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

Unaudited interim condensed consolidated financial statements

31 March 2021

Union Properties Public Joint Stock Company and its subsidiaries

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Union Properties P.J.S.C (the **"Company"**) and its subsidiaries (together referred to as the **"Group"**) which comprise the interim condensed consolidated statement of financial position as at March 31, 2021, the related interim condensed consolidated statement of profit or loss and other comprehensive income, the interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the three months period then ended and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 – Interim Financial Reporting (IAS 34) as issued by International Accounting Standard Board (IASB). Our responsibility is to express a conclusion of these interim condensed consolidated financial statements based on our review.

Scope of review

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

Basis for qualified conclusion

The Group had attempted a review of the Masterplan for Dubai Motorcity in the years 2019 and 2020 and had submitted it for approval to the concerned regulatory authorities, a formal request for the issuance of revised affection plans with amended gross floor areas (GFA's). The Group had expected to receive the regulatory approval on the revised affection plans in near future and accordingly had assumed such approval in the inclusion of the GFAs in the valuation of Motorcity land bank. These treatments are departure from IFRS 13 - Fair Value Measurement. Consequently, the investment properties and equity are overstated by an amount of AED 1,249 million as of January 1, 2021 and March 31, 2021.

Qualified conclusion

Based on our review, except for the possible effects of the matter described in the basis of qualified conclusion paragraph section in our report, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

For:
MAZARS
Chartered Accountants LLC (Abu Dhabi Br.1)

MAZARS مـــزارز
محاسبـــون قانونيـــون ذ م م
CHARTERED ACCOUNTANTS LLC
Abu Dhabi br. فرع أبو ظبي

By: Jaffer A. Rupawala
Registered Auditor Number: 852
Abu Dhabi,
May 15, 2021

Union Properties Public Joint Stock Company and its subsidiaries

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

For the three-month period ended 31 March 2021

		Three-month period ended 31 March	
		2021	2020
	Notes	**AED'000**	AED'000
Revenue from contracts with customers	*16*	**98,259**	112,532
Net gain/(loss) on financial instruments at FVTPL	*9*	**2,780**	(63,980)
Gain/(loss) on disposal of investment properties	*6*	**6,966**	(19,500)
Finance income		**512**	58
Other income	*5*	**22,850**	984
Direct costs	*16*	**(77,742)**	(83,091)
Administrative and general expenses	*16*	**(25,392)**	(29,726)
Finance cost	*16*	**(22,680)**	(39,145)
Profit/(loss) for the period		**5,553**	(121,868)
Other comprehensive income for the period		**-**	-
Total comprehensive income/(loss) for the period		**5,553**	(121,868)
Basic and diluted earnings per share (AED)	*11*	**0.0013**	(0.0284)

The notes from 1 to 18 form an integral part of these interim condensed consolidated financial statements.

Union Properties Public Joint Stock Company and its subsidiaries

Interim condensed consolidated statement of financial position

As at 31 March 2021

	Notes	Unaudited **31 March 2021** **AED'000**	Audited 31 December 2020 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment		**347,848**	348,076
Right-of-use assets		**25,201**	26,371
Investment properties	*6*	**4,598,904**	4,612,744
Development properties		**7,504**	7,504
Investments in an associate		**87,368**	87,368
Investments at fair value through profit or loss	*9*	**117,282**	114,608
Non-current receivables	*7*	**5,167**	33,194
Total non-current assets		**5,189,274**	5,229,865
Current assets			
Investments at fair value through profit or loss	*9*	**35,595**	37,276
Inventories		**7,631**	7,913
Contract assets		**216,274**	218,864
Trade and other receivables	*7*	**440,383**	394,888
Due from related parties	*8*	**7,648**	7,648
Cash and cash equivalents	*10*	**49,992**	45,400
Total current assets		**757,523**	711,989
Total assets		**5,946,797**	5,941,854
EQUITY AND LIABILITIES			
Equity			
Share capital		**4,289,540**	4,289,540
Statutory reserve		**352,978**	352,978
Asset revaluation surplus		**212,689**	212,689
Accumulated losses		**(1,955,520)**	(1,961,073)
Total equity attributable to the shareholders of the Company		**2,899,687**	2,894,134
Non-current liabilities			
Non-current portion of bank loans	*12*	**425,741**	463,056
Contract liabilities		**8,118**	8,118
Lease liabilities		**18,843**	20,333
Provision for staff terminal benefits		**34,691**	32,935
Total non-current liabilities		**487,393**	524,442
Current liabilities			
Trade and other payables	*13*	**1,240,340**	1,237,010
Contract liabilities		**86,788**	88,692
Lease liabilities		**4,711**	5,084
Bank overdrafts	*14*	**195,205**	192,235
Current portion of bank loans	*12*	**1,032,673**	1,000,257
Total current liabilities		**2,559,717**	2,523,278
Total liabilities		**3,047,110**	3,047,720
Total equity and liabilities		**5,946,797**	5,941,854

