

Union Properties (P.J.S.C)
and its subsidiaries

Consolidated financial statements
31 December 2024

Union Properties (P.J.S.C) and its subsidiaries

Consolidated financial statements

For the year ended 31 December 2024

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Directors' report

The Directors have the pleasure of presenting their report together with the audited consolidated financial statements of Union Properties P.J.S.C (the "Company") and its subsidiaries ("the Group") for the year ended 31 December 2024. The Directors confirm their responsibility for the preparation of the consolidated financial statements of the Group.

To the best of our knowledge, the financial information included in the report fairly present in all material aspects the financial condition, results of operations and cash flows of the Group for the year ended 31 December 2024

Financial position

The Group revenue for 2024 reached to AED 528.7 million (2023: AED 508.0 million), gain on valuation of investment properties amounted to AED 166.3 million (2023: AED 505.9 million) resulting in a total profit before taxes of AED 304.1 million (2023: AED 837.6 million), and total comprehensive income amounted to AED 395.8 million (2023: AED 837.6 million).

Financial performance review

The Group has achieved an operating profit of AED 161.8 million (2023: AED 101.5 million) which marks an annual growth of 59% in operating profits. The Group's subsidiaries also posted an impressive performance, which steered its revenue to AED 528.7 million, 4% increase from AED 508.0 million in 2023.

This demonstrates the Group's capability in reaching to sustainable and consistent profits in three consecutive Financial Years: from a net loss of AED 966.8 million in year 2021 to a profit of AED 30.0 million in year 2022, a profit of AED 837.6 million in year 2023 and a net profit after tax of AED 275.6 million in year 2024.

This remarkable achievement highlights the outstanding performance of Union Properties and its subsidiaries in attaining sustainable growth despite the ever-changing market dynamics. This success not only strengthens its market position but also positively impacts the community by fostering economic development and creating new growth opportunities. The performance reflects a notable shift compared to 2023, with 'the Group' registering a net profit after tax of AED 275.6 million in 2024. This is attributed to several key factors, including the efficiency of the Group's approach in enhancing its market position and a marked increase in real estate demand.

The Group's success is also credited to the wise management of its diverse business portfolio, dedication to innovative and sustainable development strategies, a focus on operational efficiency, and a commitment to steering the business in alignment with evolving investor and real estate occupant needs.

The debt restructuring process, successfully initiated during FY 2022-2023 and renegotiated in 2024, has strategically positioned Union Properties (UPP) on a solid foundation to deliver long-term and sustainable value for its shareholders. Through efficient debt management, UPP repaid AED 723.2 million towards bank debt, significantly reducing the total debt from AED 1,207.8 million in year 2023, to AED 575.0 million in year 2024.

This strategic approach has not only improved profitability but also enhanced cash flow generation by effectively reducing the Group's financing costs by AED 81.6 million from AED 110.1 million in 2023 and to AED 28.5 million in 2024.

Since December 2021, an emergency business restructuring program has been successfully implemented by the Chief Executive Officer and Executive Committee. This initiative has significantly transformed several of the entity's business models and management team, effectively addressing challenges and enhancing shareholder value.

The Group has since focused on:

- Growth: Driving growth to achieve scale efficiencies, improve competitive positioning, and increase shareholder value.
- Financial Performance: Enhancing the financial performance of business units to surpass sector benchmarks.
- Cost Efficiency: Reducing costs and raising operational efficiency.
- Liquidity of Outstanding Receivables: Improving the liquidity of outstanding receivables.

As part of a wider recovery plan to ensure Union Properties' business continuity as a Property Developer, the company has sold "non-core" assets at good valuations which generated AED 1.3 billion and granted the necessary funds to service the debt settlement agreements, funding the preliminary costs related to the new real estate projects – TAKAYA Project was launched in October 2024 and other projects are under the launching pipeline - honouring the agreement reached with "Dubai land" in 2023 – this last one unlocked all full potential of the Company's landbank adjusted to the market demand along with all the potential from developing it within the next 5 years.

These strategic priorities have positioned the Group for sustained success and long-term value creation for shareholders.

Union Properties' transformation program is built on three pillars: governance, organizational, and business transformation

Fiscal discipline was the primary focus in 2023 and 2024. Combined with growing annual revenues, this improved financial performance and delivered positive EBITDA. The goal was to halt the decline in profitability and transform the Group into a sustainably profitable organization, ensuring stable performance and solid shareholder returns.

Going concern

The Group's consolidated financial statements have been prepared on a going concern basis.

As of 31 December 2024, the Group's accumulated losses reached an amount of AED 1,869.5 million from an issued capital of AED 4,289.5 million hence reaching 43.6% of its issued share capital. The Group successfully achieve its recovery with a ratio of 43.6% Accumulated Losses / Capital Ratio in year 2021 that is 68.3%.

Conclusion

The Directors' assessment has been made with reference to the Group's current position and prospects, its strategy and availability of funding, the Board's risk appetite, and the Group's principal risks and how these are managed.

In December 2021, shareholders elected new board members who subsequently appointed a new Managing Director. Following this, a new senior executive management team was established with a focus on strengthening the supervisory function of internal audit and controls, restructuring operations to achieve a leaner organization, and recovering misappropriated funds through legal procedures. Simultaneously, they developed a new growth strategy to generate shareholder value.

With a diverse portfolio encompassing residential, commercial, and mixed-use developments, Union Properties is strategically positioned to capitalize on the increasing opportunities within Dubai's dynamic real estate market. The Group remains committed to delivering premium products and services to its clients and partners, driven by a noticeable increase in contracts and the wide adoption of the latest technological innovations.

The present rise in operating profit is a testament to Union Properties' unwavering dedication to upholding transparency with both the market and its clients.

As Dubai's real estate market continues its robust growth, the Group aims to strengthen its expansion and growth plans, ensuring solid progression into the future.

With its robust foundation and strategic vision, the Group is well-positioned to seize new opportunities and play a significant role in Dubai's flourishing real estate sector, further contributing valuable advancements to the industry.

The Group also continues to reform its corporate culture, renewing corporate ethics, appropriately disclosing corporate information, and enhancing compliance-focused management.

Critical lawsuits and claims

While the Group may face various claims or lawsuits with counterparties and third parties due to past business practices, it is actively addressing these challenges. The new management team is committed to resolving any potential legal issues efficiently and transparently. By taking proactive measures and implementing robust legal strategies, the Group aims to minimize any impact on its business performance and continue its path towards sustainable growth and shareholder value.

Compliance and reputation

The Group is actively enhancing governance by reforming corporate culture, renewing corporate ethics, ensuring appropriate disclosure of corporate information, and strengthening compliance-focused management.

Risk and Control

The Board of Directors has established robust standards and principles of internal control within the Group, aimed at providing objective, independent, and reliable advice. These standards create an ideal environment for internal control that meets the Board's requirements and enhances the roles of the Board of Directors, the Audit, Risk & Compliance Committee, and the Executive Committee, ensuring the proper performance of their duties, functions, and responsibilities. Additionally, the responsibilities of the Internal Audit Department are governed by the Charter approved by the Audit Committee and the Board of Directors.

We extend our heartfelt gratitude to the UAE leadership for their visionary guidance, which provides a solid platform for all participants and economic agents to excel and contribute to the growth of the UAE. We also express our sincere thanks to the regulators, government bodies, our shareholders, debtholders, customers, partners, and employees, who have been the pillars of our journey

Directors

The Board of Directors comprised of:

Mr. Mohamed Fardan Ali Al Fardan	Chairman
Mr. Abdul Wahab Al Halabi	Vice Chairman
Mr. Amer Abdulaziz Hussain Khansaheb	CEO and Board Member
Mr. Darwish Abdulla Ahmed Al Ketbi	Board Member
Mr. Abdulrahman Hussamuddin Sharaf	Board Member
Mr. Saif Bin Abdulaziz Bin Yagub Alserkal	Board Member
Ms. Afaf Al-Kontar	Board Member

On behalf of the Board



Mohamed Fardan Ali Al Fardan
Chairman

Independent Auditor's Report To the Shareholders of Union Properties PJSC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Union Properties PJSC (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2024, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements including material accounting policies information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code")*, together with other ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Independent Auditor's Report To the Shareholders of Union Properties PJSC

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the key audit matter
i) Valuation of investment properties The Group's investment properties portfolio is carried at AED 2,220 million (2023: AED 2,957 million) (as disclosed in note 11 to these consolidated financial statements) under the fair value model including a net fair value gain recorded amounting to AED 166 million (2023: gain of AED 506 million). The Group engaged professionally qualified external valuers to fair value its investment properties. The valuers performed their work in accordance with the Royal Institution of Chartered Surveyors ('RICS') Valuation Global Standards. The fair value definition as per RICS Valuation Standards, adopted by the external valuers, complies with the fair value definition under IFRS. The valuation of the portfolio is a significant judgement area and is underpinned by a number of assumptions. The existence of significant estimation uncertainty warrants specific audit focus in this area as any error in determining the fair value could have a material impact on the value of the Group's investment properties and the fair value gain or loss recognised in respect of these investment properties. Refer to note 11.5 to the consolidated financial statements which includes disclosures regarding the use of estimates and judgements by management in determining the fair valuation of investment properties. During the year the Group has investment properties amounting to AED 540 million (2023: AED 933 million) as held for sale. The key associated risk which warrants specific audit focus in this area is determining the Group's compliance with IFRS 5.	We performed the following audit procedures: • We assessed the competence, independence and integrity of the external valuers, read their terms of engagement to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations on their work; • On a sample basis, we performed audit procedures to assess whether the source data used for determining the value are reasonable by comparing it to the underlying supporting information; • We involved our real estate valuation specialist, who, on a sample basis, reviewed valuation methodologies used in the valuation process and challenged the assumptions for key estimates of market rent, cost to complete, future rental income, operating cost, occupancy rates, discount rates, capitalisation and terminal yield rates used in the valuation by comparing them against historical rates and available industry data, taking into consideration comparability and market factors. Alongside our valuation specialist, we also held discussions with the Group's management to assess the appropriateness of methodology adopted and reasonableness of the key valuation assumption used; • We performed sensitivity analysis on the significant assumptions to evaluate the extent of the impact of changes in the key assumptions to the conclusions reached by the management; • We assessed that the conditions are met for the asset to be reclassified as held for sale in compliance IFRS 5 and inspected the underlying supporting evidence to verify the measurement of the estimated net realisable value; and • We assessed the adequacy and sufficiency of the associated disclosures in the consolidated financial statements, which include the presentation and classification in compliance with the requirements of IFRS's.

Independent Auditor's Report To the Shareholders of Union Properties PJSC

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the key audit matter
ii) Revenue recognition The Group earns revenues through manufacturing, contracting, trading and services business and recognizes revenue in accordance with IFRS 15 (as disclosed in note 5 to these consolidated financial statements). The Group recognises revenue either at point in time or over time depending on the terms of contracts with its customer. Revenue recognition was considered a key audit matter that warrant additional audit focus as it includes key elements of judgements which include analysing whether the contracts comprise one or more performance obligations and determination of whether the performance obligations are satisfied over time or at a point in time and carries the presumed risk of fraud. Rental income from leased properties is recognised in accordance with the terms of the lease agreed with the tenants on a straight-line basis from the operating lease commencement date over the period of the lease. The lease agreements may include certain clauses relating to (i) lease income computed based on lessee turnover; and (ii) tenant incentives which may affect the amount of rental income recognized during the year. Considering the inherent risks around the existence and accuracy, rental income from leased properties warrants additional audit focus.	We performed the following audit procedures: • We obtained an understanding of the revenue process implemented by the Group; • We assessed the appropriateness of the revenue recognition accounting policies adopted by the Group and its compliance with International Financial Reporting Standards ("IFRS"); • We performed test of design and implementation of relevant controls for those components where in there is significant reliance on controls; • On a sample basis, we reviewed the contracts to identify the performance obligations of the Group under these contracts and assessed whether these performance obligations are satisfied over time or at a point in time in accordance with the requirements of IFRS 15; • On a sample basis, we have tested significant items of computation by comparing these to the relevant supporting documents including payment certificates to ascertain the existence and accuracy of the revenue recognised during the year and its compliance with IFRS; and • We assessed the disclosures made in the consolidated financial statements in relation to IFRS 15 and IFRS 16.
iii) Valuation of trade and retention receivables The Group has trade and retention receivables that are overdue and not impaired (as disclosed in note 17 and 31 to these consolidated financial statements). The key associated risk is the recoverability of receivables. Management's allowance for expected credit losses (ECL) is subjective and is influenced by assumptions concerning the probability of default and probable losses in the event of default.	We performed the following audit procedures: • We obtained an understanding of the Group's process for estimating ECL and assessed the appropriateness of ECL methodology and its compliance with IFRS 9; • We assessed the reasonableness of management's key assumptions and judgments made in determining the allowance for ECL, segmenting of receivables and macroeconomic factors; and • We tested the key inputs of the model such as those used to calculate the likelihood of default and the subsequent loss on default, by comparing to historical data.

