

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

Unaudited interim condensed
consolidated financial statements
30 September 2020

Union Properties Public Joint Stock Company and its subsidiaries

Unaudited interim condensed consolidated financial statements

30 September 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 September 30, 2020, and the related interim condensed consolidated statement of profit or loss and other comprehensive income for the three months and nine months period then ended and the interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the nine 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.

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 September 30, 2019 were reviewed by another auditor who expressed a qualified conclusion dated November 14, 2019.

For:**MAZARS****Chartered Accountants LLC (Abu Dhabi Br.1)**
By: Jaffer A. Rupawala**Registered Auditor Number: 852****Abu Dhabi,
October 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 nine month period ended 30 September 2020

	Notes	Nine month period ended 30	
		September	
		2020	2019
		AED'000	AED'000
Revenue from contracts with customers	17	286,315	313,815
Net loss on financial instruments at FVTPL	10	(54,959)	(90,765)
Share of profits from associates, net	5	7,818	3,765
Loss on disposal of an associate	5	(234,524)	-
Gain on fair valuation of investment properties	7	821,990	9,617
Loss on disposal of investment properties	7	(20,000)	(4,313)
Finance income		1,984	1,975
Other income	6	11,760	84,357
Direct costs	17	(291,093)	(242,194)
Administrative and general expenses	17	(84,170)	(110,728)
Finance cost	17	(96,342)	(129,409)
Profit/(loss) for the period		348,779	(163,880)
Other comprehensive income			
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods</i>			
Exchange differences on translation of foreign operations		(15,508)	-
Total comprehensive income/(loss) for the period		333,271	(163,880)
Basic and diluted earnings per share (AED)	12	0.081	(0.038)

The notes from 1 to 19 form an integral part of these interim condensed consolidated financial statements.

Union Properties Public Joint Stock Company and its subsidiaries

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

For the three month period ended 30 September 2020

	Notes	Three month period ended 30 September	
		2020 AED'000	2019 AED'000
Revenue from contracts with customers	17	90,521	106,213
Net gain/(loss) on financial instruments at FVTPL	10	19,317	(37,659)
Share of profit from associates, net	5	5,480	8,531
Loss on disposal of an associate	5	(234,524)	-
Gain on fair valuation of investment properties	7	821,990	-
Loss on disposal of investment properties	7	(164)	(696)
Finance income		1,243	722
Other income	6	2,603	6,958
Direct costs	17	(140,084)	(83,300)
Administrative and general expenses	17	(26,207)	(34,319)
Finance cost	17	(30,969)	(48,005)
Profit/(loss) for the period		509,206	(81,555)
Other comprehensive income			
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods</i>			
Exchange differences on translation of foreign operations		(15,508)	-
Total comprehensive income/(loss) for the period		493,698	(81,555)
Basic and diluted earnings per share (AED)	12	0.119	(0.019)

The notes from 1 to 19 form an integral part of these interim condensed consolidated financial statements.


Union Properties Public Joint Stock Company and its subsidiaries


Interim condensed consolidated statement of financial position

As at 30 September 2020

		Unaudited 30 September 2020	Audited 31 December 2019
	Notes	AED'000	AED'000
ASSETS			
Non-current assets			
Property, plant and equipment		356,502	358,042
Right-of-use assets		27,331	31,048
Investment properties	7	4,878,269	4,111,636
Development properties		7,504	7,504
Investments in associates	5	96,649	481,937
Investments at fair value through profit or loss	10	113,866	184,516
Non-current receivables	8	33,194	33,285
Total non-current assets		5,513,315	5,207,968
Current assets			
Investments at fair value through profit or loss	10	26,385	12,996
Inventories		6,029	5,005
Contract assets		219,318	217,049
Trade and other receivables	8	330,827	293,374
Due from related parties	9	10,593	52,018
Cash and cash equivalents	11	59,319	75,482
Total current assets		652,471	655,924
Total assets		6,165,786	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
Asset revaluation surplus		212,689	212,689
Accumulated losses		(1,793,180)	(2,141,959)
Total equity attributable to the shareholders of the Company		3,041,929	2,708,658
Non-current liabilities			
Non-current portion of bank loans	13	481,072	507,932
Contract liabilities		8,118	8,118
Lease liabilities		22,367	25,211
Provision for staff terminal benefits		36,091	34,074
Total non-current liabilities		547,648	575,335
Current liabilities			
Trade and other payables	14	1,292,234	1,168,458
Contract liabilities		151,967	102,615
Lease liabilities		5,589	7,131
Bank overdrafts	15	130,541	291,323
Current portion of bank loans	13	995,878	1,010,372
Total current liabilities		2,576,209	2,579,899
Total liabilities		3,123,857	3,155,234
Total equity and liabilities		6,165,786	5,863,892

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


Chairman


Acting General Manager

The notes from 1 to 19 form an integral part of these interim condensed consolidated financial statements.