The interim condensed consolidated financial statements were authorised for issue on 15 May 2021 by the Board of Directors and signed on its behalf by:

Board Member

General Manager

The notes from 1 to 18 form an integral part of these interim condensed consolidated financial statements.

Union Properties Public Joint Stock Company and its subsidiaries

Interim condensed consolidated statement of cash flows (unaudited)

For the three-month period ended 31 March 2021

		Three-month period ended 31 March	
		2021	**2020**
	Note	**AED'000**	AED'000
Operating activities			
Profit/(loss) for the period		**5,553**	(121,868)
Adjustments for:			
Depreciation of property, plant and equipment		**2,635**	3,453
Depreciation of right of use assets		**1,169**	1,233
(Profit)/loss on sale of investment properties		**(6,966)**	19,500
(Gain)/loss on financial instruments at FVTPL, net		**(2,780)**	63,980
Finance income		**(512)**	(58)
Finance cost		**22,680**	39,145
Operating profit before working capital changes		**21,779**	5,385
Change in inventories		**282**	(1,564)
Change in contract assets		**19,373**	19,159
Change in trade and other receivables		**(25,435)**	(3,891)
Change in non-current payables		**270**	16,628
Change in trade and other payables and contract liabilities		**(3,706)**	(26,951)
Change in staff terminal benefits (net)		**1,756**	825
Net cash from operating activities		**14,319**	9,591
Investing activities			
Additions to property, plant and equipment		**(3,216)**	(1,385)
Proceeds from/investments in financial instruments at FVTPL, net		**1,787**	2,099
Proceeds from disposal of property, plant and equipment		**1,300**	-
Proceeds from sale of investment properties		**-**	30,000
Interest income received		**19**	-
Changes in deposits with banks		**3,646**	(1,729)
Net cash from investing activities		**3,536**	28,985
Financing activities			
Proceed from long-term bank loans		**14,779**	22,061
Repayment of long-term bank loans		**(19,678)**	(47,583)
Interest paid		**(4,203)**	(11,888)
Net cash used in financing activities		**(9,102)**	(37,410)
Net increase in cash and cash equivalents		**8,753**	1,166
Cash and cash equivalents at the beginning of the period		**(172,765)**	(247,895)
Cash and cash equivalents at the end of the period	*10*	**(164,012)**	(246,729)

The notes from 1 to 18 form an integral part of these interim condensed consolidated financial statements.

	Share capital AED'000	Statutory reserve AED'000	Currency translation reserve AED'000	Asset revaluation surplus (Restated) AED'000	Accumlated losses AED'000	Total AED'000
At 1 January 2020 (audited)	4,289,540	332,880	15,508	212,689	(2,141,959)	2,708,658
Total comprehensive loss for the period	-	-	-	-	(121,868)	(121,868)
At 31 March 2020 (unaudited)	**4,289,540**	**332,880**	15,508	**212,689**	**(2,263,827)**	**2,586,790**
At 1 January 2021 (audited)	4,289,540	352,978	-	212,689	(1,961,073)	2,894,134
Total comprehensive income for the period	-	-	-	-	5,553	5,553
At 31 March 2021 (unaudited)	**4,289,540**	**352,978**	**-**	**212,689**	**(1,955,520)**	**2,899,687**

The notes from 1 to 18 form an integral part of these interim condensed consolidated financial statements.

