

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

Unaudited interim condensed
consolidated financial statements
30 June 2020

Union Properties Public Joint Stock Company and its subsidiaries

Unaudited interim condensed consolidated financial statements

30 June 2020

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF UNION PROPERTIES (P.J.S.C)

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Union Properties (P.J.S.C) and its subsidiaries (together referred to as the "Group") which comprise the interim condensed consolidated statement of financial position as at June 30, 2020, and the related interim condensed consolidated statement of profit or loss and other comprehensive income for the three months and six months period then ended and the interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six months period then ended and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 – Interim Financial Reporting (IAS 34) as issued by International Accounting Standard Board (IASB). Our responsibility is to express a conclusion of these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Emphasis of matter

We have performed our review procedures and have obtained our understanding through an inquiries from the management to the extent of our reviews, consequently without qualifying our conclusion, we draw special attention to note (7) of these interim condensed consolidated financial statements which states that the Group had attempted a review of the Masterplan for Dubai Motor City in 2019 and had appealed for the approval from the concerned regulatory authorities. This submission pertained to the revised affection plans with amended gross floor area values ("GFA's"). The Group had recorded a fair value gain of AED 351 million based on the presumption that the plan would have final approval in the year 2020. In 2019, the Management engaged an independent third-party consultant to support the Group in the allocation of unutilized 1.9 million square feet of gross floor area distributed among residential, retail and commercial on the existing unsold and undeveloped plots of land within the Motor City project. These additional gross floor areas have been included in the value of investment properties at 31 December 2019 as management does not anticipate complications in obtaining the required authority approvals.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
TO THE SHAREHOLDERS OF UNION PROPERTIES (P.J.S.C) (CONTINUED)

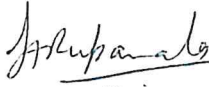
Other matters

- The consolidated financial statements of the Group for the year ended December 31, 2019 were audited by another auditor who expressed a qualified opinion dated March 25, 2020.
- The interim condensed consolidated financial statements of the Group for the period ended June 30, 2019 were reviewed by another auditor who expressed a qualified conclusion dated August 06, 2019.

For:

MAZARS

Chartered Accountants LLC (Abu Dhabi Br.1)



By: Jaffer A. Rupawala
Registered Auditor Number: 852

Abu Dhabi,
August 13, 2020

Union Properties Public Joint Stock Company and its subsidiaries

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

for the six month period ended 30 June 2020

	Notes	Six month period ended 30 June	
		2020 AED'000	2019 AED'000
Revenue from contracts with customers	15	195,794	207,602
Net loss on financial instruments at FVTPL	10	(74,276)	(53,106)
Share of results of associates, net	5	2,338	(4,766)
Gain on fair valuation of investment properties	7	-	9,617
Loss on disposal of investment properties	7	(19,836)	(3,617)
Finance income		741	1,253
Other income	6	9,157	77,399
Direct costs	15	(151,009)	(158,894)
Administrative and general expenses	15	(57,963)	(76,409)
Finance cost	15	(65,373)	(81,404)
Loss for the period		(160,427)	(82,325)
Other comprehensive income for the period		-	-
Total comprehensive loss for the period		(160,427)	(82,325)
Basic and diluted earnings per share (AED)	12	(0.037)	(0.019)

The notes from 1 to 17 form an integral part of these interim condensed consolidated financial statements.

Union Properties Public Joint Stock Company and its subsidiaries

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

for the three month period ended 30 June 2020

	Notes	Three month period ended 30 June	
		2020 AED'000	2019 AED'000
Revenue from contracts with customers	15	83,262	104,555
Net loss on financial instruments at FVTPL	10	(10,296)	(29,984)
Share of results of associates, net	5	2,338	1,999
Loss on disposal of investment properties	7	(336)	(1,105)
Finance income		683	386
Other income	6	8,173	3,255
Direct costs	15	(67,918)	(81,526)
Administrative and general expenses	15	(28,237)	(39,945)
Finance cost	15	(26,228)	(41,706)
Loss for the period		(38,559)	(84,071)
Other comprehensive income for the period		-	-
Total comprehensive loss for the period		(38,559)	(84,071)
Basic and diluted earnings per share (AED)	12	(0.009)	(0.020)

The notes from 1 to 17 form an integral part of these interim condensed consolidated financial statements.

