

**Union Coop**

**Reports and financial statements  
for the year ended 31 December 2022**

## **Union Coop**

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## **BOARD OF DIRECTORS' REPORT**

The Board has pleasure in submitting their report and the audited financial statements for the year ended 31 December 2022.

### ***Incorporation and registered Office***

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. In August 2022, the Federal Decree-Law No. 6 of 2022 on cooperative was released to govern the cooperatives in the United Arab Emirates, the law came into effect in December 2022.

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%.

### ***Principal activities***

The principal activity of the Society is establishing and managing hypermarkets in the United Arab Emirates ("UAE").

### ***Results***

Revenue for the year was AED 1,822 million (2021: AED 1,996 million). Profit for the year was AED 396 million (2021: AED 413 million).

### ***Transactions with related parties***

The financial statements disclose related party transactions and balances in Note 23. All transactions are carried out as part of our normal course of business and in compliance with applicable laws and regulations.

### ***Auditors***

Deloitte & Touche (M.E.) were appointed as external auditors for the Group for the year ended 31 December 2022. A Shareholder's resolution is proposed to absolve them of their responsibility for the year ended 31 December 2022.

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## BOARD OF DIRECTORS' REPORT (continued)

### *Directors*

The Directors during the year were:

- |                                    |   |                          |
|------------------------------------|---|--------------------------|
| ▪ Majid Hamad Rahmah Al Shamsi     | - | Chairman                 |
| ▪ Abdullah Ahmed Nassir Lootah     | - | Deputy Chairman          |
| ▪ Abdulla Mohammed Rafea Al Dallal | - | Secretary of Board       |
| ▪ Abdulrazzaq Abdulla Al Abdulla   | - | Board Member - Treasurer |
| ▪ Saeed Mohd Rashid Alshared       | - | Board Member             |
| ▪ Yaser Mir Abdulla Amiri          | - | Board Member             |
| ▪ Saeed Mohd Altayer               | - | Board Member             |
| ▪ Qadhi Saeed Almurooshid          | - | Board Member             |
| ▪ Mohammed Abdulla Mohd Alhemairi  | - | Board Member             |

On behalf of the Board:



.....  
Majid Hamad Rahmah Al Shamsi  
Chairman

## INDEPENDENT AUDITOR'S REPORT

**The Shareholders**  
**Union Coop**  
**United Arab Emirates (UAE)**

### Report on the audit of the financial statements

#### *Qualified opinion*

We have audited the financial statements of Union Coop (the "Society"), which comprise the statement of financial position as at 31 December 2022, the statement of comprehensive income, statement of changes in the equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at 31 December 2022 and its financial performance and its cash flow for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

#### *Basis for qualified opinion*

Property, plant and equipment, which is carried in the statement of financial position at AED 2,247 million, includes vacant land and land under construction of AED 867 million, which exhibited indicators of impairment at the reporting date. Management has not determined if the recoverable amount of land and buildings exceeds or is equal to their carrying amount, which constitutes a departure from IFRSs. We were unable to determine the adjustments necessary to this amount.

The legal reserve is carried in the statement of financial position at AED 1,029 million as at 31 December 2021. Management has stated the legal reserve net of a reversal of an allocation of 20% of the profit for the year ended 31 December 2021 and 2020 as a result of shareholders decisions in the general assemblies on 28 March 2021 and 25 March 2020, which is not consistent with UAE Federal Law Number 13 of 1976 pertaining to co-operative societies. The Society's records indicate that, had management not stated the legal reserve net of a reversal of an allocation of 20% of the profit for the year ended 31 December 2021 and 2020, the legal reserve would have been increased by AED 100 million as at 31 December 2021. Accordingly, the reversal of legal reserve for 2022 presented in the statement of changes in equity would have been increased AED 100 million. Our opinion in the prior year was also modified in respect of the carrying amount of the legal reserve.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report. We are independent of the Society in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Society's financial statements, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Cont'd...

## INDEPENDENT AUDITOR'S REPORT

to the Shareholders of Union Coop, United Arab Emirates (UAE) (continued)

### *Key audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters:

#### Key audit matter

##### *Revenue recognition*

Revenue is recognised from hypermarket operations. The Society during the year reported revenue of AED 1,822 million. The Society focuses on revenue as a key performance measure and as a driver for growth and expansion.

International Standards on Auditing require us to consider the risk of fraud in revenue recognition. There is an inherent risk of fraud given the high number of transactions and price fluctuations of the products affecting the revenue recognized for the year.

According to the revenue recognition policy, revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer.

We identified the recognition of revenue as a key audit matter, because of the voluminous transactions to various customers. The potential errors in the timing and accuracy of revenue recognition could result in material misstatements in the financial statements of the Society when it recognises revenue.

Refer to Note 3 to the financial statements for the accounting policy and Note 24 for more details about the revenue recognized during the year.

#### How our audit addressed the key audit matter

##### *Our audit procedures included the following*

Understanding the significant revenue processes and identifying the relevant controls, IT systems, interfaces and reports, including performance of end-to-end walkthroughs of the revenue processes.

Evaluating the design and implementation and testing the operating effectiveness of relevant controls related to the revenue processes.

Understanding the control environment and testing the general IT controls over the main systems and applications involved in the revenue recording process. In doing so, we involved our IT specialists to assist in the audit of IT system controls and testing of information produced by the entities' IT systems surrounding the revenue processes.

Assessing the Society's accounting policies against the requirements of IFRSs and the compliance of revenue recognised in accordance with the Society's accounting policy.

Analysing monthly sales of each Branch and investigating months where the sales of each Branch were more than a certain amount from the monthly mean average by enquiring from management and evaluating the reasons received as a result of these enquiries.

Recalculating revenue by multiplying units sold from the analysis of the inventory sold during the year by the average selling price and comparing the results of the recalculation to the amount presented in the financial statements.

Reconciling, on a sample basis, the daily point of sales reports to the amount banked and the revenue recorded on those days.

Tests of details on a sample of transactions before and after the year end to determine if revenue was recognized in the correct period.

Assessing the disclosure in the financial statements relating to this matter against the requirements of IFRSs.

## INDEPENDENT AUDITOR'S REPORT

to the Shareholders of Union Coop, United Arab Emirates (UAE) (continued)

### *Key audit matters (continued)*

#### *General IT Controls*

We identified IT systems and controls over Union Coop's financial reporting processes as an area of focus due to the extensive volume and variety of transactions which are processed daily by the Society and rely on the effective operation of automated and IT dependent manual controls.

There is a risk that automated accounting procedures and related internal controls are not appropriately designed and operate effectively. In particular, the incorporated relevant controls are essential to limit the potential for fraud and error as a result of a change to an application or underlying data.

Our audit approach relies on automated controls and therefore the following procedures were designed to test access and control over IT systems:

We obtained an understanding of the applications relevant to significant business processes, financial reporting and the infrastructure supporting these applications.

We tested General IT Controls relevant to automated controls and computer-generated information covering access security, program changes, data center and network operations.

We examined computer generated information used in financial reports from relevant applications and key controls over their report logics.

We performed testing on the key automated controls on significant IT systems relevant to business processes.