Independent Auditor's Report To the Shareholders of Union Properties PJSC

Report on the Audit of the Consolidated Financial Statements (continued)

Other Information

Management is responsible for the other information. The other information comprises information included in the Directors' report but does not include the consolidated financial statements and our auditors' report thereon. We obtained the Directors' Report prior to date of our auditors' report, and we expect to obtain the remaining sections of the Annual Report after the date of the auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as issued by the IASB, and their preparation in compliance with the applicable provisions of the UAE Federal Decree Law no. 32 of 2021 and Articles of Association, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent Auditor's Report To the Shareholders of Union Properties PJSC

Report on the Audit of the Consolidated Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

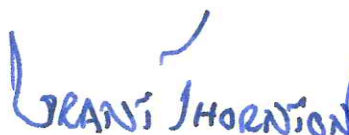
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Independent Auditor's Report
To the Shareholders of Union Properties PJSC**

Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Decree Law no. 32 of 2021, for the year ended December 31, 2024, we report that:

- i) We have obtained all the information and explanations we considered necessary for the purposes of our audit;
- ii) The consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Decree Law no. 32 of 2021;
- iii) The Group has maintained proper books of accounts;
- iv) The financial information included in the Directors' Report, in so far as it relates to these consolidated financial statements, is consistent with the books of accounts of the Group;
- v) As disclosed in note 2, the Group has purchased and invested in shares during the year ended December 31, 2024;
- vi) Note 18 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted;
- vii) Based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended December 31, 2024, any of the applicable provisions of the UAE Federal Decree Law no. 32 of 2021 or in respect of the Group, its Articles of Association, which would materially affect its activities or its consolidated financial position as at December 31, 2024; and
- viii) As disclosed in note 1 the Group did not have any social contributions made during the year ended December 31, 2024.


GRANT THORNTON UAE

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

13 February 2025



Union Properties (P.J.S.C) and its subsidiaries

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2024

	Notes	2024 AED'000	2023 AED'000
Revenue	5.1	528,752	508,009
Direct costs	5.2	(426,118)	(404,326)
Gross profit		102,634	103,683
Administrative and general expenses	6	(145,894)	(103,215)
Other operating income	7	46,634	30,659
Gain on sale of investment properties	11.4	158,472	70,416
Operating profit		161,846	101,543
Gain on valuation of investment properties, net	11.2	166,350	505,880
Share of results of equity accounted investees	13	(10,771)	(59,413)
Other income	7	18,109	401,964
Finance costs	8	(31,659)	(114,073)
Finance income		275	1,716
Profit before tax for the year		304,150	837,617
Income tax for the year	32	(28,511)	-
Profit for the year		275,639	837,617
Other Comprehensive Income:			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Revaluation of land-net of tax	21	120,174	-
Total comprehensive income for the year		395,813	837,617
Basic and diluted earnings per share (AED)	23	0.0643	0.1953

The notes from 1 to 34 form an integral part of these consolidated financial statements.

The independent auditor's report is set out on the pages 4 to 9.

Union Properties (P.J.S.C) and its subsidiaries

Consolidated statement of financial position

As at 31 December 2024

		31 December 2024	31 December 2023
	Notes	AED'000	AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	455,791	309,684
Right-of-use assets	10	14,224	8,090
Development properties	12.2	230,528	11,912
Investment properties	11	2,220,143	2,957,379
Investments in an associate	13	9,143	19,914
Non-current receivables	15	28,347	11,575
Total non-current assets		2,958,176	3,318,554
Current assets			
Investment properties held for sale	11.6	540,960	932,960
Investments at fair value through profit or loss	14	965	699
Inventories	12.1	4,758	5,852
Contract assets	16	17,829	29,575
Trade and other receivables	17	711,696	413,807
Cash and cash equivalents	19	181,213	78,305
Total current assets		1,457,421	1,461,198
Total assets		4,415,597	4,779,752
EQUITY AND LIABILITIES			
Equity			
Share capital	20	4,289,540	4,289,540
Statutory reserve	21	437,953	397,857
Asset revaluation surplus	21	332,863	212,689
Accumulated losses		(1,869,567)	(2,105,110)
Total equity		3,190,789	2,794,976
Non-current liabilities			
Non-current portion of bank loans	24	176,360	220,935
Non-current payables	11.3	84,000	244,000
Lease liabilities	10	12,669	8,979
Provision for staff terminal benefits	26	32,128	30,600
Deferred tax liabilities	32	28,073	-
Total non-current liabilities		333,230	504,514
Current liabilities			
Trade and other payables	27	410,091	437,046
Contract liabilities	25	42,321	12,452
Lease liabilities	10	2,070	2,245
Bank overdrafts	28	26,101	41,589
Current tax liability	32	12,323	-
Current portion of bank loans	24	398,672	986,930
Total current liabilities		891,578	1,480,262
Total liabilities		1,224,808	1,984,776
Total equity and liabilities		4,415,597	4,779,752

These consolidated financial statements were authorised for issue by the Board of Directors on 13 February 2025


Chairman


Board Member & CEO

The notes from 1 to 34 form an integral part of these consolidated financial statements.
The independent auditor's report is set out on the pages 4 to 9.

Union Properties (P.J.S.C) and its subsidiaries

Consolidated statement of cash flows

For the year ended 31 December 2024

		2024	2023
	Notes	AED'000	AED'000
Operating activities			
Profit before tax for the year		304,150	837,617
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	9	11,411	7,159
Depreciation of right of use assets	10	2,188	1,986
Gain on sale of investment properties	11.4	(158,472)	(70,416)
Gain on fair valuation of investment properties	11.2	(166,350)	(505,880)
Share of results of equity accounted investees	13	10,771	59,413
Allowance for expected credit losses	31	16,351	(7,290)
Gain on financial instruments at FVTPL	14	(266)	-
Write back of liabilities	7	(18,109)	(401,964)
Finance income		(275)	(1,716)
Finance cost	8	31,659	114,073
Allowance for expected credit losses - contract assets		-	(2,986)
<i>Operating cash flows before working capital changes</i>		33,058	29,996
Change in inventories		1,094	(1,451)
Change in contract assets		11,746	2,258
Change in contract liabilities		29,869	-
Change in trade and other receivables		61	(9,737)
Change in trade and other payables and contract liabilities		(26,955)	(89,828)
Change in staff terminal benefits - net		1,528	(30)
<i>Net cash generated from/used in operating activities</i>		50,401	(68,792)
Investing activities			
Additions to property, plant and equipment	9	(25,459)	(19,178)
Additions to investment properties	11	(559)	(1,812)
Additions to development properties	12.2	(4,905)	(2,020)
Proceeds from the sale of investment properties held for sale		206,134	-
Proceeds from sale of investment properties		678,337	261,903
Interest received		275	1,716
Change in non-current payables		(160,000)	-
Change in non-current receivable		(16,772)	-
Change in deposit with banks and escrow accounts		25,235	2,902
<i>Net cash generated from investing activities</i>		702,286	243,511
Financing activities			
Bank loans availed	24	90,410	101,227
Repayment of bank loans	24	(723,243)	(130,943)
Payment of lease liabilities	10	(2,763)	(2,977)
Interest paid		(23,930)	(112,994)
<i>Net cash used in financing activities</i>		(659,526)	(145,687)
Net increase in cash and cash equivalents		93,161	29,032
Cash and cash equivalents at the beginning of the year		29,812	780
Cash and cash equivalents at the end of the year	19	122,973	29,812

The notes from 1 to 34 form an integral part of these consolidated financial statements.

The independent auditor's report is set out on the pages 4 to 9.

Union Properties (P.J.S.C) and its subsidiaries

Consolidated statement of changes in equity

For the year ended 31 December 2024

	Share capital AED'000	Statutory reserve AED'000	Asset revaluation surplus AED'000	Accumulated losses AED'000	Total equity AED'000
At 1 January 2023	4,289,540	355,976	212,689	(2,900,846)	1,957,359
Total comprehensive income for the year	-	-	-	837,617	837,617
Other equity movements					
Transfer to statutory reserve (note 21)	-	41,881	-	(41,881)	-
At 31 December 2023	4,289,540	397,857	212,689	(2,105,110)	2,794,976
At 1 January 2024	4,289,540	397,857	212,689	(2,105,110)	2,794,976
Total comprehensive income for the year	-	-	120,174	275,639	395,813
Other equity movements					
Transfer to statutory reserve (note 21)	-	40,096	-	(40,096)	-
At 31 December 2024	4,289,540	437,953	332,863	(1,869,567)	3,190,789

The notes from 1 to 34 form an integral part of these consolidated financial statements.

The independent auditor's report is set out on the pages 4 to 9.

Union Properties (P.J.S.C) and its subsidiaries

Notes to the consolidated financial statements

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Union Properties (P.J.S.C) ("the Company") was incorporated on 28 October 1993 as a (P.J.S.C) by a United Arab Emirates Ministerial decree. The Group'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 as set out in note 2.5.

The Company and its subsidiaries as set out in note 2.5 are collectively referred to as ("the Group").

The Group has made no material monetary social contributions during the year ended 31 December 2024.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the requirements of the UAE Federal Decree Law No. (32) of 2021 and Articles of Association of the Company.

2.2 Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for the revaluation of investment properties and land, revaluation of the financial assets at fair value through profit or loss at the end of each reporting period, as explained in the accounting policies given below.

2.3 Comparative information

The consolidated financial statements provide comparative information in respect of the previous period.

2.4 Business Combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred, and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. If the Group acquires a controlling interest in a business in which it previously held an equity interest, that equity interest is remeasured to fair value at the acquisition date with any resulting gain or loss recognised in profit or loss or other comprehensive income, as appropriate. Consideration transferred as part of a business combination does not include amounts related to the settlement of pre-existing relationships. The gain or loss on the settlement of any pre-existing relationship is recognised in profit or loss.

Assets acquired and liabilities assumed are measured at their acquisition-date fair values.

2.5 Basis of consolidation

These consolidated financial statements comprise the financial statements of the Group and its subsidiaries on 31 December 2024, as set out in the following pages.

Union Properties (P.J.S.C) and its subsidiaries

Notes to the consolidated financial statements (continued)

2 BASIS OF PREPARATION (CONTINUED)

2.5 Basis of consolidation (continued)

Subsidiaries	Incorporated in	Effective ownership		Principal activities
		2024	2023	
Gulf Mechanical A/C Acoustic Manufacturing (GMAMCO) LLC	UAE	100%	100%	Central air-conditioning, requisites manufacturing, fire fighting equipment assembling.
Al Etihad Cold Storage LLC	UAE	100%	100%	Cold storage and warehousing
ServeU LLC	UAE	100%	100%	Facilities management, security, mechanical, electrical and plumbing works and energy management services.
Dubai Autodrome LLC	UAE	100%	100%	Building, management and consultancy for all types of race tracks and related developments for all types of motor racing.
The Fitout LLC	UAE	100%	100%	Manufacturing and interior decoration.
The Fitout Industries LLC*	UAE	100%	100%	Manufacturing and interior decoration.
EDACOM Owners Association Management	UAE	100%	100%	Owners Association Management
Al Etihad Real Estate Development LLC	UAE	100%	100%	Real estate development
Union Holding LLC	UAE	100%	100%	Investment in equities.
UPP Capital Investment LLC	UAE	100%	100%	Investment in equities.
Motor city LLC	UAE	100%	100%	Facilities management services.
UPP Investments LLC	UAE	100%	100%	Investment in equities.
Takaya Real Estate Development LLC	UAE	100%	0%	Real estate development
Golden Premier Trading LLC	UAE	100%	100%	Trading Activities
Mercury Investment LLC	UAE	100%	100%	Investment and management of companies
Aydacom Realestate Management LLC	UAE	100%	0%	Owners Association Management
Serveu Life Lifeguard Services LLC	UAE	100%	100%	Lifeguard services
Ehkam Security Services LLC	UAE	100%	100%	Facilities management and security Services
Serveu Maintenance - Sole Proprietorship LLC	UAE	100%	100%	Facilities management, security, mechanical, electrical and plumbing works and energy management services.
Associates				
Properties Investment LLC	UAE	30%	30%	Investment in and development of properties and property related activities.

