

Union Properties P.J.S.C
and its Subsidiaries
Unaudited interim condensed
consolidated financial statements
30 September 2023

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, 2023, the related interim condensed consolidated statement of profit or loss and other comprehensive income for the three-month and nine month periods then ended and interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the nine-month 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 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 International Accounting Standard 34 "Interim Financial Reporting".

Emphasis of Matter

1) *Material uncertainty related to going concern*

We draw attention to note 3 of these interim condensed consolidated financial statements, which states that as at September 30, 2023, the Group had accumulated losses of AED 2,863 million, which exceeds 50% of its issued share capital; furthermore, the current liabilities exceed current assets by AED 1,086 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 309 of the UAE Federal Law No (32) of 2021, 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.

Report on Review of Interim Condensed Consolidated Financial Statements To the Shareholders of Union Properties P.J.S.C (continued)

Emphasis of Matter (continued)

2) *Valuation of investment properties*

We draw attention to note 6 of these interim condensed consolidated financial statements. During the previous years, the Group had undertaken a survey 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"). Further, 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 relevant parties for an additional GFA and thereafter also obtained an approval of the Traffic Impact Study from the Road and Transport Authority. Based on surveyor reports, valuation and approvals received from the expert and authorities, the management has continued with inclusion of the additional GFA, amounting to AED 711.1 million in investment properties under the Motorcity land, despite a pending formal approval from the relevant parties, in the Group's interim condensed consolidated financial statements as at September 30, 2023 (December 31, 2022: AED 711.1 million).

During the nine-month period ended September 30, 2023, the Company had registered a real estate claim before Dubai Courts against the relevant parties for failure to issue the required approval which is currently under progress. Our conclusion is not modified in respect of this matter.

3) *Ongoing litigation relating to the Group's investment in associate*

We draw attention to note 7 of these interim condensed consolidated financial statements which states that as at September 30, 2023, the Group has an investment in associate carried at AED 30.1 million (December 31, 2022: AED 79.3 million). The associate has an ongoing litigation with its customer which casts a doubt on the recoverability of the trade receivable balance from that customer and consequently impact the share of losses from associate and the investment in associate balance in these interim condensed consolidated financial statements. Our conclusion is not modified in respect of this matter.


GRANT THORNTON



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

November 1, 2023

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 2023

		Nine-month period ended 30 September	
		2023 AED'000	2022 AED'000
	Notes		
Revenue from contracts with customers	15	364,308	305,691
Direct costs	15	(287,397)	(255,798)
Gross profit		76,911	49,893
Administrative and general expenses	15	(64,636)	(54,072)
Other operating income	5	12,298	11,388
Gain/ (loss) on sale of investment properties		38,673	(94)
Operating profit		63,246	7,115
Share of losses from associates, net		(49,181)	(2,955)
Other income	5	106,896	35,530
Finance income		1,562	4
Finance cost		(85,082)	(51,064)
Profit/(loss) for the period		37,441	(11,370)
Other comprehensive income for the period		-	-
Total comprehensive income/(loss) for the period		37,441	(11,370)
Basic and diluted earnings/(loss) per share (AED)	11	0.0087	(0.0027)

The notes from 1 to 17 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 2023

		Three-month period ended 30 September	
		2023 AED'000	2022 AED'000
	Notes		
Revenue from contracts with customers	15	123,465	101,230
Direct costs	15	(92,188)	(86,521)
Gross profit		31,277	14,709
Administrative and general expenses	15	(27,154)	(16,841)
Other operating income		3,300	3,425
Gain/ (loss) on sale of investment properties		48	(1,871)
Operating profit		7,471	(578)
Share of losses from associates, net		(20,167)	-
Other income		60,213	19,599
Finance income		1,149	-
Finance cost		(28,935)	(18,196)
Profit for the period		19,731	825
Other comprehensive income for the period		-	-
Total comprehensive income for the period		19,731	825
Basic and diluted earnings per share (AED)	11	0.0046	0.0002

