

# Union Coop

Condensed interim financial statements  
*for the six months period ended 30 June 2023*

# Union Coop

## Review report and condensed interim financial statements *for the six months period ended 30 June 2023*

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# Independent Auditors' Report on Review of Condensed Interim Financial Statements

## To the Board of Directors of Union Coop

### Introduction

We have reviewed the accompanying condensed statement of financial position of Union Coop as at 30 June 2023, the condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six months period then ended, and notes to the interim financial statements ("the condensed interim financial statements"). Management is responsible for the preparation and presentation of this condensed interim financial statements in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

### Scope of Review

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

### Basis for Adverse Conclusion

- a) There are indicators that the recoverable amounts of lands could be lower than their carrying amounts stated at AED 867 million, as at 30 June 2023 and 31 December 2022. IAS 36 *Impairment of Assets* requires that, where such indications exist, management need to make an estimate of the recoverable amounts. No such estimate has been made by the management. We were unable to determine the adjustment necessary to these carrying amounts as at 30 June 2023 and 31 December 2022.
- b) As at 30 June 2023 and 31 December 2022, when estimating the lease term, the Society has not considered renewable options for several lease contracts. In the absence of lease term assessments by the management, we were unable to estimate the effects of this departure from IFRS standards on the condensed interim financial statements as at and for the six months period ended 30 June 2023, as well as on corresponding figures for the six months period ended 30 June 2022 and as at 31 December 2022 and 1 January 2022.



#### **Basis for Adverse Conclusion (continued)**

- c) The Society has recognized some of the area development expenses pertaining to the six months period ended 30 June 2022 and 2023 directly in the condensed statement of changes in equity instead of expensing them when incurred in the condensed statement of profit or loss and other comprehensive income for the periods then ended which constitutes a departure from IFRSs. In addition, part of area development expenses were recognized as receivables as at 31 December 2022 and 1 January 2022 and payables as at 30 June 2023, while there was no contractual right to receive cash or pay cash from/to any party as at those dates. In the absence of a detailed calculation provided to us by management, we were unable to estimate the effects of this departure from IFRS standards on the condensed interim financial statements as at and for the six months period ended 30 June 2023, as well as on corresponding figures for the six months period ended 30 June 2022, as at 31 December 2022 and 1 January 2022.
- d) The Society has not complied with a number of clauses in the UAE Federal Law No. 2 of 2022 pertaining to co-operative societies and/or its articles of associations, relating to declaration of dividends and creation of legal reserves. Management has not performed an impact assessment of the results of this noncompliance, accordingly, we were unable to estimate the effects of this noncompliance on the condensed interim financial statements as at and for the six months period ended 30 June 2023, as well as on corresponding figures for the six months period ended 30 June 2022 and as at 31 December 2022.

#### **Adverse Conclusion**

Based on our review, because of the significance of the matters described in the *Basis for Adverse Conclusion* paragraph, the condensed interim financial statements are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

#### **Other Matters**

The financial statements of the Society as at and for the year ended 31 December 2022 were audited by another auditor who expressed a qualified opinion on those statements on 27 February 2023 because of the matters described in the first paragraph of the *Basis for Adverse Conclusion* section, and because of the Society's noncompliance with UAE Federal Law Number 13 of 1976 pertaining to co-operative societies with regards to reversal of legal reserve.

The condensed interim financial statements for the six months period ended 30 June 2022 were reviewed by the same predecessor auditor who expressed a qualified conclusion on those statements on 30 August 2022 due to the Society's noncompliance with UAE Federal Law Number 13 of 1976 pertaining to co-operative societies with regards to reversal of legal reserve.