#### *Other information*

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained up to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### *Responsibilities of management and those charged with governance for the financial statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

**INDEPENDENT AUDITOR'S REPORT****to the Shareholders of Union Coop, United Arab Emirates (UAE) (continued)*****Auditor's responsibilities for the audit of the financial statements***

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

**Deloitte & Touche (M.E.)**

Akbar Ahmad  
Registration No.: 1141  
27 February 2023  
Dubai  
United Arab Emirates



**Statement of financial position  
as at 31 December 2022**

	Notes	31 December 2022 AED	31 December 2021 AED
<b>ASSETS</b>			
<i>Non-current assets</i>			
Property and equipment	5	2,247,970,629	2,103,329,538
Investment properties	6	368,200,772	349,944,530
Intangible assets	7	6,251,765	6,298,938
Right of use assets	8	129,224,898	152,382,547
Capital advances	9	106,612,072	124,966,681
Financial asset at fair value through other comprehensive income	10	500,000	500,000
<b>Total non-current assets</b>		<b>2,858,760,136</b>	<b>2,737,422,234</b>
<i>Current assets</i>			
Inventories	11	277,917,110	274,494,348
Trade and other receivables	12	90,319,898	121,983,244
Due from a related party	23	3,776,344	36,960
Short-term deposits	13	211,000,000	366,988,175
Cash and cash equivalents	14	182,594,227	190,626,670
<b>Total current assets</b>		<b>765,607,579</b>	<b>954,129,397</b>
<b>Total Assets</b>		<b>3,624,367,715</b>	<b>3,691,551,631</b>
<b>EQUITY AND LIABILITIES</b>			
<i>Equity</i>			
<i>Capital and reserves</i>			
Share capital	15	1,764,138,140	1,764,138,140
Legal reserve	16	946,497,074	1,029,134,821
Distributable profit	17	396,159,993	330,550,986
Treasury stock	18	(95,527,209)	(95,527,209)
<b>Total Shareholders' Equity</b>		<b>3,011,267,998</b>	<b>3,028,296,738</b>
<b>Liabilities</b>			
<i>Non-current liabilities</i>			
Provision for employees' end of service benefits	19	84,740,020	82,830,542
Lease liability	33	87,611,145	112,165,094
Long term liability	21	5,965,898	9,967,146
<b>Total non-current liabilities</b>		<b>178,317,063</b>	<b>204,962,782</b>
<i>Current liabilities</i>			
Trade and other payables	22	407,237,413	431,250,582
Lease liability	33	25,741,155	25,550,062
Due to a related party	23	1,804,086	1,491,467
<b>Total current liabilities</b>		<b>434,782,654</b>	<b>458,292,111</b>
<b>Total Liabilities</b>		<b>613,099,717</b>	<b>663,254,893</b>
<b>Total Equity and Liabilities</b>		<b>3,624,367,715</b>	<b>3,691,551,631</b>

To the best of our knowledge, the financial information included in these financial statements fairly presents in all material respects the financial condition, results of operation and cash flows of the Society as of, and for the periods presented therein.

.....  
Chairman

.....  
Secretary

The accompanying notes form an integral part of these financial statements

**Statement of comprehensive income  
for the year ended 31 December 2022**

	Notes	2022 AED	2021 AED
Revenue	24	1,821,660,537	1,996,278,087
Cost of sales	25	(1,118,511,004)	(1,233,436,922)
<b>Gross profit</b>		<u>703,149,533</u>	<u>762,841,165</u>
Income from other operating activities	26	170,185,810	162,132,542
Other income	27	53,960,459	59,438,552
General and administrative expenses	28	(465,512,875)	(497,873,206)
Selling and distribution expenses	29	(66,535,593)	(75,496,000)
<b>Operating profit</b>		<u>395,247,334</u>	<u>411,043,053</u>
Finance income, net	30	912,659	2,145,680
<b>Profit for the year</b>		<u>396,159,993</u>	<u>413,188,733</u>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<u><u>396,159,993</u></u>	<u><u>413,188,733</u></u>
<b>Earnings per share in AED</b>	20	<u><u>0.23</u></u>	<u><u>0.24</u></u>

The accompanying notes form an integral part of these financial statements

**Statement of changes in equity  
for the year ended 31 December 2022**

	Share capital AED	Legal reserve AED	Distributable profit AED	Treasury stock AED	Total AED
<i>At 1 January 2021</i>	1,764,138,140	1,046,503,573	400,025,996	(92,383,809)	3,118,283,900
Profit and total comprehensive income for the year	-	-	413,188,733	-	413,188,733
Reversal of legal reserve for 2020 (Note 16)	-	(100,006,499)	100,006,499	-	-
Transfer to legal reserve (Note 16)	-	82,637,747	(82,637,747)	-	-
<i>Transactions with owners:</i>					
Dividend paid (Note 17)	-	-	(480,270,235)	-	(480,270,235)
Area development fund (Note 17)	-	-	(13,012,260)	-	(13,012,260)
Directors' remuneration (Note 17)	-	-	(6,750,000)	-	(6,750,000)
Repurchase of treasury stocks (Note 18)	-	-	-	(3,143,400)	(3,143,400)
Total transactions with owners	-	-	(500,032,495)	(3,143,400)	(503,175,895)
At 31 December 2021	1,764,138,140	1,029,134,821	330,550,986	(95,527,209)	3,028,296,738
<i>At 1 January 2022</i>					
Profit and total comprehensive income for the year	-	-	396,159,993	-	396,159,993
Reversal of legal reserve for 2021 (Note 16)	-	(82,637,747)	82,637,747	-	-
<i>Transactions with owners:</i>					
Dividend paid (Note 17)	-	-	(385,867,918)	-	(385,867,918)
Area development fund (Note 17)	-	-	(20,570,815)	-	(20,570,815)
Directors' remuneration (Note 17)	-	-	(6,750,000)	-	(6,750,000)
Total transactions with owners	-	-	(413,188,733)	-	(413,188,733)
At 31 December 2022	1,764,138,140	946,497,074	396,159,993	(95,527,209)	3,011,267,998

In accordance with the UAE Federal Law No. 6 of 2022 pertaining to co-operative societies, approved commitments in respect of the area development fund and directors remuneration have been treated as appropriations of distributable profit.

The accompanying notes form an integral part of these financial statements

**Statement of cash flows  
for the year ended 31 December 2022**

	Notes	2022 AED	2021 AED
<b><i>Operating activities</i></b>			
Profit for the year		396,159,993	413,188,733
<i>Adjustments for:</i>			
Depreciation	5,6	55,878,094	50,798,516
Amortisation of intangible assets	7	3,355,047	2,616,826
Amortisation of right of use of assets	8	28,403,406	26,849,246
Gain on disposal of property and equipment and investment properties	27	(142,476)	(408,886)
Provision for employees' end of service benefits	19	10,305,857	29,194,103
Provision for impairment of trade receivables	12	515,575	2,244,182
Provision for slow moving imported inventories – net	11	1,969,165	551,699
Finance income	30	(4,721,374)	(5,238,419)
Finance cost - lease liability	33	3,808,715	3,092,739
Adjustment of right of use and lease liability - net		(3,495,033)	-
<b>Operating cash flows before payment in respect of area development fund, directors' remuneration, employees' end of service benefits and changes in working capital</b>			
		492,036,969	522,888,739
Payment in respect of area development fund		(11,951,066)	(16,998,481)
Directors' remuneration		(6,750,000)	(6,750,000)
Payment of employees' end of service benefits	19	(8,396,379)	(4,723,146)
<b><i>Changes in working capital</i></b>			
Inventories		(5,391,927)	(12,710,805)
Trade and other receivables		22,528,022	(9,493,166)
Due from a related party		(3,739,384)	(36,060)
Due to a related party		312,619	(313,817)
Trade and other payables		(24,013,169)	(5,694,722)
Long term liability		(4,001,248)	(22,162,948)
<b>Net cash generated from operating activities</b>			
		450,634,437	444,005,594
<b><i>Investing activities</i></b>			
Purchase of property and equipment	5	(210,155,811)	(163,078,102)
Purchase of investment properties	6	(9,784,776)	(3,816,113)
Purchase of intangible assets	7	(3,305,874)	(3,436,239)
Proceeds from disposal of property and equipment and investment			
Property		1,305,636	477,964
Profit received from deposits		4,721,374	5,238,419
Movement in short-term deposits		155,988,175	261,436,837
Movement in capital advances		18,354,609	(10,023,280)
<b>Net cash (used in)/generated from investing activities</b>			
		(42,876,667)	86,799,486
<b><i>Financing activities</i></b>			
Dividend paid	17	(385,867,918)	(480,270,235)
Purchase of treasury stock		-	(3,143,400)
Payment of lease liability	33	(29,922,295)	(24,625,730)
<b>Net cash used in financing activities</b>			
		(415,790,213)	(508,039,365)
<b>Net (decrease)/increase in cash and cash equivalents</b>			
		(8,032,443)	22,765,715
Cash and cash equivalents, beginning of the year		190,626,670	167,860,955
<b>Cash and cash equivalents, end of the year</b>	14	182,594,227	190,626,670