Union Properties Public Joint Stock Company and its subsidiaries


Interim condensed consolidated statement of financial position

As at 30 June 2020

	Notes	Unaudited 30 June 2020 AED'000	Audited 31 December 2019 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment		354,932	358,042
Right-of-use assets		28,494	31,048
Investment properties	7	4,060,220	4,111,636
Development properties		7,504	7,504
Investments in associates	5	484,275	481,937
Investments at fair value through profit or loss	10	111,843	184,516
Non-current receivables	8	33,396	33,285
Total non-current assets		5,080,664	5,207,968
Current assets			
Investments at fair value through profit or loss	10	9,280	12,996
Inventories		5,852	5,005
Contract assets		217,515	217,049
Trade and other receivables	8	282,109	293,374
Due from related parties	9	52,018	52,018
Cash and cash equivalents	11	59,887	75,482
Total current assets		626,661	655,924
Total assets		5,707,325	5,863,892
EQUITY AND LIABILITIES			
Equity			
Share capital		4,289,540	4,289,540
Statutory reserve		332,880	332,880
Currency translation reserve		15,508	15,508
Asset revaluation surplus		212,689	212,689
Accumulated losses		(2,302,386)	(2,141,959)
Total equity attributable to the shareholders of the Company		2,548,231	2,708,658
Non-current liabilities			
Non-current portion of bank loans	13	508,941	507,932
Contract liabilities		8,118	8,118
Lease liabilities		22,007	25,211
Provision for staff terminal benefits		35,692	34,074
Total non-current liabilities		574,758	575,335
Current liabilities			
Trade and other payables		1,202,303	1,168,458
Contract liabilities		89,339	102,615
Lease liabilities		5,502	7,131
Bank overdrafts		306,168	291,323
Current portion of bank loans	13	981,024	1,010,372
Total current liabilities		2,584,336	2,579,899
Total liabilities		3,159,094	3,155,234
Total equity and liabilities		5,707,325	5,863,892

The interim condensed consolidated financial statements were authorised for issue on 13 August 2020 by the Board of Directors and signed on its behalf by:


Chairman


Acting General Manager

The notes from 1 to 17 form an integral part of these interim condensed consolidated financial statements.

Union Properties Public Joint Stock Company and its subsidiaries

Interim condensed consolidated statement of cash flows (unaudited)

For the six month period ended 30 June 2020

	Note	Six month period ended	
		30 June	
		2020	2019
		AED'000	AED'000
Operating activities			
Loss for the period		(160,427)	(82,325)
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment		6,676	7,254
Depreciation of right of use assets		2,466	-
Loss on sale of investment properties		19,836	3,617
Gain on fair valuation of investment properties		-	(9,617)
Share of results of associates, net		(2,338)	4,766
Loss on financial instruments at FVTPL, net		74,276	53,106
Finance income		(741)	(1,253)
Finance cost		65,373	81,404
<i>Operating profit before working capital changes</i>		5,121	56,952
Change in inventories		(847)	(2,722)
Change in contract assets		16,317	(1,705)
Change in trade and other receivables		3,650	(36,891)
Change in due from related parties		-	(1,228)
Change in non-current payables		16,158	-
Change in trade and other payables and contract liabilities		(41,110)	(44,831)
Change in staff terminal benefits (net)		1,618	(1,722)
<i>Net cash from/(used in) / operating activities</i>		907	(32,147)
Investing activities			
Additions to property, plant and equipment		(3,597)	(2,765)
Proceeds from/investments in financial instruments at FVTPL, net		2,113	1,399
Proceeds from disposal of property, plant and equipment		31	786
Proceeds from sale of investment properties		31,580	46,142
Interest income received		(522)	293
Change in deposits with banks		(2,091)	3,232
<i>Net cash from investing activities</i>		27,514	49,087
Financing activities			
Proceed from long-term bank loans		36,107	94,142
Repayment of long-term bank loans		(64,446)	(89,745)
Interest paid		(17,431)	(35,048)
<i>Net cash used in financing activities</i>		(45,770)	(30,651)
Net decrease in cash and cash equivalents		(17,349)	(13,711)
Cash and cash equivalents at the beginning of the period		(247,895)	(176,574)
Cash and cash equivalents at the end of the period	11	(265,244)	(190,285)