KPMG Lower Gulf Limited

Fawzi AbuRass  
Registration No.: 968  
Dubai, United Arab Emirates

Date: 15 AUG 2023

# Union Coop

## Condensed statement of financial position as at

In AED	Note	30 June 2023 (unaudited)	31 Dec 2022 (audited)
<b>ASSETS</b>			
Property and equipment	4	2,206,107,926	2,247,970,629
Investment properties		446,586,989	368,200,772
Intangible assets		6,039,541	6,251,765
Right of use assets		114,970,639	129,224,898
Capital advances		115,932,936	106,612,072
Financial asset at fair value through other comprehensive income		500,000	500,000
<b>Non-current assets</b>		<b>2,890,138,031</b>	<b>2,858,760,136</b>
Inventories	5	316,253,594	277,917,110
Trade and other receivables	6	113,496,128	90,319,898
Due from a related party	11	4,250,222	3,776,344
Short-term deposits	7	-	211,000,000
Cash and cash equivalents	7	87,088,241	182,594,227
<b>Current assets</b>		<b>521,088,185</b>	<b>765,607,579</b>
<b>Total assets</b>		<b>3,411,226,216</b>	<b>3,624,367,715</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		1,764,138,140	1,764,138,140
Legal reserve	8	882,069,070	946,497,074
Distributable profit		153,387,895	396,159,993
Treasury stock		(95,527,209)	(95,527,209)
<b>Total equity</b>		<b>2,704,067,896</b>	<b>3,011,267,998</b>
<b>Liabilities</b>			
Employees' benefits		87,537,656	84,740,020
Lease liability		76,497,592	87,611,145
Long term liability		4,359,924	5,965,898
<b>Non-current liabilities</b>		<b>168,395,172</b>	<b>178,317,063</b>
Trade and other payables	10	512,849,849	407,237,413
Lease liability		24,575,335	25,741,155
Due to a related party	11	1,337,964	1,804,086
<b>Current liabilities</b>		<b>538,763,148</b>	<b>434,782,654</b>
<b>Total liabilities</b>		<b>707,158,320</b>	<b>613,099,717</b>
<b>Total equity and liabilities</b>		<b>3,411,226,216</b>	<b>3,624,367,715</b>

To the best of our knowledge, the condensed interim financial statements for the six months period ended 30 June 2023 are prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'. The condensed interim financial statements were authorised for issue by the Society's board of directors on 15 August 2023.

  
Chairman



  
Secretary/ Managing Director

The independent auditors' report on review of condensed interim financial statements is set out on pages 1 and 2. The notes on pages 7 to 16 are an integral part of these condensed interim financial statements.



# Union Coop

## Condensed statement of profit or loss and other comprehensive income

For the six months period ended 30 June

	Note	2023 AED (unaudited)	2022 AED (unaudited)
Income from sale of goods	12	918,570,196	965,231,795
Income from other operating activities		94,024,758	84,731,469
Other income		8,086,222	18,561,456
Finance income		815,459	3,072,058
Cost of goods		(571,649,108)	(570,593,818)
Staff costs		(150,348,421)	(140,580,042)
Depreciation and amortization expenses		(46,421,634)	(42,806,329)
Utilities		(32,170,507)	(29,049,628)
Marketing expenses		(17,167,903)	(24,015,950)
Government and subscriptions fees		(8,028,119)	(4,841,725)
Finance costs		(8,002,298)	(8,634,046)
Repair and maintenance expenses		(7,624,210)	(7,025,807)
Insurance expenses		(5,483,736)	(5,134,212)
Reversal of impairment losses on trade receivables		(725,818)	(116,495)
Other expenses		(20,486,986)	(16,407,921)
<b>Profit for the period</b>		<b>153,387,895</b>	<b>222,390,805</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the period</b>		<b>153,387,895</b>	<b>222,390,805</b>
Basic and diluted earnings per share	9	0.09	1.27

The independent auditors' report on review of condensed interim financial statements is set out on pages 1 and 2.

The notes on pages 7 to 16 are an integral part of these condensed interim financial statements.

# Union Coop

## Condensed statement of changes in equity for the six months period ended 30 June 2023

	Share capital AED	Legal reserve AED	Distributable profit AED	Treasury stock AED	Total AED
At 1 January 2022 – audited	1,764,138,140	1,029,134,821	330,550,986	(95,527,209)	3,028,296,738
<b><i>Total comprehensive income for the period</i></b>					
Profit for the period	-	-	222,390,805	-	222,390,805
Transfer from legal reserve	-	(82,637,747)	82,637,747	-	-
Dividend paid	-	-	(385,867,918)	-	(385,867,918)
Area development fund	-	-	(20,570,815)	-	(20,570,815)
Directors' remuneration	-	-	(6,750,000)	-	(6,750,000)
<b>At 30 June 2022 – unaudited</b>	<b>1,764,138,140</b>	<b>946,497,074</b>	<b>222,390,805</b>	<b>(95,527,209)</b>	<b>2,837,498,810</b>
At 1 January 2023 - audited	1,764,138,140	946,497,074	396,159,993	(95,527,209)	3,011,267,998
<b><i>Total comprehensive income for the period</i></b>					
Profit for the period	-	-	153,387,895	-	153,387,895
Transfer from legal reserve	-	(64,428,004)	64,428,004	-	-
Dividend paid	-	-	(425,808,712)	-	(425,808,712)
Area development fund	-	-	(28,029,285)	-	(28,029,285)
Directors' remuneration	-	-	(6,750,000)	-	(6,750,000)
<b>As at 30 June 2023 – unaudited</b>	<b>1,764,138,140</b>	<b>882,069,070</b>	<b>153,387,895</b>	<b>(95,527,209)</b>	<b>2,704,067,896</b>

