

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

Unaudited interim condensed
consolidated financial statements
30 September 2022

Union Properties Public Joint Stock Company and its subsidiaries

Unaudited interim condensed consolidated financial statements

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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 statement of financial position of Union Properties P.J.S.C (the “Company”) and its subsidiaries (the “Group”) as at September 30, 2022, the related interim condensed consolidated income statement, interim condensed consolidated statement of profit or loss and other comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the nine months period then ended and other related explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on the interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, *“Review of Interim Financial Information Performed by the Independent Auditor of the Entity”*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to the attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

Report on Review of Interim Condensed Consolidated Financial Statements To the shareholders of Union Properties P.J.S.C

Emphasis of Matter

- Material uncertainty related to going concern

We draw attention to note 3 of these interim condensed consolidated financial statements, which states that, the Group has reported a loss of AED 11.4 million for the nine months period ended September 30, 2022, and as at that date has accumulated losses of AED 2,939 million, which exceeds 50% of its issued share capital, furthermore, the current liabilities exceed current assets by AED 1,270 million as at that date. These conditions indicate the existence of a material uncertainty that may cast a significant doubt on the Group's ability to continue as a going concern.

As per article 302 of the UAE Federal Law No (2) of 2015 (as amended), and article 4 of the Security Commodities Authority's board of Directors' Decision No. (32/R.T) of 2019, the management of the Group has prepared a short and medium strategy plan, which is approved by the shareholders to financially support the Group and its operations for the foreseeable future. On this basis, the interim condensed consolidated financial statements are prepared on going concern assumption. Our conclusion is not modified in respect of this matter.

- Valuation of investment properties

During the previous years, the Group had undertaken a survey of the Masterplan for Dubai Motorcity (build and non-build area) 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"). In accordance with the directions of the Dubai Development Authority, the Group had appointed approved independent third-party surveyors to perform a detailed survey of the entire land bank at the Dubai Motorcity. Based on the official third-party surveyor reports, the Group obtained an attestation from Dubai Land Authority for an additional GFA and thereafter also obtained an approval of the Traffic Impact Study from the Road and Transport Authority during the year 2021.

Based on surveyor reports and approvals from the said authorities mentioned above in prior years, management has continued to include the additional GFA, amounting to AED 677 million in investment properties under the Motorcity land, despite a pending formal approval from the Dubai Land Authority in the Group's interim condensed consolidated financial statements as at September 30, 2022 (December 31, 2021: AED 677 million). Our conclusion is not modified in respect of this matter.

Other Matter

The consolidated financial statements of the Group as at and for the year ended December 31, 2021 (from which the statement of financial position as at January 1, 2022 has been derived), were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on March 24, 2022.



Grant Thornton

Report on Review of Interim Condensed Consolidated Financial Statements To the shareholders of Union Properties P.J.S.C

Other Matter (continued)

The interim condensed consolidated financial statements of the Group as at and for the three months period ended March 31, 2021 and six months period ended June 30, 2021 were reviewed by another auditor, who expressed an unmodified opinion on those interim condensed consolidated financial statements on May 15, 2021 and August 14, 2021 respectively. However, there was no interim review performed for the nine months period ended September 30, 2021 by an independent auditor.


GRANT THORNTON

**Dr Osama El-Bakry
Registration No: 935
Dubai, United Arab Emirates**

October 31, 2022



Union Properties Public Joint Stock Company and its subsidiaries

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

For the nine-month period ended 30 September 2022

		Nine-month period ended 30 September	
		2022	2021
	Notes	AED'000	AED'000
Revenue from contracts with customers	16	305,691	296,018
Direct costs	16	(255,798)	(244,362)
Gross profit		49,893	51,656
Administrative and general expenses	16	(54,072)	(89,195)
Other operating income	5	11,388	15,480
Loss on sale of investment properties	6	(94)	(17,860)
Operating profit/(loss)		7,115	(39,919)
Gain on fair valuation of investment properties	6	-	78,854
Net gain on financial instruments at FVTPL	9	-	5,338
Share of losses from an associate, net		(2,955)	-
Other income	5	35,530	20,298
Finance income		4	1,519
Finance cost	16	(51,064)	(64,721)
(Loss)/profit for the period		(11,370)	1,369
Other comprehensive income for the period		-	-
Total comprehensive (loss)/income for the period		(11,370)	1,369
Basic and diluted earnings per share (AED)	11	(0.0027)	0.0003