Union Properties Public Joint Stock Company and its subsidiaries

Interim condensed consolidated statement of cash flows (unaudited)

For the nine month period ended 30 September 2020

	Note	Nine month period ended	
		30 September	
		2020	2019
		AED'000	AED'000
Operating activities			
Profit/(loss) for the period		348,779	(163,880)
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment		9,393	10,519
Depreciation of right of use assets		1,946	-
Loss on sale of investment properties		20,000	4,313
Gain on fair valuation of investment properties		(821,990)	(9,617)
Share of results of associates, net		(7,818)	(3,765)
Loss on financial instruments at FVTPL, net		54,959	90,765
Loss on disposal of an associate		234,524	-
Finance income		(1,984)	(1,975)
Finance cost		96,342	129,409
<i>Operating profit before working capital changes</i>		(65,849)	55,769
Change in inventories		(1,024)	(1,570)
Change in contract assets		14,514	(6,159)
Change in trade and other receivables		(8,491)	(31,767)
Change in due from related parties		8,925	(1,228)
Change in non-current payables		16,430	-
Change in trade and other payables and contract liabilities		105,054	(49,293)
Change in staff terminal benefits (net)		2,017	(2,122)
<i>Net cash from/(used in) operating activities</i>		<u>71,576</u>	<u>(36,370)</u>
Investing activities			
Additions to property, plant and equipment		(5,123)	(4,681)
Proceeds from/investments in financial instruments at FVTPL, net		2,302	3,024
Proceeds from disposal of property, plant and equipment		97	333
Proceeds from sale of investment properties		35,357	47,542
Proceeds from disposal of investment in an associate		125,518	-
Interest income received		89	534
Changes in deposits with banks		(2,414)	(8,175)
<i>Net cash from investing activities</i>		<u>155,826</u>	<u>38,577</u>
Financing activities			
Proceed from long-term bank loans		36,107	114,329
Repayment of long-term bank loans		(77,461)	(114,775)
Interest paid		(28,661)	(42,942)
<i>Net cash used in financing activities</i>		<u>(70,015)</u>	<u>(43,388)</u>
Net increase/(decrease) in cash and cash equivalents		157,387	(41,181)
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	<u>(90,508)</u>	<u>(217,755)</u>

The notes from 1 to 19 form an integral part of these interim condensed consolidated financial statements.

Union Properties Public Joint Stock Company and its subsidiaries

Interim condensed consolidated statement of changes in equity (unaudited)

For the nine month period ended 30 September 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
Effect of changes in accounting policies	-	-	-	-	(12,405)	(12,405)
Total comprehensive loss for the period	-	-	-	-	(163,880)	(163,880)
At 30 September 2019 (unaudited) - Restated	4,289,540	332,880	-	212,689	(2,081,558)	2,753,551
At 1 January 2020 (audited)	4,289,540	332,880	15,508	212,689	(2,141,959)	2,708,658
Total comprehensive income for the period	-	-	(15,508)	-	348,779	333,271
At 30 September 2020 (unaudited)	4,289,540	332,880	-	212,689	(1,793,180)	3,041,929

The notes from 1 to 19 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 nine month period ended 30 September 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 ASSOCIATES

Investments in associates

	Unaudited 30 September 2020	Audited 31 December 2019
	AED'000	AED'000
Movement for the period/year		
Opening balance	481,937	499,757
Share of profit/(loss)	7,818	(20,923)
Effect of changes in accounting policy	-	(12,405)
Disposal of an associate (note 15)	(377,598)	-
Exchange differences on translation on foreign operation	(15,508)	15,508
Closing balance	96,649	481,937

The disposal of the share in the associate resulted a loss on disposal amounting to AED 234.5 million recognized in profit or loss (note 15).

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 nine month period ended 30 September 2019 mainly represents positive saving on account of liabilities settlement for certain contracts.

