

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

Unaudited interim condensed
consolidated financial statements
31 March 2023

Union Properties Public Joint Stock Company and its subsidiaries

Unaudited interim condensed consolidated financial statements

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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 statement of financial position of Union Properties P.J.S.C (the “Company”) and its subsidiaries (the “Group”) as at 31 March 2023, and the related interim condensed consolidated statement of profit or loss and other comprehensive income, interim condensed consolidated statement of cash flows and interim condensed consolidated statement of changes in equity for the three month period then ended and other related 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”. Our responsibility is to express a conclusion on the interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*”. A review of interim 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 and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

Report on Review of Interim Condensed Consolidated Financial Statements To the shareholders of Union Properties P.J.S.C

Emphasis of Matter

- Material uncertainty related to going concern

We draw attention to note 3 of these interim condensed consolidated financial statements, which states that, the Group has reported a profit of AED 12.291 million for the three month period ended 31 March 2023, and as at that date has accumulated losses of AED 2,888 million, which exceeds 50% of its issued share capital. Furthermore, the Group's current liabilities exceed its current assets by AED 1,186 million as at that date. These conditions indicate the existence of a material uncertainty that may cast a significant doubt on the Group's ability to continue as a going concern.

As per article 309 of the UAE Federal Law No (32) of 2021, the management of the Group has prepared a short and medium term strategy plan, which is approved by the shareholders to financially support the Group and its operations for the foreseeable future. On this basis, the interim condensed consolidated financial statements are prepared on a going concern assumption. Our conclusion is not modified in respect of this matter.

- Valuation of investment properties

We draw attention to note 6 of these interim condensed consolidated financial statements. During the previous years, the Group had undertaken a survey of the Masterplan for Dubai Motorcity and 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"). Further, in accordance with the directions of the Dubai Development Authority, the Group had appointed approved independent third-party surveyors to perform a detailed survey of the entire land bank at the Dubai Motorcity. Based on the official third-party surveyor reports, the Group obtained an attestation from relevant parties for an additional GFA and thereafter also obtained an approval of the Traffic Impact Study from the Road and Transport Authority. Based on surveyor reports, valuations and approvals received from the experts and authorities, the management had continued with inclusion of the additional GFA to the value of AED 711.1 million in investment properties under the Motorcity land, despite a pending formal approval from the relevant parties, in the Group's interim condensed consolidated financial statements as at 31 March 2023 (31 December 2022: AED 711.1 million).

Subsequent to the period-end, the Company has registered a real estate claim before Dubai Courts against the relevant parties for failure to issue the required approval. Our conclusion is not modified in respect of this matter.

Other Matter

The interim condensed consolidated financial statements of the Group as at and for the three month period ended 31 March 2022 were reviewed by another auditor, who expressed an unmodified conclusion on those interim condensed consolidated financial statements on 12 May 2022.


GRANT THORNTON

Dr. Osama El-Bakry
Registration No: 935
Dubai, United Arab Emirates

May 09, 2023



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 2023

	Notes	Three-month period ended	
		2023 AED'000	2022 AED'000
Revenue from contracts with customers	14	122,138	105,732
Direct costs	14	(95,468)	(85,000)
Gross profit		26,670	20,732
Administrative and general expenses	14	(16,577)	(20,012)
Other operating income	5	3,486	3,822
Gain on sale of investment properties	6	6,179	-
Operating profit		19,758	4,542
Share of losses from associates, net		(1,680)	-
Other income	5	21,515	-
Finance income		130	4
Finance cost		(27,432)	(17,026)
Profit/(loss) for the period		12,291	(12,480)
Other comprehensive income for the period		-	-
Total comprehensive income/(loss) for the period		12,291	(12,480)
Basic and diluted earnings/(loss) per share (AED)	10	0.0029	(0.0029)

The notes from 1 to 16 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 2023