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

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

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

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

2 NEW STANDARDS, AMENDMENT TO STANDARDS AND INTERPRETATIONS

There are no new standards issued, however, there are number of amendments to standards which are effective from January 1, 2021 and has been explained in Group annual consolidated financial statements as at year ended December 31, 2020 but they do not have a material impact on the Group's interim condensed consolidated financial statements.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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

The interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards (IFRS), and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020. The same accounting policies, methods of computation, significant accounting judgments and estimates and assumptions are followed in these interim condensed consolidated financial statements as compared with the most recent annual consolidated financial statements.

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

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

The results for the three-month period ended 31 March 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

In preparing these interim condensed consolidated financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2020.

5 OTHER INCOME

	Unaudited **31 March 2021**	Audited 31 March 2020
Reversals of liabilities (refer note below)	**20,298**	-
Miscellaneous income	**2,552**	984
	22,850	984

The reversals of liabilities are mainly related to payables and accruals in relation to completed projects and cancelation of contracts for which management assessed that no settlement will be required against.

6 INVESTMENT PROPERTIES

	Unaudited **31 March 2021** **AED'000**	Audited 31 December 2020 AED'000
At 1 January	**4,612,744**	4,111,636
Transfer from property, plant and equipment	**-**	8,570
Gain on fair valuation	**-**	743,549
Sale of investment properties	**(13,840)**	(251,011)
Closing balance	**4,598,904**	4,612,744

The Group follows the fair value model under IAS 40 (Revised 2003) where investment property defined as land and buildings owned for the purpose of generating rental income or capital appreciation, or both, are fair valued based on an open market valuation. The most recent valuation was carried out on 31 December 2020 by an independent registered valuer, ValuStrat Consulting FZCO, who carried out the valuation in accordance with RICS Appraisal and the Valuation Manual issued by the Royal Institute of Chartered Surveyors.

During the three-month period ended 31 March 2021, investment properties with a carrying value of AED 13.8 million were disposed of for a consideration of AED 20.8 million resulting in a profit of AED 7 million.

During the previous year, the Company had undertaken a full review of the Masterplan for Dubai Motorcity. The Company had submitted a formal request to the concerned regulatory authorities for the issuance of revised affection plans with amended Gross Floor Areas (the "GFA's"). The Company expected to receive the necessary approvals on the revised affection plans in the near future and accordingly adopted the inclusion of this GFA to the value of AED 1,249 Million in the valuation of the Motorcity land bank for the Group financial statements as at 31 December 2020.

6 INVESTMENT PROPERTIES (CONTINUED)

In accordance with the directions of Dubai Development Authority, the company had appointed independent third party surveyors to perform a detailed survey of the entire land bank at Dubai Motorcity. Based on the official third party surveyor report that was issued and received during the current year, the Company has got an attestation from Dubai Land for an additional GFA and accordingly adopted the inclusion of this additional GFA to the value of AED 1,249 Million in the valuation of the Motorcity land bank for the Group financial statements as at 31 March 2021 (31 December 2020: AED 1,249 million).