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 September 2022

		Three-month period ended 30 September	
		2022 AED'000	2021 AED'000
	Notes		
Revenue from contracts with customers	16	101,230	98,570
Direct costs	16	(86,521)	(81,001)
Gross profit		14,709	17,569
Administrative and general expenses	16	(16,841)	(34,047)
Other operating income	5	3,425	2,810
(Loss)/gain on sale of investment properties	6	(1,871)	5,425
Operating loss		(578)	(8,243)
Net loss on financial instruments at FVTPL	9	-	(3,066)
Other income	5	19,599	-
Finance income		-	497
Finance cost	16	(18,196)	(20,203)
Profit/(loss) for the period		825	(31,015)
Other comprehensive income for the period		-	-
Total comprehensive income/(loss) for the period		825	(31,015)
Basic and diluted earnings per share (AED)	11	0.0002	(0.0072)

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 September 2022

		Unaudited 30 September 2022	Audited 31 December 2021
	Notes	AED'000	AED'000
ASSETS			
Non-current assets			
Property, plant and equipment		310,615	312,635
Right-of-use assets		18,816	21,694
Investment properties	6	3,172,875	3,260,726
Development properties		7,504	7,504
Investment in an associate		81,458	84,413
Non-current receivables		4,577	4,301
Total non-current assets		3,595,845	3,691,273
Current assets			
Investments at fair value through profit or loss	9	756	756
Inventories		7,776	4,732
Contract assets		41,351	35,263
Trade and other receivables	7	424,357	425,146
Bank balances and cash	10	30,809	65,797
Total current assets		505,049	531,694
Total assets		4,100,894	4,222,967
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		(2,939,198)	(2,927,828)
Total equity attributable to the shareholders of the Company		1,916,009	1,927,379
Non-current liabilities			
Non-current portion of bank loans	12	353,151	309,246
Contract liabilities		8,118	8,118
Lease liabilities		16,667	17,813
Provision for staff terminal benefits		31,798	29,144
Total non-current liabilities		409,734	364,321
Current liabilities			
Trade and other payables	13	1,173,422	1,193,546
Contract liabilities		45,443	50,188
Lease liabilities		4,167	4,453
Bank overdrafts	14	81,628	113,670
Current portion of bank loans	12	470,491	569,410
Total current liabilities		1,775,151	1,931,267
Total liabilities		2,184,885	2,295,588
Total equity and liabilities		4,100,894	4,222,967

The interim condensed consolidated financial statements were authorised for issue on 31 October 2022 by the Board of Directors and signed on its behalf by:


Chairman


Board Member & Managing Director

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 nine-month period ended 30 September 2022

	Note	Nine-month period ended 30 September	
		2022 AED'000	2021 AED'000
Operating activities			
(Loss)/profit for the period		(11,370)	1,369
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment		7,338	7,660
Depreciation of right of use assets		2,877	3,508
Loss on sale of investment properties	6	94	17,860
Gain on fair valuation of investment properties	6	-	(78,854)
Share of results of associates, net		2,955	-
Gain on financial instruments at FVTPL, net		-	(5,338)
Gain on disposal of property, plant and equipment		-	(7,095)
Finance income		(4)	(1,519)
Finance cost		50,889	64,721
<i>Operating profit before working capital changes</i>		52,779	2,312
Change in inventories		(3,044)	(6,430)
Change in contract assets		(6,088)	8,952
Change in trade and other receivables		(4,638)	(142,262)
Change in due from related parties		-	7,648
Change in non-current payables		(1,013)	(920)
Change in trade and other payables and contract liabilities		(67,727)	56,193
Change in staff terminal benefits (net)		2,654	3,641
<i>Net cash used in operating activities</i>		(27,077)	(70,866)
Investing activities			
Additions to property, plant and equipment		(4,645)	(7,886)
Proceeds from financial instruments at FVTPL, net		-	1,846
Proceeds from disposal of property, plant and equipment		973	10,351
Proceeds from sale of investment properties		87,757	216,722
Interest income received		4	39
Changes in deposits under lien with banks		1,193	(5,467)
<i>Net cash generated from investing activities</i>		85,282	215,605
Financing activities			
Proceed from long-term bank loans		219,710	47,092
Repayment of long-term bank loans		(274,724)	(146,162)
Advances to banks against loan principal and interest		-	(42,000)
Interest paid		(4,944)	(19,631)
<i>Net cash used in financing activities</i>		(59,958)	(160,701)
Net decrease in cash and cash equivalents		(1,753)	(15,962)
Cash and cash equivalents at the beginning of the period		(60,374)	(172,765)
Cash and cash equivalents at the end of the period	10	(62,127)	(188,727)