The accompanying notes form an integral part of these financial statements

## Notes to the financial statements for the year ended 31 December 2022

### 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. In August 2022 the Federal Decree-Law No. 6 of 2022 on cooperative was released to govern the cooperatives in the United Arab Emirates, the law came into effect in December 2022,

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 shareholders 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. Application of new and revised International Financial Reporting Standards (IFRSs)

#### 2.1 *New and revised IFRSs and interpretations that are effective for the current year*

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2022, have been adopted in these financial statements. The application of these revised IFRS has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to IAS 16 Property, Plant and Equipment relating to proceeds before intended use.
- Amendment to IAS 37 Provisions, Contingent Liabilities and Contingent Assets relating to onerous contracts - cost of fulfilling a contract.
- Amendments to IFRS 3 Business Combinations relating to reference to the conceptual framework.
- Annual improvements to IFRS standards 2018 - 2020.

#### 2.2 *New and revised IFRSs in issue but not yet effective and not early adopted*

The Society has not early adopted the following new and revised standards that have been issued but are not yet effective:

<u><i>New and revised IFRSs</i></u>	<u><i>Effective for annual periods beginning on or after</i></u>
Amendments to IAS 8 <i>Accounting policies, Changes in accounting estimates and errors.</i>	1 January 2023
Amendments to IAS 1 <i>Presentation of Financial Statements</i> relating to classification of Liabilities as Current or Non-Current.	1 January 2023

**Notes to the financial statements  
for the year ended 31 December 2022 (continued)**

**2. Application of new and revised International Financial Reporting Standards (IFRSs)  
(continued)**

**2.2 New and revised IFRSs in issue but not yet effective and not early adopted (continued)**

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
IFRS 17 <i>Insurance Contracts</i> and Amendment to IFRS 17 <i>Insurance Contracts</i> .	1 January 2023
Amendments to IFRS 4 <i>Insurance Contracts</i> Extension of the Temporary Exemption from Applying IFRS 9.	1 January 2023
Amendments to IAS 1 <i>Presentation of Financial Statements</i> and IFRS Practice Statement 2.	1 January 2023
Amendment to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i> relating to treatment of sale or contribution of assets from investors.	Effective date deferred indefinitely.

The Society anticipates that these new standards, interpretations and amendments will be adopted in the Society's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments may have no material impact on the financial statements.

**3. Summary of significant accounting policies**

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**Basis of preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Society's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

**Property and equipment**

Property and equipment is stated at cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Society and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

**Notes to the financial statements  
for the year ended 31 December 2022 (continued)**

**3. Summary of significant accounting policies (continued)**

**Property and equipment (continued)**

Land are not depreciated. Depreciation is computed using the straight-line method to allocate the cost of assets less their estimated residual values over their estimated useful lives, as follows:

	<u>Years</u>
Buildings	40
Computer hardware	5
Motor vehicles	5 - 7
Furniture and fixtures	4
Equipment and tools	4 - 15

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each Statement of financial position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within the statement of comprehensive income.

**Investment properties**

*IAS 40 – Investment Property* defines investment property as property (land or a building or both) held to earn rentals or for capital appreciation or both. Based on this definition, investment property held by the Society consists of shopping malls (retail and service units) that are exclusively owned. These assets generate cash flows that are largely independent of the cash flows generated by the Society's other retail assets.

Investment properties are stated at cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Society and the cost of the asset can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Land is not depreciated. Depreciation is computed using the straight-line method to allocate the cost of assets less their estimated residual values over their estimated useful lives, as follows:

	<u>Years</u>
Buildings	40

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within the statement of comprehensive income.

**Intangible assets**

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three years. Costs associated for maintaining computer software programmes are recognised as an expense as incurred.

## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 3. Summary of significant accounting policies (continued)

#### Capital work-in-progress

Assets in the course of construction are stated at cost. When commissioned, capital work-in-progress is transferred to the relevant category within property and equipment and is depreciated on a straight-line-method over its expected useful life. Once a project is completed, management re-assesses the intended use of the completed asset. As such, the asset will be transferred into the relevant category within property and equipment or investment property or both.

#### Impairment of non-financial assets

Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are Society at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

#### Financial assets

##### (a) Classification

###### *Amortised cost*

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

###### *Financial asset at fair value through other comprehensive income (FVOCI)*

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains and losses and impairment expenses in other expenses.

The classification depends on the Society's business model for managing the financial assets and the contractual terms of the cash flows.

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in profit or loss within other gains/(losses) in the period in which it arises.

##### (b) Recognition and derecognition

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Society commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Society has transferred substantially all risks and rewards of ownership.



**Notes to the financial statements  
for the year ended 31 December 2022 (continued)**

**3. Summary of significant accounting policies (continued)**

**Financial assets (continued)**

*(c) Measurement*

At initial recognition, the Society measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

*(d) Subsequent measurement*

*Amortised cost*

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised through profit or loss.

*Equity investments*

The Society subsequently measures all equity financial asset at fair value. Where the Society's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Society's right to receive payments is established.

**Offsetting financial instruments**

The Society recognises a loss allowance for expected credit losses trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Society always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Society's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Society recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Society measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

**Notes to the financial statements  
for the year ended 31 December 2022 (continued)****3. Summary of significant accounting policies (continued)****Impairment of financial assets**

IFRS 9 replaces the “incurred loss” model in IAS 39 with an expected credit loss” (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debit financial asset at FVOCI, but not to investments in equity instruments.

An assessment is made at each financial position date to determine whether there is objective evidence that a specific financial asset may be impaired. The impact of the change in impairment methodology on the Society’s distributable profit and equity was not material to the financial statements.

**Inventories**

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the weighted average method and includes all costs incurred in acquiring the inventories and bringing them to their present location and condition. Net realisable value is the estimate of the selling price in the ordinary course of business, less variable selling expenses.

**Trade and other receivables**

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss provision. A provision for impairment of trade receivables is established based on the expected lifetime losses to be recognised from initial recognition of the receivables.

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss provision. A provision for impairment of other receivables is established based on the expected lifetime losses to be recognised from initial recognition of the receivables.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and balances in current accounts. Where balances have a maturity over 3 months they are classified as short-term deposits.