The notes from 1 to 17 form an integral part of these interim condensed consolidated financial statements.

Union Properties Public Joint Stock Company and its subsidiaries

Interim condensed consolidated statement of changes in equity (unaudited)

For the six month period ended 30 June 2020

	Share capital AED'000	Statutory reserve AED'000	Currency translation reserve AED'000	Asset revaluation surplus (Restated) AED'000	Accumulated losses AED'000	Total AED'000
At 1 January 2019 (audited) - Restated	4,289,540	332,880	-	212,689	(1,905,273)	2,929,836
Total comprehensive income for the period	-	-	-	-	(82,325)	(82,325)
At 30 June 2019 (unaudited) - Restated	<u>4,289,540</u>	<u>332,880</u>	<u>-</u>	<u>212,689</u>	<u>(1,987,598)</u>	<u>2,847,511</u>
At 1 January 2020 (audited)	4,289,540	332,880	15,508	212,689	(2,141,959)	2,708,658
Total comprehensive loss for the period	-	-	-	-	(160,427)	(160,427)
At 30 June 2020 (unaudited)	<u>4,289,540</u>	<u>332,880</u>	<u>15,508</u>	<u>212,689</u>	<u>(2,302,386)</u>	<u>2,548,231</u>

The notes from 1 to 17 form an integral part of these interim condensed consolidated financial statements.

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Union Properties Public Joint Stock Company (“the Company”) was incorporated on 28 October 1993 as a public joint stock company by a United Arab Emirates Ministerial decree. The Company’s registered office address is P.O. Box 24649, Dubai, United Arab Emirates (“UAE”).

The principal activities of the Company are investment in and development of properties, the management and maintenance of owned properties including the operation of cold stores, the undertaking of property related services on behalf of other parties (including related parties) and acting as the holding company of its subsidiaries and investing in other entities.

The Company and its subsidiaries are collectively referred to as “the Group”.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The interim condensed consolidated financial statements of the Group are prepared in accordance with International Accounting Standard 34: Interim Financial Reporting and applicable requirements of the United Arab Emirates laws.

The interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards (IFRS), and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2019. The same accounting policies, methods of computation, significant accounting judgments and estimates and assumptions are followed in these interim condensed consolidated financial statements as compared with the most recent annual consolidated financial statements.

The interim condensed consolidated financial statements have been prepared in United Arab Emirates Dirhams (AED), which is the Company’s functional and presentation currency, and all values are rounded to the nearest thousand except where otherwise indicated.

The interim condensed consolidated financial statements have been prepared on a historical cost basis except for financial assets at fair value through profit and loss and investment properties that have been measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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

3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of interim condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim condensed consolidated financial statements, the significant judgements made by the management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019.

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements (continued)

4 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS, AMENDMENTS AND INTERPRETATIONS

(a) Standards, amendments and interpretations effective as at January 1, 2020

The following amendments to existing standards have been adopted by the Group on January 1, 2020:

- Amendments to IFRS 3, Business Combination, improve the definition of a business or group of assets.
- Amendments to references to conceptual framework in IFRSs.
- Amendments to IAS 1, Presentation of Financial Statements and to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors in respect with the Definition of Material.
- Amendments to IFRS 9, Financial Instruments: Recognition and Measurement, and IFRS 7, Financial Instruments: Disclosures (Interest Rate Benchmark Reform).