The notes on pages 7 to 16 are an integral part of these condensed interim financial statements.

# Union Coop

## Condensed statement of cash flows

for the six months period ended 30 June

	2023 AED (unaudited)	2022 AED (unaudited)
<b>Cash flows from operating activities</b>		
Profit for the period	153,387,895	222,390,805
<b>Adjustments for:</b>		
Depreciation and amortization	46,421,634	41,496,400
Gain on disposal of property and equipment and investment properties	(12,500)	(105,547)
Provision for employee benefits	4,483,899	5,572,785
Reversal of impairment losses of trade receivables	(725,818)	(116,495)
Provision/ (reversal) for slow moving inventories	548,396	(34,436)
Finance income	(815,459)	(3,072,058)
Finance costs – interest on lease liability	1,090,341	1,439,468
	<u>204,378,388</u>	<u>267,570,922</u>
<b>Change in:</b>		
Inventories	(38,884,880)	(42,582,414)
Trade and other receivables	(38,388,528)	(1,720,038)
Due from a related party	(473,878)	(2,579,714)
Due to a related party	(466,122)	2,783,928
Trade and other payables	102,888,489	29,516,837
Long term liability	(1,605,974)	(5,032,024)
Cash generated from operating activities	<u>227,447,495</u>	<u>247,957,497</u>
Payment in respect of area development fund	(9,367,223)	(6,171,135)
Directors' remuneration	(6,750,000)	(6,750,000)
Payment of employees' end of service benefits	(1,686,263)	(2,074,957)
<b>Net cash from operating activities</b>	<u>209,644,009</u>	<u>232,961,405</u>
<b>Cash flows from investing activities</b>		
Interest received	815,459	3,072,058
Acquisition of property and equipment	(66,192,671)	(100,701,412)
Acquisition of investment properties	(127,775)	(7,170,176)
Acquisition of intangible assets	(1,688,546)	(1,145,976)
Proceeds from sale of property and equipment and investment properties	15,500	1,247,615
Cash used in investing activities	<u>(67,178,033)</u>	<u>(104,697,891)</u>
<b>Change in:</b>		
Short-term deposits	211,000,000	155,771,634
Capital advances	(9,320,864)	10,931,542
<b>Net cash from investing activities</b>	<u>134,501,103</u>	<u>62,005,285</u>
<b>Cash flows from financing activities</b>		
Dividend paid	(425,808,712)	(317,536,037)
Payment of lease liability	(13,842,386)	(14,811,032)
<b>Cash used in financing activities</b>	<u>(439,651,098)</u>	<u>(332,347,069)</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(95,505,986)</u>	<u>(37,380,379)</u>
Cash and cash equivalents at 1 January	<u>182,594,227</u>	<u>190,626,670</u>
<b>Cash and cash equivalents at 30 June</b>	<u>87,088,241</u>	<u>153,246,291</u>

The independent auditors' report on review of condensed interim financial statements is set out on pages 1 and 2.

The notes on pages 7 to 16 are an integral part of these condensed interim financial statements.



# Union Coop

## Notes to the condensed interim financial statements for the six months period ended 30 June 2023

### 1. Legal status and activities

Union Coop (“the Society”) is registered as a limited liability Society in the Emirate of Dubai via a ministerial decree No. 31/2, dated 24 May 1982, issued by the Ministry of Social Affairs and is registered with the Federal Authority under No. 12 in the Co-operative management records. The registered office address of the Society is P.O. Box 3861, Dubai, United Arab Emirates. The Society changed its name from Union Co-operative Society to Union Coop on 1 August 2016.