**Share capital**

Ordinary shares are classified as equity.

**Trade payables**

These amounts represent liabilities for goods and services provided to the Society prior to the end of financial year which are unpaid. The amounts are unsecured. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

**Notes to the financial statements  
for the year ended 31 December 2022 (continued)****3. Summary of significant accounting policies (continued)****Provisions**

Provisions are recognised when the Society has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

**Provision for employees' benefits**

A provision is made for the estimated liability for employees' entitlements to annual leave and leave passage as a result of services rendered by the employees up to the statement of financial position date. Provision is also made for the end of service benefits due to employees in accordance with UAE labour law.

The provision relating to annual leave, airfare and leave passage is disclosed as a current liability and included in trade and other payables, while that relating to employees' end of service benefits is disclosed as a non-current liability.

Under UAE Federal Law No. 7 of 1999 for Pension and Social Security, employers are required to contribute 12.5% of the 'contribution calculation salary' of those employees who are UAE nationals. These employees are also required to contribute 5% of the 'contribution calculation salary' to the scheme. The Society's contribution is recognised as an expense in profit or loss.

**Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts as rebates and returns. The Society recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met, as described below. The Society bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The Society recognises revenue from contracts with customers based on a five step model as set out in IFRS 15.

*Step 1 - Identify the contract(s) with a customer*

A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for each of those rights and obligations.

*Step 2 - Identify the performance obligations in the contract*

A performance obligation in a contract is a promise to transfer a good or service to the customer. The Society has determined that there is two distinct performance obligations in a shipment contract, being the goods promised to the customer and the delivery of the goods.

**Notes to the financial statements  
for the year ended 31 December 2022 (continued)**

**3. Summary of significant accounting policies (continued)**

**Revenue recognition (continued)**

*Step 3 - Determine the transaction price*

Transaction price is the amount of consideration to which the Society expects to be entitled in exchange for transferring the promised goods or services to a customer, excluding amounts collected on behalf of third parties. The transaction price is determined net of returns, rebates, and discounts.

*Step 4 - Allocate the transaction price to the performance obligations in the contract*

For a contract that has more than one performance obligation, the Society will allocate the transaction price to each performance obligation in an amount that depicts the consideration to which the Society expects to be entitled in exchange for satisfying each performance obligation.

*Step 5 - Recognise revenue when (or as) the entity satisfies a performance obligation*

The Society recognises revenue at the point in time at which the performance obligation is satisfied.

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

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

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

The Society has assessed the above criteria and determined that it does not satisfy the criteria for recognising revenue over time, therefore revenue is recognised as below:

*Sales of goods - retail*

The Society operates a chain of retail outlets for selling consumer and durable goods. Sales of goods are recognised when the Society sells a product to the customer. Retail sales are usually in cash or by credit card.

**Income from other operating activities**

*(a) Rebate of target sales*

Rebate of target sales is the charge to suppliers for displaying goods for sale in branches. Rebate for target sales is recognised on straight line basis over the term of the display agreement.

*(b) Income from shop and play area rentals*

The Society has lease agreements for shops and play areas in its various branches and malls. The Society recognises income from shop rentals in line with IFRS 16 *Leases*. Income is recognised over the term of the lease agreement.

**Notes to the financial statements  
for the year ended 31 December 2022 (continued)**

**3. Summary of significant accounting policies (continued)**

**Income from other operating activities (continued)**

*(c) Commission income*

Income from commission from rented departments is a percentage of sales, mutually agreed by the Society and the tenants and to be paid to the Society for operating the departments inside Society branches. Income from commission from rented departments is recognised at the time the sale is made in the rented department.

*(d) Dividend income*

Dividend income is recognised when the right to receive payment is established.

*(e) Profit on investment deposits*

Profit on deposits is recognised using the effective interest method. When a loan and receivable is impaired, the Society reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

**Foreign currency translation**

*(a) Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the Society operates ('the functional currency'). The financial statements are presented in UAE Dirhams ("AED"), which is the Society's functional and presentation currency.

*(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

**Dividend distribution**

Provision is made for the amount of any dividend declared and being appropriately authorised and no longer at the discretion of the Society, on or before the end of the reporting period but not distributed at the end of the reporting period.

**Leases**

*The Society as lessee*

The Society assesses whether contract is or contains a lease, at inception of the contract. The Society recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Society recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Society uses its incremental borrowing rate.

**Notes to the financial statements  
for the year ended 31 December 2022 (continued)**

**3. Summary of significant accounting policies (continued)**

**Leases (continued)**

*The Society as lessee (continued)*

Lease payments included in the measurement of the lease liability comprise: fixed lease payments (including in-substance fixed payments), less any lease incentives; variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date; the amount expected to be payable by the lessee under residual value guarantees; the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease. The lease liability is presented as a separate line item in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Society re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

The Society did not make any such adjustments during the periods presented.

The right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use of asset reflects that the Society expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use of assets are presented as a separate line in the statement of financial position.

The Society applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for an identified impairment loss as described in the 'Property, plant and equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Other expenses' in the statement of profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Society has not used this practical expedient.

**Notes to the financial statements  
for the year ended 31 December 2022 (continued)**

**3. Summary of significant accounting policies (continued)**

**Leases (continued)**

*The Society as lessor*

The Society enters into lease agreements as a lessor with respect to some of its investment properties.

Leases for which the Society is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Society's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Society's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term

**Segmental information**

*IFRS 8 Operating Segments*

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Society that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

Information reported to the Society's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is specifically focused on the type of business activities undertaken as a Society. 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 year ended 31 December 2022 (The disclosures in the tables below have been prepared using the same accounting policies as those applied to prepare the financial statements):

**Notes to the financial statements  
for the year ended 31 December 2022 (continued)**

**3. Summary of significant accounting policies (continued)**

**Segmental information (continued)**

*IFRS 8 Operating Segments (continued)*

	Retail segment AED' 000	E-commerce Segment AED' 000	Investment Segment AED' 000	Unallocated AED' 000	Total AED' 000
<b>2022</b>					
<b>Operating income</b>					
Income from sale of goods	1,747,644	74,016	-	-	1,821,660
Cost of sales	(1,051,120)	(67,391)	-	-	(1,118,511)
Rental income	-	-	126,297	-	126,297
Direct rental expenses	-	-	(41,536)	-	(41,536)
<b>Gross Profit</b>	<b>696,524</b>	<b>6,625</b>	<b>84,761</b>	<b>-</b>	<b>787,910</b>
Income from Other operating activities	37,637	6,253	-	-	43,890
Other income	44,908	3,403	-	5,649	53,960
General and administrative expenses	(328,965)	(13,929)	(22,035)	-	(364,929)
Depreciation	(45,146)	(3,355)	(10,315)	-	(58,816)
Selling and distribution expenses	(66,767)	-	-	-	(66,768)
<b>Operating profit</b>	<b>338,190</b>	<b>(1,003)</b>	<b>52,411</b>	<b>5,649</b>	<b>395,247</b>
Finance income	-	-	-	913	913
<b>Profit for the year</b>	<b>338,190</b>	<b>(1,003)</b>	<b>52,411</b>	<b>6,562</b>	<b>396,160</b>

\* Unallocated items comprise of finance cost and other income not allocated to segments.

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the year. Allocation of expenses are determined by management for resource allocation purpose. The accounting policies of the reportable segments are the same as the Society's accounting policies described in Note 3.

