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

Unaudited interim condensed consolidated financial statements

30 June 2024

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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 June 30, 2024, the related interim condensed consolidated statement of profit or loss and other comprehensive income for the six-month periods then ended, interim condensed consolidated statement of changes in equity, interim condensed consolidated statement of cash flows for the six-month period then ended and other related explanatory notes. Management is responsible for the preparation and 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".

Material Uncertainty Related to Going Concern

Without modifying our conclusion, we draw attention to note 3 to the interim condensed consolidated financial statements. The Group has accumulated losses of AED 2,070 million and its current liabilities exceed its current assets by AED 91 million as at June 30, 2024 which indicate the existence of a material uncertainty which may cast a significant doubt on the Group's ability to continue as a going concern.

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01 August 2024

Union Properties Public Joint Stock Company and its subsidiaries

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

For the six-month period ended 30 June 2024

		Six-month period ended 30 June	
	Notes	**2024 AED'000**	2023 AED'000
Revenue from contracts with customers	*14*	**265,785**	240,843
Direct costs	*14*	**(213,139)**	(195,209)
Gross profit		**52,646**	45,634
Administrative and general expenses	*14*	**(51,318)**	(37,482)
Other operating income		**9,902**	8,998
Gain on sale of investment properties	*6*	**31,201**	38,625
Operating profit		**42,431**	55,775
Share of losses from an associate, net		**(5,814)**	(29,014)
Other income	*5*	**17,597**	46,683
Finance income		**150**	413
Finance cost		**(15,033)**	(56,147)
Profit before tax for the period		**39,331**	17,710
Income tax for the period	*16*	**(4,561)**	-
Profit for the period		**34,770**	17,710
Total comprehensive income for the period		**34,770**	17,710
Basic and diluted earnings per share (AED)	*10*	**0.0081**	0.0041

The notes from 1 to 17 form an integral part of these interim condensed consolidated financial statements

Union Properties Public Joint Stock Company and its subsidiaries

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

For the three-month period ended 30 June 2024

	Notes	Three-month period ended 30 June 2024 AED'000	2023 AED'000
Revenue from contracts with customers	*14*	**127,671**	118,705
Direct costs	*14*	**(109,165)**	(99,741)
Gross profit		**18,506**	18,964
Administrative and general expenses	*14*	**(23,413)**	(20,905)
Other operating income		**5,987**	5,512
Gain on sale of investment properties		**30,228**	32,446
Operating profit		**31,308**	36,017
Share of losses from an associate, net		**(4,516)**	(27,334)
Other income		**-**	25,168
Finance income		**68**	283
Finance cost		**(6,384)**	(28,715)
Profit before tax for the period		**20,476**	5,419
Income tax for the period		**(2,179)**	-
Profit for the period		**18,297**	5,419
Total comprehensive income for the period		**18,297**	5,419
Basic and diluted earnings per share (AED)	*10*	**0.0043**	0.0013

The notes from 1 to 17 form an integral part of these interim condensed consolidated financial statements

Union Properties Public Joint Stock Company and its subsidiaries

Interim condensed consolidated statement of financial position

As at 30 June 2024

	Notes	Unaudited 30 June 2024 AED'000	Audited 31 December 2023 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment		318,501	309,684
Right-of-use assets		15,287	8,090
Investment properties	*6.1*	2,868,889	2,957,379
Development properties		12,455	11,912
Investment in an associate		14,101	19,914
Non-current receivables		117,326	11,575
Total non-current assets		3,346,559	3,318,554
Current assets			
Investment properties held for sale	*6.2*	540,960	932,960
Investments at fair value through profit or loss		704	699
Inventories		5,886	5,852
Contract assets		28,648	29,575
Trade and other receivables	*7*	588,780	413,807
Bank balances and cash	*9*	44,295	78,305
Total current assets		1,209,273	1,461,198
Total assets		4,555,832	4,779,752
EQUITY AND LIABILITIES			
Equity			
Share capital		4,289,540	4,289,540
Statutory reserve		397,857	397,857
Asset revaluation surplus		212,689	212,689
Accumulated losses		(2,070,340)	(2,105,110)
Total equity attributable to the shareholders of the Company		2,829,746	2,794,976
Non-current liabilities			
Non-current portion of bank loans	*11*	197,405	220,935
Non-current payables		183,000	244,000
Lease liabilities		14,193	8,979
Provision for staff terminal benefits		31,179	30,600
Total non-current liabilities		425,777	504,514
Current liabilities			
Trade and other payables	*12*	636,162	437,046
Contract liabilities		12,955	12,452
Lease liabilities		1,920	2,245
Bank overdrafts		27,707	41,589
Current portion of bank loans	*11*	621,565	986,930
Total current liabilities		1,300,309	1,480,262
Total liabilities		1,726,086	1,984,776
Total equity and liabilities		4,555,832	4,779,752

The interim condensed consolidated financial statements were authorised for issue on August 1st 2024 by the Board of Directors and signed on its behalf by:

Chairman

Board Member & CEO

The notes from 1 to 17 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 six-month period ended 30 June 2024