The principal activity of the Society is establishing and managing hypermarkets in the United Arab Emirates (“UAE”). The purpose of incorporation of the Society is to improve the social and economic affairs of its members and to serve the society by following the co-operative principles documented in the Society’s Memorandum of Association and the UAE Federal Law No. 6 of 2022 pertaining to co-operative societies.

On 18 July 2022, the Society listed 100% ordinary shares on the Dubai Financial Market (“DFM” or the “Exchange”). The share capital of the Society comprises of undividable shares of AED 1 each payable in full on application to be a member of the Society. Each member is entitled to a share in the Society’s share capital up to a maximum of 10%.

For each member one vote is allowed in the general assembly, regardless of the number of shares owned by a particular member.

### 2. Basis of preparation

#### Statement of compliance

These condensed interim financial statements for the six months period ended 30 June 2023 have been prepared in accordance with International Accounting Standard (“IAS”) 34 “*Interim Financial Reporting*”.

#### Basis of measurement

The condensed interim financial statements have been prepared on the historical cost basis, except for financial asset at fair value through other comprehensive income.

The accounting policies used in the preparation of these condensed interim financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2022.

These condensed interim financial statements do not include all the information and disclosures required for full annual financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the Society’s financial statements as at and for the year ended 31 December 2022. In addition, results for the six months period ended 30 June 2023 are not necessarily indicative of the results that may be expected for the full financial year ending 31 December 2023.

#### Use of judgements and estimates

In preparing these condensed interim financial statements, significant judgments made by the management in applying the Society’s accounting policies and the key sources of estimation were the same as those that were applied to the financial statements as at and for the year ended 31 December 2022.

#### Going concern

These condensed interim financial statements have been prepared on a going concern basis notwithstanding the fact that the Society had net current liabilities of AED 17,674,963 as at 30 June 2023 (31 December 2022: net current assets of AED 330,824,925). The management and board of directors are confident that the Society will be successful in generating satisfactory level of positive cash flows from its future operations to meet its obligations as they fall due. Accordingly, these condensed interim financial statements have been prepared on going concern basis.

# Union Coop

## Notes to the condensed interim financial statements *(continued)* for the six months period ended 30 June 2023

### 2. Basis of preparation *(continued)*

#### Financial risk management

The Society's activities potentially expose it to a variety of financial risks as follows:

- Market risk (including currency risk, price risk, cash flow)
- Credit risk and liquidity risk.

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statement, and should be read in conjunction with the Society's annual financial statements as at 31 December 2022. The Society's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 31 December 2022.

#### Seasonality of operations

The Society does not experience material seasonality in operations and revenue and profits are expected to be consistent throughout the period.

### 3. Application of new and revised International Financial Reporting Standards ("IFRSs")

- a. *New and revised IFRS applied with no material effect on the condensed interim financial statements*

The following new or amended standards that are adopted in annual periods beginning on 1 January 2023:

	Effective date
Definition of Accounting Estimate, Amendments to IAS 8	1 January 2023
IFRS 17 Insurance Contracts	1 January 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	1 January 2023

These amendments / improvements had no impact on the condensed interim financial statements of the Society.

- b. *New and revised IFRSs in issue but not yet effective*

A number of new standards are effective for annual periods beginning after 1 January 2024 and earlier application is permitted, however, the Society has not early adopted the new or amended standards in preparing these condensed interim financial statements.

Forthcoming requirements	Effective date
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	1 January 2024
Non-current liability with covenants – Amendments to IAS 1 and Classification of Liabilities as Current and Non-current (Amendments to IAS 1)	1 January 2024
Sale or Contribution of Assets between an Investor its Associates or Joint Venture (Amendments to IFRS 10 and IAS 28)	Effective date deferred indefinitely

The Society does not expect the adoption of the above new standards, amendments and interpretations to have a material impact on the future condensed interim financial statements of the Society.