* Subsidiary of The Fitout LLC

Union Properties (P.J.S.C) and its subsidiaries

Notes to the consolidated financial statements (continued)

2 BASIS OF PREPARATION (CONTINUED)

2.5 Basis of consolidation (continued)

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in full in preparing these consolidated financial statements.

2.6 Functional and presentation currency

The consolidated financial statements are presented in United Arab Emirates Dirhams ("AED"), which is the functional currency of the Company and its subsidiaries. All amounts have been rounded to the nearest thousand ("AED'000"), except when otherwise indicated.

2.7 Use of estimates and judgements

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in note 33.

2.8 Fair value measurement

The Group measures certain financial instruments such as financial assets at FVTPL, and certain non-financial assets such as investment properties and land under property, plant, and equipment, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

Union Properties (P.J.S.C) and its subsidiaries

Notes to the consolidated financial statements (continued)

2 BASIS OF PREPARATION (CONTINUED)

2.8 Fair Value Measurement (continued)

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- **Level 1:** quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- **Level 2:** Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- **Level 3:** Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

For assets and liabilities that are recognised in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group has an established control framework with respect to the measurement of fair values.

This includes a management team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. The management team regularly reviews significant unobservable inputs and valuation adjustments.

External valuers are involved for valuation of significant assets, such as properties. If third party is used to measure fair values, the management team discusses with the valuer the valuation techniques and inputs to use and assesses the evidence obtained from the third party to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Union Properties (P.J.S.C) and its subsidiaries

Notes to the consolidated financial statements (continued)

2 BASIS OF PREPARATION (CONTINUED)

2.8 Fair Value Measurement (continued)

The Group measures its investment properties at fair value and engages an external valuer to determine the fair value of all its properties.

The determination of the fair value of most of these investment properties is performed using the income approach of valuation, while a residual valuation methodology has been used for investment properties under development.

The Group's determination of fair value for the investment properties requires management to make significant estimates and assumptions related to future rental rates, capitalisation rates and discount rates.

2.9 Financial Commitments

The Group's loans and borrowings as at 31 December 2024 amounted to AED 601.1 million (AED 575.0 million of bank loans and AED 26.1 million of bank overdrafts). Furthermore, the Group has net current assets of AED 564.9 million as at the reporting date.

The management has analysed the Group's liquidity position over a period of 12 months from the reporting date. Based on the Group's available funding facilities, forecasted cash inflows from operations, contractual loan maturities, debt service costs, estimated and committed capital expenditure, and liquid investments management has not identified a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern or to meet its future obligations.

The Board of Directors has reviewed the Group's cash flow projections and concluded that the Group will be able to meet its commitments as they fall due in the foreseeable future.

3 MATERIAL ACCOUNTING POLICIES

3.1 Summary of material accounting policies

Associates

Associates are those entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associates is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate or is included in the carrying amount of the investment and is not tested for impairment separately.

Union Properties (P.J.S.C) and its subsidiaries

Notes to the consolidated financial statements (continued)

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Summary of material accounting policies (continued)

Associates (continued)

The statement of profit or loss reflects the Group's share of the results of operations of the associates. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associates.

The aggregate of the Group's share of profit or loss of an associate and is shown on the face of the consolidated statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statement of the associate is prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss within 'Share of profit of associates in the consolidated statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Union Properties (P.J.S.C) and its subsidiaries

Notes to the consolidated financial statements (continued)

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Summary of material accounting policies (continued)

Revenue from contracts with customers

The Group is in the business of development, sale and leasing of properties as well as involved in manufacturing, contracting, trading and service activities.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations, and then
5. Recognising revenue when/as performance obligation(s) are satisfied.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 33.

Trading activities

Revenue from sale of goods is recognised at the point in time when the performance obligation is satisfied i.e., the asset is transferred to the customer, generally on delivery of the goods. The normal credit term is 30 to 90 days upon delivery.

Contracting activities

Revenue from contracts for mechanical, electrical and plumbing works is recognised over time using input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.

Revenue from contracts for interior architecture is recognised over time using output method which directly measures the value of goods or services transferred to the customer relative to remaining performance obligations. Acceptable measures include milestones achieved or surveys of work completed, where appropriate.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., delivery, installation, warranties etc.). In determining the transaction price, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Contracts with customers specify that the Group is liable to pay penalty or for liquidated damages if certain conditions specified in the contract are not met for reasons not attributable to the customer.

Union Properties (P.J.S.C) and its subsidiaries

Notes to the consolidated financial statements (continued)

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Summary of material accounting policies (continued)

Contracting activities (continued)

This penalty amount may vary for different contracts and/or customers. When the Group identifies the existence of variable consideration, it will estimate the amount of the consideration at contract inception by using the expected value approach and recognise a liability for the expected future losses.

Contract modifications

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

Warranty obligations

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

The extended warranty which is given by the Group for a period longer than required by the normal practice, is usually for the purpose of detecting errors or defects in the work performed and is necessary to provide assurance that the goods or services comply with the agreed upon specifications, and accordingly, such warranties are treated as assurance type warranty. Otherwise, and in rare cases, such warranty will be treated as a service type warranty and thus will be considered as a separate performance obligation.

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

Facility management, maintenance and motor racing services

Revenue from services is satisfied over time, because the customer simultaneously receives and consumes the benefits provided by the Group, on a fixed contract basis or using an output method to measure progress towards complete satisfaction of the service. Sponsorship fees related to motor racing events are recognised in the period in which the related event is held.

Union Properties (P.J.S.C) and its subsidiaries

Notes to the consolidated financial statements (continued)

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Summary of material accounting policies (continued)

Revenue from sale of development properties

The Group satisfies a performance obligation and recognises revenue from sale of properties over time, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

For performance obligations where one of the above conditions are not met, revenue from the sale of properties is recognised at the point in time at which the performance obligation is satisfied.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before billing or invoicing milestones or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets under the section Financial instruments – initial recognition and subsequent measurement.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group complete performance obligation under the contract.

Cost to obtain a contract

The Group has elected to apply the optional practical expedient for costs to obtain a contract which allows the Group to immediately expense such costs (included in cost of sales) because the amortisation period of the asset that the Group otherwise would have used is one year or less.

Contract costs

Contract costs comprise direct contract costs and other costs relating to the contracting activity in general and which can be allocated to contracts. In addition, contract costs include other costs that are specifically chargeable to the customer under the terms of the contracts.

Union Properties (P.J.S.C) and its subsidiaries

Notes to the consolidated financial statements (continued)

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Summary of material accounting policies (continued)

Value added tax

Expenses and assets are recognised net of the amount of value added tax, except:

- When the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of value added tax included

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated financial statements.

Income tax

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

The calculation of current and deferred tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred income taxes are calculated using the liability method. The carrying amounts of deferred tax are reviewed at the end of each reporting period on the basis of its most likely amount and adjusted if needed. Assessing the most likely amount of current and deferred tax in case of uncertainties (e.g. as a result of the need to interpreting the requirements of the applicable tax law), requires the group to apply judgments in considering whether it is probable that the taxation authority will accept the tax treatment retained.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- Deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

Union Properties (P.J.S.C) and its subsidiaries

Notes to the consolidated financial statements (continued)

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Summary of material accounting policies (continued)

Deferred tax(continued)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

In assessing the recoverability of deferred tax assets, the Group relies on the same forecast assumptions used elsewhere in the financial statements and in other management reports, which, among other things, reflect the potential impact of climate-related development on the business, such as increased cost of production as a result of measures to reduce carbon emission.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change.

The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Foreign currencies

Transactions and balances

Transactions denominated in foreign currencies are initially recorded in the functional currency by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency using the closing rate. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. All foreign currency differences are recognised in the profit or loss.

Union Properties (P.J.S.C) and its subsidiaries

Notes to the consolidated financial statements (continued)

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Summary of material accounting policies (continued)

Foreign currencies(continued)

Investments in other entities

The assets and liabilities of foreign operations are translated into AED at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

Finance income and expense

Finance income comprises interest income on loan to associate. Interest income is recognised as it accrues in the profit or loss using the effective interest method.

Finance expense comprises interest expense on bank borrowings as well as interest expense on lease liabilities. All borrowing costs, except to the extent that they are capitalised in accordance with the paragraph below, are recognised in the profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

Property, plant and equipment and depreciation

Recognition and measurement

Other than land, items of property, plant and equipment are measured at cost less accumulated depreciation (refer below) and accumulated impairment losses (refer accounting policy on impairment), if any. Cost includes expenditure that is directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of overheads.

At 31 December 2024 and 2023, land is measured at fair value less accumulated impairment losses recognised after the date of revaluation. Valuation is performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the consolidated statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Union Properties (P.J.S.C) and its subsidiaries

Notes to the consolidated financial statements (continued)

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Summary of material accounting policies (continued)

Property, plant and equipment and depreciation (continued)

Depreciation

Depreciation is recognised in the profit or loss on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives for the current and comparative periods are as follows:

<i>Assets</i>	<i>Number of years</i>
Buildings and leasehold improvements	2 to 20
Plant and machinery	5 to 10
Furniture, fixtures and office equipment	2 to 4
Motor vehicles	4
Equipment and tools	2 to 3

The depreciation method, useful lives and residual values are reassessed at the reporting date.

Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses (refer accounting policy on impairment), if any, until the construction is complete. Upon completion of construction, the cost of such asset together with the cost directly attributable to construction (including borrowing costs and land rent capitalised) are transferred to the respective class of assets. No depreciation is charged on capital work-in-progress.

Investment properties

Recognition

Land and buildings owned by the Group for the purposes of generating rental income or capital appreciation or both are classified as investment properties. Properties that are being constructed or developed for future use as investment properties are also classified as investment properties. Where the Group provides ancillary services to the occupants of a property, it treats such a property as an investment property if the services are a relatively insignificant component of the arrangement as a whole.

When the Group begins to redevelop an existing investment property for continued future use as an investment property, the property remains as an investment property, which is measured based on fair value model and is not reclassified as development property during the redevelopment with respect to as an investment property.

Measurement

Investment properties are initially measured at cost, including related transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Any gain or loss arising from a change in fair value is recognised in the profit or loss. Fair values are determined based on annual valuation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee. Where the fair value of an investment property under development is not reliably determinable, such property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable.

Union Properties (P.J.S.C) and its subsidiaries

Notes to the consolidated financial statements (continued)

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Summary of material accounting policies (continued)

Investment properties (continued)

Transfer from investment properties to development properties

Certain properties are transferred from investment properties to development properties when those properties are either released from rental or for capital appreciation or both. The properties under investment properties are transferred to development properties at carrying value. Subsequent to initial recognition, such properties are valued at the lower of fair value less cost to sell and the carrying value.

Derecognition

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in IFRS 15.

Development properties

Development properties consists of property being developed principally for sale and is stated at the lower of cost or net realisable value. Cost comprises all direct costs attributable to the design and construction of the property including direct staff costs, and for qualifying assets (if any), borrowing costs capitalised in accordance with the Group's accounting policy. Net realisable value is the estimated selling price in the ordinary course of the business less estimated costs to complete and applicable variable selling expenses.

Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in section *Revenue from contracts with customers*.

Union Properties (P.J.S.C) and its subsidiaries

Notes to the consolidated financial statements (continued)

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Summary of material accounting policies (continued)

Financial instruments – initial recognition and subsequent measurement *(continued)*

i) Financial assets (continued)

Initial recognition and measurement (continued)

For a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables, retentions receivable and due from related parties.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of income.