7 INVESTMENT PROPERTIES

	Unaudited 30 September 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	821,990	3,291
Sale of investment properties	(55,357)	(114,521)
Closing balance	<u>4,878,269</u>	<u>4,111,636</u>

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

During the nine month period ended 30 September 2020, investment properties with a carrying value of AED 55.4 million were disposed of for a consideration of AED 31.6 million resulting in a loss of AED 20 million.

Valuation gain on gross floor area

In 2019, the Company had undertaken a full review of the Masterplan for Dubai Motorcity. The Company had submitted a formal request to the concerned regulatory authorities for the issuance of revised affection plans with amended Gross Floor Areas (the "GFA's"). The Company expected to receive the necessary approvals on the revised affection plans in the near future and accordingly adopted the inclusion of this GFA to the value of AED 351 Million in the valuation of the Motorcity land bank for the Group financials as at 31 December 2019.

During the current year, in accordance with the directions of Dubai Development Authority, the company had appointed an independent third party surveyor to perform a detailed survey of the entire land bank at Dubai Motorcity. Based on the official third party surveyor report that was issued and received during the current quarter, the Company has now calculated additional GFA and accordingly adopted the inclusion of this additional GFA to the value of AED 822 Million in the valuation of the Motorcity land bank for the Group financials as at 30 September 2020. The necessary validations on the revised affection plans are expected to be received before 31 December 2020.

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements (continued)

8 TRADE AND OTHER RECEIVABLES

	Unaudited 30 September 2020 AED'000	Audited 31 December 2019 AED'000
Financial instruments		
Trade receivables	2,008,257	1,927,019
Retention receivables	54,259	64,405
Property sales receivables	8,105	64,747
	<u>2,070,621</u>	<u>2,056,171</u>
Less: allowance for expected credit losses	<u>(1,832,774)</u>	<u>(1,831,650)</u>
	237,847	224,521
Other receivables	50,472	40,901
Total (A)	<u>288,319</u>	<u>265,422</u>
Non-financial instruments		
Advances to contractors	24,325	13,728
Prepayments and advances	16,238	14,224
Total (B)	<u>40,563</u>	<u>27,952</u>
Total (A+B)	<u>328,882</u>	<u>293,374</u>

Non-current receivables

	Unaudited 30 September 2020 AED'000	Audited 31 December 2019 AED'000
Retention receivables	5,167	5,258
Property sales receivables	29,290	28,027
	<u>34,457</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 September 2020						
Expected credit loss rate	70.98%	4.04%	18.70%	8.48%	98.51%	
Gross amount	59,426	98,867	30,268	118,845	1,797,672	2,105,078
Expected credit loss	<u>42,181</u>	<u>3,998</u>	<u>5,661</u>	<u>10,082</u>	<u>1,770,852</u>	<u>1,832,774</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 September 2020 AED'000	Audited 31 December 2019 AED'000
At 1 January	1,831,650	1,805,375
Addition for the period/year	1,124	26,934
Amounts written off/reversed	-	(659)
Closing balance	<u>1,832,774</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 September 2020 AED'000	Unaudited 30 September 2019 AED'000
Compensation to key management personnel are as follows :		
- Salaries and other short-term employee benefits	6,735	9,559
- Provision towards staff terminal benefits	<u>371</u>	<u>429</u>

Balances with related parties in the consolidated statement of financial position represent balances due from an equity accounted investee of AED 10.6 million (2019: AED 20.5 million) and during the nine month period ended 30 September 2020, other related parties amounting to 31.5 million were classified as trade receivables (2019: 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 nine month period ended 30 September 2020, the Group sold investments in funds and invested in various listed equity investments, having a fair value of AED 140.3 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 55 million during the period (2019: AED 90.8 million).

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

As at 30 September 2020, investments amounting to AED 113.9 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 September 2020 AED'000	Audited 31 December 2019 AED'000
Cash in hand	876	734
Cash at bank		
– in deposit accounts held under lien	19,286	16,872
– in current accounts	29,621	42,694
– in other deposit accounts	9,536	15,182
	<u>59,319</u>	<u>75,482</u>
	Unaudited 30 September 2020 AED'000	Audited 31 December 2019 AED'000
Cash and cash equivalents comprise:		
Cash in hand and at banks (excluding deposits under lien)	40,033	43,428
Bank overdrafts	(130,541)	(291,323)
	<u>(90,508)</u>	<u>(247,895)</u>