	Notes	Unaudited 31 March 2023 AED'000	Audited 31 December 2022 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment		313,071	311,474
Right-of-use assets		9,594	10,076
Investment properties	6	3,125,234	3,166,386
Development properties		7,504	7,504
Investment in an associate		77,647	79,327
Non-current receivables		10,580	11,830
Total non-current assets		3,543,630	3,586,597
Current assets			
Investments at fair value through profit or loss		699	699
Inventories		4,558	4,401
Contract assets		30,211	28,847
Trade and other receivables	7	300,336	396,525
Bank balance and cash	9	87,556	61,397
Total current assets		423,360	491,869
Total assets		3,966,990	4,078,466
EQUITY AND LIABILITIES			
Equity			
Share capital		4,289,540	4,289,540
Statutory reserve		355,976	355,976
Asset revaluation surplus		212,689	212,689
Accumulated losses		(2,888,555)	(2,900,846)
Total equity attributable to the shareholders of the Company		1,969,650	1,957,359
Non-current liabilities			
Non-current portion of bank loans	11	336,100	341,371
Contract liabilities		8,118	8,118
Lease liabilities		10,124	10,498
Provision for staff terminal benefits		33,411	30,630
Total non-current liabilities		387,753	390,617
Current liabilities			
Trade and other payables	12	1,102,352	1,143,104
Contract liabilities		50,972	52,824
Lease liabilities		2,531	2,624
Bank overdrafts		41,663	50,811
Current portion of bank loans	11	412,069	481,127
Total current liabilities		1,609,587	1,730,490
Total liabilities		1,997,340	2,121,107
Total equity and liabilities		3,966,990	4,078,466

The interim condensed consolidated financial statements were authorised for issue on 09 May 2023 by the Board of Directors and signed on its behalf by:


Chairman




Board Member & Managing Director

The notes from 1 to 16 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 2023

	Note	Three-month period ended	
		31 March	
		2023	2022
		AED'000	AED'000
Operating activities			
Profit/(loss) for the period		12,291	(12,480)
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment		2,380	2,615
Depreciation of right of use assets		482	1,169
Gain on sale of investment properties	6	(6,179)	-
Share of results of associates, net		1,680	-
Finance income		(130)	(4)
Finance cost		27,445	17,026
<i>Operating profit before working capital changes</i>		37,969	8,326
Change in non-current receivables			
Change in inventories		(157)	(84)
Change in contract assets		(1,364)	2,926
Change in trade and other receivables		(14,910)	16,507
Change in non-current payables		(408)	(210)
Change in trade and other payables and contract liabilities		(22,753)	(21,123)
Change in staff terminal benefits (net)		2,781	1,104
<i>Net cash from operating activities</i>		1,158	7,446
Investing activities			
Additions to property, plant and equipment		(3,669)	(1,527)
Additions to investment properties		(2,234)	-
Proceeds from disposal of property, plant and equipment		252	300
Proceeds from sale of investment properties		49,565	-
Interest income received		130	4
Changes in deposits under lien with banks		(1,115)	(12,629)
<i>Net cash generated/(used in) from investing activities</i>		42,929	(13,852)
Financing activities			
Proceed from long-term bank loans		28,817	17,832
Repayment of long-term bank loans		(31,037)	(39,129)
Interest paid		(7,675)	(4,944)
<i>Net cash used in financing activities</i>		(9,895)	(26,241)
Net increase/(decrease) in cash and cash equivalents		34,192	(32,647)
Bank balance and cash at the beginning of the period		780	(60,374)
Bank balance and cash at the end of the period	9	34,972	(93,021)

The notes from 1 to 16 form an integral part of these interim condensed consolidated financial statements.