The notes from 1 to 17 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 2023

	Notes	Unaudited 30 September 2023 AED'000	Audited 31 December 2022 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment		323,696	311,474
Right-of-use assets		8,881	10,076
Investment properties	6	3,073,563	3,166,386
Development properties		7,504	7,504
Investment in an associate	7	30,146	79,327
Non-current receivables		10,580	11,830
Total non-current assets		3,454,370	3,586,597
Current assets			
Investments at fair value through profit or loss		699	699
Inventories		6,284	4,401
Contract assets		32,424	28,847
Trade and other receivables	8	312,673	396,525
Bank balances and cash	10	91,747	61,397
Total current assets		443,827	491,869
Total assets		3,898,197	4,078,466
EQUITY AND LIABILITIES			
Equity			
Share capital		4,289,540	4,289,540
Statutory reserve		355,976	355,976
Asset revaluation surplus		212,689	212,689
Accumulated losses		(2,863,405)	(2,900,846)
Total equity attributable to the shareholders of the Company		1,994,800	1,957,359
Non-current liabilities			
Non-current portion of bank loans	12	319,078	341,371
Contract liabilities		8,118	8,118
Lease liabilities		11,391	10,498
Provision for staff terminal benefits		34,822	30,630
Total non-current liabilities		373,409	390,617
Current liabilities			
Trade and other payables	13	1,046,708	1,143,104
Contract liabilities		27,721	52,824
Lease liabilities		2,848	2,624
Bank overdrafts		41,664	50,811
Current portion of bank loans	12	411,047	481,127
Total current liabilities		1,529,988	1,730,490
Total liabilities		1,903,397	2,121,107
Total equity and liabilities		3,898,197	4,078,466

The interim condensed consolidated financial statements were authorised for issue on 1st November 2023 by the Board of Directors and signed on its behalf by:


Chairman


Board Member & Managing Director

The notes from 1 to 17 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 2023

		Nine-month period ended 30 September	
		2023	2022
	Note	AED'000	AED'000
Operating activities			
Profit/(loss) for the period		37,441	(11,370)
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment		6,187	7,338
Allowance for impairment loss on trade receivables		1,096	1,700
Depreciation of right of use assets		1,196	2,877
Gain on sale of investment properties	6	(38,673)	94
Share of results of associates, net		49,181	2,955
Finance income		(1,562)	(4)
Finance cost		85,082	50,889
<i>Operating profit before working capital changes</i>		139,948	54,479
Change in inventories		(1,884)	(3,044)
Change in contract assets		(3,576)	(6,088)
Change in trade and other receivables		(25,327)	(6,338)
Change in non-current payables		642	(1,013)
Change in trade and other payables and contract liabilities		(153,396)	(67,727)
Change in staff terminal benefits (net)		4,192	2,654
<i>Net cash operating activities</i>		(39,401)	(27,077)
Investing activities			
Additions to property, plant and equipment		(14,146)	(4,645)
Additions to investment properties		(2,235)	-
Proceeds from disposal of property, plant and equipment		3,194	973
Proceeds from sale of investment properties	6	133,731	87,757
Interest income received		1,562	4
Changes in deposits under lien with banks		6,164	1,193
<i>Net cash generated from investing activities</i>		128,270	85,282
Financing activities			
Proceed from long-term bank loans		77,579	219,710
Repayment of long-term bank loans	12	(97,843)	(274,724)
Interest paid		(22,944)	(4,944)
<i>Net cash used in financing activities</i>		(43,208)	(59,958)
Net increase/(decrease) in cash and cash equivalents		45,661	(1,753)
Bank balance and cash at the beginning of the period		780	(60,374)
Cash and cash equivalent at the end of the period	10	46,441	(62,127)

The notes from 1 to 17 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 2023