Union Properties (P.J.S.C) and its subsidiaries

Notes to the consolidated financial statements (continued)

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Summary of material accounting policies (continued)

Financial instruments – initial recognition and subsequent measurement (*continued*)

i) Financial assets (continued)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Union Properties (P.J.S.C) and its subsidiaries

Notes to the consolidated financial statements (continued)

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Summary of material accounting policies (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Impairment of financial assets (continued)

For trade and retentions receivable and contract assets, including receivables from sale of real estate properties that contain a significant financing component, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, lease liabilities, and loans and borrowings including bank overdrafts.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method(EIR).

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings and lease liabilities are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss.

Union Properties (P.J.S.C) and its subsidiaries

Notes to the consolidated financial statements (continued)

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Summary of material accounting policies (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

ii) Financial liabilities (continued)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at bank in current and deposit accounts (having a maturity of three months or less and excluding deposits held under lien). Bank overdrafts that are repayable on demand and bills discounted having a maturity of three months or less, if any, form an integral part of the Group's cash management and are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

Impairment of non-financial assets

The Group assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an assets or CGUs fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are considered. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of one to five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Union Properties (P.J.S.C) and its subsidiaries

Notes to the consolidated financial statements (continued)

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Summary of material accounting policies (continued)

Impairment of non-financial assets (continued)

Impairment losses are recognised in the consolidated statement of other comprehensive income in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the assets or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of other comprehensive income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Inventories

Inventories are valued at the lower of cost and net realisable value.

The cost of other inventories is based on the weight average method and includes expenditure incurred in acquiring inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses.

Properties held for sale

The Group classifies certain assets as held for sale in accordance with the requirements of International Financial Reporting Standard IFRS 5, Non-current Assets Held for Sale and Discontinued Operations. Assets classified as held for sale are measured at the lower of carrying value and net realisable value. The estimates of net realisable values are based on the most reliable evidence available at the reporting date of the amount that the Group is expected to realise from the sale of these properties in its ordinary course of business.

Assets held for sale as of 31 December 2024 primarily consist of investment properties. The reclassification of these assets as held for sale signifies the Group's intention to dispose of them within the near term, typically within one year.

The Group discloses the major classes of assets held for sale and the asset's carrying amounts are presented separately from other assets in the consolidated statement of financial position.

Union Properties (P.J.S.C) and its subsidiaries

Notes to the consolidated financial statements (continued)

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Summary of material accounting policies (continued)

Properties held for sale (continued)

Any liabilities directly associated with the assets held for sale are presented separately from other liabilities in the consolidated statement of financial position. Liabilities directly associated with assets held for sale are recognized at their carrying amount, except for liabilities that will be settled after the expected sale date, which are recognized at their present value (if any).

The Group recognizes any gain or loss arising from the derecognition of assets classified as held for sale in profit or loss in the period in which the criteria for classification as held for sale are met. At each reporting period the criteria for measurement under IFRS 5 is reassessed to confirm classification.

Provision

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, considering the risks and uncertainties surrounding the obligation. When the Group expects some or all a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain.

The expense relating to a provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Provision for contract maintenance

Provision for contract maintenance is recognised when the underlying contract enters the maintenance period. The provision is made on a case-by-case basis for each job where the maintenance period has commenced and is based on historical maintenance cost data and an assessment of all possible outcomes against their associated probabilities.

Union Properties (P.J.S.C) and its subsidiaries

Notes to the consolidated financial statements (continued)

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Summary of material accounting policies (continued)

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets between 2 to 25 years.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section *Impairment of non-financial assets*.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Union Properties (P.J.S.C) and its subsidiaries

Notes to the consolidated financial statements (continued)

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Summary of material accounting policies (continued)

Leases (continued)

Group as a lessee (continued)

Short-term leases and leases of low-value assets

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

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in the consolidated statement of profit or loss. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Rental income

Rental income from investment properties is recognised as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease

Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The results of the operating segments are reviewed regularly by the Board of Directors to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, costs incurred for purchase of investment properties or redevelopment of existing investment properties and costs incurred towards development of properties which are either intended to be sold or transferred to investment properties.

Union Properties (P.J.S.C) and its subsidiaries

Notes to the consolidated financial statements (continued)

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.2 Changes in accounting policies and disclosures

Adoption of new and revised International Financial Reporting Standards, amendments and interpretations

New standards adopted as at 1 January 2024

Some accounting pronouncements which have become effective from 1 January 2024 and have therefore been adopted do not have a significant impact on the Group's financial results or position.

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)
- Non-current Liabilities with Covenants (Amendments to IAS 1)

These amendments do not have a significant impact on these consolidated financial statements and therefore the disclosures have not been made.

Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Group

Other Standards and amendments that are not yet effective and have not been adopted early by the Group include:

- Lack of Exchangeability (Amendments to IAS 21)
- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and 7)
- IFRS 18 Presentation and Disclosure in Financial Statements
- IFRS 19 Subsidiaries without Public Accountability: Disclosures
- Annual Improvements to IFRS Accounting Standards – Volume 11
- Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7)

These amendments do not have a significant impact on these consolidated financial statements in the period of initial application and therefore the disclosures have not been made.

IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information

- IFRS S1 sets out overall requirements for sustainability-related financial disclosures with the objective to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.

IFRS S2 Climate-related Disclosures

- IFRS S2 sets out the requirements for identifying, measuring, and disclosing information about climate-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.
- The Group is currently assessing the impact of the IFRS S1 and IFRS S2 on the consolidated financial statements.

Union Properties (P.J.S.C) and its subsidiaries

Notes to the consolidated financial statements (continued)

4 FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT

Overview

The Group has exposure to the following risks from its use of financial instruments:

- Financial Risk
- Credit risk
- Liquidity risk
- Market risk Capital Management

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies, and processes for measuring and managing risk, and the Group's management of capital. Furthermore, quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has an overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the products offered.

Financial risk

The Group's Corporate Finance and Treasury function provides services to the business, coordinates access to domestic, monitors and manages financial risks relating to operations of the Group based on internally developed models, benchmarks and forecasts which analyses exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Group does not enter or trade financial instruments, including derivative financial instruments, for speculative purposes.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks, financial institutions and other financial instruments.

Union Properties (P.J.S.C) and its subsidiaries

Notes to the consolidated financial statements (continued)

4 FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (CONTINUED)

Credit risk (continued)

Trade receivables and contract assets

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed, and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables and contract assets are regularly monitored. At 31 December 2024 and 2023, the Group had receivables from a large number of customers.

The Group is exposed to credit risk on receivables from real estate property sales as the Group allows its customers to make payments in instalments over a period of 2 to 5 years. In order to mitigate the credit risk, the Group receives advances from its customers at the time of the sale and post-dated cheques for the remaining balance at the time of hand over.. Furthermore, the risk of financial loss to the Group on account of customer default is low as the property title acts as collateral.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., product type, customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 31. The Group does not hold collateral as security.

The Group evaluates the concentration of risk with respect to trade receivables and contract assets as low, as the balances are due from a large number of customers operating in various industries.

Exposure to credit risk from trade receivables is discussed in details in Note 31.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. The Group considers the credit risk on bank balances to be minimal given that the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The Group invests only on quoted equity and debt securities with low credit risk.

The Group's maximum exposure to credit risk for the components of the consolidated statement of financial position on 31 December 2024 and 2023 is the carrying amounts as illustrated in Note 31.

Union Properties (P.J.S.C) and its subsidiaries

Notes to the consolidated financial statements (continued)

4 FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (CONTINUED)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk relates to trade and other payables (including non-current payables), security deposits, amounts due to related parties, lease liabilities, short-term bank borrowings, and long-term bank loans. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The maturity profile of the Group's financial liabilities is disclosed in Note 31.

The responsibility for liquidity risk management rests with the management of the Group, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and committed borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Market risk

Market risk is the risk resulting from changes in market prices, such as interest rates and equity prices, which will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Equity risk

The Group buys and sells certain marketable securities. The Group's management monitor the mix of securities in the investment portfolio based on market expectations and these dealings in marketable securities are approved by the Board of Directors.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates.

Interest rate sensitivity analysis is disclosed in Note 31.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's financing activities in relation to debt obligations denominated in Egyptian Pounds.

Foreign currency risk sensitivity analysis is disclosed in Note 31.

Capital management

The primary objective of the Group's capital management is to maintain an optimal capital structure to support its business thereby increasing shareholder's value and benefits for other stakeholders.

Union Properties (P.J.S.C) and its subsidiaries

Notes to the consolidated financial statements (continued)

5 REVENUE AND DIRECT COSTS

5.1 Disaggregated revenue and cost information

Segments	For the year ended 31 December 2024			
	Real estate	Contracting	Goods and services	Total
	AED'000	AED'000	AED'000	AED'000
<i>Type of goods or service</i>				
Facility management and maintenance services	-	-	375,043	375,043
Interior architecture	-	25,606	-	25,606
Motor racing services	-	-	64,221	64,221
Sale of goods	-	-	16,570	16,570
Total revenue from contracts with customers	-	25,606	455,834	481,440
Other operating income				
Property rentals	47,312	-	-	47,312
Total revenue	47,312	25,606	455,834	528,752
<i>Timing of revenue recognition</i>				
Goods and services transferred at a point in time	-	-	80,791	80,791
Services transferred over time	-	-	375,043	375,043
Goods and services (bundled) transferred over time	-	25,606	-	25,606
Total revenue from contracts with customers	-	25,606	455,834	481,440
Property rentals	47,312	-	-	47,312
Total revenue	47,312	25,606	455,834	528,752
Direct costs	(17,420)	(31,355)	(377,343)	(426,118)
Gross profit	29,892	(5,749)	78,491	102,634
Segments	For the year ended 31 December 2023			
	Real estate	Contracting	Goods and services	Total
	AED'000	AED'000	AED'000	AED'000
<i>Type of goods or service</i>				
Facility management and maintenance services	-	-	347,720	347,720
Interior architecture	-	43,557	-	43,557
Motor racing services	-	-	57,721	57,721
Sale of goods	-	-	17,175	17,175
Total revenue from contracts with customers	-	43,557	422,616	466,173
Other operating income				
Property rentals	41,836	-	-	41,836
Total revenue	41,836	43,557	422,616	508,009
<i>Timing of revenue recognition</i>				
Goods and services transferred at a point in time	-	-	74,896	74,896
Services transferred over time	-	-	347,720	347,720
Goods and services (bundled) transferred over time	-	43,557	-	43,557
Total revenue from contracts with customers	-	43,557	422,616	466,173
Property rentals	41,836	-	-	41,836
Total revenue	41,836	43,557	422,616	508,009
Direct costs	(22,108)	(34,367)	(347,851)	(404,326)
Gross profit	19,728	9,190	74,765	103,683

Union Properties (P.J.S.C) and its subsidiaries

Notes to the consolidated financial statements (continued)

5 REVENUE AND DIRECT COSTS (CONTINUED)

5.2 Direct costs information

Direct cost includes the following.

	2024 AED'000	2023 AED'000
Staff costs	205,805	193,988
Project cost	194,111	164,356
Utilities	13,496	14,221
Depreciation (note 9.2)	7,594	4,604
Others	5,112	27,157
	<u>426,118</u>	<u>404,326</u>

5.3 Contract balances

Trade receivables

Current portion of trade receivables are non-interest bearing and are generally on terms of 30 to 90 days from the date of sale.

Retention receivable

Retention receivable is non-interest bearing and represent payments withheld by customers over a certain period and according to contractual agreements between the Group and the customers. These retentions are calculated based on a certain percentage of the total work billed. Retention receivables serve as guarantees to customers for the proper execution of the contract during and after completion of the projects.

Contract assets

Contract assets represents unbilled revenue arising from the Groups contracting activities which pertains to the Group's right to consideration in exchange for goods or services that it has transferred to the customers. Where payments from customers are received after the associated performance obligations being met and therefore revenue recognised in the profit or loss account, contract assets are recognised. These contracts have remaining performance obligations (unsatisfied or partially unsatisfied) which is expected to be recognised as revenue over the remaining tenor of these contracts. In 2024, allowance for expected credit losses on contract assets was recognised at AED 11.3 million (2023: 3.1 million) (note 16).