Union Properties Public Joint Stock Company and its subsidiaries

Interim condensed consolidated statement of changes in equity (unaudited)

For the three-month period ended 31 March 2023

	Share capital AED'000	Statutory reserve AED'000	Asset revaluation surplus AED'000	Accumulated losses AED'000	Total AED'000
At 1 January 2022 (audited)	4,289,540	352,978	212,689	(2,927,828)	1,927,379
Total comprehensive loss for the period	-	-	-	(12,480)	(12,480)
At 31 March 2022 (unaudited)	<u>4,289,540</u>	<u>352,978</u>	<u>212,689</u>	<u>(2,940,308)</u>	<u>1,914,899</u>
At 1 January 2023 (audited)	4,289,540	355,976	212,689	(2,900,846)	1,957,359
Total comprehensive income for the period	-	-	-	12,291	12,291
At 31 March 2023 (unaudited)	<u>4,289,540</u>	<u>355,976</u>	<u>212,689</u>	<u>(2,888,555)</u>	<u>1,969,650</u>

The notes from 1 to 16 form an integral part of these interim condensed consolidated financial statements.

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

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

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

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

2 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 1 January 2023 and has been explained in Group annual consolidated financial statements as at year ended 31 December 2022 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 2022. 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, and land as included in property, plant and equipment 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 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

Going concern assumption

As at 31 March 2023, the Group's accumulated losses exceed 50% of its issued share capital and as such in accordance with Article 309 of the UAE Federal Law No (32) of 2021, the Company called a General Assembly on 17 April 2023 to vote on either dissolving the Company or to continue its activity with an appropriate restructuring plan. A special resolution has been passed by the General Assembly to approve the continuity of operations for the Company in accordance with Article 302 of the UAE Federal Law No (32) of 2021. Furthermore, the Group's current liabilities exceed its current assets by AED 1,186 million as at that date.

The management of the Group has prepared an appropriate restructuring plan along with a short and medium term strategy plan leveraged by a long-term vision and that the Group will have adequate resources to continue its operation in the foreseeable future.

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements (continued)

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 2022.

5 OTHER INCOME AND OTHER OPERATING INCOME

	Unaudited 31 March 2023 AED'000	Unaudited 31 March 2022 AED'000
Write back of liabilities (note 5.1)	12,366	-
Foreign exchange gain (note 5.2)	9,149	-
Other income	21,515	-
Other operating income	3,486	3,822
	25,001	3,822

5.1 Write back of liabilities

The write back 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.

5.2 Foreign exchange gain

Foreign exchange gain represents gain of account of overdraft balances held in Egyptian pound.

6 INVESTMENT PROPERTIES

	Unaudited 31 March 2023 AED'000	Audited 31 December 2022 AED'000	Unaudited 31 March 2022 AED'000
At 1 January	3,166,386	3,260,726	3,260,726
Additions during the period/year	2,234	6,449	-
Gain on fair valuation	-	25,997	-
Sale of investment properties	(43,386)	(126,786)	-
Closing balance	3,125,234	3,166,386	3,260,726

The Group follows the fair value model under IAS 40 (Revised 2016) 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 2022 by an independent registered valuer, Land Sterling, who carried out the valuation in accordance with RICS Appraisal and the Valuation Manual issued by the Royal Institute of Chartered Surveyors.

Sale of investment properties

During the three-month period ended 31 March 2023, investment properties with a carrying value of AED 43.4 million (2022: nil) were disposed of for a consideration of AED 49.6 million resulting in a gain of AED 6.2 million.

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements (continued)

6 INVESTMENT PROPERTIES (CONTINUED)

Valuation gain on gross floor area

During the previous years, the Group had undertaken a full review of the Masterplan for Dubai Motorcity and 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"). Furthermore, in accordance with the directions of Dubai Development Authority, the Group had appointed approved independent third party surveyors to perform a detailed survey of the entire land bank at Dubai Motorcity. Based on the official third party surveyor reports, the Group got an attestation from the relevant parties for the reserved GFA and thereafter also got an approval of the Traffic Impact Study from Road and Transport Authority. Based on surveyor reports, valuation and approvals received from the experts and authorities, the management had continued with inclusion of the reserved GFA to the value of AED 711.1 million in the valuation of the Motorcity land bank in the interim condensed consolidated financial statements as at 31 March 2023 (31 December 2022: AED 711.1 million).

Subsequent to the period, the Company has registered a real estate claim before Dubai Courts against the relevant parties for failure to issue approval to the Company to benefit from its lands located in the Motor City area without any legal or contractual basis.