The amendments listed above do not have significant impact on the Group's interim condensed consolidated financial statements.

(b) Standards, amendments and interpretations issued but are not yet effective and have not been early adopted by the Group

The following standards, amendments and interpretations have been issued but are not yet effective and have not been early adopted by the Group:

- Amendments to IAS 1, Presentation of Financial Statements, clarify how to classify debt and other liabilities as current or non-current.
- Amendments to IFRS 3, Business Combination (Reference to the Conceptual Framework).
- Amendment to IAS 37, Provisions, Contingent Liabilities and Contingent Asset (Onerous Contracts- Cost of Fulfilling a Contract).
- Annual improvements to IFRS Standards 2018-2020.
- Amendments to IAS 16, Property, Plant and Equipment (Proceeds before Intended Use).
- IFRS 17, Insurance Contracts, establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts.

5 INVESTMENTS IN AN ASSOCIATES AND A JOINT VENTURE

Investments in associates

	Unaudited		Unaudited	
	Six month period ended 30 June		Three month period ended 30 June	
	2020	2019	2020	2019
	AED'000	AED'000	AED'000	AED'000
Share of profit/(loss) in Properties Investment LLC	-	(12,886)	-	(1,739)
Share of profit in Palm Hills Development PJSC	2,338	8,120	2,338	3,738
	<u>2,338</u>	<u>(4,766)</u>	<u>2,338</u>	<u>1,999</u>

During the previous year, management engaged an independent third party specialist to complete the purchase price allocation exercise as required by IFRSs. As a result, the embedded goodwill has been entirely allocated to the different categories of assets and liabilities of the associate as the difference between book value and fair value at the date of acquisition, with no additional material tangible or intangible assets identified. Management has taken account of the change in the Group's shareholding in the associate in the prior year in its purchase price allocation exercise.

The investment is accounted for using the equity method in the consolidated financial statements from the date when the investment was classified as an investment in associate. The investment has a fair value of AED 99.5 million at 30 June 2020.

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements (continued)

6 OTHER INCOME

Other income for the six month period ended 30 June 2019 mainly represents positive saving on account of liabilities settlement for certain contracts.

7 INVESTMENT PROPERTIES

	Unaudited 30 June 2020 AED'000	Audited 31 December 2019 AED'000
At 1 January	4,111,636	4,211,112
Acquisition during the year	-	11,754
Gain on fair valuation	-	3,291
Sale of investment properties	(51,416)	(114,521)
Closing balance	4,060,220	4,111,636

The Group follows the fair value model under IAS 40 (Revised 2003) where investment property defined as land and buildings owned for the purpose of generating rental income or capital appreciation, or both, are fair valued based on an open market valuation. The most recent valuation was carried out on 31 December 2019 by an independent registered valuer, ValuStrat Consulting FZCO, who carried out the valuation in accordance with RICS Appraisal and the Valuation Manual issued by the Royal Institute of Chartered Surveyors.

During the six month period ended 30 June 2020, investment properties with a carrying value of AED 51.4 million were disposed of for a consideration of AED 31.6 million resulting in a loss of AED 19.8 million.

That the Group had attempted a review of the Masterplan for Dubai Motor City in 2019 and had appealed for the approval from the concerned regulatory authorities. This submission pertained to the revised affection plans with amended gross floor area values ("GFA's"). The Group had recorded a fair value gain of AED 351 million based on the presumption that the plan would have final approval in the year 2020. In 2019, the Management engaged an independent third-party consultant to support the Group in the allocation of unutilized 1.9 million square feet of gross floor area distributed among residential, retail and commercial on the existing unsold and undeveloped plots of land within the Motor City project. These additional gross floor areas have been included in the value of investment properties at 31 December 2019 as management does not anticipate complications in obtaining the required authority approvals.