Contract liabilities

Contract liabilities represent advances received from customers to deliver projects, goods, and services, advances for rental of properties and excess billings (note 25).

5.4 Performance obligations

Information about the Group's performance obligations are summarised below:

Sales of goods

The performance obligation is satisfied upon collection/delivery of the goods and payment is generally due within 30 to 90 days from the date of sale.

The Group receives short-term advances against the satisfaction of the related performance obligations, which do not contain any financing component, and provides assurance type warranty, which is not considered a separate performance obligation.

Union Properties (P.J.S.C) and its subsidiaries

Notes to the consolidated financial statements (continued)

5 REVENUE AND DIRECT COSTS (CONTINUED)

5.4 Performance obligations (continued)

Contracting

The performance obligation for mechanical, electrical, and plumbing works and interior decorations are satisfied over time, because the customer simultaneously receives and consumes the benefits provided by the Group or the Group's performance creates or enhances an asset that the customer controls as it's created or creates an asset with no alternative use and the entity has an enforceable right to payment for performance completed to date. Payment is generally due upon submission of payment certificates and acceptance of the same by customers.

Rental income from properties

The performance obligation for the rental of properties is satisfied over time, because the customer simultaneously receives and consumes the benefits provided by the Group. The Group usually receives payment against rental contract in advance.

Services

The performance obligations for facility management, maintenance and motor racing services are satisfied over time, because the customer simultaneously receives and consumes the benefits provided by the Group.

6 ADMINISTRATIVE AND GENERAL EXPENSES

	2024 AED'000	2023 AED'000
Staff costs	64,846	41,341
Professional fees and licenses	29,399	19,766
Expected credit loss expense on receivables and contract assets	16,351	4,252
Marketing and advertising expenses	6,907	2,921
Depreciation of property, plant and equipment (note 9.2)	3,817	2,555
Depreciation of right of use assets (note 10)	1,238	1,987
Other expenses	23,336	30,393
	<u>145,894</u>	<u>103,215</u>

7 OTHER INCOME AND OTHER OPERATING INCOME

	2024 AED'000	2023 AED'000
Write back of liabilities / reversal of provision (note a)	3,714	392,815
Foreign exchange gain (note b)	14,395	9,149
Other income	18,109	401,964
Other operating income (note c)	46,634	30,659
Total other income and other operating income	<u>64,743</u>	<u>432,623</u>

Union Properties (P.J.S.C) and its subsidiaries

Notes to the consolidated financial statements (continued)

7 OTHER INCOME AND OTHER OPERATING INCOME (CONTINUED)

a Write back of liabilities/reversal of provision

For the current year, the write back of liabilities pertain to reversal of provision no longer required. In the prior year, the write back of liabilities in the 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 against.

b Foreign exchange gain

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

c Other operating income

Other operating income includes the gain on valuation of investments at fair value through profit or loss amounting to AED 0.266 million (note 14).

8 FINANCE COSTS

	2024 AED'000	2023 AED'000
Interest on bank loans	28,496	110,136
Interest expense on lease liabilities (note 10)	833	1,079
Others	2,330	2,858
	<u>31,659</u>	<u>114,073</u>

Union Properties (P.J.S.C) and its subsidiaries

Notes to the consolidated financial statements (continued)

9 PROPERTY, PLANT AND EQUIPMENT

	Land AED'000	Buildings and leasehold improvements AED'000	Plant and machinery AED'000	Furniture, fixtures and office equipment AED'000	Motor vehicles AED'000	Equipment and tools AED'000	Capital work- in-progress AED'000	Total AED'000
Cost and revaluation:								
At 1 January 2023	251,977	108,664	26,941	85,914	45,249	12,457	2,797	533,999
Additions	-	9,222	109	7,571	1,751	193	332	19,178
Disposals	-	(3,294)	(68)	-	(848)	-	-	(4,210)
Transfer to investment properties (note 11)	(10,136)	-	-	-	-	-	-	(10,136)
Write off during the year	-	(11,586)	-	(15,596)	-	-	-	(27,182)
At 31 December 2023	241,841	103,006	26,982	77,889	46,152	12,650	3,129	511,649
Additions	-	11,915	1,956	7,061	3,388	535	604	25,459
Revaluations (note 21)	132,059	-	-	-	-	-	-	132,059
Disposals	-	-	-	-	(966)	-	-	(966)
Write off during the year*	-	(23,111)	(6,365)	(5,382)	(18,507)	(5,211)	(456)	(59,032)
At 31 December 2024	373,900	91,810	22,573	79,568	30,067	7,974	3,277	609,169

Depreciation:

At 1 January 2023	-	60,903	25,748	82,942	40,940	11,992	-	222,525
Charge for the year	-	3,578	217	2,207	1,013	144	-	7,159
Disposals	-	(3,294)	(68)	-	(848)	-	-	(4,210)
Write off during the year	-	(7,913)	-	(15,596)	-	-	-	(23,509)
At 31 December 2023	-	53,274	25,897	69,553	41,105	12,136	-	201,965
Charge for the year	-	4,996	544	4,080	1,222	569	-	11,411
Disposals	-	-	-	-	(966)	-	-	(966)
Write off during the year*	-	(25,360)	(6,295)	(6,457)	(15,567)	(5,353)	-	(59,032)
At 31 December 2024	-	32,910	20,146	67,176	25,794	7,352	-	153,378

Net carrying amount:

At 31 December 2024	373,900	58,900	2,427	12,392	4,273	622	3,277	455,791
At 31 December 2023	241,841	49,732	1,085	8,336	5,047	514	3,129	309,684

* As at 31 December, 2024, AED 59.0 million of property plant and equipment have been fully depreciated

Union Properties (P.J.S.C) and its subsidiaries

Notes to the consolidated financial statements (continued)

9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

9.1 Capital work-in-progress

Capital work in progress mainly represents payments towards office renovation and equipment.

9.2 Depreciation

Depreciation is allocated in profit or loss as follows:

	2024 AED'000	2023 AED'000
Recognised as direct cost (note 5.2)	7,594	4,604
Recognised as general and administrative expenses (note 6)	3,817	2,555
	<u>11,411</u>	<u>7,159</u>

9.3 Transfer to investment properties

The transfer during the prior year represents a transfer due to change in use as this asset was now held for the purpose of earning rental income with the management intending to lease these out.

9.4 Valuation of land

As of 31 December 2024, the fair value of land is based on valuations performed by an accredited independent registered valuer. A valuation model in accordance with that recommended by the International Valuation Standards Council has been applied.

The valuer carried out the valuation based on an open market valuation in accordance with RICS Appraisal and Valuation Manual issued by the Royal Institute of Chartered Surveyors, adopting the IFRS basis of fair value and using established valuation techniques.

Valuation is performed every 3 to 5 years, however if the land's fair value fluctuates significantly, more frequent revaluations may be needed, to ensure that the carrying amount of a revalued asset does not differ materially from its fair value. In addition, the Group measures land at revalued amounts, with changes in fair value being recognised in OCI. The land was valued by reference to transactions involving properties of a similar nature, location, and condition

10 LEASES

10.1 Group as lessee

The Group has lease contracts for plots of lands located in Al Qouz and Dubai Investment Park and a factory located in Jebel Ali, UAE used for its operations. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is not restricted from assigning and subleasing the leased lands. There are several lease contracts that include extension and termination options, which are further discussed below.

The Group also has certain leases of buildings and vehicles with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

Union Properties (P.J.S.C) and its subsidiaries

Notes to the consolidated financial statements (continued)

10 LEASES (CONTINUED)

10.1 Group as lessee (continued)

	AED'000
Cost:	
As at January 1, 2023	24,999
Termination of lease	(596)
As at December 31, 2023	24,403
Lease modification	1,216
As at December 31, 2024	25,619
Depreciation:	
At 1 January 2023	14,923
Charge for the year	1,987
Termination of lease	(597)
At 31 December 2023	16,313
Charge for the year	2,189
Lease modification	(7,107)
As at December 31, 2024	11,395
Net book value	
As at December 31, 2024	14,224
As at December 31, 2023	8,090

Depreciation on right of use asset has been charged to direct cost AED 0.95 million (2023: Nil) and to administrative expenses of AED 1.24 million (2023: 1.9 million).

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	2024 AED'000	2023 AED'000
Opening balance	11,224	13,122
Interest charge for the year (Note 8)	833	1,079
Payment during the year	(2,763)	(2,977)
Adjustments	5,445	-
	14,739	11,224
Current	2,070	2,245
Non-current	12,669	8,979

The Group does not have lease contracts that contain variable payments

Union Properties (P.J.S.C) and its subsidiaries

Notes to the consolidated financial statements (continued)

10 LEASES (CONTINUED)

10.1 Group as lessee (continued)

	Minimum lease payments due			Total AED'000
	Less than one year AED'000	1 to 5 years AED'000	More than five year AED'000	
As at December 31, 2024				
Lease payments	2,957	10,857	5,460	19,274
Finance charges	(887)	(2,995)	(653)	(4,535)
Net present value	2,070	7,862	4,807	14,739
As at December 31, 2023				
Lease payments	2,918	7,778	1,800	12,496
Finance charges	(673)	(334)	(265)	(1,272)
Net present value	2,245	7,444	1,535	11,224

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised (see Note 33).

The Group accounted for the extension options of all land lease contracts as part of its lease liabilities determination given the short-term contractual terms of these contracts and the long-term business needs of the Group. The undiscounted potential future rental payments relating to periods following the exercise date of the extension option related to the lease of an office that are not included in the lease term are AED 16.7 million exercisable within five years.

10.2 Group as lessor

The Group has entered operating leases on its investment property portfolio consisting of commercial and residential properties (see Note 11). These leases have terms of between one and five years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. The lessee is also required to provide a residual value guarantee on the properties.

Rental income recognised by the Group during the year is AED 47.0 million (2023: AED 41.8 million).

11 INVESTMENT PROPERTIES

The Group's investment properties consist of commercial and residential properties as well as land in Dubai Motor City, which are carried at fair value.

Union Properties (P.J.S.C) and its subsidiaries

Notes to the consolidated financial statements (continued)

11 INVESTMENT PROPERTIES (CONTINUED)

The movement in investment properties during the year was as follows:

	2024 AED'000	2023 AED'000
At 1 January	2,957,379	3,163,998
Additions during the year	559	1,812
Transfer from property, plant and equipment (note 9)	-	10,136
Transfer to development properties (note 12.2)	(213,711)	-
Investments held for sale (note 11.6)	-	(932,960)
Gain on fair valuation (note 11.2)	166,350	905,880
Sale of investment properties (note 11.4)	(690,434)	(191,487)
At 31 December	<u>2,220,143</u>	<u>2,957,379</u>

11.1 Transfer from property, plant, and equipment

During the previous year, the Group has transferred a property from property, plant, and equipment to investment properties upon change in use amounting AED 10.1 million. The transfer represented a transfer due to change in use as this asset was now held for the purpose of earning rental income with the management intending to lease these out.

11.2 Valuation of investment properties

As of 31 December 2024, the fair values of the properties are based on valuations performed by an accredited independent registered valuer. A valuation model in accordance with that recommended by the International Valuation Standards Council has been applied.

The independent valuer provides the fair value of the Group's investment property portfolio every year end. The valuer carried out the valuation based on an open market valuation in accordance with RICS Appraisal and Valuation Manual issued by the Royal Institute of Chartered Surveyors, adopting the IFRS basis of fair value and using established valuation techniques. The independent valuer reviewed the updated master community development plan for the MotorCity project in forming its view of the fair value of the portfolio as at 31 December 2024 and 2023.

The fair values have been determined by taking into consideration the discounted cash flows where the Group has ongoing lease arrangements. In this regard, the Group's current lease arrangements, which are entered into on an arm's length basis, and which are comparable to those for similar properties in the same location, have been taken into account.

In cases where the Group does not have any on-going lease arrangements, fair values have been determined, where relevant, having regard to recent market transactions for similar properties as well as considering the expected changes in the supply of properties in and around the same location as the Group's investment properties. These values are adjusted for differences in key attributes such as property size.

For property under construction, the valuation was determined using residual value approach incorporating a combination of both the income and cost approaches. The market value estimate of these properties is on the assumption that the properties are complete as at the date of valuation, and from which appropriate deductions are made for the costs to complete the project in order to estimate the value of the property in its present condition.