12 BASIC AND DILUTED EARNINGS PER SHARE

	Unaudited Nine month period ended 30 September		Unaudited Three month period ended 30 September	
	2020	2019	2020	2019
(Loss)/profit attributable to shareholders (AED'000)	348,779	(163,880)	509,206	(81,555)
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>0.0813</u>	<u>(0.0382)</u>	<u>0.1187</u>	<u>(0.0190)</u>

13 BANK LOANS

	Unaudited 30 September 2020 AED'000	Audited 31 December 2019 AED'000
Balance	1,476,950	1,518,304
Less: Current portion	(995,878)	(1,010,372)
Non-current portion	<u>481,072</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 September 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	(77,461)	(178,195)
At the end of the period/year	<u>1,476,950</u>	<u>1,518,304</u>

At 30 September 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 September 2020, the Group is in advanced discussions with the bank to rectify the breach.

14 TRADE AND OTHER PAYABLES

	Unaudited 30 September 2020 AED'000	Audited 31 December 2019 AED'000
Financial instruments		
Trade payables	300,663	314,222
Retention payables	39,361	39,351
Other payables and accruals	948,565	814,885
Total	<u>1,288,589</u>	<u>1,168,458</u>

	Unaudited 30 September 2020 AED'000	Audited 31 December 2019 AED'000
Provisions and accruals against contracting business	546,746	518,870
Provision for staff related payables	<u>46,509</u>	<u>29,358</u>

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements (continued)

15 BANK OVERDRAFTS

	Unaudited 30 September 2020 AED'000	Audited 31 December 2019 AED'000
Bank overdrafts	130,541	291,323

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:

- Promissory notes;
- Joint and several guarantees of the Company;
- A letter of undertaking by the Company not to reduce its shareholding in Thermo LLC ("a subsidiary") as long as the banking facilities are outstanding; and
- Assignment of certain contract and retention receivables.

As at 31 December 2019, the Group was in breach of a contractual clause of one of its overdraft facilities wherein the facility was pledged over the Group's entire investment in its foreign associate (the "foreign associate"). In July 2020, the Group's entire investment in the foreign associate was sold by the counterparty at its own discretion and the resulting net sale proceeds amounting to AED 125.5 million were utilized by the counterparty against the outstanding balance under the overdraft facility (note 5).

The Group is currently under advanced stages of extensive discussions with the counterparty to obtain a new overdraft / borrowing facility under fresh covenants and to re-acquire the entire investment previously held in the foreign associate.

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements (continued)

16 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 September 2020 (unaudited)				
<i>Financial assets</i>				
Non-current receivables	-	34,457	34,457	34,457
Investments at FVTPL	140,251	-	140,251	140,251
Trade and other receivables	-	288,319	288,319	288,319
Due from related parties	-	10,593	10,593	10,593
Cash in hand and at banks	-	59,319	59,319	59,319
Total	140,251	392,688	532,939	532,939
<i>Financial liabilities</i>				
Trade and other payables	-	1,288,589	1,288,589	1,288,589
Lease liabilities	-	27,956	27,956	27,956
Bank overdrafts	-	130,541	130,541	130,541
Bank loans	-	1,476,950	1,476,950	1,476,950
Total	-	2,924,036	2,924,036	2,924,036
	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	197,512	426,207	623,719	623,719
<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	-	3,010,427	3,010,427	3,010,427

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements (continued)

16 FINANCIAL INSTRUMENTS (CONTINUED)

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 September 2020 (unaudited)			
Investments at fair value through profit or loss	<u>139,495</u>	<u>756</u>	<u>140,251</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.

Level 1:

	Unaudited 30 September 2020 AED'000	Audited 31 December 2019 AED'000	Unaudited 30 September 2019 AED'000
Opening balance	196,756	298,144	296,796
Additions	731,704	2,107,777	1,857,386
Disposals	(734,006)	(2,114,206)	(1,860,410)
Total gains or losses – net:	<u>(54,959)</u>	<u>(94,959)</u>	<u>(90,765)</u>
Closing balance	<u>139,495</u>	<u>196,756</u>	<u>203,007</u>

17 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)