Union Properties Public Joint Stock Company and its subsidiaries
Notes to the interim condensed consolidated financial statements (continued)

8 TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2020 AED'000	Audited 31 December 2019 AED'000
Financial instruments		
Trade receivables	1,990,347	1,927,019
Retention receivables	54,356	64,405
Property sales receivables	8,105	64,747
	<u>2,052,808</u>	<u>2,056,171</u>
Less: allowance for expected credit losses	<u>(1,832,252)</u>	<u>(1,831,650)</u>
	220,556	224,521
Other receivables	<u>37,528</u>	<u>40,901</u>
Total (A)	<u>258,084</u>	<u>265,422</u>
Non-financial instruments		
Advances to contractors	14,168	13,728
Prepayments and advances	9,857	14,224
Total (B)	<u>24,025</u>	<u>27,952</u>
Total (A+B)	<u>282,109</u>	<u>293,374</u>
Non-current receivables		
	Unaudited 30 June 2020 AED'000	Audited 31 December 2019 AED'000
Retention receivables	4,738	5,258
Property sales receivables	28,658	28,027
	<u>33,396</u>	<u>33,285</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 receivables					Total AED'000
	Retentions receivable AED'000	Current AED'000	Past due			
			1-90 days AED'000	91-365 days AED'000	>365 days AED'000	
30 June 2020						
Expected credit loss rate	71.38%	3.67%	23.49%	9.65%	98.93%	
Gross amount	59,094	108,985	24,101	104,459	1,789,565	2,086,204
Expected credit loss	<u>42,181</u>	<u>3,998</u>	<u>5,661</u>	<u>10,082</u>	<u>1,770,330</u>	<u>1,832,252</u>
31 December 2019						
Expected credit loss rate	81.76%	3.59%	14.79%	7.75%	98.51%	
Gross amount	69,663	134,876	25,068	97,451	1,754,924	2,081,982
Expected credit loss	<u>52,550</u>	<u>4,053</u>	<u>6,101</u>	<u>15,708</u>	<u>1,753,238</u>	<u>1,831,650</u>

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements (continued)

8 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	Unaudited 30 June 2020 AED'000	Audited 31 December 2019 AED'000
At 1 January	1,831,650	1,805,375
Addition for the period/year	1,133	26,934
Amounts written off/reversed	(531)	(659)
Closing balance	<u>1,832,252</u>	<u>1,831,650</u>

9 TRANSACTIONS WITH RELATED PARTIES

The Group, in the normal course of business, enters into transactions with other enterprises, which fall within the definition of a related party contained in IAS 24. Such transactions are carried out at agreed rates. The significant transactions with related parties, other than those already disclosed separately elsewhere in the interim condensed consolidated financial statements are as follows:

	Unaudited 30 June 2020 AED'000	Unaudited 31 March 2019 AED'000
Compensation to key management personnel are as follows :		
- Salaries and other short-term employee benefits	4,785	6,016
- Provision towards staff terminal benefits	309	289

Balances with related parties in the consolidated statement of financial position represent balances due from an equity accounted investee of AED 20.5 million and other related parties of AED 31.5 million.

10 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

During the six month period ended 30 June 2020, the Group sold investments in funds and invested in various listed equity investments, having a fair value of AED 120.4 million at the reporting date (31 December 2019: AED 196.8 million), which resulted in a net loss on change in fair value of AED 74.3 million during the period (2019: AED 23.1 million).

The Group also has an investment in a real estate fund valued at AED 0.8 million at year-end (2019: AED 0.8 million).

As at 30 June 2020, investments amounting to AED 111.8 million were classified as non-current assets in the interim consolidated statement of financial position as the management intends to hold those investments for a period exceeding 12 months from the reporting date.