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 nine-month period ended 30 September 2022

	Share capital AED'000	Statutory reserve AED'000	Asset revaluation surplus AED'000	Accumulated losses AED'000	Total AED'000
At 1 January 2021 (audited)	4,289,540	352,978	212,689	(1,961,073)	2,894,134
Total comprehensive income for the period	-	-	-	1,369	1,369
At 30 September 2021 (unaudited)	<u>4,289,540</u>	<u>352,978</u>	<u>212,689</u>	<u>(1,959,704)</u>	<u>2,895,503</u>
At 1 January 2022 (audited)	4,289,540	352,978	212,689	(2,927,828)	1,927,379
Total comprehensive loss for the period	-	-	-	(11,370)	(11,370)
At 30 September 2022 (unaudited)	<u>4,289,540</u>	<u>352,978</u>	<u>212,689</u>	<u>(2,939,198)</u>	<u>1,916,009</u>

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

30 September 2022 (unaudited)

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, 2022 and has been explained in Group annual consolidated financial statements as at year ended December 31, 2021 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 2021. 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 nine-month period ended 30 September 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

Going concern assumption

As at 30 September 2022, the Group's accumulated losses exceed 50% of its issued share capital and as such in accordance with Article 302 of the UAE Federal Law No (2) of 2015 (as amended), the Company called a General Assembly on 29 April 2022 to vote on either dissolving the Company or to continue its activity with an appropriate restructuring plan. A special resolution has been passed by the General Assembly to approve the continuity of operations for the Company in accordance with Article 302 of the UAE Federal Law No (2) of 2015 (as amended). Furthermore, the Group's current liabilities exceed its current assets by AED 1,270 million as at that date.

The management of the Group has prepared an appropriate restructuring plan along with a short and medium strategy plan leveraged by a long-term vision and that the Group will have adequate resources to continue its operation in the foreseeable future.

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements (continued)

30 September 2022 (unaudited)

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 2021.

5 OTHER INCOME

	Unaudited Nine month period ended 30 September		Unaudited Three month period ended 30 September	
	2022	2021	2022	2021
Write back of liabilities (refer note below)	35,530	20,298	-	-
Gain on disposal of property, plant and equipment	-	7,095	-	-
Other operating income - miscellaneous income	11,388	8,385	3,425	2,810
	<u>46,918</u>	<u>35,778</u>	<u>3,425</u>	<u>2,810</u>

The write back 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 September 2022 AED'000	Audited 31 December 2021 AED'000	Unaudited 30 September 2021 AED'000
At 1 January	3,260,726	4,612,744	4,612,744
Transfer from property, plant and equipment	-	8,167	-
(Loss)/gain on fair valuation	-	(1,109,302)	78,854
Sale of investment properties	(87,851)	(250,883)	(244,378)
Closing balance	<u>3,172,875</u>	<u>3,260,726</u>	<u>4,447,220</u>

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 2021 by an independent registered valuer, who carried out the valuation in accordance with RICS Appraisal and the Valuation Manual issued by the Royal Institute of Chartered Surveyors, where the Group have not recognize any fair value change in the consolidated statement of profit or loss for the nine months period ended 30 September 2022 (2021: AED 78.9 million)

Sale of investment properties

During the nine month period, investment properties with a carrying value of AED 87.9 million (30 September 2021: AED 244.4 million) were disposed of for a consideration of AED 87.8 million (30 September 2021: AED 226.5 million) resulting in a loss of AED 0.1 million (30 September 2021: loss of AED 17.9 million).