	Share capital AED'000	Statutory reserve AED'000	Asset revaluation surplus AED'000	Accumulated losses AED'000	Total Equity AED'000
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 Sep 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>
At 1 January 2023 (audited)	4,289,540	355,976	212,689	(2,900,846)	1,957,359
Total comprehensive income for the period	-	-	-	37,441	37,441
At 30 September 2023 (unaudited)	<u>4,289,540</u>	<u>355,976</u>	<u>212,689</u>	<u>(2,863,405)</u>	<u>1,994,800</u>

The notes from 1 to 17 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 1 January 2023 and has been explained in Group annual consolidated financial statements as at year ended 31 December 2022 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 2022. 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, and land as included in property, plant and equipment that have been measured at fair value as at 31st December 2022. 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 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

Going concern assumption

As at 30 September 2023, the Group's accumulated losses exceed 50% of its issued share capital and as such in accordance with Article 309 of the UAE Federal Law No (32) of 2021, the Company called a General Assembly on 17 April 2023 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 309 of the UAE Federal Law No (32) of 2021. Furthermore, the Group's current liabilities exceed its current assets by AED 1,086 million as at that date.

The management of the Group has prepared an appropriate restructuring plan along with a short and medium term 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)

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 2022.

5 OTHER INCOME AND OTHER OPERATING INCOME

	Unaudited 30 September 2023 AED'000	Unaudited 30 September 2022 AED'000
Write back of liabilities no longer required (note 5.1)	97,747	35,530
Foreign exchange gain (note 5.2)	9,149	-
Other income	106,896	35,530
Other operating income	12,298	11,388
	119,194	46,918

5.1 Write back of liabilities

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

5.2 Foreign exchange gain

Foreign exchange gain represents gain on account of overdraft balances held in Egyptian pound.

6 INVESTMENT PROPERTIES

	Unaudited 30 September 2023 AED'000	Audited 31 December 2022 AED'000	Unaudited 30 September 2022 Restated AED'000
At 1 January	3,166,386	3,260,726	3,260,726
Additions during the period/year	2,235	6,449	-
Gain on fair valuation	-	25,997	-
Sale of investment properties	(95,058)	(126,786)	(87,851)
Closing balance	3,073,563	3,166,386	3,172,875

The Group follows the fair value model under IAS 40 (Revised 2016) 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 2022 by an independent registered valuer, Land Sterling, who carried out the valuation in accordance with RICS Appraisal and the Valuation Manual issued by the Royal Institute of Chartered Surveyors.

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements (continued)

6 INVESTMENT PROPERTIES (Continued)

The valuations are determined mainly using the Income valuation approach or the market (sale comparable) valuation approach based on significant unobservable inputs such that the fair value Measurement was classified at level 3.

Sale of investment properties

During the Nine-month period ended 30 September 2023, investment properties with a carrying value of AED 95.1 million (30 September 22: AED 87.9 million) were disposed of for a consideration of AED 133.7 million (2022: AED 87.8 million) resulting in a gain of AED 38.7 million (2022: loss of AED 0.09 million).

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 the relevant parties for the reserved GFA and thereafter also got an approval of the Traffic Impact Study from Road and Transport Authority. Based on surveyor reports, valuation and approvals received from the experts and authorities, the management has continued with inclusion of the reserved GFA to the value of AED 711.1 million in the valuation of the Motorcity land bank in the interim condensed consolidated financial statements as at 30 September 2023 (31 December 2022: AED 711.1 million).

During the nine-month period, the Company had registered a real estate claim before Dubai Courts against the relevant parties for failure to issue approval to the Company to benefit from its lands located in the Motor City area without any legal or contractual basis.

7 INVESTMENT IN AN ASSOCIATE

	Unaudited September 30, 2023 AED' 000	Audited December 31, 2022 AED' 000
<i>Movement for the period / year:</i>		
Opening balance	79,327	84,413
Share of loss from associate	(49,181)	(5,086)
Closing balance	30,146	79,327

The associate has an ongoing litigation with its customer which casts a doubt on the recoverability of the trade receivable balance from that customer amounting to AED 334 million. The associate has filed a complaint to the Dubai Ruler's Court and sought their intervention who is undertaking investigations and reviewing the submissions & responses. A committee has also been formed to review the matters relating to the compliant.

