 2021 (unaudited)					
Segment revenue	21,975	28,226	147,247	-	197,448
Gain on financial instruments at FVTPL	-	-	-	8,404	8,404
Gain on valuation of properties	78,854	-	-	-	78,854
Loss on sale of investment properties	(23,285)	-	-	-	(23,285)
Finance income	987	35	-	-	1,022
Other income	29,597	208	3,157	6	32,968
Direct cost	(21,694)	(23,855)	(117,812)	-	(163,361)
Administrative and general expenses	(29,819)	(4,112)	(18,801)	(2,416)	(55,148)
Finance cost	(21,167)	(18,335)	(2,275)	(2,741)	(44,518)
Profit/(loss) for the period	35,448	(17,833)	11,516	3,253	32,384
Capital expenditure	1,224	709	4,270	-	6,203
Depreciation of property, plant and equipment	2,775	998	1,912	36	5,721
Depreciation of right of use assets	1,882	-	457	-	2,339
As at 30 June 2021 (unaudited)					
Segment assets	4,905,095	294,404	556,622	158,025	5,914,146
Investments in associates	-	-	-	87,368	87,368
Total assets	4,905,095	294,404	556,622	245,393	6,001,514
Segment liabilities	1,166,662	1,610,578	187,483	110,273	3,074,996
Six-month period ended 30 June 2020 (unaudited)					
Segment revenue	32,954	36,290	126,550	-	195,794
Loss on financial instruments at FVTPL	-	-	-	(74,276)	(74,276)
Share of profit from associates	-	-	-	2,338	2,338
Loss on sale of investment properties	(19,836)	-	-	-	(19,836)
Finance income	671	70	-	-	741
Other income	6,976	3	2,166	12	9,157
Direct cost	(19,734)	(30,080)	(101,195)	-	(151,009)
Administrative and general expenses	(33,839)	(3,963)	(16,324)	(3,837)	(57,963)
Finance cost	(28,987)	(21,542)	(3,288)	(11,556)	(65,373)
Profit/(loss) for the period	(61,795)	(19,222)	7,909	(87,319)	(160,427)
Capital expenditure	1,869	667	1,061	-	3,597
Depreciation of property, plant and equipment	3,934	1,564	1,139	39	6,676
Depreciation of right of use assets	2,014	-	452	-	2,466
As at 31 December 2020 (audited)					
Segment assets	4,865,732	285,016	552,222	151,516	5,854,486
Investment in associates	-	-	-	87,368	87,368
Total assets	4,865,732	285,016	552,222	238,884	5,941,854
Segment liabilities	1,212,680	1,536,599	191,024	107,417	3,047,720

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements (continued)

16 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 June 2021 (unaudited)					
Segment revenue	10,830	15,479	72,880	-	99,189
Gain on financial instruments at FVTPL	-	-	-	5,624	5,624
Gain on valuation of properties	78,854	-	-	-	78,854
Loss on sale of investment properties	(30,251)	-	-	-	(30,251)
Finance income	494	16	-	-	510
Other income	8,282	94	1,742	-	10,118
Direct cost	(13,012)	(13,416)	(59,191)	-	(85,619)
Administrative and general expenses	(16,623)	(1,928)	(9,991)	(1,214)	(29,756)
Finance cost	(10,407)	(9,092)	(881)	(1,458)	(21,838)
Profit/(loss) for the period	28,167	(8,847)	4,559	2,952	26,831
Capital expenditure	-	-	-	-	-
Depreciation of property, plant and equipment	1,771	481	834	-	3,086
Depreciation of right of use assets	942	-	228	-	1,170
Three month period ended 30 June 2020 (unaudited)					
Segment revenue	14,476	15,082	53,704	-	83,262
Loss on financial instruments at FVTPL	-	-	-	(10,296)	(10,296)
Share of profit from associates	-	-	-	2,338	2,338
Loss on sale of investment properties	(336)	-	-	-	(336)
Finance income	631	52	-	-	683
Other income	6,197	1	1,972	3	8,173
Direct cost	(10,057)	(12,610)	(45,251)	-	(67,918)
Administrative and general expenses	(16,821)	(1,987)	(7,835)	(1,594)	(28,237)
Finance cost	(13,007)	(10,359)	(2,529)	(333)	(26,228)
Profit/(loss) for the period	(18,917)	(9,821)	61	(9,882)	(38,559)
Capital expenditure	(40,753)	-	-	-	(40,753)
Depreciation of property, plant and equipment	1,981	756	467	19	3,223
Depreciation of right of use assets	1,007	-	226	-	1,233

17 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

	Unaudited 30 June 2021 AED'000	Audited 31 December 2020 AED'000
Company and its subsidiaries		
Commitments:		
Capital commitments	9,415	12,015
Contingent liabilities:		
Letters of guarantee	289,195	309,960
Associate		
Contingent liabilities:		
Letters of guarantee	252,500	252,500

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements (continued)

18 COVID-19 IMPACT

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and its spread across the globe is causing disruptions to businesses and economic activity. During the current period, the Group has not witnessed any material impact on overall business, therefore, management is not anticipating any steep reduction in gross turnover during the rest of the year.

The Group has implemented procedures and protocols during the situation. Remote working plans have been initiated and measures were taken to ensure uninterrupted business.

The Group will continue to monitor impact on its operations and will take necessary actions as needed.