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements (continued)

30 September 2022 (unaudited)

6 INVESTMENT PROPERTIES (CONTINUED)

Valuation gain on gross floor area

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 year ended 31 December 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 677 million in the valuation of the Motorcity land bank in the Group consolidated financial statements as at 30 September 2022 (31 December 2021: AED 677 million).

7 TRADE AND OTHER RECEIVABLES

	Unaudited 30 September 2022 AED'000	Audited 31 December 2021 AED'000
Financial instruments		
Trade receivables	238,960	252,750
Retention receivables	10,777	15,579
Property sales receivables	78,794	65,322
	<u>328,531</u>	<u>333,651</u>
Less: allowance for expected credit losses	(118,184)	(116,852)
	<u>210,347</u>	<u>216,799</u>
Other receivables	71,221	65,545
Total (A)	<u>281,568</u>	<u>282,344</u>
Non-financial instruments		
Advances to contractors (note 7.1)	8,130	11,634
Advances to banks against loan principal and interest	112,000	112,000
Prepayments and advances	22,659	19,168
Total (B)	<u>142,789</u>	<u>142,802</u>
Total (A+B)	<u>424,357</u>	<u>425,146</u>

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements (continued)

30 September 2022 (unaudited)

7 TRADE AND OTHER RECEIVABLES (CONTINUED)

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:

			Trade and property sales receivables				
				Past due			
	Advances to contractors	Retentions receivable	Current	1-90 days	91-365 days	>365 days	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
30 September 2022							
Expected credit loss rate	91.76%	0.00%	0.00%	0.00%	5.41%	80.23%	
Gross amount	98,722	15,354	125,175	23,215	48,361	144,046	454,873
Expected credit loss	90,592	-	-	-	2,617	115,567	208,776
31 December 2021							
Expected credit loss rate	88.62%	0.00%	0.00%	2.39%	20.77%	82.81%	
Gross amount	102,226	19,880	66,138	20,792	33,793	132,027	374,856
Expected credit loss	90,592	-	2	497	7,020	109,333	207,444

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 2022 AED'000	Audited 31 December 2021 AED'000
At 1 January	207,444	1,843,054
Provision for the period/year	1,700	17,999
Amounts written off	(368)	-
Movement from loss of control over a subsidiary	-	(1,744,201)
Provision against advances to contractors	-	90,592
Closing balance	208,776	207,444

Provision for allowance for expected credit losses

	Unaudited 30 September 2022 AED'000	Audited 31 December 2021 AED'000
Provision against trade receivables	118,184	116,852
Provision against advances to contractors (note 7.1)	90,592	90,592
	208,776	207,444

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements (continued)

30 September 2022 (unaudited)

7 TRADE AND OTHER RECEIVABLES (CONTINUED)

7.1 Advances to contractors

	Unaudited 30 September 2022 AED'000	Audited 31 December 2021 AED'000
Advances to contractors	98,722	102,226
Less: provision for allowance for expected credit losses	(90,592)	(90,592)
	<u>8,130</u>	<u>11,634</u>

Significant payments aggregating to AED 90.6 million were made, between May and October 2021 to a third party vendor. Those payments were documented internally as related to various design and project management contracts, although the management identified that no or negligible service had been received.

The Group's exposure to credit risk and impairment losses related to receivables are disclosed

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 September 2022 AED'000	Unaudited 30 September 2021 AED'000
Compensation to key management personnel are as follows :		
- Salaries and other short-term employee benefits	3,535	8,849
- Provision towards staff terminal benefits	<u>707</u>	<u>585</u>

During the nine month period ended 30 September 2022, the Group hasn't entered into a sale and purchase agreement with any related party, in comparison to the previous period ended 30 September 2021, the Group entered into a sale and purchase agreement with a related party ("the purchaser") to sell investment properties with a carrying value of AED 172.8 million (for a consideration of AED 127 resulting in a loss of AED 45.8 million).

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 previous year, the Company's Board of Directors had suspected the legitimacy of these investments which was also part of the forensic investigations.