The associate however believes that they have sufficient security against the receivable from the customer and the likelihood of success of the claim against the customer is high. Nevertheless, the possibility of recovering the amount is uncertain in view of ongoing litigation.

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements (continued)

8 TRADE AND OTHER RECEIVABLES

	Unaudited 30 September 2023 AED'000	Audited 31 December 2022 AED'000
Financial instruments		
Trade receivables	275,111	250,985
Retention receivables	13,463	10,487
	288,574	261,472
Less: allowance for expected credit losses	(118,388)	(117,292)
	170,186	144,180
Property sales receivables	60,443	63,839
Other receivables	47,004	52,365
Total (A)	277,633	260,384
Non-financial instruments		
Advances to contractors (note 8.2)	8,402	4,684
Advances to banks against loan principal and interest (note 12)	-	112,000
Prepayments and advances	26,638	19,457
Total (B)	35,040	136,141
Total (A+B)	312,673	396,525

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

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 Retention 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 September 2023						
Expected credit loss rate	0.00%	0.00%	0.00%	7.81%	77.12%	
Gross amount	13,463	59,822	24,238	41,759	149,292	288,574
Expected credit loss	-	-	-	3,261	115,127	118,388
31 December 2022						
Expected credit loss rate	0.00%	0.00%	0.00%	23.38%	79.94%	
Gross amount	10,487	50,462	31,294	31,816	137,413	261,472
Expected credit loss	-	-	-	7,438	109,854	117,292

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements (continued)

8 TRADE AND OTHER RECEIVABLES (CONTINUED)

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 2023 AED'000	Audited 31 December 2022 AED'000
At 1 January	117,292	116,852
Allowance for the period/year	1,096	1,470
Amounts written off	-	(1,030)
Closing balance	<u>118,388</u>	<u>117,292</u>

8.1 Allowance for expected credit losses

	Unaudited 30 September 2023 AED'000	Audited 31 December 2022 AED'000
Allowance against trade receivables	118,388	117,292
Allowance against contract assets	<u>6,156</u>	<u>6,156</u>
	<u>124,544</u>	<u>123,448</u>

8.2 Advances to contractors

	Unaudited 30 September 2023 AED'000	Audited 31 December 2022 AED'000
Advances to contractors	98,994	95,276
Less: Provision for impairment loss	<u>(90,592)</u>	<u>(90,592)</u>
	<u>8,402</u>	<u>4,684</u>

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 2023 AED'000	Unaudited 30 September 2022 AED'000
Compensation to key management personnel are as follows :		
- Salaries and other short-term employee benefits	6,865	3,535
- Provision towards staff terminal benefits	<u>637</u>	<u>707</u>

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements (continued)

9 TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Director's fee

At the Annual General Meeting held on 17 April 2023, the shareholders approved the proposed Directors' fee amounting to AED 1.4 million for the year ended 31 December 2022.

10 BANK BALANCES AND CASH

	Unaudited 30 September 2023 AED'000	Audited 31 December 2022 AED'000
Cash in hand	1,127	703
Cash at bank		
– in current accounts	40,133	50,888
– in fixed deposits with maturities of three months or less	46,845	-
– in deposit accounts held under lien	3,642	9,806
	<u>91,747</u>	<u>61,397</u>
	Unaudited 30 September 2023 AED'000	Audited 31 December 2022 AED'000
Cash and cash equivalent comprise:		
Bank balance and cash (excluding deposits under lien)	88,105	51,591
Bank overdrafts	(41,664)	(50,811)
Cash & cash equivalent at the end of the period/ year	<u>46,441</u>	<u>780</u>

11 BASIC AND DILUTED EARNINGS PER SHARE

	Unaudited Nine month period ended 30 September		Unaudited Three month period ended 30 September	
	2023	2022	2023	2022
Profit/(loss) attributable to shareholders (AED'000)	37,441	(11,370)	19,731	825
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>0.0087</u>	<u>(0.0027)</u>	<u>0.0046</u>	<u>0.0002</u>

12 BANK LOANS

	Unaudited 30 September 2023 AED'000	Audited 31 December 2022 AED'000
Balance	730,125	822,498
Less: Current portion	(411,047)	(481,127)
Non-current portion	<u>319,078</u>	<u>341,371</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)

12 BANK LOANS (CONTINUED)

At 30 September 2023, one loan that had been classified as current liability since the year ended 31 December 2020, due to breach in contractual payments, continues to be classified as current liability.