17 SEGMENT REPORTING (CONTINUED)

	Real estate	Contracting	Goods and services	Investments	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
Nine month period ended 30 September 2020 (unaudited)					
Segment revenue	45,052	53,148	188,115	-	286,315
Loss on financial instruments at FVTPL	-	-	-	(54,959)	(54,959)
Share of profit from associates	-	-	-	7,818	7,818
Loss on disposal of an associate	-	-	-	(234,524)	(234,524)
Gain on valuation of properties	821,990	-	-	-	821,990
Loss on sale of investment properties	(20,000)	-	-	-	(20,000)
Finance income	1,895	89	-	-	1,984
Other income	8,413	137	3,176	34	11,760
Direct cost	(95,806)	(43,639)	(151,648)	-	(291,093)
Administrative and general expenses	(49,665)	(6,111)	(23,739)	(4,655)	(84,170)
Finance cost	(41,729)	(31,961)	(4,404)	(18,248)	(96,342)
Profit/(loss) for the period	670,150	(28,337)	11,500	(304,534)	348,779
Capital expenditure	2,123	747	2,253	-	5,123
Depreciation	5,605	2,153	1,576	59	9,393
As at 30 September 2020 (unaudited)					
Segment assets	5,392,104	286,535	250,582	139,916	6,069,137
Investments in associates	-	-	-	96,649	96,649
Total assets	5,392,104	286,535	250,582	236,565	6,165,786
Segment liabilities	1,249,613	1,569,478	198,308	106,458	3,123,857
Nine month period ended 30 September 2019 (unaudited)					
Segment revenue	51,573	56,311	205,931	-	313,815
Loss on financial instruments at FVTPL	-	-	-	(90,765)	(90,765)
Share of profit from associates	-	-	-	3,765	3,765
Gain on valuation of properties	9,617	-	-	-	9,617
Loss on sale of investment properties	(4,313)	-	-	-	(4,313)
Finance income	1,540	223	212	-	1,975
Other income	79,268	120	4,969	-	84,357
Direct cost	(32,853)	(45,177)	(164,164)	-	(242,194)
Administrative and general expenses	(54,575)	(14,287)	(25,028)	(16,838)	(110,728)
Finance cost	(45,502)	(35,088)	(6,065)	(42,754)	(129,409)
Profit/(loss) for the period	4,755	(37,898)	15,855	(146,592)	(163,880)
Capital expenditure	285	3,043	1,237	116	4,681
Depreciation	5,628	2,633	2,188	70	10,519
As at 31 December 2019 (audited)					
Segment assets	4,704,705	285,625	193,627	197,998	5,381,955
Investment in associates	-	-	-	481,937	481,937
Total assets	4,704,705	285,625	193,627	679,935	5,863,892
Segment liabilities	1,268,845	1,485,740	185,592	215,057	3,155,234

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements (continued)

17 SEGMENT REPORTING (CONTINUED)

	Real estate	Contracting	Goods and services	Investments	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
Three month period ended 30 September 2020 (unaudited)					
Segment revenue	12,098	16,858	61,565	-	90,521
Gain on financial instruments at FVTPL	-	-	-	19,317	19,317
Share of profit from associates	-	-	-	5,480	5,480
Loss on disposal of an associate	-	-	-	(234,524)	(234,524)
Gain on valuation of properties	821,990	-	-	-	821,990
Loss on sale of investment properties	(164)	-	-	-	(164)
Finance income	1,224	19	-	-	1,243
Other income	1,437	134	1,010	22	2,603
Direct cost	(76,072)	(13,559)	(50,453)	-	(140,084)
Administrative and general expenses	(15,826)	(2,148)	(7,415)	(818)	(26,207)
Finance cost	(12,742)	(10,419)	(1,116)	(6,692)	(30,969)
Profit/(loss) for the period	731,945	(9,115)	3,591	(217,215)	509,206
Depreciation	1,671	589	437	20	2,717
Three month period ended 30 September 2019 (unaudited)					
Segment revenue	18,213	22,698	65,302	-	106,213
Loss on financial instruments at FVTPL	-	-	-	(37,659)	(37,659)
Share of profit from associates	-	-	-	8,531	8,531
Loss on sale of investment properties	(696)	-	-	-	(696)
Finance income	481	49	192	-	722
Other income	4,707	52	2,199	-	6,958
Direct cost	(10,379)	(17,447)	(55,474)	-	(83,300)
Administrative and general expenses	(17,222)	(4,266)	(7,748)	(5,083)	(34,319)
Finance cost	(15,542)	(17,046)	(2,067)	(13,350)	(48,005)
Profit/(loss) for the period	(20,438)	(15,960)	2,404	(47,561)	(81,555)
Depreciation	1,793	845	602	25	3,265

18 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

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

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements (continued)

19 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.