Union Properties Public Joint Stock Company and its subsidiaries
Notes to the interim condensed consolidated financial statements (continued)

11 CASH AND CASH EQUIVALENTS

	Unaudited 30 June 2020 AED'000	Audited 31 December 2019 AED'000
Cash in hand	919	734
Cash at bank		
– in deposit accounts held under lien	18,963	16,872
– in current accounts	29,961	42,694
– in other deposit accounts	10,044	15,182
	<u>59,887</u>	<u>75,482</u>

	Unaudited 30 June 2020 AED'000	Audited 31 December 2019 AED'000
Cash and cash equivalents comprise:		
Cash in hand and at banks (excluding deposits under lien)	40,924	54,852
Bank overdrafts	(306,168)	(231,426)
	<u>(265,244)</u>	<u>(176,574)</u>

12 BASIC AND DILUTED EARNINGS PER SHARE

	Unaudited Six month period ended 30 June		Unaudited Three month period ended 30 June	
	2020	2019	2020	2019
(Loss)/profit attributable to shareholders (AED'000)	(160,427)	(82,325)	(38,559)	(84,071)
Weighted average number of shares	4,289,540,134	4,289,540,134	4,289,540,134	4,289,540,134
Basic and diluted earnings per share (AED)	<u>(0.0374)</u>	<u>(0.0192)</u>	<u>(0.0090)</u>	<u>(0.0196)</u>

13 BANK LOANS

	Unaudited 30 June 2020 AED'000	Audited 31 December 2019 AED'000
Balance	1,489,965	1,518,304
Less: Current portion	(981,024)	(1,010,372)
Non-current portion	<u>508,941</u>	<u>507,932</u>

The bank loans carry interest at commercial rates.

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements (continued)

13 BANK LOANS (CONTINUED)

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

	Unaudited 30 June 2020 AED'000	Audited 31 December 2019 AED'000
At 1 January	1,518,304	1,544,913
Availed during the period/year	36,107	151,586
Repayments during the period/year	<u>(64,446)</u>	<u>(178,195)</u>
At the end of the period/year	<u><u>1,489,965</u></u>	<u><u>1,518,304</u></u>

At 30 June 2020, the two loans that have been classified as current liabilities at year-end 2019 due to breach in contractual payments continue to be classified as current liabilities. Subsequent to 30 June 2020, the Group is in advanced discussions with the bank to rectify the breach.

14 FINANCIAL INSTRUMENTS

Financial assets of the Group include non-current receivables, investments at FVTPL, trade and other receivables, amounts due from related parties and cash in hand and at banks. Financial liabilities of the Group include trade and other payables, security deposits, lease liabilities, short-term bank borrowings, long-term bank loans and non-current payables. The table below sets out the Group's classification of each class of financial assets and financial liabilities and their fair values for the current and the comparative periods:

	At fair value through profit or loss AED'000	At amortized cost AED'000	Carrying amount AED'000	Fair value AED'000
30 June 2020 (unaudited)				
<i>Financial assets</i>				
Non-current receivables	-	33,396	33,396	33,396
Investments at FVTPL	121,123	-	121,123	121,123
Trade and other receivables	-	262,472	262,472	262,472
Due from related parties	-	52,018	52,018	52,018
Cash in hand and at banks	-	59,887	59,887	59,887
Total	<u>121,123</u>	<u>407,773</u>	<u>528,896</u>	<u>528,896</u>
<i>Financial liabilities</i>				
Trade and other payables	-	1,193,849	1,193,849	1,193,849
Lease liabilities	-	27,509	27,509	27,509
Bank overdrafts	-	306,168	306,168	306,168
Bank loans	-	1,489,965	1,489,965	1,489,965
Total	<u>-</u>	<u>3,017,491</u>	<u>3,017,491</u>	<u>3,017,491</u>

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements (continued)

14 FINANCIAL INSTRUMENTS (CONTINUED)

	At fair value through profit or loss AED'000	At amortized cost AED'000	Carrying amount AED'000	Fair value AED'000
31 December 2019 (audited)				
<i>Financial assets</i>				
Non-current receivables	-	33,285	33,285	33,285
Investments at FVTPL	197,512	-	197,512	197,512
Trade and other receivables	-	265,422	265,422	265,422
Due from related parties	-	52,018	52,018	52,018
Cash in hand and at banks	-	75,482	75,482	75,482
Total	<u>197,512</u>	<u>426,207</u>	<u>623,719</u>	<u>623,719</u>
<i>Financial liabilities</i>				
Trade and other payables	-	1,168,458	1,168,458	1,168,458
Bank overdrafts	-	291,323	291,323	291,323
Bank loans	-	1,518,304	1,518,304	1,518,304
Lease liabilities	-	32,342	32,342	32,342
Total	<u>-</u>	<u>3,010,427</u>	<u>3,010,427</u>	<u>3,010,427</u>