7 TRADE AND OTHER RECEIVABLES

	Unaudited 31 March 2021 **AED'000**	Audited 31 December 2020 AED'000
Financial instruments		
Trade receivables	**2,019,657**	1,955,931
Retention receivables	**52,860**	52,059
Property sales receivables	**38,520**	46,104
	2,111,037	2,054,094
Less: allowance for expected credit losses	**(1,837,944)**	(1,837,352)
	273,093	216,742
Other receivables	**46,808**	64,441
Total (A)	**319,901**	281,183
Non-financial instruments		
Advances to contractors	**23,724**	26,241
Advances to banks against loan principal and interest	**70,000**	70,000
Prepayments and advances	**26,758**	17,464
Total (B)	**120,482**	113,705
Total (A+B)	**440,383**	394,888

Non-current receivables

	Unaudited 31 March 2021 **AED'000**	Audited 31 December 2020 AED'000
Retention receivables	**5,167**	5,167
Property sales receivables	**-**	28,027
	5,167	33,194

Impairment losses

Set out below is the information about the credit risk exposure on the Group's trade and retention receivables using a provision matrix:

7 TRADE AND OTHER RECEIVABLES (CONTINUED)

		Trade receivables				
			Past due			
	Retentions receivable	*Current*	*1-90 days*	*91-365 days*	*>365 days*	*Total*
	AED'000	**AED'000**	**AED'000**	**AED'000**	**AED'000**	**AED'000**
31 March 2021						
Expected credit loss rate	**69.72%**	**0.00%**	**0.00%**	**0.00%**	**99.35%**	
Gross amount	**58,027**	**114,748**	**28,090**	**106,044**	**1,809,295**	**2,116,204**
Expected credit loss	**40,456**	**-**	**-**	**-**	**1,797,488**	**1,837,944**
31 December 2020						
Expected credit loss rate	81.76%	3.59%	14.79%	7.75%	98.51%	
Gross amount	57,226	72,981	58,632	100,900	1,787,549	2,077,288
Expected credit loss	40,456	-	11,094	11,095	1,774,707	1,837,352

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

	Unaudited 31 March 2021 AED'000	Audited 31 December 2020 AED'000
At 1 January	**1,837,352**	1,831,650
Addition for the period/year	**592**	7,991
Amounts written off	**-**	(2,289)
Closing balance	**1,837,944**	1,837,352

8 TRANSACTIONS WITH RELATED PARTIES

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

	Unaudited 31 March 2021 AED'000	Unaudited 31 March 2020 AED'000
Compensation to key management personnel are as follows :		
- Salaries and other short-term employee benefits	**2,649**	2,567
- Provision towards staff terminal benefits	**188**	161

Balances with related parties in the consolidated statement of financial position represent balances due from an equity accounted investee of AED 7.6 million *(31 December 2020: AED 7.6 million)* and during the three-month period ended 31 March 2021, other related parties amounting to 31.5 million were classified as trade receivables.

9 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

During the three-month period ended 31 March 2021, the Group sold investments in funds and invested in various listed equity investments, having a fair value of AED 152.9 million at the reporting date (31 December 2020: AED 151.9 million), which resulted in a net profit on change in fair value of AED 2.8 million during the month period ended 31 March 2021 *(2020: net loss of AED 64 million)*.

The Group also has an investment in a real estate fund valued at AED 0.8 million at end of the period *(2020: AED 0.8 million)*.

As at 31 March 2021, investments amounting to AED 117.3 million were classified as non-current assets in the interim consolidated statement of financial position as the management intends to hold those investments for a period exceeding 12 months from the reporting date.

10 CASH AND CASH EQUIVALENTS

	Unaudited 31 March 2021 AED'000	Audited 31 December 2020 AED'000
Cash in hand	**1,683**	889
Cash at bank		
– in deposit accounts held under lien	**18,799**	14,781
– in current accounts	**21,109**	18,581
– in other deposit accounts	**8,401**	11,149
	49,992	45,400

	Unaudited 31 March 2021 AED'000	Audited 31 December 2020 AED'000
Cash and cash equivalents comprise:		
Cash in hand and at banks (excluding deposits under lien)	**31,193**	19,470
Bank overdrafts	**(195,205)**	(192,235)
	(164,012)	(172,765)

11 BASIC AND DILUTED EARNINGS PER SHARE

	Unaudited Three month period ended 31 March	
	2021	2020
Profit/(loss) attributable to shareholders (AED'000)	**5,553**	(121,868)
Weighted average number of shares	**4,289,540,134**	4,289,540,134
Basic and diluted earnings per share (AED)	**0.0013**	(0.0284)

12 BANK LOANS

	Unaudited 31 March 2021 AED'000	Audited 31 December 2020 AED'000
Balance	**1,458,414**	1,463,313
Less: Current portion	**(1,032,673)**	(1,000,257)
Non-current portion	**425,741**	463,056

The bank loans carry interest at commercial rates.