For the purposes of monitoring segment performance and allocating resources between segments, all assets and liabilities are allocated to reportable segments.

**Financial risk management**

*Financial risk factors*

The Society's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Society's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Society's financial performance.

*(a) Market risk*

*(i) Foreign exchange risk*

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Society has minimal foreign currency exposure, since all major transactions are denominated in UAE Dirham ('AED').

*(ii) Price risk*

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all the instruments traded in the market. The Society has no significant exposure to price risk, since its purchases are based on prices predetermined with the suppliers.



**Notes to the financial statements  
for the year ended 31 December 2022 (continued)**

**3. Summary of significant accounting policies (continued)**

**Financial risk management (continued)**

*Financial risk factors (continued)*

*(a) Market risk (continued)*

*(iii) Cash flow and fair value interest rate risk*

The Society is exposed to interest rate risk on its interest-bearing assets. Short-term deposits at variable rates expose the Society to cash flow interest rate risk.

The table indicates the interest rate exposure on short-term deposits with variable interest rates at 31 December 2022 and 2021. The analysis calculates the effect on the statement of comprehensive income of a reasonably possible movement in interest rate:

	<b>2022</b>	2021
	<b>AED</b>	AED
<i>Interest income</i>		
+ 100 basis points	<b>2,110,000</b>	3,669,881
- 100 basis points	<b>(2,110,000)</b>	(3,669,881)

*(b) Credit risk*

Credit risk is the risk of financial loss to the Society if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from credit exposure to customers, due from a related party, short-term deposits and cash and cash equivalents.

The maximum exposure to credit risk at the reporting date represented by the carrying amounts of the financial assets classified as 'loans and receivables' is set out below:

	<b>2022</b>	2021
	<b>AED</b>	AED
Trade and other receivables (excluding prepayments and advance to suppliers)	<b>77,164,066</b>	93,791,821
Due from a related party	<b>3,776,344</b>	36,960
Short-term deposits	<b>211,000,000</b>	366,988,175
Cash and cash equivalents	<b>182,594,227</b>	190,626,670
	<b>474,534,637</b>	651,443,626

Management does not expect any losses from non-performance of the carrying amounts of the financial assets. The credit quality of trade receivables is disclosed in Note 12.

Banking transactions are limited to branches of local commercial banks.

**Notes to the financial statements  
for the year ended 31 December 2022 (continued)**

**3. Summary of significant accounting policies (continued)**

**Financial risk management (continued)**

*Financial risk factors (continued)*

*(b) Credit risk (continued)*

The table below shows the credit quality of cash and bank balances and short-term deposits with external counterparties at the statement of financial position date:

	2022 AED	2021 AED
<i>Cash at bank with credit rating</i>		
A1 (Moody's)	179,393,054	186,148,528
A2 (Moody's)	841,858	50,459
A3 (Moody's)	405	37,369
A+ (Fitch)	158	-
	<u>180,235,475</u>	<u>186,236,356</u>
<i>Short-term deposits with credit rating (Moody's)</i>		
A1 (Moody's)	-	16,988,175
A2 (Moody's)	50,000,000	200,000,000
A3 (Moody's)	61,000,000	150,000,000
A- (Standard & Poors)	50,000,000	-
A+ (Fitch)	50,000,000	-
	<u>211,000,000</u>	<u>366,988,175</u>
Total		

*(c) Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Society maintains flexibility in funding by keeping committed credit lines available.

The contractual cash flows for Society's financial liabilities equal their carrying balances as the impact of discounting is not significant.

*(d) Capital risk management*

The Society's objectives when managing capital are to safeguard the Society's ability to continue as a going concern in order to provide returns to its shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Society may adjust the amount of dividends paid to shareholders.

The Society does not have any debt at the statement of financial position date and hence is not geared.

**Notes to the financial statements  
for the year ended 31 December 2022 (continued)**

**4. Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

*Critical accounting estimates and assumptions*

The Society's management makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

*(a) Depreciation of property, equipment and investment properties*

Management assigns the useful life and the residual values of the property, equipment and investment properties based on its intended use of assets and economies of the lives of those assets. Subsequent changes in the circumstances such as technological advances or prospective utilisation of the assets concerned could result in the actual useful lives or residual value differing from initial estimate. When the management determines that the useful life of the asset Society or the residual value of the asset requires amendment, the net book amount in excess of the residual value is depreciated over the revised remaining useful life. Management has reviewed the residual values and useful lives of the major items of property, equipment and investment properties and determined that no adjustment is necessary.

*(b) Incremental borrowing rate*

The Society's Management determines the present value of future lease payments by discounting using incremental borrowing rate ("IBR") determined by the Company. In order to determine the IBR the Company used the borrowing rate of the overdraft facility. The average weighted IBR applied during the transition is 3%.

*(c) Determining the lease term*

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

*(d) Impairment of non-financial assets*

Asset recoverability is an area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported by the recoverable amount, which is the higher of the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate ("value in use"), and the assets' fair value less costs to sell.

No impairment charge has been recognised against property and equipment, investment property and intangible assets.

## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 5. Property and equipment

	Land AED	Buildings AED	Computer hardware AED	Motor vehicles AED	Furniture and fixtures AED	Equipment and tools AED	Capital work-in- progress AED	Total AED
<i>Cost</i>								
At 31 December 2020	1,183,956,098	828,462,186	25,010,325	15,360,719	23,718,170	164,285,048	100,145,398	2,340,937,944
Additions	-	12,948,174	1,695,297	1,604,500	4,070,745	16,998,827	125,760,559	163,078,102
Transfers (Note 7)	-	98,441,122	665,426	949,500	200,707	4,077,098	(104,340,446)	(6,593)
Transfer to Investment property (Note 6)	-	(4,301,672)	-	-	-	-	-	(4,301,672)
Disposals	-	-	(145,251)	(274,500)	(1,013,919)	(3,139,826)	-	(4,573,496)
At 31 December 2021	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 (Note 7)	-	68,917,128	232,747	-	161,998	5,392,030	(74,705,903)	(2,000)
Transfer to Investment property (Note 6)	-	(19,385,864)	-	-	-	-	-	(19,385,864)
Disposals	-	(2,006,962)	-	(1,232,450)	(204,450)	(601,607)	-	(4,045,469)
At 31 December 2022	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
<i>Accumulated depreciation</i>								
At 31 December 2020	-	212,294,290	18,717,542	10,775,357	15,403,875	103,204,377	-	360,395,441
Charge for the year (Note 28)	-	15,125,174	2,517,937	1,211,648	3,928,211	13,130,754	-	35,913,724
Disposals	-	-	(144,690)	(274,500)	(965,952)	(3,119,276)	-	(4,504,418)
At 31 December 2021	-	227,419,464	21,090,789	11,712,505	18,366,134	113,215,855	-	391,804,747
Charge for the year (Note 28)	-	21,951,449	2,439,295	1,358,895	4,921,817	14,474,964	-	45,146,420
Disposals	-	(1,046,890)	-	(1,232,450)	(199,319)	(586,374)	-	(3,065,033)
At 31 December 2022	-	248,324,023	23,530,084	11,838,950	23,088,632	127,104,445	-	433,886,134
<i>Net carrying amount</i>								
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
At 31 December 2021	1,183,956,098	708,130,346	6,135,008	5,927,714	8,609,569	69,005,292	121,565,511	2,103,329,538

**Notes to the financial statements  
for the year ended 31 December 2022 (continued)**

**5. 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, 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 Centres in Al Habya, Al Nahda, Silicon Oasis and Mirdif Parkway.
- c) As at 31 December 2022, the Society transferred buildings amounting to AED 19,385,864 (2021 - AED 4,301,672) from property and equipment to investment properties (Note 6).
- d) Capital work in progress addition during the year includes capitalization of project related employees cost of AED 13,045,666 (2021 - AED 20,852,873).