	Notes	Six-month period ended 30 June 2024 AED'000	2023 AED'000
Operating activities			
Profit for the period		**34,770**	17,710
Adjustments for:			
Depreciation of property, plant and equipment		**4,561**	4,313
Depreciation of right of use assets		**11,580**	839
Gain on sale of investment properties	6	**(31,201)**	(38,625)
Share of losses from an associate		**5,814**	29,014
Finance income		**(150)**	(413)
Finance cost		**15,033**	56,147
Operating profit before working capital changes		**40,407**	68,985
Change in inventories		**(34)**	(977)
Change in contract assets		**927**	(4,931)
Change in trade and other receivables & non - current receivables		**(15,308)**	(1,973)
Change in non-current payables		**2,968**	844
Change in trade and other payables and contract liabilities		**127,284**	(51,101)
Change in staff terminal benefits (net)		**579**	3,141
Net cash from operating activities		**156,823**	13,988
Investing activities			
Additions to property, plant and equipment		**(6,030)**	(6,824)
Additions to investment properties		**(125)**	(2,234)
Proceeds from disposal of property, plant and equipment		**6,771**	373
Proceeds from sale of investment properties		**245,950**	121,221
Interest income received		**150**	413
Changes in deposits under lien with banks		**2,992**	6,055
Net cash generated from investing activities		**249,708**	119,004
Financing activities			
Proceed from long-term bank loans		**33,149**	40,944
Repayment of long-term bank loans	11	**(422,044)**	(60,589)
Interest paid		**(5,740)**	(15,403)
Net cash used in financing activities		**(394,635)**	(35,048)
Net increase in cash and cash equivalents		**11,896**	97,944
Cash and cash equivalent at the beginning of the period		**780**	780
Cash and cash equivalent at the end of the period	9	**12,676**	98,724

The notes from 1 to 17 form an integral part of these interim condensed consolidated financial statements.

	Share capital AED'000	Statutory reserve AED'000	Asset revaluation surplus AED'000	Accumulated losses AED'000	Total Equity AED'000
At 1 January 2023 (audited)	4,289,540	355,976	212,689	(2,900,846)	1,957,359
Total comprehensive income for the period	-	-	-	17,710	17,710
At 30 June 2023 (unaudited)	**4,289,540**	**355,976**	**212,689**	**(2,883,136)**	**1,975,069**
At 1 January 2024 (audited)	4,289,540	397,857	212,689	(2,105,110)	2,794,976
Total comprehensive income for the period	-	-	-	34,770	34,770
At 30 June 2024 (unaudited)	**4,289,540**	**397,857**	**212,689**	**(2,070,340)**	**2,829,746**

The notes from 1 to 17 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 include but is not limited to 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 2024 and has been explained in Group annual consolidated financial statements as at year ended 31 December 2023 but they do not have a material impact on the Group's interim condensed consolidated financial statements.

3 BASIS OF PREPARATION AND MATERIAL 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 2023. 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.

Income tax expense for the interim period is determined by applying management's best estimate of the weighted-average income tax rate for annual period, adjusted for certain items fully applicable to the interim period if needed, to profit or loss before tax.

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 investments at fair value through profit or loss, 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 six-month period ended 30 June 2024 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2024.

Going concern assumption

The Group's interim condensed consolidated financial statements have been prepared on a going concern basis. As of 30 June 2024, the Group's current accumulated losses reached an amount of AED 2,070 million from an issued capital of AED 4,290 million reaching 48.2% of its issued share capital.

3 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

Going concern assumption (continued)

The Group's management team is committed in implementing a thorough cost rationalization plan reducing its operating costs and overheads along with a change in management program which will create impact on entity's business model, financial structure, and management team, to address challenges in order to increase value of the Company for shareholders. Management of the Group has prepared a short and medium term strategy plan leveraged by a long-term vision for a period of six years from the date of these interim condensed consolidated financial statements and there is high probability that the Group will have adequate resources to continue its operation in the foreseeable future.

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 2023 except for the estimation of corporate tax (note 16).

Corporate tax related judgements
The Group recognizes income tax provisions using judgements and estimates based on latest expert opinions of its tax advisors in relation to suggested tax groupings and election for the realization/accrual basis which is still under management assessment. Differences, if any, between the recorded income tax provision and final tax liability, are recorded on the final determination of such liability.

5 OTHER INCOME AND OTHER OPERATING INCOME

	Unaudited 30 June 2024 AED'000	Unaudited 30 June 2023 AED'000
Write back of liabilities / reversal of provisions (note 5.1)	**3,714**	37,534
Foreign exchange gain (note 5.2)	**13,883**	9,149
	17,597	46,683

5.1 Write back of liabilities/ reversal of provisions

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

5.2 Foreign exchange gain

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

6 INVESTMENT PROPERTIES

6.1 Movement in Investment properties

	Unaudited 30 June 2024 AED'000	Audited 31 December 2023 AED'000
At 1 January	**2,957,379**	3,163,998
Additions during the period/year	**125**	1,812
Transfer from property, plant and equipment	-	10,136
Investments held for sale	-	(932,960)
Gain on fair valuation	-	905,880
Sale of investment properties	**(88,615)**	(191,487)
Closing balance	**2,868,889**	2,957,379

The Group follows the fair value model under IAS 40 Investment property 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 2023 by an independent registered valuer, 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 six-month period ended 30 June 2024, investment properties with a carrying value of AED 88.6 million (30 June 2023: AED 82.6 million) were disposed of for a consideration of AED 119.8 million resulting in a gain of AED 31.2 million.