# Union Coop

## Notes to the condensed interim financial statements (continued) for the six months period ended 30 June 2023

### 4. Property and equipment

<b>Costs</b>	<b>Land AED</b>	<b>Buildings AED</b>	<b>Computer hardware AED</b>	<b>Motor vehicles AED</b>	<b>Furniture and fixtures AED</b>	<b>Equipment and tools AED</b>	<b>Capital work in progress AED</b>	<b>Total AED</b>
At 1 January 2022	1,183,956,098	935,549,810	27,225,797	17,640,219	26,975,703	182,221,147	121,565,511	2,495,134,285
Additions	-	26,451,211	2,506,929	504,252	8,188,499	10,235,171	162,269,749	210,155,811
Transfers	-	68,917,128	232,747	-	161,998	5,392,030	(74,703,903)	-
Transfers to intangible assets	-	-	-	-	-	-	(2,000)	(2,000)
Transfer to investment properties	-	(19,385,864)	-	-	-	-	-	(19,385,864)
Disposals	-	(2,006,962)	-	(1,232,450)	(204,450)	(601,607)	-	(4,045,469)
At 1 January 2023	1,183,956,098	1,009,525,323	29,965,473	16,912,021	35,121,750	197,246,741	209,129,357	2,681,856,763
Additions	-	304,163	1,398,194	-	1,939,265	10,043,441	53,610,949	67,296,012
Transfers from capital work in progress	-	159,088,954	544,136	-	198,206	2,151,547	(161,982,843)	-
Transfer to investment properties	-	(84,539,267)	-	-	-	-	-	(84,539,267)
Transfer to intangible assets	-	-	-	-	-	-	(19,917)	(19,917)
Disposals	-	-	(208,058)	-	(9,928)	(137,230)	-	(355,216)
<b>At 30 June 2023</b>	<b>1,183,956,098</b>	<b>1,084,379,173</b>	<b>31,699,745</b>	<b>16,912,021</b>	<b>37,249,293</b>	<b>209,304,499</b>	<b>100,737,546</b>	<b>2,664,238,375</b>
<b>Accumulated depreciation</b>								
At 1 January 2022	-	227,419,464	21,090,789	11,712,505	18,366,134	113,215,855	-	391,804,747
Charge for the year	-	21,951,449	2,439,295	1,358,895	4,921,817	14,474,964	-	45,146,420
On disposals	-	(1,046,890)	-	(1,232,450)	(199,319)	(586,374)	-	(3,065,033)
At 1 January 2023	-	248,324,023	23,530,084	11,838,950	23,088,632	127,104,445	-	433,886,134
Charge for the period	-	12,063,701	1,273,519	628,704	2,591,317	8,039,290	-	24,596,531
On disposals	-	-	(208,057)	-	(9,380)	(134,779)	-	(352,216)
<b>At 30 June 2023</b>	<b>-</b>	<b>260,387,724</b>	<b>24,595,546</b>	<b>12,467,654</b>	<b>25,670,569</b>	<b>135,008,956</b>	<b>-</b>	<b>458,130,449</b>
<b>Net book value</b>								
<b>At 30 June 2023</b>	<b>1,183,956,098</b>	<b>823,991,449</b>	<b>7,104,199</b>	<b>4,444,367</b>	<b>11,578,724</b>	<b>74,295,543</b>	<b>100,737,546</b>	<b>2,206,107,926</b>
At 31 December 2022	1,183,956,098	761,201,300	6,435,389	5,073,071	12,033,118	70,142,296	209,129,357	2,247,970,629

# Union Coop

## Notes to the condensed interim financial statements (continued) for the six months period ended 30 June 2023

### 4. Property and equipment (continued)

- a) Certain buildings of the Society are constructed on plots of land granted by H.H. Ruler of Dubai. These plots of land are recorded in the Society's books at nominal value of AED 1. The value of other plots of land carried at cost represents the value of plots purchased in Muhaisanah, Umm Suqeim, Jumeirah, Hamriya, Warqa, Al Nahda, Al Habyah First, Khawaneej in Dubai, Al Aweer First, and Maydan land, Nad Al Hammar, Barsha Hessa and Al Badaa.
- b) Capital work in progress primarily represents the costs incurred by the Society for construction of new shopping Centre in Mirdif for Parkway and Labor Camp in Al Qouz Ind 2 and a project in Dubai Silicon Oasis.
- c) Staff costs of AED 2,876,120 have been capitalised within capital work-in-progress during the six months period ended 30 June 2023 (30 June 2022: AED 5,739,003).