**6. Investment properties**

	<b>Buildings AED</b>
<i>Cost</i>	
At 31 December 2020	480,050,499
Additions	3,816,113
Transfer from property and equipment (Note 5)	4,301,672
	<hr/>
At 31 December 2021	488,168,284
Additions	9,784,776
Transfer from property and equipment (Note 5)	19,385,864
Disposals	(598,922)
	<hr/>
<b>At 31 December 2022</b>	<b>516,740,002</b>
	<hr/> <hr/>
<i>Accumulated depreciation</i>	
31 December 2020	123,338,962
Charge for the year (Note 28)	14,884,792
Disposals	-
	<hr/>
31 December 2021	138,223,754
Charge for the year (Note 28)	10,731,674
Disposals	(416,198)
	<hr/>
<b>31 December 2022</b>	<b>148,539,230</b>
	<hr/> <hr/>
<i>Net book amount</i>	
<b>At 31 December 2022</b>	<b>368,200,772</b>
	<hr/> <hr/>
At 31 December 2021	349,944,530
	<hr/> <hr/>

Shops and other areas held for long-term rental yields had been classified as investment properties and consists of shopping malls (retail and service units) that are exclusively owned by the Society.

**Notes to the financial statements  
for the year ended 31 December 2022 (continued)**

**6. Investment properties (continued)**

Income and expenses from investment properties:

	2022 AED	2021 AED
Rental income	126,296,719	116,464,469
Direct rental expenses	(41,536,321)	(35,474,474)
General and administrative expenses (allocated)	(22,033,810)	(13,387,954)
Depreciation	(10,315,477)	(14,884,792)
	<u>52,411,111</u>	<u>52,717,249</u>

**7. Intangible assets**

	2022 AED	2021 AED
<i>Computer software</i>		
<i>Cost</i>		
At 1 January	19,408,283	16,021,110
Additions	3,305,874	3,436,239
Transfer from capital work in progress (Note 5)	2,000	6,593
Disposals	-	(55,659)
<b>At 31 December</b>	<u>22,716,157</u>	<u>19,408,283</u>
<i>Accumulated amortisation</i>		
At 1 January	13,109,345	10,548,178
Charge for the year (Note 28)	3,355,047	2,616,826
Disposals	-	(55,659)
<b>At 31 December</b>	<u>16,464,392</u>	<u>13,109,345</u>
<i>Net carrying amount</i>		
<b>At 31 December</b>	<u>6,251,765</u>	<u>6,298,938</u>

**Notes to the financial statements  
for the year ended 31 December 2022 (continued)**

**8. Right of use asset**

	<b>Land AED</b>	<b>Buildings AED</b>	<b>Total AED</b>
<i>Cost</i>			
At 31 December 2020	43,036,349	132,713,960	175,750,309
Additions	-	53,400,954	53,400,954
Disposals	-	(10,064,688)	(10,064,688)
	<hr/>	<hr/>	<hr/>
At 31 December 2021	43,036,349	176,050,226	219,086,575
Additions	-	2,732,500	2,732,500
Disposals	(1,317,365)	(2,732,500)	(4,049,865)
	<hr/>	<hr/>	<hr/>
<b>At 31 December 2022</b>	<b>41,718,984</b>	<b>176,050,226</b>	<b>217,769,210</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Accumulated amortisation</i>			
At 31 December 2020	4,532,089	45,387,381	49,919,470
Charge for the year	3,301,451	23,547,795	26,849,246
Disposals	-	(10,064,688)	(10,064,688)
	<hr/>	<hr/>	<hr/>
At 31 December 2021	7,833,540	58,870,488	66,704,028
Charge for the year	2,471,114	25,932,292	28,403,406
Disposals	(3,830,622)	(2,732,500)	(6,563,122)
	<hr/>	<hr/>	<hr/>
<b>At 31 December 2022</b>	<b>6,474,032</b>	<b>82,070,280</b>	<b>88,544,312</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Net book amount</i>			
<b>At 31 December 2022</b>	<b>35,244,952</b>	<b>93,979,946</b>	<b>129,224,898</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2021	35,202,809	117,179,738	152,382,547
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The Society has leased plots of land from the Government of Dubai that are renewable on an annual basis. The Society's management and board of directors are of the view that these plots of leasehold land will continue to be available to the Society in the foreseeable future.

**9. Capital advances**

Capital advances represents cash paid as advance payments mostly towards the purchase of Land in Al Barsha South area and Warsan area, applicable risks and rewards have not been transferred to the Society as at 31 December 2022.

**10. Financial asset at fair value through other comprehensive income**

Financial asset at fair value through other comprehensive income represents an equity investment in 18,000 unquoted shares for a par value of AED 100 per share (2021: 18,000 unquoted shares for a par value of AED 100 per share) in the Consumer Co-operative Union.

**Notes to the financial statements  
for the year ended 31 December 2022 (continued)**

**11. Inventories**

	<b>2022</b>	2021
	<b>AED</b>	AED
Goods for resale	<b>262,391,921</b>	259,986,341
Imported goods for sale	<b>11,720,265</b>	9,020,133
Less: provision for slow moving imported inventories	<b>(3,318,348)</b>	(1,349,183)
	<b>270,793,838</b>	267,657,291
Consumables	<b>7,123,272</b>	6,580,402
Goods in transit	<b>-</b>	256,655
	<b>277,917,110</b>	274,494,348

The cost of inventories realizable as expense and included in 'Cost of sales' amounted to AED 1,118,511,004 (2021: AED 1,233,436,922).

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

	<b>2022</b>	2021
	<b>AED</b>	AED
At 1 January	<b>1,349,183</b>	797,484
Additions for the year	<b>2,003,600</b>	620,985
Write off for the year	<b>(34,435)</b>	(69,286)
<b>At 31 December</b>	<b>3,318,348</b>	1,349,183

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. This is only applicable for the local suppliers' purchases; 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.

**12. Trade and other receivables**

	<b>2022</b>	2021
	<b>AED</b>	AED
Trade receivables	<b>23,721,239</b>	29,657,201
Less: Provision for impairment	<b>(11,900,294)</b>	(11,384,719)
	<b>11,820,945</b>	18,272,482
Rent receivables	<b>23,207,780</b>	18,597,319
Accrued income on short-term deposits	<b>2,766,829</b>	987,216
Area development fund	<b>15,938,116</b>	24,557,865
Prepaid expenses	<b>10,929,640</b>	14,276,734
Advance to suppliers	<b>2,226,192</b>	13,914,689
Other receivables	<b>23,430,396</b>	31,376,939
	<b>90,319,898</b>	121,983,244



**Notes to the financial statements  
for the year ended 31 December 2022 (continued)**

**12. Trade and other receivables (continued)**

As of 31 December 2022, trade receivables of AED 8,603,131 (2021: AED 8,262,525) were fully performing.

As of 31 December 2022, trade receivables of AED 3,217,815 (2021: AED 9,982,549) were past due but not impaired. These relate to a number of independent receivables for whom there is no history of default.