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group holds investments at fair value through profit or loss. The fair value of quoted securities is determined by reference to their quoted bid prices as at the reporting date. Investments in marketable securities are stated at cost where no observable market data is available. Accordingly, the fair value hierarchy is set out as below:

	Level 1 AED'000	Level 3 AED'000	Total AED'000
30 June 2020 (unaudited)			
Investments at fair value through profit or loss	<u>120,367</u>	<u>756</u>	<u>121,123</u>
31 December 2019 (audited)			
Investments at fair value through profit or loss	<u>196,756</u>	<u>756</u>	<u>197,512</u>

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

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements (continued)

14 FINANCIAL INSTRUMENTS (CONTINUED)

Level 1:

	Unaudited 30 June 2020 AED'000	Audited 31 December 2019 AED'000	Unaudited 30 June 2019 AED'000
Opening balance	196,756	298,144	296,796
Additions	411,722	2,107,777	1,657,615
Disposals	(413,835)	(2,114,206)	(1,659,014)
Total gains or losses – net:	<u>(74,276)</u>	<u>(94,959)</u>	<u>(53,106)</u>
Closing balance	<u><u>120,367</u></u>	<u><u>196,756</u></u>	<u><u>242,291</u></u>

15 SEGMENT REPORTING

Business segments

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

Union Properties Public Joint Stock Company and its subsidiaries
Notes to the interim condensed consolidated financial statements (continued)

15 SEGMENT REPORTING (CONTINUED)

	Real estate	Contracting	Goods and services	Investments	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
Six month period ended 30 June 2020 (unaudited)					
Segment revenue	32,954	36,290	126,550	-	195,794
Loss on financial instruments at FVTPL	-	-	-	(74,276)	(74,276)
Share of loss of associates	-	-	-	2,338	2,338
Loss on sale of investment properties	(19,836)	-	-	-	(19,836)
Finance income	671	70	-	-	741
Other income	6,976	3	2,166	12	9,157
Direct cost	(19,734)	(30,080)	(101,195)	-	(151,009)
Administrative and general expenses	(33,839)	(3,963)	(16,324)	(3,837)	(57,963)
Finance cost	(28,987)	(21,542)	(3,288)	(11,556)	(65,373)
Profit/(loss) for the period	<u>(61,795)</u>	<u>(19,222)</u>	<u>7,909</u>	<u>(87,319)</u>	<u>(160,427)</u>
Capital expenditure	1,869	667	1,061	-	3,597
Depreciation	3,934	1,564	1,139	39	6,676
As at 30 June 2019 (unaudited)					
Segment assets	4,589,182	278,994	234,105	120,769	5,223,050
Investments in associates	-	-	-	484,275	484,275
Total assets	<u>4,589,182</u>	<u>278,994</u>	<u>234,105</u>	<u>605,044</u>	<u>5,707,325</u>
Segment liabilities	<u>1,193,698</u>	<u>1,551,659</u>	<u>186,892</u>	<u>226,845</u>	<u>3,159,094</u>
Six month period ended 30 June 2019 (unaudited)					
Segment revenue	33,360	33,613	140,629	-	207,602
Loss on financial instruments at FVTPL	-	-	-	(53,106)	(53,106)
Share of profit of associates	-	-	-	(4,766)	(4,766)
Gain on valuation of properties	9,617	-	-	-	9,617
Loss on sale of investment properties	(3,617)	-	-	-	(3,617)
Finance income	1,059	174	20	-	1,253
Other income	74,561	68	2,770	-	77,399
Direct cost	(22,474)	(27,730)	(108,690)	-	(158,894)
Administrative and general expenses	(37,353)	(10,021)	(17,280)	(11,755)	(76,409)
Finance cost	(29,960)	(18,042)	(3,998)	(29,404)	(81,404)
Profit/(loss) for the period	<u>25,193</u>	<u>(21,938)</u>	<u>13,451</u>	<u>(99,031)</u>	<u>(82,325)</u>
Capital expenditure	285	1,090	1,290	100	2,765
Depreciation	3,835	1,788	1,586	45	7,254
As at 31 December 2019 (audited)					
Segment assets	4,704,705	285,625	193,627	197,998	5,381,955
Investment in an associate and joint venture	-	-	-	481,937	481,937
Total assets	<u>4,704,705</u>	<u>285,625</u>	<u>193,627</u>	<u>679,935</u>	<u>5,863,892</u>
Segment liabilities	<u>1,268,845</u>	<u>1,485,740</u>	<u>185,592</u>	<u>215,057</u>	<u>3,155,234</u>