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

	Unaudited 30 September 2023 AED'000	Audited 31 December 2022 AED'000
At 1 January	822,498	878,656
Availed during the period/year	77,579	244,842
Repayments during the period/year	(97,843)	(301,000)
Settlement against advances to bank (refer below)	(72,109)	-
At the end of the period/year	<u>730,125</u>	<u>822,498</u>

During the previous year the Company had paid an advance of AED 112 million against one of their loans out of which, AED 72.1 million was adjusted against the principal and AED 39.9 million against the interest during the period.

13 TRADE AND OTHER PAYABLES

	Unaudited 30 September 2023 AED'000	Audited 31 December 2022 AED'000
Financial instruments		
Trade payables	78,511	84,205
Retention payables	2,008	2,978
Other payables and accruals (note 13.1)	966,189	1,055,921
Total	<u>1,046,708</u>	<u>1,143,104</u>

13.1 Other payables and accruals

	Unaudited 30 September 2023 AED'000	Audited 31 December 2022 AED'000
<i>Other payables and accruals mainly includes:</i>		
Provisions and accruals against contracting business	712,815	738,652
Provision for staff related payables	28,136	33,505
Provisions and accruals for contractors	<u>225,238</u>	<u>274,353</u>

14 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:

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 amortized cost AED'000	Carrying amount AED'000
30 September 2023 (unaudited)			
<i>Financial assets</i>			
Non-current receivables	-	10,580	10,580
Investments at FVTPL	699	-	699
Trade and other receivables	-	277,633	277,633
Cash and cash equivalent	-	86,978	86,978
Total	699	375,191	375,890
<i>Financial liabilities</i>			
Trade and other payables	-	1,046,708	1,046,708
Lease liabilities	-	14,239	14,239
Bank overdrafts	-	41,664	41,664
Bank loans	-	730,125	730,125
Total	-	1,832,736	1,832,736
31 December 2022 (audited)			
<i>Financial assets</i>			
Non-current receivables	-	11,830	11,830
Investments at FVTPL	699	-	699
Trade and other receivables	-	260,384	260,384
Cash and cash equivalent	-	50,888	50,888
Total	699	323,102	323,801
<i>Financial liabilities</i>			
Trade and other payables	-	1,143,104	1,143,104
Bank overdrafts	-	50,811	50,811
Bank loans	-	822,498	822,498
Lease liabilities	-	13,122	13,122
Total	-	2,029,535	2,029,535

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 2 AED'000	Level 3 AED'000	Total AED'000
30 September 2023 (unaudited)				
Investments at fair value through profit or loss	-	-	699	699
31 December 2022 (audited)				
Investments at fair value through profit or loss	-	-	699	699

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

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Notes to the interim condensed consolidated financial statements (continued)