Union Properties (P.J.S.C) and its subsidiaries

Notes to the consolidated financial statements (continued)

11 INVESTMENT PROPERTIES (CONTINUED)

11.2 Valuation of investment properties (continued)

Accordingly, based on the above valuation, gross fair value gains of AED 166.4 million has been recognised in the consolidated statement of profit or loss for the year ended 31 December 2024 (2023: *Gross gain of AED 905.8 million and net gain of AED 505.8 million (note 11.3)*). The Group's Board of Directors have reviewed the assumptions and methodology used by the independent registered valuer, and in its opinion, these assumptions and valuation methodology are appropriate and prudent as at the reporting date.

Any significant movement in the assumptions used for the fair valuation of investment properties would result in significantly lower/higher fair values of those assets

11.3 Updates to affection plans with gross floor area

During the year ended 31 December 2023, the Group had conducted a survey of the Masterplan for Dubai Motorcity (built and non-built area) and submitted formal requests to the concerned regulatory authorities for the issuance of revised affection plans with amended Gross Floor Areas ("GFA") and requesting to repurpose the land usage (in some cases).

After a long journey and constructive negotiation, the Group announced in 2023, a major step forward by achieving a settlement with the regulator. Under such agreement, the amounts payable to "Dubai Land" amounted to AED 400.0 million to be repaid by instalments over a three-year period, and "Dubai land" provided a no objection certificate, allowing the Group to repurpose parts of its Motor City master plan including the Theme Park land. Hence the net gain on valuation of investment properties amounted to AED 505.8 million for the year ended 31 December 2023.

During the year the Group paid to "Dubai land" the amount of AED 194.0 million, resulting in an outstanding payable as at 31 December, 2024 of AED 206.0 million, of which AED 84.0 million has been classified as non-current payables and AED 122.0 million has been classified as current portion (note 27).

This allowed the Group to apply to the zoning authority for a change of usage permit also allowing the Group to develop additional residential zones and/or increased GFA, thereby unlocking further value in Union Properties Motor City master plan, resulting in increased shareholder value.

11.4 Sale of investment properties

During the year, investment properties with a carrying value of AED 690.4 million (2023: *AED 191.4 million*) were disposed of for a total consideration of AED 859.9 million less cost to sell AED 11.0 million (2023: *AED 261.8 million*) resulting in a gain of AED 158.5 million (2023: *AED 70.4 million*).

11.5 Description of valuation techniques used and key inputs to valuation of investment properties.

The valuations were 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 as level 3.

Income valuation approach

In determining the fair value of properties using the income valuation approach, the valuer took into account property specific information such as the current contracted tenancies agreement and forecasted operating expenses.

Union Properties (P.J.S.C) and its subsidiaries

Notes to the consolidated financial statements (continued)

11 INVESTMENT PROPERTIES (CONTINUED)

11.5 Description of valuation techniques used and key inputs to valuation of investment properties (continued)

Income valuation approach (continued)

The valuer applied assumptions for capitalization yield rates and estimated market rent, which are influenced by specific characteristics, such as property location, income return and occupancy of each property in the portfolio, to arrive at the final valuation. The significant unobservable inputs include estimated rental value per square foot., forecasted operating expenses, long-term vacancy rate and discount rate.

For properties that are under development, the valuer used a residual approach, which takes into account the expectations of perceived market participants of the Gross Development Value for an asset assuming development is complete, less Gross Development Cost (which is the expected cost to complete development) in order to arrive at the property value in its current incomplete state. In this type of approach, additional unobservable inputs are used including comparable rent rates, expected future use of the asset, and expected time and cost to complete development.

Market valuation approach

In determining the fair value of properties using the market valuation approach, the valuer took into consideration the price per square foot for recent market transactions for comparable properties in and around the same location of the respective property and/or having the same quality and characteristics of the valued property. The significant unobservable input for this type of valuation mainly represents the price per square foot applied on the property area in determining the value of the respective property.

Other information

Significant increases (decreases) in the significant unobservable inputs would result in a significantly higher (lower) fair value.

The valuation basis and assumptions used for the valuation of investment properties are consistent with those adopted in 2023. There were no changes to the valuation techniques during the year.

11.6 Investment properties held for sale

Investment properties held for sale represent plots of land intended to be sold in the next 12 months. During the year the Group sold properties amounting to AED 392.0 million. The balance of these properties as at the year-end amounted to AED 540.9 million. (2023: AED 932.9 million)

As at 31 December 2024, the Group determined net realisable value of the investment properties held for sale. The estimates of net realisable values are based on the most reliable evidence available at the reporting date of the amount that the Group is expected to realise from the sale of these properties in its ordinary course of business.

Union Properties (P.J.S.C) and its subsidiaries

Notes to the consolidated financial statements (continued)

12 INVENTORIES AND DEVELOPMENT PROPERTIES (CONTINUED)

12.1 INVENTORIES

Trading and project related inventories

	2024 AED'000	2023 AED'000
Project related material - gross	1,194	2,339
Stock-in-trade	2,736	525
Spares and consumables	1,417	3,577
Less : provision for slow moving materials	(589)	(589)
	<u>4,758</u>	<u>5,852</u>

12.2 Development properties

	2024 AED'000	2023 AED'000
At 1 January	11,912	9,892
Addition during the year	4,905	2,020
Transfer from Investment properties (note 11)	213,711	-
At 31 December	<u>230,528</u>	<u>11,912</u>

During the year land included in investment property amounting to AED 213.7 million was transferred to development properties relating to Takaya project.

13 INVESTMENT IN AN ASSOCIATE

	2024 AED'000	2023 AED'000
Movement for the year		
Opening balance	19,914	79,327
Share of loss	(10,771)	(59,413)
Closing balance	<u>9,143</u>	<u>19,914</u>
Profit or loss:		
Share of loss in Properties Investment LLC	<u>(10,771)</u>	<u>(59,413)</u>

Investment in Properties Investment LLC

The Group has a 30% equity interest in Properties Investment LLC, involved in property investments. Properties Investment LLC is a private entity that is not listed on any public exchange. The Group's interest in Properties Investment LLC is accounted for using the equity method in the consolidated financial statements. The following table illustrates the summarised financial information of the Group's investment in Properties Investment LLC:

Union Properties (P.J.S.C) and its subsidiaries

Notes to the consolidated financial statements (continued)

13 INVESTMENT IN AN ASSOCIATE (CONTINUED)

	2024 AED'000	2023 AED'000
Financial position:		
Non-current assets	239,651	231,639
Current assets	317,345	307,950
Current liabilities	(526,518)	(469,810)
Non-current liabilities	-	(3,399)
Equity	<u>30,478</u>	<u>66,380</u>
Group's share of equity - 30%	<u>9,143</u>	<u>19,914</u>
Financial performance		
Revenue	14,735	30,238
Net loss	(35,902)	(111,977)
Total comprehensive loss	<u>(35,902)</u>	<u>(111,977)</u>

14 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Investments at fair value through profit or loss comprise the following:

	2024 AED'000	2023 AED'000
Unquoted equity	<u>965</u>	<u>699</u>

The movement in investments at fair value through profit or loss during the year was as follows:

	2024 AED'000	2023 AED'000
At 1 January	699	699
Gain of valuation (note 7)	266	-
At 31 December	<u>965</u>	<u>699</u>

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

15 NON-CURRENT RECEIVABLES

	2024 AED'000	2023 AED'000
Retention receivables	2,360	4,322
Property sales receivables	25,866	7,253
Desposit receivable	121	-
	<u>28,347</u>	<u>11,575</u>

The Group's exposure to credit risk and impairment losses related to financial assets are disclosed in note 31.

Union Properties (P.J.S.C) and its subsidiaries

Notes to the consolidated financial statements (continued)

16 CONTRACT ASSETS

	2024 AED'000	2023 AED'000
Contract work-in-progress	25,180	31,835
Unbilled revenue	4,018	910
Allowance for expected credit losses	(11,369)	(3,170)
	<u>17,829</u>	<u>29,575</u>

17 TRADE AND OTHER RECEIVABLES

	2024 AED'000	2023 AED'000
Financial assets		
Trade receivables	288,289	326,823
Retention receivables	17,181	14,386
Property sales receivables	418,140	100,167
	<u>723,610</u>	<u>441,376</u>
Less: provision for expected credit losses (note 17.1)	(111,776)	(110,002)
	<u>611,834</u>	<u>331,374</u>
Other receivables	73,743	61,976
Total (A)	<u>685,577</u>	<u>393,350</u>
Advances to contractors (note 17.2)	5,614	2,499
Prepayments and advances	20,505	17,958
Total (B)	<u>26,119</u>	<u>20,457</u>
Total (A+B)	<u>711,696</u>	<u>413,807</u>

During the previous year the Group has extended a loan to its associate amounting to AED 3.4 million which is included in the other receivables balance above.

17.1 Provision for allowance for expected credit losses

	2024 AED'000	2023 AED'000
Provision against trade and retention receivables (note 17)	111,776	110,002
Provision against advances to contractors (note 17.2)	92,703	90,592
	<u>204,479</u>	<u>200,594</u>

17.2 Advances to contractors

	2024 AED'000	2023 AED'000
Advances to contractors	98,317	93,091
Less: provision for allowance for expected credit losses	(92,703)	(90,592)
	<u>5,614</u>	<u>2,499</u>

Union Properties (P.J.S.C) and its subsidiaries

Notes to the consolidated financial statements (continued)

18 TRANSACTIONS WITH RELATED PARTIES

The Group, in the normal course of business, enters transactions with other enterprises, and individuals which fall within the definition of a related party contained in IAS 24. Such transactions are on terms and conditions approved by the Group's management and are held at arm's length.

During the previous year the Group has extended a loan to its associate AED 3.4 million which is recognized in the consolidated financial statements carrying an interest of 2.75% + 3 months EIBOR (note 17)

Compensation to directors and other members of key management are as follows:

	2024 AED'000	2023 AED'000
Salaries and other short term employee benefits	7,057	7,717
Directors' fees during the year	5,000	1,400
Provision towards employees terminal benefits	495	444
Commission	2,976	-

19 CASH AND CASH EQUIVALENTS

	2024 AED'000	2023 AED'000
Cash in hand	1,326	1,054
Cash at banks		
– in deposit accounts held under lien	973	6,904
– in Escrow accounts	31,166	-
– in current accounts	147,748	70,347
	<u>181,213</u>	<u>78,305</u>

Balance held in escrow account represents advance collections from customers that are held with banks authorised by the Real Estate Regulatory Authority ("RERA"), Dubai, United Arab Emirates.

	2024 AED'000	2023 AED'000
Cash and cash equivalents comprise:		
Cash in hand and at banks (excluding deposits under lien and escrow accounts)	149,074	71,401
Bank overdrafts (note 28)	(26,101)	(41,589)
	<u>122,973</u>	<u>29,812</u>

(b) Cash at banks in deposit accounts

Cash at banks in deposit accounts carry interest at commercial rates.

The Group's exposure to interest rate risk and sensitivity analysis of financial assets are disclosed in note 31.

Union Properties (P.J.S.C) and its subsidiaries

Notes to the consolidated financial statements (continued)

20 SHARE CAPITAL

	2024 AED'000	2023 AED'000
<i>Issued and fully paid up at 31 December</i>		
4,289,540,134 (2023: 4,289,540,134)		
shares of par value of AED 1 each	<u>4,289,540</u>	<u>4,289,540</u>

On 31 December 2024, the share capital comprised of ordinary equity shares. All issued shares are fully paid. The holders of ordinary equity shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the General Assembly of the Group. All shares rank equally with regard to the Group's residual assets.

On 31 December 2024, the authorised share capital of the Group is 7 billion shares.

SUBSEQUENT EVENTS

Subsequent to the year-end, the Board has approved calling for the Annual General Assembly Meeting to convene and set its agenda, including the recommendation to obtain a Special Decision, to consider reducing the Company's share capital to extinguish the accumulated losses as of 31 December 2024, subject to the approval of the Shareholders and Securities and Commodities Authority.