### 5. Inventories

	30 June 2023 AED (unaudited)	31 December 2022 AED (audited)
Goods for resale	299,088,063	262,391,921
Imported goods for sale	13,477,619	11,720,265
Less: provision for slow moving imported inventories	(3,866,744)	(3,318,348)
	<u>308,698,938</u>	<u>270,793,838</u>
Consumables	7,554,656	7,123,272
	<u>316,253,594</u>	<u>277,917,110</u>

The movement in the provision for slow moving imported inventories is as follows:

	30 June 2023 AED (unaudited)	31 December 2022 AED (audited)
At the beginning of the period/ year	3,318,348	1,349,183
Additions for the period/ year	548,396	2,003,600
Write off for the period/ year	-	(34,435)
At the ending of the period/ year	<u>3,866,744</u>	<u>3,318,348</u>

The Society has the right to return or substitute the expired or slow moving good purchased from local suppliers, therefore the local inventory is not subject to impairment as per the agreements with the suppliers. However, the imported goods are subject to impairment and are realizable initially at fair value and subsequently measured at net realizable value less provision for impairment of slow moving, obsolete, or damaged items.

# Union Coop

## Notes to the condensed interim financial statements *(continued)* for the six months period ended 30 June 2023

### 6. Trade and other receivables

	30 June 2023 AED (unaudited)	31 December 2022 AED (audited)
Trade receivables	29,003,674	23,721,239
Less: provision for impairment loss	(11,174,476)	(11,900,294)
	<b>17,829,198</b>	<b>11,820,945</b>
Rent receivables	34,997,036	23,207,780
Accrued income on short-term deposits	20,919	2,766,829
Area development fund	-	15,938,116
Prepaid expenses	23,732,553	10,929,640
Advance to suppliers	2,579,617	2,226,192
Other receivables	34,336,805	23,430,396
	<b>113,496,128</b>	<b>90,319,898</b>

The above trade and other receivables are net of provision for loss amounting to AED 11.17 million (31 December 2022: AED 11.9 million) relating to trade and other receivables which are past due. All the other receivables are considered recoverable.

Movement in the provision for impairment loss of trade receivables is as follows:

	30 June 2023 AED (unaudited)	31 December 2022 AED (audited)
Opening balance	11,900,294	11,384,719
(Reversal of)/ impairment loss for the period/ year	(725,818)	515,575
<b>Closing balance</b>	<b>11,174,476</b>	<b>11,900,294</b>

### 7. Cash and cash equivalents

	30 June 2023 AED (unaudited)	31 December 2022 AED (audited)
Cash at bank	84,620,489	180,235,475
Cash on hand	2,467,752	2,358,752
	<b>87,088,241</b>	<b>182,594,227</b>

During the six months period ended 30 June 2023, the management has not renewed the short-term deposits of AED 211,000,000 upon maturity.

### 8. Legal reserve

In prior years and in accordance to article 44 (a) of the Society's Memorandum of Association and the requirements of UAE Federal Law No. 13 of 1976 pertaining to co-operative societies, a minimum of 20% of the net profit is allocated to a legal reserve. Such allocation may be ceased when the legal reserve equals to two times the paid-up share capital of the Society.

# Union Coop

## Notes to the condensed interim financial statements *(continued)* for the six months period ended 30 June 2023

### 8. Legal reserve *(continued)*

During the year 2022 and in accordance with the new issue Federal Decree-Law No 6 of 2022 on cooperative, 10% of the profit for the year is transferred to legal 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. Transfers to legal reserve have not been made during the period as a result of reaching the 50% capital rule.

### 9. Earnings per share

Basic and diluted earnings per share are calculated by dividing the profit for the period by the weighted average number of ordinary shares in issue during the period. There were no instruments or any other items which could cause a dilutive effect on the earnings per share calculation:

	Six months period ended 30 June	
	2023	2022
	AED	AED
	(Unaudited)	(Unaudited)
Profit for the period	<u>153,387,895</u>	<u>222,390,805</u>
Weighted average number of ordinary shares (excluding treasury shares)	<u>1,745,570,120</u>	<u>174,557,012</u>
Earnings per ordinary share - basic and diluted	<u>0.09</u>	<u>1.27</u>

On 4 July 2022, the Society exercised a share split on a ratio of 1 to 10, with each member receiving 10 shares for every one share owned.

Had the split taken place before 30 June 2022, the earning per share would have been AED 0.13.