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

	Unaudited 31 March 2021 AED'000	Audited 31 December 2020 AED'000
At 1 January	**1,463,313**	1,518,304
Availed during the period/year	**14,779**	47,697
Repayments during the period/year	**(19,678)**	(102,688)
At the end of the period/year	**1,458,414**	1,463,313

At 31 March 2021, the two loans that have been classified as current liabilities at year-ended 2020 due to breach in contractual payments continue to be classified as current liabilities. Subsequent to 31 March 2021, the Group is in advanced discussions with the bank to rectify the breach.

13 TRADE AND OTHER PAYABLES

	Unaudited 31 March 2021 AED'000	Audited 31 December 2020 AED'000
Financial instruments		
Trade payables	**317,311**	323,471
Retention payables	**39,494**	39,355
Other payables and accruals	**883,535**	874,184
Total	**1,240,340**	1,237,010

	Unaudited 31 March 2021 AED'000	Audited 31 December 2020 AED'000
Provisions and accruals against contracting business	**563,558**	518,870
Provision for staff related payables	**35,821**	36,504
Provisions and accruals for payment to contractors cost	**36,763**	36,504

14 BANK OVERDRAFTS

	Unaudited 31 March 2021 AED'000	Audited 31 December 2020 AED'000
Bank overdrafts	**195,205**	192,235

Significant terms and conditions

Bank overdrafts have been obtained from local and foreign banks to finance the working capital requirements of the Group, which carry interest at commercial rates.

Securities

Bank overdrafts are secured by:

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

15 FINANCIAL INSTRUMENTS

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

	At fair value through profit or loss AED'000	**At amorized cost AED'000**	**Carrying amount AED'000**	**Fair value AED'000**
31 March 2021 (unaudited)				
Financial assets				
Non-current receivables	-	5,167	5,167	5,167
Investments at FVTPL	152,877	-	152,877	152,877
Trade and other receivables	-	319,901	319,901	319,901
Due from related parties	-	7,648	7,648	7,648
Cash in hand and at banks	-	49,992	49,992	49,992
Total	**152,877**	**382,708**	**535,585**	**535,585**
Financial liabilities				
Trade and other payables	-	1,240,340	1,240,340	1,240,340
Lease liabilities	-	23,554	23,554	23,554
Bank overdrafts	-	195,205	195,205	195,205
Bank loans	-	1,458,414	1,458,414	1,458,414
Total	**-**	**2,917,513**	**2,917,513**	**2,917,513**

	At fair value through profit or loss AED'000	At amorized cost AED'000	Carrying amount AED'000	Fair value AED'000
31 December 2020 (audited)				
Financial assets				
Non-current receivables	-	33,194	33,194	33,194
Investments at FVTPL	151,884	-	151,884	151,884
Trade and other receivables	-	281,183	281,183	281,183
Due from related parties	-	7,648	7,648	7,648
Cash in hand and at banks	-	45,400	45,400	45,400
Total	151,884	367,425	519,309	519,309
Financial liabilities				
Trade and other payables	-	1,237,010	1,237,010	1,237,010
Bank overdrafts	-	192,235	192,235	192,235
Bank loans	-	1,463,313	1,463,313	1,463,313
Lease liabilities	-	25,417	25,417	25,417
Total	-	2,917,975	2,917,975	2,917,975

15 FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

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

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

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

	Level 1 **AED'000**	Level 3 **AED'000**	Total **AED'000**
31 March 2021 (unaudited)			
Investments at fair value through profit or loss	**152,121**	**756**	**152,877**
31 December 2020 (audited)			
Investments at fair value through profit or loss	151,128	756	151,884