Funds managed and under custody of several Fund Managing entities have been redeemed and misappropriated, legal actions are being filed for recovery of the misappropriated funds after identifying the identity of the persons to whom the underlying shares or cash were transferred to.

Therefore, the management decided to account for a provision against remaining value of these investments amounting to AED 154.6 million during the year ended 31 December 2021.

The Group also has an investment in a real estate fund valued at AED 0.8 million at end of the period (2021: AED 0.8 million).

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements (continued)

30 September 2022 (unaudited)

10 BANK BALANCES AND CASH

	Unaudited 30 September 2022 AED'000	Audited 31 December 2021 AED'000
Cash in hand	993	1,239
Cash at bank		
– in deposit accounts held under lien	11,308	2,898
– in current accounts	18,508	52,057
– in other deposit accounts	-	9,603
	<u>30,809</u>	<u>65,797</u>
	Unaudited 30 September 2022 AED'000	Audited 31 December 2021 AED'000
Cash and cash equivalents comprise:		
Cash in hand and at banks (excluding deposits under lien)	19,501	53,296
Bank overdrafts	(81,628)	(113,670)
	<u>(62,127)</u>	<u>(60,374)</u>

11 BASIC AND DILUTED EARNINGS PER SHARE

	Unaudited Nine month period ended 30 september		Unaudited Three month period ended 30 september	
	2022	2021	2022	2021
Profit/(loss) attributable to shareholders (AED'000)	(11,370)	1,369	825	(31,015)
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>(0.0027)</u>	<u>0.0003</u>	<u>0.0002</u>	<u>(0.0072)</u>

12 BANK LOANS

	Unaudited 30 September 2022 AED'000	Audited 31 December 2021 AED'000
Balance	823,642	878,656
Less: Current portion	(470,491)	(569,410)
Non-current portion	<u>353,151</u>	<u>309,246</u>

The bank loans carry interest at commercial rates.

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements (continued)

30 September 2022 (unaudited)

12 BANK LOANS (CONTINUED)

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

	Unaudited 30 September 2022 AED'000	Audited 31 December 2021 AED'000
At 1 January	878,656	1,463,313
Availed during the period/year	219,710	73,513
Repayments during the period/year	(274,724)	(171,564)
Movement from loss of control over a subsidiary	-	(486,606)
At the end of the period/year	<u>823,642</u>	<u>878,656</u>

At 30 September 2022, the two loans that have been classified as current liabilities at year-ended 2021 due to breach in contractual payments continue to be classified as current liabilities.

13 TRADE AND OTHER PAYABLES

	Unaudited 30 September 2022 AED'000	Audited 31 December 2021 AED'000
Financial instruments		
Trade payables	92,444	113,297
Retention payables	2,940	3,589
Other payables and accruals	1,078,038	1,076,660
Total	<u>1,173,422</u>	<u>1,193,546</u>

	Unaudited 30 September 2022 AED'000	Audited 31 December 2021 AED'000
Provisions and accruals against contracting business	781,242	781,242
Provision for staff related payables	28,699	39,294
Provisions and accruals for payment to contractors cost	<u>33,961</u>	<u>30,322</u>

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements (continued)

30 September 2022 (unaudited)

14 BANK OVERDRAFTS

	Unaudited 30 September 2022 AED'000	Audited 31 December 2021 AED'000
Bank overdrafts	81,628	113,670

During the previous years, the Group was in breach of a contractual clause of one of its overdraft facilities wherein the facility was pledged over the Group's entire investment in its foreign associate (the "foreign associate"). In July 2020, the Group's entire investment in the foreign associate was sold by the counterparty at its own discretion and the resulting net sale proceeds amounting to AED 125.5 million were utilized by the counterparty against the outstanding balance under the overdraft facility.