7 TRADE AND OTHER RECEIVABLES

	Unaudited 31 March 2023 AED'000	Audited 31 December 2022 AED'000
Financial instruments		
Trade receivables	270,442	250,985
Retention receivables	11,764	10,487
	<u>282,206</u>	<u>261,472</u>
Less: allowance for expected credit losses	(116,682)	(117,292)
	<u>165,524</u>	<u>144,180</u>
Property sales receivables	64,403	63,839
Other receivables	40,515	52,365
Total (A)	<u>270,442</u>	<u>260,384</u>
Non-financial instruments		
Advances to contractors (note 7.2)	5,510	4,684
Advances to banks against loan principal and interest (note 11)	-	112,000
Prepayments and advances	24,384	19,457
Total (B)	<u>29,894</u>	<u>136,141</u>
Total (A+B)	<u>300,336</u>	<u>396,525</u>

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements (continued)

7 TRADE AND OTHER RECEIVABLES (CONTINUED)

The Group's exposure to credit risk and impairment losses related to receivables are disclosed below:

Impairment losses

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

			Trade and other receivables				
				Past due			
	Advances to contractors	Retentions receivable	Current	1-90 days	91-365 days	>365 days	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
31 March 2023							
Expected credit loss rate	94.27%	0.00%	0.00%	0.00%	21.07%	78.55%	
Gross amount	96,102	11,764	57,190	41,455	31,780	140,017	378,308
Expected credit loss	90,592	-	-	-	6,696	109,986	207,274
31 December 2022							
Expected credit loss rate	95.08%	0.00%	0.00%	0.00%	23.38%	79.94%	
Gross amount	95,276	10,487	50,462	31,294	31,816	137,413	356,748
Expected credit loss	90,592	-	-	-	7,438	109,854	207,884

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 2023 AED'000	Audited 31 December 2022 AED'000
At 1 January	207,884	207,444
Allowance for the period/year	350	1,470
Amounts written off	(960)	(1,030)
Closing balance	207,274	207,884

7.1 Allowance for expected credit losses

	Unaudited 31 March 2023 AED'000	Audited 31 December 2022 AED'000
Allowance against trade receivables	116,682	117,292
Allowance against advances to contractors	90,592	90,592
	207,274	207,884
Allowance against contract assets	6,156	6,156
	213,430	214,040

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements (continued)

7 TRADE AND OTHER RECEIVABLES (CONTINUED)

7.2 Advances to contractors

	Unaudited 31 March 2023 AED'000	Audited 31 December 2022 AED'000
Advances to contractors	96,102	95,276
Less: Allowance for expected credit losses	(90,592)	(90,592)
	<u>5,510</u>	<u>4,684</u>

Significant payments aggregating to AED 90.6 million were made, between May and October 2021 to a third party vendor. Those payments were documented internally as related to various design and project management contracts, although the management identified that no or negligible service had been received.

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 2023 AED'000	Unaudited 31 March 2022 AED'000
Compensation to key management personnel are as follows :		
- Salaries and other short-term employee benefits	1,952	1,217
- Provision towards staff terminal benefits	<u>204</u>	<u>108</u>

Director's fee

At the Annual General Meeting held on 17 April 2023, the shareholders approved the proposed Directors' fee amounting to AED 1.4 million for the year ended 31 December 2022.

9 BANK BALANCE AND CASH

	Unaudited 31 March 2023 AED'000	Audited 31 December 2022 AED'000
Cash in hand	1,019	703
Cash at bank		
– in current accounts	29,616	50,888
– in fixed deposits with maturities of three months or less	46,000	-
– in deposit accounts held under lien	10,921	9,806
	<u>87,556</u>	<u>61,397</u>

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements (continued)

9 BANK BALANCE AND CASH (CONTINUED)

	Unaudited 31 March 2023 AED'000	Audited 31 December 2022 AED'000
Bank balance and cash comprise:		
Bank balance and cash (excluding deposits under lien)	76,635	51,591
Bank overdrafts	(41,663)	(50,811)
	<u>34,972</u>	<u>780</u>