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

Level 1:

	Unaudited **31 March 2021** **AED'000**	Audited 31 December 2020 AED'000	Unaudited 31 March 2020 AED'000
Opening balance	**151,128**	196,164	197,512
Additions	**112,000**	830,395	238,738
Disposals	**(113,787)**	(833,313)	(240,837)
Transfer from investment in associate	-	1,213	-
Total gains or losses – net:	**2,780**	(43,331)	(63,980)
Closing balance	**152,121**	151,128	131,433

16 SEGMENT REPORTING

Business segments

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

16 SEGMENT REPORTING (CONTINUED)

	Real estate	Contracting	Goods and services	Investments	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
Three months period ended 31 March 2021 (unaudited)					
Segment revenue	**11,145**	**12,747**	**74,367**	**-**	**98,259**
Gain on financial instruments at FVTPL	**-**	**-**	**-**	**2,780**	**2,780**
Gain on sale of investment properties	**6,966**	**-**	**-**	**-**	**6,966**
Finance income	**493**	**19**	**-**	**-**	**512**
Other income	**21,315**	**114**	**1,415**	**6**	**22,850**
Direct cost	**(8,682)**	**(10,439)**	**(58,621)**	**-**	**(77,742)**
Administrative and general expenses	**(13,196)**	**(2,184)**	**(8,810)**	**(1,202)**	**(25,392)**
Finance cost	**(10,760)**	**(9,243)**	**(1,394)**	**(1,283)**	**(22,680)**
Profit/(loss) for the period	**7,281**	**(8,986)**	**6,957**	**301**	**5,553**
Capital expenditure	**1,224**	**215**	**1,777**	**-**	**3,216**
Depreciation of property, plant and equipment	**1,004**	**517**	**1,078**	**36**	**2,635**
Depreciation of right of use assets	**940**	**-**	**229**	**-**	**1,169**
As at 31 March 2021 (unaudited)					
Segment assets	**4,868,250**	**284,614**	**554,079**	**152,486**	**5,859,429**
Investments in associates	**-**	**-**	**-**	**87,368**	**87,368**
Total assets	**4,868,250**	**284,614**	**554,079**	**239,854**	**5,946,797**
Segment liabilities	**1,155,430**	**1,592,349**	**191,319**	**108,012**	**3,047,110**
Three months period ended 31 March 2020 (unaudited)					
Segment revenue	18,478	21,208	72,846	-	112,532
Loss on financial instruments at FVTPL	-	-	-	(63,980)	(63,980)
Loss on sale of investment properties	(19,500)	-	-	-	(19,500)
Finance income	40	18	-	-	58
Other income	779	2	194	9	984
Direct cost	(9,677)	(17,470)	(55,944)	-	(83,091)
Administrative and general expenses	(17,018)	(1,976)	(8,489)	(2,243)	(29,726)
Finance cost	(15,980)	(11,183)	(759)	(11,223)	(39,145)
Profit/(loss) for the period	(42,878)	(9,401)	7,848	(77,437)	(121,868)
Capital expenditure	584	524	277	-	1,385
Depreciation of property, plant and equipment	1,953	808	672	20	3,453
Depreciation of right of use assets	1,007	-	226	-	1,233
As at 31 December 2020 (audited)					
Segment assets	4,865,732	285,016	552,222	151,516	5,854,486
Investment in associates	-	-	-	87,368	87,368
Total assets	4,865,732	285,016	552,222	238,884	5,941,854
Segment liabilities	1,212,680	1,536,599	191,024	107,417	3,047,720

17 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

	Unaudited 31 March 2021 AED'000	Audited 31 December 2020 AED'000
Company and its subsidiaries		
Commitments:		
Capital commitments	**9,415**	12,015
Contingent liabilities:		
Letters of guarantee	**305,673**	309,960
Associate		
Contingent liabilities:		
Letters of guarantee	**252,500**	252,500

18 COVID-19 IMPACT

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

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

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