15 SEGMENT REPORTING

Business segments

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

	Real estate	Contracting	Goods and services	Investments	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
Nine-month period ended 30 September 2023 (unaudited)					
Segment revenue	31,070	31,418	301,820	-	364,308
Direct cost	(17,092)	(26,273)	(244,032)	-	(287,397)
Gross profit	13,978	5,145	57,788	-	76,911
Administrative and general expenses	(25,813)	(4,090)	(34,733)	-	(64,636)
Other operating income	3,386	1,149	7,763	-	12,298
Gain on sale of investment properties	38,673	-	-	-	38,673
Operating profit	30,224	2,204	30,818	-	63,246
Share of losses from an associate, net	-	-	-	(49,181)	(49,181)
Other income	97,747	-	-	9,149	106,896
Finance income	1,562	-	-	-	1,562
Finance cost	(74,002)	-	(11,080)	-	(85,082)
Profit/(loss) for the period	55,531	2,204	19,738	(40,032)	37,441
Capital expenditure	2,370	4,949	9,054	8	16,381
Depreciation of property, plant and equipment	492	2,232	3,463	-	6,187
Depreciation of right of use assets	929	-	267	-	1,196
As at 30 September 2023 (unaudited)					
Segment assets	3,231,083	56,751	579,930	286	3,868,050
Investment in an associate	-	-	-	30,147	30,147
Total assets	3,231,083	56,751	579,930	30,433	3,898,197
Segment liabilities	1,293,543	266,421	300,722	42,711	1,903,397
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
Gain on sale of investment properties	(94)	-	-	-	(94)
Operating profit/(loss)	(15,055)	(1,353)	23,733	(210)	7,115
Share of loss from associates	-	-	-	(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 31 December 2022 (audited)					
Segment assets	3,407,553	39,619	551,680	287	3,999,139
Investment in an associate	-	-	-	79,327	79,327
Total assets	3,407,553	39,619	551,680	79,614	4,078,466
Segment liabilities	946,279	832,039	290,930	51,859	2,121,107

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements (continued)

15 SEGMENT REPORTING (CONTINUED)

Business segments (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 2023 (unaudited)					
Segment revenue	10,880	10,182	102,403	-	123,465
Direct cost	(3,999)	(8,299)	(79,890)	-	(92,188)
Gross profit	6,881	1,883	22,513	-	31,277
Administrative and general expenses	(10,068)	(1,384)	(15,702)	-	(27,154)
Other operating income	1,854	280	1,166	-	3,300
Gain on sale of investment properties	48	-	-	-	48
Operating profit	(1,285)	779	7,977	-	7,471
Share of losses from an associate, net	-	-	-	(20,167)	(20,167)
Other income	60,213	-	-	-	60,213
Finance income	1,149	-	-	-	1,149
Finance cost	(25,192)	-	(3,743)	-	(28,935)
Profit for the period	34,885	779	4,234	(20,167)	19,731
Capital expenditure	136	2,657	4,522	8	7,323
Depreciation of property, plant and equipment	(407)	827	1,511	(57)	1,874
Depreciation of right of use assets	310	-	47	-	357
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 (loss)/profit	(6,637)	1,204	4,874	(19)	(578)
Other income	-	-	-	19,599	19,599
Finance cost	(15,765)	(17)	(2,414)	-	(18,196)
(Loss)/Profit for the period	(22,402)	1,187	2,460	19,580	825
Depreciation of property, plant and equipment	944	469	930	21	2,364
Depreciation of right of use assets	309	-	229	-	538

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements (continued)

16 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

	Unaudited 30 September 2023 AED'000	Audited 31 December 2022 AED'000
<i>Company and its subsidiaries</i>		
Commitments:		
Capital commitments	-	19,715
Contingent liabilities:		
Letters of guarantee	361,985	224,455
<i>Associate</i>		
Contingent liabilities:		
Letters of guarantee	-	252,500

17 CORPORATE TAX LAW

On 9 December 2022, the United Arab Emirates (UAE) Ministry of Finance ("MoF") released Federal Decree-Law No 47 of 2022 on the Taxation of Corporations and Businesses, Corporate Tax Law to enact a new Corporate Tax regime in the UAE. The new Corporate Tax regime is effective for accounting periods beginning on or after 1 June 2023.

As the Group's accounting year ends on 31 December, accordingly the effective implementation date for the Group will start from 1 January 2024 to 31 December 2024, with the first return to be filed on or before 30 September 2025. The Corporate Tax Law confirms the rate of 9% to be applied to taxable income exceeding a specified threshold to taxable income exceeding AED 375,000.