10 BASIC AND DILUTED EARNINGS PER SHARE

	Unaudited Three month period ended 31 March 2023 AED'000	2022 AED'000
Profit/(loss) attributable to shareholders (AED)	12,291	(12,480)
Weighted average number of shares	4,289,540	4,289,540
Basic and diluted earnings per share (AED)	<u>0.0029</u>	<u>(0.0029)</u>

11 BANK LOANS

	Unaudited 31 March 2023 AED'000	Audited 31 December 2022 AED'000
Balance	748,169	822,498
Less: Current portion	(412,069)	(481,127)
Non-current portion	<u>336,100</u>	<u>341,371</u>

The bank loans carry interest at commercial rates.

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

	Unaudited 31 March 2023 AED'000	Audited 31 December 2022 AED'000
At 1 January	822,498	878,656
Availed during the period/year	28,817	244,842
Repayments during the period/year	(31,037)	(301,000)
Settlement against advances to bank (refer below)	(72,109)	-
At the end of the period/year	<u>748,169</u>	<u>822,498</u>

At 31 March 2023, one loan that had been classified as current liability since the year ended 31 December 2020, due to breach in contractual payments, continues to be classified as current liability.

During the previous year the Company had paid an advance of AED 112 million against one of their loans out of which, AED 72.1 million was adjusted against the principal and AED 39.9 million against the interest during the period.

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements (continued)

12 TRADE AND OTHER PAYABLES

	Unaudited 31 March 2023 AED'000	Audited 31 December 2022 AED'000
Financial instruments		
Trade payables	68,204	84,205
Retention payables	2,813	2,978
Other payables and accruals (note 12.1)	1,031,335	1,055,921
Total	1,102,352	1,143,104

12.1 Other payables and accruals

	Unaudited 31 March 2023 AED'000	Audited 31 December 2022 AED'000
<i>Other payables and accruals mainly includes:</i>		
Provisions and accruals against contracting business	738,652	738,652
Provision for staff related payables	26,096	33,505
Provisions and accruals for payment to contractors cost	257,013	274,353

13 FINANCIAL INSTRUMENTS

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

	At fair value through profit or loss AED'000	At amortized cost AED'000	Carrying amount AED'000	Fair value AED'000
31 March 2023 (unaudited)				
<i>Financial assets</i>				
Non-current receivables	-	10,580	10,580	10,580
Investments at FVTPL	699	-	699	699
Trade and other receivables	-	270,442	270,442	270,442
Cash in hand and at banks	-	87,556	87,556	87,556
Total	699	368,578	369,277	369,277
<i>Financial liabilities</i>				
Trade and other payables	-	1,102,352	1,102,352	1,102,352
Lease liabilities	-	12,655	12,655	12,655
Bank overdrafts	-	41,663	41,663	41,663
Bank loans	-	748,169	748,169	748,169
Total	-	1,904,839	1,904,839	1,904,839

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements (continued)

13 FINANCIAL INSTRUMENTS (CONTINUED)

	At fair value through profit or loss AED'000	At amortized cost AED'000	Carrying amount AED'000	Fair value AED'000
31 December 2022 (audited)				
<i>Financial assets</i>				
Non-current receivables	-	11,830	11,830	11,830
Investments at FVTPL	699	-	699	699
Trade and other receivables	-	260,384	260,384	260,384
Cash in hand and at banks	-	61,397	61,397	61,397
Total	<u>699</u>	<u>333,611</u>	<u>334,310</u>	<u>334,310</u>
<i>Financial liabilities</i>				
Trade and other payables	-	1,143,104	1,143,104	1,143,104
Bank overdrafts	-	50,811	50,811	50,811
Bank loans	-	822,498	822,498	822,498
Lease liabilities	-	13,122	13,122	13,122
Total	<u>-</u>	<u>2,029,535</u>	<u>2,029,535</u>	<u>2,029,535</u>