15 FINANCIAL INSTRUMENTS

Financial assets of the Group include non-current receivables, investments at FVTPL, trade and other receivables and cash in hand and at banks. Financial liabilities of the Group include trade and other payables, lease liabilities, short-term bank borrowings and long-term bank loans. 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 September 2022 (unaudited)				
<i>Financial assets</i>				
Non-current receivables	-	4,577	4,577	4,577
Investments at FVTPL	756	-	756	756
Trade and other receivables	-	281,568	281,568	281,568
Bank balances and cash	-	30,809	30,809	30,809
Total	756	316,954	317,710	317,710
<i>Financial liabilities</i>				
Trade and other payables	-	1,173,422	1,173,422	1,173,422
Lease liabilities	-	20,834	20,834	20,834
Bank overdrafts	-	81,628	81,628	81,628
Bank loans	-	823,642	823,642	823,642
Total	-	2,099,526	2,099,526	2,099,526

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements (continued)

30 September 2022 (unaudited)

15 FINANCIAL INSTRUMENTS (CONTINUED)

	At fair value through profit or loss AED'000	At amortized cost AED'000	Carrying amount AED'000	Fair value AED'000
31 December 2021 (audited)				
<i>Financial assets</i>				
Non-current receivables	-	4,301	4,301	4,301
Investments at FVTPL	756	-	756	756
Trade and other receivables	-	282,344	282,344	282,344
Bank balances and cash	-	65,797	65,797	65,797
Total	<u>756</u>	<u>352,442</u>	<u>353,198</u>	<u>353,198</u>
<i>Financial liabilities</i>				
Trade and other payables	-	1,193,546	1,193,546	1,193,546
Bank overdrafts	-	113,670	113,670	113,670
Bank loans	-	878,656	878,656	878,656
Lease liabilities	-	22,266	22,266	22,266
Total	<u>-</u>	<u>2,208,138</u>	<u>2,208,138</u>	<u>2,208,138</u>

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 2 AED'000	Level 3 AED'000	Total AED'000
30 June 2022 (unaudited)				
Investments at fair value through profit or loss	<u>-</u>	<u>-</u>	<u>756</u>	<u>756</u>
31 December 2021 (audited)				
Investments at fair value through profit or loss	<u>-</u>	<u>-</u>	<u>756</u>	<u>756</u>

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

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements (continued)

30 September 2022 (unaudited)

15 FINANCIAL INSTRUMENTS (CONTINUED)

Level 1:

	Unaudited 30 September 2022 AED'000	Audited 31 December 2021 AED'000	Unaudited 30 September 2021 AED'000
Opening balance	-	151,128	151,128
Additions	-	111,941	111,941
Disposals	-	(113,787)	(113,787)
-in the consolidated statement of profit or loss	-	5,361	-
Impairment loss on financial instruments at FVTPL	-	(154,643)	5,338
Closing balance	-	-	154,620

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)

30 September 2022 (unaudited)

16 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 2022 (unaudited)					
Segment revenue	28,888	28,927	247,876	-	305,691
Direct cost	(24,572)	(25,971)	(205,255)	-	(255,798)
Gross profit	4,316	2,956	42,621	-	49,893
Administrative and general expenses	(23,194)	(4,344)	(26,324)	(210)	(54,072)
Other operating income	3,917	35	7,436	-	11,388
Loss on sale of investment properties	(94)	-	-	-	(94)
Operating profit/(loss)	(15,055)	(1,353)	23,733	(210)	7,115
Share of losses from an associate, net	-	-	-	(2,955)	(2,955)
Other income	3,519	-	-	32,011	35,530
Finance income	-	4	-	-	4
Finance cost	(45,517)	(17)	(5,530)	-	(51,064)
Profit/(loss) for the period	(57,053)	(1,366)	18,203	28,846	(11,370)
Capital expenditure	153	1,955	2,537	-	4,645
Depreciation of property, plant and equipment	2,972	1,467	2,842	57	7,338
Depreciation of right of use assets	2,191	-	686	-	2,877
As at 30 September 2022 (unaudited)					
Segment assets	3,436,463	52,854	529,833	286	4,019,436
Investment in an associate	-	-	-	81,458	81,458
Total assets	3,436,463	52,854	529,833	81,744	4,100,894
Segment liabilities	1,552,165	276,071	273,973	82,676	2,184,885
Nine-month period ended 30 September 2021 (unaudited)					
Segment revenue	32,919	41,593	221,506	-	296,018
Direct cost	(28,559)	(35,217)	(180,586)	-	(244,362)
Gross profit	4,360	6,376	40,920	-	51,656
Administrative and general expenses	(51,187)	(6,138)	(28,254)	(3,616)	(89,195)
Other operating income	10,129	218	5,127	6	15,480
Loss on sale of investment properties	(17,860)	-	-	-	(17,860)
Operating profit/(loss)	(54,558)	456	17,793	(3,610)	(39,919)
Gain on valuation of properties	78,854	-	-	-	78,854
Gain on financial instruments at FVTPL	-	-	-	5,338	5,338
Other income	20,298	-	-	-	20,298
Finance income	1,480	39	-	-	1,519
Finance cost	(29,854)	(27,685)	(3,220)	(3,962)	(64,721)
Profit/(loss) for the period	16,220	(27,190)	14,573	(2,234)	1,369
Capital expenditure	1,224	1,218	5,444	-	7,886
Depreciation of property, plant and equipment	3,275	1,493	2,856	36	7,660
Depreciation of right of use assets	2,822	-	686	-	3,508
As at 31 December 2021 (audited)					
Segment assets	4,868,250	284,614	554,079	152,486	5,859,429
Investment in an associate	-	-	-	87,368	87,368
Total assets	4,868,250	284,614	554,079	239,854	5,946,797
Segment liabilities	1,155,430	1,592,349	191,319	108,012	3,047,110