The aging analysis of the total trade receivables balance is as follows:

	<b>2022</b>	2021
	<b>AED</b>	AED
Over 3 months	<u><b>3,217,815</b></u>	<u>9,982,549</u>

As of 31 December 2022, trade receivables of AED 11,900,294 (2021: AED 11,384,719) aged over a year were impaired and fully provided for.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable mentioned above.

Trade and other receivables are denominated in AED and their fair value approximate their carrying amount less impairment. The Society does not hold any collateral as security.

Movements on the provision for impairment of trade receivables are as follows:

	<b>2022</b>	2021
	<b>AED</b>	AED
At 1 January	<b>11,384,719</b>	9,140,537
Charge for the year	<b>515,575</b>	2,244,182
<b>At 31 December</b>	<u><b>11,900,294</b></u>	<u>11,384,719</u>

**13. Short-term deposits**

Short-term deposits constitute investments with Islamic banks in fixed term deposits, which carry returns at an average rate of 2.24% (2021: 1.43%) per annum, have maturities of more than 3 months, and do not exceed one year.

**14. Cash and cash equivalents**

	<b>2022</b>	2021
	<b>AED</b>	AED
Cash at bank	<b>180,235,475</b>	186,236,356
Cash on hand	<b>2,358,752</b>	4,390,314
	<u><b>182,594,227</b></u>	<u>190,626,670</u>

**Notes to the financial statements  
for the year ended 31 December 2022 (continued)**

**15. Share capital**

	<b>Before 1:10 share split Issued and fully paid-up shares of AED 10 each</b>	<b>After 1:10 share split Issued and fully paid-up shares of AED 1 each</b>
Number of shares	<b>176,413,814</b>	<b>1,764,138,140</b>
Ordinary shares (AED)	<b>1,764,138,140</b>	<b>1,764,138,140</b>

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

**16. 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.

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

**17. Distributable profits (Retained earnings)**

The profits for the year ended 31 December 2021 and 2020 were distributed as follows:

	Paid during the year ended 31 December	
	<b>2022 AED</b>	2021 AED
Area development fund [Note 17(b)]	<b>20,570,815</b>	13,012,260
Dividends paid [Note 17(c)]	<b>385,867,918</b>	480,270,235
Directors' remuneration [Note 17(d)]	<b>6,750,000</b>	6,750,000
	<b>413,188,733</b>	500,032,495

- a) No bonus shares were issued during 2022 and 2021.
- b) This represents the Society's contribution towards the social welfare of the community. The area improvement fund is determined pursuant to the Society's memorandum of association and the requirements of UAE Federal Law No. 13 of 1976 pertaining to co-operative societies and should not exceed 10% of the profit for the year. The same requirement is applicable to the new issued Federal Decree-Law No. 6 of 2022 on cooperative.

**Notes to the financial statements  
for the year ended 31 December 2022 (continued)**

**17. Distributable profits (Retained earnings) (continued)**

c) Dividends declared and paid to the shareholders during the year 2022 were calculated as follows:

	<b>2022</b>	2021
	<b>AED</b>	AED
Return on share capital (2021: 20% and 2020: 24%)	<b>349,114,024</b>	419,085,671
Return on shareholders' purchases from the Society (2021: 4% and 2020: 6%)	<b>36,753,894</b>	61,184,564
	<b><u>385,867,918</u></b>	<u>480,270,235</u>

d) This represents Directors' remuneration in respect of the year ended 31 December 2021 that was approved in 2022. This amount was paid to the Society's directors for serving on Board of Directors or any of its committees, for devoting special time and attention to the business or affairs of the Society and for otherwise performing services outside the scope of their ordinary activities. In accordance with bylaw 44 of the Society, directors' remuneration is approved at the Annual General Meeting following the year-end. Remuneration in respect of the current year has not been determined and approved.

e) The Board of Directors members were nine as at 31 December 2022 (2021: Nine).

**18. Treasury stock**

During the year 2022, Union Coop has not purchased any previously issued share capital (2021: repurchased 62,000 shares of previously issued share capital for a total amount of 3,134,400).

On 4 July 2022, the Society announced exercised a share split on a ratio of one to 10, with each member receiving 10 shares for every one share owned including treasury stocks held by the Society at the date of the split.

**19. Provision for employees' end of service benefits**

	<b>2022</b>	2021
	<b>AED</b>	AED
At 1 January	<b>82,830,542</b>	58,359,585
Charge for the year (Note 29)	<b>10,305,857</b>	29,194,103
Payments	<b>(8,396,379)</b>	(4,723,146)
<b>At 31 December</b>	<b><u>84,740,020</u></b>	<u>82,830,542</u>

Provision for employees' end-of-service indemnity is made in accordance with U.A.E. Labour Law and is based on the current remuneration and cumulative years of service at the reporting date.

**20. Earnings per share**

Earnings per share is calculated by dividing the profit for the year attributable to the shareholders of the Society, amounting to AED 396 million (2021: AED 413 million) by the weighted average number of shares outstanding during the year excluding treasury shares.

The Company has not issued any instruments which would have a dilutive impact on earnings per share when exercised.

Prior period results have been retroactively adjusted to reflect the ten-for-one stock split effected in July 2022.

**Notes to the financial statements  
for the year ended 31 December 2022 (continued)**

**21. Long term liability**

This balance represents post-dated cheques issued toward a purchase of land in Al Barsha south and Warsan, which will be paid in 2024 till 2025, and fees to the Roads and Transport Authority for the issuance of a report on the impact of traffic, which will be paid in 2024 till 2026:

	2022 AED	2021 AED
<i>Post-dated cheques payable</i>		
MERAAS Real Estates LLC	3,163,398	9,112,146
Roads and Transportation Authority ("RTA")	2,802,500	855,000
	<u>5,965,898</u>	<u>9,967,146</u>

**22. Trade and other payables**

	2022 AED	2021 AED
Trade payables	221,303,464	214,383,038
Provision for staff benefits	49,689,456	77,127,041
Capital liabilities	7,924,748	22,162,948
Advance receipts	9,246,524	7,729,393
Retentions payable	27,188,951	28,906,537
Accruals	8,686,542	7,083,680
Unearned income	14,947,430	14,388,791
Other payables	68,250,298	59,469,154
	<u>407,237,413</u>	<u>431,250,582</u>

**23. 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.

*(a) Related party transactions*

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

	2022 AED	2021 AED
Purchases of goods from related parties	<u>18,553,576</u>	<u>19,775,415</u>
Dividend income from Consumer Co-operative Union-affiliate (Note 30)	<u>1,016,667</u>	<u>974,564</u>
Sale of goods to related parties	<u>5,060,835</u>	<u>448,736</u>
Directors' remuneration	<u>6,750,000</u>	<u>6,750,000</u>

**Notes to the financial statements  
for the year ended 31 December 2022 (continued)**

**23. Related party transactions and balances (continued)**

*(a) Related party transactions (continued)*

	<b>2022</b>	2021
	<b>AED</b>	AED
<i>Key management remuneration:</i>		
Salaries	<b>16,798,408</b>	17,778,994
Short-term employment benefits	<b>924,105</b>	940,431
Provision for end of service benefits	<b>3,918,636</b>	17,965,290
Contribution paid to social security scheme	<b>512,500</b>	525,000
	<b>22,153,649</b>	37,209,715

*(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:

	<b>2022</b>	2021
	<b>AED</b>	AED
<i>Due to a related party</i>		
Consumer Co-operative Union - affiliate	<b>1,804,086</b>	1,491,467
<i>Due from a related party</i>		
Umm Al Quwain Market Cooperative	<b>3,776,344</b>	36,960