21 RESERVES

Statutory reserve

In accordance with the UAE Federal Decree Law No. (32) of 2021 and Articles of Association, 10% of the profit for the year of the public joint stock company and 5% of the profit for the year of each UAE limited liability registered company are transferred to a sf reserve, which is not distributable. Transfers to this reserve are required to be made until such time as it equals at least 50% of the paid-up share capital of the respective companies. Accordingly, for the year ending 31 December 2024, transfers to the statutory reserve are expected to be made by the individual entities within the Group at the end of the year in line with the aforementioned policy. During the current year, the Group transferred an amount of AED 40.1 million (2023: AED 41.8 million) to statutory reserve.

Asset revaluation surplus

Changes in the fair value of the Group's land under property, plant and equipment measured at fair value are recognised in OCI and credited to the asset revaluation surplus in equity.

	2024 AED'000	2023 AED'000
At 1 January	212,689	212,689
Gain on revaluation of land (note 9)	132,059	-
Income tax expense (note 32)	(11,885)	-
At 31 December	<u>332,863</u>	<u>212,689</u>

22 DIRECTORS' FEES

This represents professional fees to the Company's directors for serving on any committee, for devoting special time and attention to the business or affairs of the Group and for performing services outside the scope of their ordinary activities - refer to note 18.

Union Properties (P.J.S.C) and its subsidiaries

Notes to the consolidated financial statements (continued)

23 BASIC AND DILUTED EARNINGS PER SHARE

	2024	2023
<i>Profit attributable to shareholders (AED'000)</i>	275,639	837,617
Weighted average number of shares	4,289,540,134	4,289,540,134
Basic and diluted earnings per share (AED)	0.0643	0.1953

24 BANK LOANS

This note provides information about the contractual terms of the Group's interest-bearing bank loans, which are measured at amortised cost. For more information about the Group's exposure to liquidity risk and interest rate risk, refer note 31.

	2024 AED'000	2023 AED'000
At 31 December	575,032	1,207,865
Less: Current portion	(398,672)	(986,930)
Non-current portion	176,360	220,935

The bank loans carry interest at commercial rates. Further details related to bank loans are shown below.

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

	2024 AED'000	2023 AED'000
At 1 January	1,207,865	822,498
Availed during the year	90,410	101,227
Repayments during the year	(723,243)	(130,943)
Movement due to the loan restructure during the year (refer note i)	-	487,192
Settlement against advances to bank	-	(72,109)
At 31 December	575,032	1,207,865

Bank loans mainly include the following facilities:

- (i) During the prior year the Group entered into an agreement with a local bank as per the term sheet signed between the parties. Under this term sheet, the Group will pay a settlement amount of AED 850.0 million in instalments within 9 months as of the date of executing the agreement. During the current year the Group availed an extension on the payment of the last instalment of AED 313.0 million due by 15th March 2025.
- (ii) Bills discounting facilities having a balance of AED 31.3 million at year-end (2023: AED 29.6 million).

Securities

The above-mentioned bank loans are secured by one or more of the following:

- a. Registered mortgage of lands and investment properties with a fair value of AED 2,652.0 million on 31 December 2024 (2023: AED 1,856 million);
- b. Assignment of insurance policies of the mortgaged properties;
- c. Assignment of lease proceeds of certain rental units;
- d. Corporate guarantees of the Group and certain subsidiaries; and
- e. Assignment of receivables;

Union Properties (P.J.S.C) and its subsidiaries

Notes to the consolidated financial statements (continued)

25 CONTRACT LIABILITIES

	2024 AED'000	2023 AED'000
Deferred Income	42,321	-
Excess billings over project WIP - current	-	23,229
	<u>42,321</u>	<u>23,229</u>

Deferred income represent advances received from customers against the sale of properties in accordance with the payment schedules as stated in the respective sale and purchase agreements, whereby the revenue would be recognised upon the handover of the properties whereas the excess billing over payments arises as a result of the Group's contracting activities undertaken during the year.

26 PROVISION FOR STAFF TERMINAL BENEFITS

The provision for staff terminal benefits, disclosed as a non-current liability, is calculated in accordance with the UAE Labour Law.

	2024 AED'000	2023 AED'000
At 1 January	30,600	30,630
Provision made during the year	6,497	5,542
Payments made during the year	(4,969)	(5,572)
At 31 December	<u>32,128</u>	<u>30,600</u>

27 TRADE AND OTHER PAYABLES

	2024 AED'000	2023 AED'000
Financial liabilities :		
Trade payables	208,730	207,013
Retention payables	2,080	2,265
Accruals and deposits payables	117,077	93,757
Total	<u>327,887</u>	<u>303,035</u>
Non financial liabilities:		
Advances received from customers	16,893	10,777
Other payables and accruals	65,311	123,234
	<u>82,204</u>	<u>134,011</u>
Total	<u>410,091</u>	<u>437,046</u>

Trade payable includes current portion of the amount payable to Dubai Land amounting to AED 122.0 million (note 11.3).

Union Properties (P.J.S.C) and its subsidiaries

Notes to the consolidated financial statements

27 TRADE AND OTHER PAYABLES (CONTINUED)

Other payables and accruals include:

	2024 AED'000	2023 AED'000
Provisions and accruals against contracting business	3,248	2,492
Provision for staff related payables	22,163	32,338
VAT payables and other accruals	35,093	29,417
Provisions and accruals for payment to contractors cost	4,807	58,987
	<u>65,311</u>	<u>123,234</u>

The Group's exposure to liquidity risk related to trade and other payables is disclosed in note 31.

28 BANK OVERDRAFTS

	2024 AED'000	2023 AED'000
Bank overdrafts	<u>26,101</u>	<u>41,589</u>

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:

- Joint and several guarantees of the Group
- Assignment of certain contract and retention receivables.

For more information about the Group's exposure to liquidity risk and interest rate risk, refer note 31.

29 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

	2024 AED'000	2023 AED'000
<i>Company and its subsidiaries</i>		
Commitments:		
Capital commitments	<u>1,865</u>	<u>-</u>
Letters of guarantee	<u>36,930</u>	<u>27,901</u>

Contingent liabilities

There are certain claims and contingent liabilities that arise during the normal course of business. The Board of Directors reviews these on a regular basis as and when such complaints and/or claims are received, and each case is treated according to its merit and the terms of the relevant contract.

30 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 (P.J.S.C) and its subsidiaries

Notes to the consolidated financial statements (continued)

30 SEGMENT REPORTING (CONTINUED)

	Real estate	Contracting	Goods and services	Investments	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
2024					
Segment revenue	47,312	25,606	455,834	-	528,752
Direct costs	(17,420)	(31,355)	(377,343)	-	(426,118)
Gross profit	29,892	(5,749)	78,491	-	102,634
Administrative and general expenses	(96,894)	(6,412)	(42,588)	-	(145,894)
Other operating income	23,253	9,778	12,510	1,093	46,634
Gain on sale of investment properties	158,472	-	-	-	158,472
Operating profit/(loss)	114,723	(2,383)	48,413	1,093	161,846
Gain on valuation of properties, net	164,380	-	1,970	-	166,350
Share of results of equity accounted investees	-	-	-	(10,771)	(10,771)
Other income	3,714	-	-	14,395	18,109
Finance income	275	-	-	-	275
Finance costs	(18,858)	-	(12,801)	-	(31,659)
Corporate tax	(21,407)	(2)	(5,705)	(1,397)	(28,511)
Profit/(loss) for the year	242,827	(2,385)	31,877	3,320	275,639
Capital expenditure	14,530	564	22,250	-	37,344
Depreciation of property, plant and equipment	2,743	190	8,478	-	11,411
Depreciation of right of use assets	1,239	-	950	-	2,189
Segment assets	3,337,288	36,885	1,031,906	377	4,406,456
Investments in associates	-	-	-	9,143	9,143
Total assets	3,337,288	36,885	1,031,906	9,520	4,415,599
Segment liabilities	344,667	36,112	248,701	595,329	1,224,809
2023					
Segment revenue	41,836	43,557	422,616	-	508,009
Direct costs	(22,108)	(34,367)	(347,851)	-	(404,326)
Gross profit	19,728	9,190	74,765	-	103,683
Administrative and general expenses	(56,323)	(8,245)	(38,632)	(15)	(103,215)
Other operating income	14,087	1,617	14,955	-	30,659
Gain on sale of investment properties	70,416	-	-	-	70,416
Operating profit/(loss)	47,908	2,562	51,088	(15)	101,543
Gain on valuation of properties, net	505,880	-	-	-	505,880
Share of results of equity accounted investees	-	-	-	(59,413)	(59,413)
Other income	392,742	-	-	9,222	401,964
Finance income	1,716	-	-	-	1,716
Finance costs	(99,488)	-	(14,585)	-	(114,073)
Corporate tax	-	-	-	-	-
Profit/(loss) for the year	848,758	2,562	36,503	(50,206)	837,617
Capital expenditure	2,520	71	16,587	-	19,178
Depreciation of property, plant and equipment	-	159	7,000	-	7,159
Depreciation of right of use assets	1,427	-	560	-	1,987
Segment assets	4,104,054	47,208	608,283	293	4,759,838
Investments in associates	-	-	-	19,914	19,914
Total assets	4,104,054	47,208	608,283	20,207	4,779,752
Segment liabilities	1,592,413	40,759	308,967	42,637	1,984,776

Union Properties (P.J.S.C) and its subsidiaries

Notes to the consolidated financial statements (continued)

31 FINANCIAL INSTRUMENTS

Financial assets of the Group include non-current receivables, investments at fair value through profit or loss, trade and other receivables and cash at banks. Financial liabilities of the Group include trade and other payables, lease liabilities, short-term bank borrowings and long-term bank loans. Accounting policies of financial assets and financial liabilities are disclosed under note 3.

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 years:

	Notes	At fair value through profit or loss AED'000	At amortized cost AED'000	Total amount AED'000
31 December 2024				
Financial assets				
Non-current receivables	15	-	28,347	28,347
Investments at fair value through profit or loss	14	965	-	965
Trade and other receivables	17	-	685,577	685,577
Cash in hand and at banks	19	-	181,213	181,213
Total		965	895,137	896,102
Financial liabilities				
Trade and other payables	27	-	327,887	327,887
Bank overdrafts	28	-	26,101	26,101
Bank loans	24	-	575,032	575,032
Lease liabilities	10	-	14,739	14,739
Total		-	943,759	943,759
31 December 2023				
Financial assets				
Non-current receivables	15	-	11,575	11,575
Investments at fair value through profit or loss	14	699	-	699
Trade and other receivables	17	-	393,350	393,350
Cash in hand and at banks	19	-	78,305	78,305
Total		699	483,230	483,929
Financial liabilities				
Trade and other payables	27	-	413,807	413,807
Bank overdrafts	28	-	41,589	41,589
Bank loans	24	-	1,207,865	1,207,865
Lease liabilities	10	-	11,224	11,224
Total		-	1,674,485	1,674,485

Foreign currency risk

The Group's exposure to foreign currency risk is mainly related to a banking facility denominated in Egyptian Pounds. A 5% strengthening in the Egyptian Pound against the AED will result in a negative impact of AED 1.3 million on profit or loss and equity. A 5% devaluation in the Egyptian Pound against the AED would have the opposite effect.