### 10. Trade and other payables

	30 June	31 December
	2023	2022
	AED	AED
	(unaudited)	(audited)
Trade payables	266,701,696	221,303,464
Provision for staff benefits	51,937,275	49,689,456
Capital liabilities	3,947,198	7,924,748
Advance receipts	21,474,186	9,246,524
Retentions payable	28,331,820	27,188,951
Accruals	12,072,264	8,686,542
Unearned income	25,215,043	14,947,430
Area development fund	2,723,946	-
Other payables	<u>100,446,421</u>	<u>68,250,298</u>
	<u>512,849,849</u>	<u>407,237,413</u>

### 11. Related party transactions and balances

Related parties comprise the Society's directors, joint-venture, and other businesses over which the members have the ability to control or exercise significant influence over their financial and operating decisions ("affiliates") and key management personnel.



# Union Coop

## Notes to the condensed interim financial statements *(continued)* for the six months period ended 30 June 2023

### 11. Related party transactions and balances *(continued)*

#### *(a) Related party transactions*

During the period, the following significant transactions were carried out with related parties at mutually agreed terms and conditions:

	Six months period ended 30 June 2023 AED (unaudited)	Six months period ended 30 June 2022 AED (unaudited)
Purchases of goods from Consumer Co-operative Union-affiliate	10,770,012	9,880,152
Dividend income from Consumer Co-operative Union-affiliate	-	1,016,667
Sale of goods to directors	223,755	229,548
Directors' remuneration	6,750,000	6,750,000
	Six months period ended 30 June 2023 AED (unaudited)	Six months period ended 30 June 2022 AED (unaudited)
<i>Key management remuneration:</i>		
Salaries	7,806,900	8,816,370
Provision for end of service benefits	1,259,408	3,025,730
Contribution paid to social security scheme	225,000	262,500
	9,291,308	12,104,600

#### *(b) Related party balances*

The Society maintains significant balances with related parties which arise in the normal course of business from transactions that are carried out at terms mutually agreed between the parties:

	30 June 2023 AED (unaudited)	31 December 2022 AED (audited)
<i>Due to a related party</i>		
Consumer Co-operative Union - affiliate	1,337,964	1,804,086
<i>Due from a related party</i>		
Umm Al Quwain Market Cooperative	4,250,222	3,776,344

# Union Coop

## Notes to the condensed interim financial statements *(continued)* for the six months period ended 30 June 2023

### 12. Income from sale of goods

	Six months period ended 30 June 2023 AED (unaudited)	Six months period ended 30 June 2022 AED (unaudited)
Sale of goods	959,172,205	992,720,313
Discounts	(40,602,009)	(27,488,518)
	<u>918,570,196</u>	<u>965,231,795</u>

### 13. Commitments and contingencies

#### *Contingent liabilities*

	30 June 2023 AED (unaudited)	31 December 2022 AED (audited)
Capital commitments	115,214,622	131,932,971
Letters of credit	1,285,375	9,192,365
Letters of guarantee	2,034,958	2,034,958

### 14. Financial instruments by category

	30 June 2023 AED (unaudited)	31 December 2022 AED (audited)
<b><i>Financial assets measured at fair value</i></b>		
Financial asset at fair value through other comprehensive income	500,000	500,000
<b><i>Financial assets - amortised costs</i></b>		
Trade receivables and other receivables (excluding prepaid expenses, area development fund and advance to suppliers)	87,183,957	77,164,066
Due from a related party	4,250,222	3,776,344
Short-term deposits	-	211,000,000
Cash and cash equivalents	87,088,241	182,594,227
	<u>178,522,420</u>	<u>474,534,637</u>
<b><i>Financial liabilities - other financial liabilities</i></b>		
Long term liabilities	4,359,924	5,965,898
Trade and other payables (excluding advance receipts, unearned income and area development fund)	463,436,674	392,289,983
Due to a related party	1,337,964	1,804,086
Lease liabilities	76,497,592	87,611,145
	<u>545,632,154</u>	<u>487,671,112</u>

The carrying amounts of financial assets - amortised costs and financial liabilities - other financial liabilities are a reasonable approximation of their fair values.

## Notes to the condensed interim financial statements *(continued)* for the six months period ended 30 June 2023

### 15. Operating segments

For operating purposes, the Society is organised into three major business segments:

- (i) Retail segment: business from operations in relation to the sale of goods at hypermarkets;
- (ii) E-commerce Segment: business from the online shopping platforms of the Society; and
- (iii) Investment Segment: rental business from shopping centers.