Fair value hierarchy

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

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

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

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
31 March 2023 (unaudited)				
Investments at fair value through profit or loss	<u>-</u>	<u>-</u>	<u>699</u>	<u>699</u>
31 December 2022 (audited)				
Investments at fair value through profit or loss	<u>-</u>	<u>-</u>	<u>699</u>	<u>699</u>

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

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements (continued)

14 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:

	Real estate	Contracting	Goods and services	Investments	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
Three-month period ended 31 March 2023 (unaudited)					
Segment revenue	11,066	8,837	102,235	-	122,138
Direct cost	(5,549)	(7,862)	(82,057)	-	(95,468)
Gross profit	5,517	975	20,178	-	26,670
Administrative and general expenses	(6,637)	(1,045)	(8,895)	-	(16,577)
Other operating income	944	86	2,456	-	3,486
Loss on sale of investment properties	6,179	-	-	-	6,179
Operating profit	6,003	16	13,739	-	19,758
Share of losses from an associate, net	-	-	-	(1,680)	(1,680)
Other income	12,366	-	-	9,149	21,515
Finance income	130	-	-	-	130
Finance cost	(23,840)	-	(3,592)	-	(27,432)
Profit/(loss) for the period	(5,341)	16	10,147	7,469	12,291
Capital expenditure	2,234	1,626	2,043	-	5,903
Depreciation of property, plant and equipment	453	667	1,203	57	2,380
Depreciation of right of use assets	310	-	172	-	482
As at 31 March 2023 (unaudited)					
Segment assets	3,296,029	37,083	555,944	287	3,889,343
Investment in an associate	-	-	-	77,647	77,647
Total assets	3,296,029	37,083	555,944	77,934	3,966,990
Segment liabilities	1,403,336	265,926	285,367	42,711	1,997,340
Three-month period ended 31 March 2022 (unaudited)					
Segment revenue	10,071	5,605	90,056	-	105,732
Direct cost	(6,645)	(6,377)	(71,978)	-	(85,000)
Gross profit	3,426	(772)	18,078	-	20,732
Administrative and general expenses	(10,243)	(1,266)	(8,399)	(104)	(20,012)
Other operating income	1,187	32	2,603	-	3,822
Operating profit/(loss)	(5,630)	(2,006)	12,282	(104)	4,542
Finance income	-	4	-	-	4
Finance cost	(14,439)	-	(1,274)	(1,313)	(17,026)
Profit/(loss) for the period	(20,069)	(2,002)	11,008	(1,417)	(12,480)
Capital expenditure	153	55	293	-	501
Depreciation of property, plant and equipment	1,057	498	1,003	57	2,615
Depreciation of right of use assets	940	-	229	-	1,169
As at 31 December 2022 (audited)					
Segment assets	3,407,553	39,619	551,680	287	3,999,139
Investment in an associate	-	-	-	79,327	79,327
Total assets	3,407,553	39,619	551,680	79,614	4,078,466
Segment liabilities	946,279	832,039	290,930	51,859	2,121,107

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the interim condensed consolidated financial statements (continued)

15 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

	Unaudited 31 March 2023 AED'000	Audited 31 December 2022 AED'000
<i>Company and its subsidiaries</i>		
Commitments:		
Capital commitments	<u>19,364</u>	<u>19,715</u>
Contingent liabilities:		
Letters of guarantee	<u>289,195</u>	<u>224,455</u>
<i>Associate</i>		
Contingent liabilities:		
Letters of guarantee	<u>252,500</u>	<u>252,500</u>

16 CORPORATE TAX LAW

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

As the Group's accounting year ends on 31 December, accordingly the effective implementation date for the Group will start from 1 January 2024 to 31 December 2024, with the first return to be filed on or before 30 September 2025. The Corporate Tax Law confirms the rate of 9% to be applied to taxable income exceeding a specified threshold to taxable income exceeding AED 375,000. As certain other cabinet decisions are pending as on the date of these interim condensed consolidated financial statements, the Group will continue to assess the impact of these pending cabinet decisions on deferred taxes and when finalized and published.