**24. Revenue**

	<b>2022</b>	2021
	<b>AED</b>	AED
Sale of goods	<b>1,879,171,486</b>	2,064,689,939
Discounts	<b>(57,510,949)</b>	(68,411,852)
	<b>1,821,660,537</b>	1,996,278,087

**25. Cost of sales**

	<b>2022</b>	2021
	<b>AED</b>	AED
Cost of goods	<b>1,686,984,410</b>	1,876,760,566
Discounts	<b>(167,441,517)</b>	(190,177,061)
Net cost of goods	<b>1,519,542,893</b>	1,686,583,505
Rebate of target sales	<b>(401,031,889)</b>	(453,146,583)
	<b>1,118,511,004</b>	1,233,436,922

**Notes to the financial statements  
for the year ended 31 December 2022 (continued)**

**26. Income from other operating activities**

	2022 AED	2021 AED
Income from shop rentals	125,495,077	115,785,679
Income from commission on sales from speciality department	43,889,091	45,668,073
Income from play area rentals	801,642	678,790
	<u>170,185,810</u>	<u>162,132,542</u>

Commission on specialty departments' sales represents commission earned on sales made by specialty departments to customers. Specialty department sales amounted to AED 195,546,637 (2021: AED 205,029,184). Commission rates ranges between 20% to 25%.

**27. Other income**

	2022 AED	2021 AED
Listing fees	20,252,638	18,739,882
Supplier contributions towards promotions	3,540,203	12,075,222
Advertisements and special offers income	6,237,960	9,434,063
Speciality departments service fees	4,182,134	6,125,766
Supplier registration fees	1,206,335	1,900,201
Income from Consumer Co-operative Union (Note 23)	1,016,667	974,564
Gain on disposal of property and equipment and investment properties	142,476	408,886
Management fees and expense charges [Note 28(a)]	71,783	551,749
Miscellaneous income	17,310,263	9,228,219
	<u>53,960,459</u>	<u>59,438,552</u>

a) In 2018, Union Coop entered into an operation and management agreement with Umm Al Quwain Coop, whereby a pre-operational service fee of 2% was charged by Union Coop on Umm Al Quwain Coop. During 2022, the association began charging a management fee of 20% of the net profits of Umm Al Quwain Coop in accordance to the agreement.

**28. General and administrative expenses**

	2022 AED	2021 AED
Staff costs [Note 29(a)]	222,965,730	278,770,290
Utilities	69,536,632	66,682,050
Depreciation [Notes 5 and 6]	55,878,094	50,798,516
Depreciation- Right of use [Note 8]	28,403,406	26,849,246
Repair and maintenance	14,686,081	12,787,318
Government fees and subscriptions	12,404,383	10,126,928
Insurance	10,093,346	10,052,573
Consumables	6,694,017	7,748,566
Cleaning services	8,789,249	7,707,349
Professional fees	3,816,733	5,714,052
Rent	2,973,333	3,191,892
Amortisation [Note 7]	3,355,047	2,616,826
Transportation	2,856,248	2,017,048
Security services	1,269,140	1,164,139
Other expenses	21,791,436	11,646,413
	<u>465,512,875</u>	<u>497,873,206</u>

**Notes to the financial statements  
for the year ended 31 December 2022 (continued)**

**29. Selling and distribution expenses**

	2022 AED	2021 AED
Promotion and advertisement	28,690,213	28,582,914
Loyalty card redemption*	18,357,971	22,774,870
Credit card charges	13,649,761	14,550,725
Staff costs [Note 29(a)]	3,531,910	4,991,329
Consumables	2,305,738	4,596,162
	<u>66,535,593</u>	<u>75,496,000</u>

\*This represents the expenses incurred on the customers' loyalty card redemption in accordance with its terms.

**(a) Staff costs**

	2022 AED	2021 AED
Salaries and wages	222,079,490	243,735,878
Other benefits	38,053,973	61,701,978
End of service benefits (Note 19)	10,305,857	29,804,550
	<u>270,439,320</u>	<u>335,242,406</u>
<i>Staff costs are included in:</i>		
General and administrative expenses (Note 28)	222,965,730	278,762,848
Selling and distribution expenses (Note 29)	3,531,910	4,991,329
Cost of sales	30,896,014	30,635,356
Capitalised work in progress	13,045,666	20,852,873
	<u>270,439,320</u>	<u>335,242,406</u>

**30. Finance income, net**

	2022 AED	2021 AED
Profit on short-term deposits	4,721,374	5,238,419
Finance cost - lease liability	(3,808,715)	(3,092,739)
	<u>912,659</u>	<u>2,145,680</u>

**31. Commitments and contingencies**

	2022 AED	2021 AED
Capital commitments	131,932,971	259,523,549
Letters of credit	9,192,365	1,286,892
Letters of guarantee	2,034,958	2,034,958

**Notes to the financial statements  
for the year ended 31 December 2022 (continued)**

**32. Financial instruments by category**

	<b>2022</b>	2021
	<b>AED</b>	AED
Financial asset at fair value through other comprehensive income	<b>500,000</b>	500,000
<i>Financial assets - Amortised cost</i>		
Trade receivables and other receivables (excluding prepayments and advance to suppliers)	<b>77,164,066</b>	93,791,821
Due from a related party	<b>3,776,344</b>	36,960
Short-term deposits	<b>211,000,000</b>	366,988,175
Cash and cash equivalents	<b>182,594,227</b>	190,626,670
	<b>474,534,637</b>	651,443,626
<i>Financial liabilities - Other financial liabilities</i>		
Long term liabilities	<b>93,577,043</b>	122,132,240
Trade and other payables (excluding unearned income)	<b>392,289,983</b>	416,861,791
Due to a related party	<b>1,804,086</b>	1,491,467
	<b>487,671,112</b>	540,485,498

Prepayments of AED 10,929,640 (2021: AED 14,276,734) have been excluded.

**33. Lease liability**

	<b>2022</b>	2021
	<b>AED</b>	AED
At 1 January	<b>137,715,156</b>	105,847,193
Additions	<b>1,750,724</b>	53,400,954
Accretion of interest	<b>3,808,715</b>	3,092,739
Payments	<b>(29,922,295)</b>	(24,625,730)
At 31 December	<b>113,352,300</b>	137,715,156
<i>Break-up is as follows:</i>		
Current	<b>25,741,155</b>	25,550,062
Non-current	<b>87,611,145</b>	112,165,094
	<b>113,352,300</b>	137,715,156



**Notes to the financial statements  
for the year ended 31 December 2022 (continued)**

**34. Corporate tax**

On 3 October 2022, the United Arab Emirates (UAE) Ministry of Finance (“MoF”) issued Federal Decree-Law No 47 of 2022 on the Taxation of Corporations and Businesses, Corporate Tax Law (“CT Law”) to implement a new CT regime in the UAE. The new CT regime is applicable for accounting periods beginning on or after 1 June 2023.

Generally, UAE businesses will be subject to a 9% CT rate, however a rate of 0% will be applied to taxable income not exceeding AED 375,000 or to certain types of entities, as prescribed by way of a Cabinet Decision.

The Society is currently assessing the impact of these laws and regulations and will apply the requirements as further guidance is provided by the relevant tax authorities.

**35. Comparative amounts**

Certain prior year comparatives have been reclassified wherever necessary to conform to the presentation adopted in the current year.

**36. Approval of financial statements**

The financial statements were approved by the board of directors and authorised for issue on 27 February 2023.