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements (continued)

30 September 2022 (unaudited)

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 September 2022 (unaudited)					
Segment revenue	9,085	13,634	78,511	-	101,230
Direct cost	(9,120)	(10,761)	(66,640)	-	(86,521)
Gross profit	(35)	2,873	11,871	-	14,709
Administrative and general expenses	(5,668)	(1,671)	(9,483)	(19)	(16,841)
Other operating income	937	2	2,486	-	3,425
Loss on sale of investment properties	(1,871)	-	-	-	(1,871)
Operating profit/(loss)	(6,637)	1,204	4,874	(19)	(578)
Other income	-	-	-	19,599	19,599
Finance cost	(15,765)	(17)	(2,414)	-	(18,196)
Profit/(loss) for the period	(22,402)	1,187	2,460	19,580	825
Depreciation of property, plant and equipment	953	469	942	-	2,364
Depreciation of right of use assets	309	-	229	-	538
Three month period ended 30 September 2021 (unaudited)					
Segment revenue	10,944	13,367	74,259	-	98,570
Direct cost	(6,865)	(11,362)	(62,774)	-	(81,001)
Gross profit	4,079	2,005	11,485	-	17,569
Administrative and general expenses	(21,368)	(2,026)	(9,453)	(1,200)	(34,047)
Other operating income	830	10	1,970	-	2,810
Loss on sale of investment properties	5,425	-	-	-	5,425
Operating profit/(loss)	(11,034)	(11)	4,002	(1,200)	(8,243)
Gain on financial instruments at FVTPL	-	-	-	(3,066)	(3,066)
Finance income	493	4	-	-	497
Finance cost	(8,687)	(9,350)	(945)	(1,221)	(20,203)
Profit/(loss) for the period	(19,228)	(9,357)	3,057	(5,487)	(31,015)
Depreciation of property, plant and equipment	500	495	944	-	1,939
Depreciation of right of use assets	940	-	229	-	1,169

17 Events after reporting period

On January 31, 2022, the UAE Ministry of Finance announced the introduction of a 9% Federal Corporate Tax rate effective for fiscal years commencing on or after June 1, 2023. There is no impact of this announcement on the consolidated financial statements of the Group for the period ended September 30, 2022. Management will assess the implications of this Federal Corporate Tax in due course.

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements (continued)

30 September 2022 (unaudited)

18 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

	Unaudited 30 September 2022 AED'000	Audited 31 December 2021 AED'000
<i>Company and its subsidiaries</i>		
Commitments:		
Capital commitments	<u>19,946</u>	<u>28,297</u>
Contingent liabilities:		
Letters of guarantee	<u>289,195</u>	<u>294,460</u>
<i>Associate</i>		
Contingent liabilities:		
Letters of guarantee	<u>252,500</u>	<u>252,500</u>