The following table presents information regarding the Society's operating segments for the period ended 30 June 2023 and 30 June 2022 (The disclosures in the tables below have been prepared using the same accounting policies as those applied to prepare the financial statements):

	<b>Retail Segment</b>	<b>E-commerce Segment</b>	<b>Investment Segment</b>	<b>Total</b>
<i><b>For the six months period ended 30 June 2023</b></i>	<b>AED' 000</b>	<b>AED' 000</b>	<b>AED' 000</b>	<b>AED' 000</b>
Income from sale of goods	872,996	45,574	-	918,570
Income from other operating activities	19,895	3,122	71,008	94,025
Other income	6,402	1,553	131	8,086
Finance income	815	-	-	815
Cost of goods	(528,360)	(43,289)	-	(571,649)
Staff costs	(141,907)	(3,486)	(4,955)	(150,348)
Depreciation and amortisation	(40,085)	(56)	(6,281)	(46,422)
Utilities	(25,152)	-	(7,019)	(32,171)
Marketing expenses	(13,310)	(3,858)	-	(17,168)
Government and subscription fees	(7,574)	-	(454)	(8,028)
Finance cost	(7,296)	(317)	(389)	(8,002)
Repair and maintenance expenses	(5,324)	-	(2,300)	(7,624)
Insurance expenses	(5,163)	(58)	(263)	(5,484)
Other expenses	(15,639)	(1,170)	(4,403)	(21,212)
<b>Profit for the period</b>	<b>110,298</b>	<b>(1,985)</b>	<b>45,075</b>	<b>153,388</b>
	<b>Retail segment</b>	<b>E-commerce Segment</b>	<b>Investment Segment</b>	<b>Total</b>
<i><b>For the six months period ended 30 June 2022</b></i>	<b>AED' 000</b>	<b>AED' 000</b>	<b>AED' 000</b>	<b>AED' 000</b>
Income from sale of goods	926,500	38,732	-	965,232
Income from other operating activities	18,925	3,366	62,440	84,731
Other income	16,466	1,765	330	18,561
Finance income	3,072	-	-	3,072
Cost of goods	(534,954)	(35,640)	-	(570,594)
Staff costs	(133,274)	(2,624)	(4,682)	(140,580)
Depreciation and amortisation	(32,075)	-	(10,731)	(42,806)
Utilities	(22,350)	-	(6,699)	(29,049)
Marketing expenses	(17,906)	(6,110)	-	(24,016)
Government and subscription fees	(4,504)	-	(338)	(4,842)
Finance costs	(7,914)	(229)	(491)	(8,634)
Repair and maintenance expenses	(5,334)	-	(1,692)	(7,026)
Insurance expenses	(4,883)	-	(251)	(5,134)
Other expenses	(12,526)	(660)	(3,338)	(16,524)
<b>Profit for the period</b>	<b>189,243</b>	<b>(1,400)</b>	<b>34,548</b>	<b>222,391</b>

## Notes to the condensed interim financial statements *(continued)* for the six months period ended 30 June 2023

### **15. Operating segments *(continued)***

The income reported above represents income generated from external customers. There were no inter-segment transactions during the period. Allocation of expenses are determined by management for resource allocation purposes. The accounting policies of the reportable segments are the same as the Society's accounting policies described in note 2.

For the purposes of monitoring segment performance and allocating resources between segments, all assets and liabilities are common within the operating segments and mainly relate to retail segment with exception to investment properties that relate to investment segment

### **16. Comparative figures**

The previous period/ year figures have been regrouped wherever necessary, in order to conform to the current period's presentation. Such regrouping does not affect previously reported profit or loss, shareholders' equity or net cash flows.

### **17. Subsequent event**

There were no events to be reported subsequent to the approval date of the condensed interim financial statements.

### **18. UAE Corporate Tax Law**

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

The Cabinet of Ministers Decision No. 116/2022 effective from January 2023, has confirmed the threshold of income over which the 9% tax rate would apply, and the Law is considered to be substantively enacted. A rate of 9% will apply to taxable income exceeding AED 375,000, a rate of 0% will apply to taxable income not exceeding AED 375,000.

The Society will be subject to taxation commencing 1 January 2024. As certain other Cabinet Decisions are pending as on the date of these condensed interim financial statements, the Society will continue to assess the impact of these pending Cabinet Decisions on deferred taxes as and when finalised and published.