

Union Properties Announces FY 2021 Financial Results

- Revenue from contracts with customers up 6.1% in FY 2021 compared to previous with gross profit of AED 67.83 million (2020: AED 14.17 million)
- Net loss of AED 966.76 million in 2021 compared to a profit of AED 200.98 million in the previous year
- Emergency business restructuring program launched by new Board of Directors to restore shareholder value focused on creditor negotiations, cost efficiencies and generating value from portfolio
- Management team also focused on strengthening the supervisory function of internal audit and controls and compliance and recovering the misappropriated funds through the legal procedures

Dubai, UAE – March 28, 2022: Union Properties PJSC (“Union Properties” or the “Company”) (DFM symbol: UPP) today announced its financial results for the year ended 31 December 2021.

Revenue from contracts with customers was AED 398.70 million in 2021 up 6.1% compared to the previous year largely driven by the recovery in the UAE’s real estate market as the country gradually lifted COVID related restrictions from the previous year. Consequently, gross profit for the period increased to AED 67.83 million compared to AED 14.17 million in the previous year, supported by an 8.5% reduction in direct costs as the new management team focused on optimising its cost base and restructuring certain operations to deliver efficiencies across the business.

During the year, the newly appointed Board of Directors changed the company’s independent valuer to Land Sterling, to assess the fair value of its property portfolio as of 31 December 2021. Subsequently, the company discovered that the carrying value of its property portfolio had been inflated in prior years and Union Properties has booked a loss from the valuation of its properties amounting to AED 1.11 billion in 2021 versus to a gain of AED 743.6 million in the previous year.

Consequently, Union Properties has reported a net loss of AED 966.76 million compared to a profit of AED 200.98 million in the previous year. The company also faced an impairment of AED 154.64 million relating to investments in quoted funds and quoted equities, which are suspected to have been misappropriated by the company’s former officials.

Mr. Amer Khansaheb, Board Member and Managing Director of Union Properties, commented: “2021 has been a difficult year for Union Properties as we uncovered widespread fraud and misconduct by the company’s former management involving forgery, misappropriation of funds and various other financial violations which has negatively impact the company’s financial health and been a severe breach of shareholder confidence. Our focus as the new Board is now on addressing these challenges head on and rebuilding shareholder trust. We have commenced the implementation of an emergency business restructuring program to restore shareholder value and negotiations are ongoing with our two major creditors banks to restructure the loan facilities. Good progress has been made with one of the local Islamic banks and we remain in constructive discussions with other major creditor bank. We will also continue to review our entire portfolio in order to assess which assets are core and where we could generate further value and liquidity through the disposals of noncore assets”

Having discovered gross misconduct and widespread fraud that had been perpetrated by the former Directors and Management of Union Properties, a new Board members were appointed in December 2021 and a thorough forensic financial and accounting review was conducted by a third party. The preliminary findings include violation of accounting standards and manipulation of records as well as misappropriation of funds and properties along with other violations, which took place over several years.

Union Properties new management team is focused on strengthening the supervisory function of internal audit and compliance and controls, restructuring operations to achieve a leaner organisation, and recovering the misappropriated funds through the legal procedures. It is also developing a new growth strategy to generate shareholder value and is considering unlocking value from its existing assets to free up capital to restart its development operations.

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