Union Properties (P.J.S.C) and its subsidiaries

Notes to the consolidated financial statements (continued)

31 FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit risk exposure. The maximum exposure to credit risk at the reporting date was:

	Notes	2024 AED'000	2023 AED'000
Non-current receivables (refer note below)	15	28,347	11,575
Trade and other receivables (refer note below)	17	685,577	393,350
Cash at banks	19	148,721	77,251
		<u>862,645</u>	<u>482,176</u>

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 other receivables				
					Past due			
	Advances to contractors	Retentions receivable	Property sales 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	AED'000
31 December 2024								
Expected credit loss rate	94.29%	36.21%	0.00%	0.02%	1.91%	6.34%	77.11%	24.88%
Gross amount	98,317	17,181	418,140	88,296	35,410	31,155	133,428	821,927
Expected credit loss	92,703	6,221	-	14	678	1,976	102,888	204,480
31 December 2023								
Expected credit loss rate	97.32%	50.11%	0.00%	0.00%	4.66%	32.12%	72.47%	37.53%
Gross amount	93,091	14,386	100,167	88,289	86,454	28,367	123,713	534,467
Expected credit loss	90,592	7,209	-	-	4,031	9,112	89,650	200,594

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

	2024 AED'000	2023 AED'000
At 1 January	200,594	207,884
Provision for the year	16,150	4,252
Amounts written off	<u>(12,264)</u>	<u>(11,542)</u>
At 31 December (note 17.1)	<u>204,480</u>	<u>200,594</u>

Union Properties (P.J.S.C) and its subsidiaries

Notes to the consolidated financial statements (continued)

31 FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk

The following are the contractual maturities of financial liabilities, including interest payments and the impact of netting agreements at the reporting date:

	Notes	Carrying amount AED'000	Contractual cash flows AED'000	On demand AED'000	Less than one year AED'000	1 to 5 years AED'000	More than five year AED'000
Financial liabilities							
31 December 2024							
Non-derivative financial instruments							
instruments							
Trade and other payables	27	327,887	327,887	-	327,887	-	-
Bank overdrafts	28	26,101	26,101	26,101	-	-	-
Bank loans	24	575,032	626,437	11,312	403,155	169,295	42,675
Lease liabilities	10	14,739	19,274	-	2,957	10,857	5,460
Total		943,759	999,699	37,413	733,999	180,152	48,135
31 December 2023							
Non-derivative financial instruments							
instruments							
Trade and other payables	27	303,035	303,035	-	303,035	-	-
Bank overdrafts	28	41,589	41,589	41,589	-	-	-
Bank loans	24	1,207,865	1,351,141	12,345	918,876	227,984	192,626
Lease liabilities	10	11,224	12,496	-	2,918	7,778	1,800
Total		1,563,713	1,708,261	53,934	1,224,829	235,762	194,426

Union Properties (P.J.S.C) and its subsidiaries

Notes to the consolidated financial statements (continued)

31 FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate risk

The Group is exposed to interest rate risk on short-term bank borrowings and long-term bank loans (refer notes 24 and 28) which carry variable interest rates.

At the reporting date, the interest rate profile of the Group's variable interest-bearing financial liabilities were as follows:

	2024 AED'000	2023 AED'000
Bank overdrafts (note 28)	26,101	41,589
Bank loans (note 24)	575,032	1,207,865
	<u>601,133</u>	<u>1,249,454</u>

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. The analysis below excludes interest capitalised and assumes that all other variables remain constant.

	100 bp increase AED'000	100 bp decrease AED'000
31 December 2024		
Variable rate instruments	<u>(6,011)</u>	<u>6,011</u>
31 December 2023		
Variable rate instruments	<u>(12,495)</u>	<u>12,495</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 has investments at fair value through profit or loss which are stated at fair value. Also refer to note 14.

	Level 1 AED'000	Level 3 AED'000
31 December 2024		
Investments at FVTPL	<u>-</u>	<u>965</u>
31 December 2023		
Investments at FVTPL	<u>-</u>	<u>699</u>

Union Properties (P.J.S.C) and its subsidiaries

Notes to the consolidated financial statements (continued)

31 FINANCIAL INSTRUMENTS (CONTINUED)

There have been no reclassifications made between the valuation levels during the current year or the previous year.

32 INCOME TAX AND DEFERRED TAX EXPENSE

	2024 AED'000
For the period from 1st January 2024 to 31-Dec 2024	
Current income tax:	
Current income tax charge	12,323
Deferred tax	
Relating to origination and reversal of temporary differences	16,188
Income tax expense reported in the consolidated statement of profit or loss	28,511
Relating to origination and reversal of temporary differences through OCI	11,885
Income tax expense reported in the consolidated statement of profit or loss and other comprehensive income	40,396
Reconciliation of effective tax rate:	2024 AED'000
Accounting profit before income tax	304,150
Adjustments in respect of Taxable Income subject to 0%*	(1,125)
Unrealized gains	(179,867)
Share of results of equity accounted investees	10,771
Non-deductible expenses for tax purposes:	2,989
Taxable profit	136,918
At the effective income tax rate of 9%	12,323

*As per the UAE CT Law, the portion of Taxable Income of the Taxable Person not exceeding AED 375,000 is subject to Corporate Tax at the rate of (0%) zero percent

The deferred tax liabilities comprises of the following temporary differences:

	2024 AED'000
Reconciliation of deferred tax liabilities, net:	
Forex gains - unrealised	15,488
Revaluation gains - unrealised	164,380
Revaluation gains through OCI - unrealised	132,059
At 31 December 2024	311,927
At the effective income tax rate of 9%	28,073

The gross movement on the deferred income tax liabilities is as follows:	2024 AED'000
At 1 January 2024	-
Tax charge recognised during the year	28,073
At 31 December 2024	28,073

33 SIGNIFICANT ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The following are the critical accounting estimates and judgements used by management in the preparation of these consolidated financial statements:

Union Properties (P.J.S.C) and its subsidiaries

Notes to the consolidated financial statements (continued)

33 SIGNIFICANT ESTIMATES AND JUDGEMENTS (CONTINUED)

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Going concern assumption

The Group's consolidated financial statements have been prepared on a going concern basis.

As of 31 December 2024, the Group's current accumulated losses reached an amount of AED 1,869.5 million from an issued capital of AED 4,290 million which does not exceed 43.6% of its issued share capital. The Group has generated gross profits of AED 102.6 million (2023: AED 103.6 million) and net profits of AED 275.6 million (2023: AED 837.6 million).

The management of the Group has prepared a short and medium strategy plan leveraged by a long-term vision for a period of three years from the date of these consolidated financial statements and there is high probability that the Group will have adequate resources to continue its operation in the foreseeable future.

Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Consideration of significant financing component in a contract

The Group's property sales include two alternative payment options for the customer, i.e., payment of the transaction price when the contract is signed and upon handing over of the property, or payment based on a deferred instalments plan. The Group concluded that there is a significant financing component for those contracts where the customer elects to pay in instalments considering the length of time between the customer's payment and the handing over date.

In determining the interest to be applied to the amount of consideration, the Group concluded that the interest rate implicit in the contract (i.e., the interest rate that discounts the cash selling price of the property to the amount paid in advance or at the time of handing over) is appropriate because this is commensurate with the rate that would be reflected in a separate financing transaction between the Group and its customer at contract inception.

Determining the timing of satisfaction of revenue from contracting activities

The Group concluded that revenue from contracting activities is to be recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group. The fact that another entity would not need to re-perform the services under the contract that the Group has provided to date demonstrates that the customer simultaneously receives and consumes the benefits of the Group's performance as it performs.

The Group determined that the output method is the best method in measuring progress of the contracting activities as it directly measures the value of goods and services transferred to the customer to date relative to the remaining goods or services promised under the contract. The Group recognises revenue on the basis of direct measurements of the value transferred to the customer (i.e., surveys of performance completed to date, units produced or delivered, or contract milestones) relative to the total value of goods and services promised under the contract.

Union Properties (P.J.S.C) and its subsidiaries

Notes to the consolidated financial statements (continued)

33 SIGNIFICANT ESTIMATES AND JUDGEMENTS (CONTINUED)

Significant influence over an associate

The Group concluded that it has significant influence over Properties Investments LLC, an associate. The Group holds 30% shareholding in the associate and is represented on its Board. Through its participation in the decision-making process on the Board of the associate, the Group assessed that significant influence is achieved.

Property lease classification – Group as lessor

The Group has entered commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Determining the lease term of contracts with renewal and termination options – Group as lessee

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

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group included the renewal period as part of the lease term for all leases of land with short non-cancellable period (i.e., one year). The Group typically exercises its option to renew for these leases because there will be a significant negative effect on the operations if a replacement asset is not readily available. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions

and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Union Properties (P.J.S.C) and its subsidiaries

Notes to the consolidated financial statements (continued)

33 SIGNIFICANT ESTIMATES AND JUDGEMENTS (CONTINUED)

Estimates and assumptions *(continued)*

Provision for warranty expenses

Provision for warranty expenses is recognised when the contract is completed and handed over to the customer for the period of warranty. The provision is based on historical warranty data and an assessment of all possible outcomes against their associated probabilities.

Impairment losses on property, plant and equipment and intangible assets

The Group reviews its property, plant and equipment and intangible assets to assess impairment, if there is an indication of impairment. In determining whether impairment losses should be recognised in the profit or loss, the Group makes judgements as to whether there is any observable data indicating that there is a reduction in the carrying value of property, plant and equipment or intangible assets. Accordingly, provision for impairment is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the carrying value of property, plant and equipment or intangible assets.

Impairment losses on properties held for sale

The Group's management reviews the held for sale properties to assess impairment, if there is an indication of impairment. In determining whether impairment losses should be recognised in the profit or loss, the management assesses the current selling prices of the property units and the anticipated costs for completion of such property units for properties which remain unsold at the reporting date. If the current selling prices are lower than the anticipated total cost at completion, an impairment provision is recognised for the identified loss event or condition to reduce the cost of development properties to its net realisable value.

Estimated useful life and residual value of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charge for its property, plant and equipment on an annual basis. The Group has carried out a review of the residual values and useful lives of property, plant and equipment as at 31 December 2024 and management has not identified any requirement for an adjustment to the residual values and remaining useful lives of the assets for the current or future periods. This assessment is carried out at each reporting date.

Revaluation of property, plant and equipment and investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in profit or loss. For investment properties, a valuation methodology based on a discounted cash flow (DCF) model is used, whenever there is a lack of comparable market data because of the nature of certain properties. In addition, the Group measures land under property, plant, and equipment at revalued amounts, with changes in fair value being recognised in OCI. The land was valued by reference to transactions involving properties of a similar nature, location, and condition. The Group engaged an independent valuation specialist to assess fair values as of 31 December 2024 and 2023 for the investment properties and at 31 December 2024 for land under property, plant and equipment.

The key assumptions used to determine the fair value of the properties and sensitivity analyses are provided in the notes.

Union Properties (P.J.S.C) and its subsidiaries

Notes to the consolidated financial statements (continued)

33 SIGNIFICANT ESTIMATES AND JUDGEMENTS (CONTINUED)

Estimates and assumptions (continued)

Provision for obsolete inventory

The Group reviews its inventory to assess loss on account of obsolescence on a regular basis. In determining whether provision for obsolescence should be recognised in the profit or loss, the Group makes judgements as to whether there is any observable data indicating that there is any future saleability of the product and the net realisable value for such product. Accordingly, provision for impairment is made where the net realisable value is less than cost based on best estimates by the management. The provision for obsolete inventory is based on the aging and past movement of the inventory.

Provision for expected credit losses of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., product type, customer type and rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 31.

Provision against claim and contingent liabilities

The Group's management carries out on a regular basis a detailed assessment of each claim and contingent liabilities that arise during the course of normal business and accordingly makes an assessment of the provision required to settle them. These detailed assessments are based on the past experience of the management in settling these claims and contingent liabilities on commercial terms, weighting of possible outcomes against their associated probabilities. Should the estimate significantly vary, the change will be accounted for as change in estimate and the consolidated financial statements would be significantly impacted in the future.

Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease.

The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Union Properties (P.J.S.C) and its subsidiaries

Notes to the consolidated financial statements (continued)

33 SIGNIFICANT ESTIMATES AND JUDGEMENTS (CONTINUED)

Estimates and assumptions (continued)

Determining the timing of satisfaction of sale of real estate properties

The Group is required to assess each of its contracts with customers for the sale of real estate properties to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognising revenue. The Group has assessed that based on the current sale and purchase agreements entered into with customers and the provisions of relevant laws and regulations, where contracts are entered into to provide real estate assets to customer, the Group does not create or enhance an asset that the customer controls as the asset is created or enhanced and the customer receives and consumes the benefits provided by the Group's performance when the asset is transferred to the customer, and accordingly, revenue from such contracts is recognised at a point in time, when the property is handed over to the customer.

The Group also assessed that, in those contracts, the transfer of the legal title of the property is not a criteria in determining the timing of satisfaction of the sale.

34 COMPARATIVE FIGURES

Reclassifications

Certain comparative figures have been reclassified or regrouped, wherever necessary, to conform to the presentation adopted in these consolidated financial statements. Such reclassifications do not affect the previously reported profit, net assets, or equity of the Group.