Union Properties Public Joint Stock Company and its subsidiaries
Notes to the interim condensed consolidated financial statements (continued)

15 SEGMENT REPORTING (CONTINUED)

	Real estate	Contracting	Goods and services	Investments	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
Three month period ended 30 June 2020 (unaudited)					
Segment revenue	14,476	15,082	53,704	-	83,262
Loss on financial instruments at FVTPL	-	-	-	(10,296)	(10,296)
Share of profit of associates	-	-	-	2,338	2,338
Loss on sale of investment properties	(336)	-	-	-	(336)
Finance income	631	52	-	-	683
Other income	5,096	1	3,073	3	8,173
Direct cost	(10,057)	(12,610)	(45,251)	-	(67,918)
Administrative and general expenses	(16,821)	(1,987)	(7,835)	(1,594)	(28,237)
Finance cost	(13,007)	(10,359)	(2,529)	(333)	(26,228)
Profit/(loss) for the period	<u>(20,018)</u>	<u>(9,821)</u>	<u>1,162</u>	<u>(9,882)</u>	<u>(38,559)</u>
Depreciation	<u>1,982</u>	<u>756</u>	<u>467</u>	<u>19</u>	<u>3,224</u>
Three month period ended 30 June 2019 (unaudited)					
Segment revenue	16,753	20,398	67,404	-	104,555
Loss on financial instruments at FVTPL	-	-	-	(29,984)	(29,984)
Share in profit of associates	-	-	-	1,999	1,999
Gain on valuation of properties	(1,105)	-	-	-	(1,105)
Finance income	206	160	20	-	386
Other income	2,145	49	1,061	-	3,255
Direct cost	(12,758)	(15,856)	(52,912)	-	(81,526)
Administrative and general expenses	(18,655)	(5,681)	(9,381)	(6,228)	(39,945)
Finance cost	(15,048)	(9,277)	(2,410)	(14,971)	(41,706)
Profit/(loss) for the period	<u>(28,462)</u>	<u>(10,207)</u>	<u>3,782</u>	<u>(49,184)</u>	<u>(84,071)</u>
Capital expenditure	<u>(42,038)</u>	<u>1,090</u>	<u>1,290</u>	<u>-</u>	<u>(39,658)</u>
Depreciation	<u>2,268</u>	<u>882</u>	<u>951</u>	<u>45</u>	<u>4,146</u>

16 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

	Unaudited 30 June 2020 AED'000	Audited 31 December 2019 AED'000
<i>Company and its subsidiaries</i>		
Commitments:		
Capital commitments	<u>9,415</u>	<u>12,015</u>
Contingent liabilities:		
Letters of guarantee	<u>311,809</u>	<u>309,960</u>
<i>Associate</i>		
Contingent liabilities:		
Letters of guarantee	<u>252,500</u>	<u>252,500</u>

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements (continued)

17 COVID-19 IMPACT

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

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

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