Valuation gain on gross floor area

In previous years, the Group had conducted a survey of the Masterplan for Dubai Motorcity (built and non-built area) and submitted formal requests to the concerned regulatory authorities for the issuance of revised affection plans with amended Gross Floor Areas ("GFA") and requesting to repurpose the land usage (in some cases).

After a long journey and constructive negotiation, the Group announced in Q4 2023 a major step forward by achieving a settlement with the regulator. Under the agreement, the Group is honoring the payment plan agreed with "Dubai land" for a total amount of AED 400 million by instalments over a three (3) year period, to obtain a no objection certificate from the regulator, which allows the Group to repurpose parts of its Motor City master plan including the Theme Park land.

6.2 Investment properties held for sale

	Unaudited 30 June 2024 AED'000	Audited 31 December 2023 AED'000
Opening balance	**932,960**	-
Reclassed from investments properties	-	932,960
Sold during the period/year	**(392,000)**	-
Closing balance	**540,960**	932,960

Investment properties held for sale represent land plots intended to be sold in the normal course of business. The balance of these properties as at the period-end amounted to AED 540.96 million (31 Dec 2023: AED 932.96 million). The estimates of net realisable values are based on the most reliable evidence available at the reporting date of the amount that the Group is expected to realise from the sale of these properties in its ordinary course of business.

6 INVESTMENT PROPERTIES (CONTINUED)

6.2 Investment properties held for sale (continued)

During the six-month period ended 30 June 2024 the Group has disposed properties amounting to AED 392 million which were classified as held for sale as at 31 December 2023, the consideration received was equal to the carrying value of the properties as such no gain or loss arose on this transaction.

7 TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2024 AED'000	Audited 31 December 2023 AED'000
Financial instruments		
Trade receivables	**277,048**	326,823
Property sales receivables	**317,440**	100,167
Retention receivables	**11,588**	14,386
	606,076	441,376
Less: allowance for expected credit losses	**(109,165)**	(110,002)
	496,911	331,374
Other receivables	**59,828**	61,976
Total (A)	**556,739**	393,350
Non-financial instruments		
Advances to contractors (note 7.2)	**4,203**	2,499
Prepayments and advances	**27,838**	17,958
Total (B)	**32,041**	20,457
Total (A+B)	**588,780**	413,807

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*	*Property sales 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	AED'000
30 June 2024								
Expected credit loss rate	**95.57%**	**45.85%**	**0.00%**	**0.00%**	**0.00%**	**2.52%**	**79.03%**	**28.50%**
Gross amount	**94,795**	**11,588**	**317,440**	**79,458**	**30,403**	**36,956**	**130,231**	**700,871**
Expected credit loss	**90,592**	**5,313**	**-**	**-**	**-**	**931**	**102,921**	**199,757**
31 December 2023								
Expected credit loss rate	97.32%	50.11%	0.00%	0.00%	4.66%	32.12%	72.47%	37.53%
Gross amount	93,091	14,386	100,167	88,289	86,454	28,367	123,713	534,467
Expected credit loss	90,592	7,209	-	-	4,031	9,112	89,650	200,594

7 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	Unaudited 30 June 2024 AED'000	Audited 31 December 2023 AED'000
At 1 January	**200,594**	207,884
Provision for the period/year	**450**	4,252
Amounts written off	**(1,287)**	(11,542)
Closing balance	**199,757**	200,594

7.1 Allowance for expected credit losses

	Unaudited 30 June 2024 AED'000	Audited 31 December 2023 AED'000
Allowance against trade receivables	**109,165**	110,002
Allowance against advances to contractors	**90,592**	90,592
	199,757	200,594

7.2 Advances to contractors

	Unaudited 30 June 2024 AED'000	Audited 31 December 2023 AED'000
Advances to contractors	**94,795**	93,091
Less: Allowance for expected credit losses	**(90,592)**	(90,592)
	4,203	2,499

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, therefore the Company decided to classify it as advances to contractors.

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 on terms and conditions approved by the Group's management.

During the previous year the Group has extended a loan to its associate AED 3.4 million which was recognized in the interim condensed consolidated financials June 30, 2024 carrying an interest of 2.75% + 3 months EIBOR.

The significant transactions with related parties, other than those already disclosed separately elsewhere in the interim condensed consolidated financial statements are as follows:

8 TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

	Unaudited 30 June 2024 AED'000	Unaudited 30 June 2023 AED'000
Interest received on loan extended to associate	**150**	-
Compensation to key management personnel are as follows :		
- Salaries and other short-term employee benefits	**3,826**	4,470
- Provision towards staff terminal benefits	**205**	458

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 2023.

9 BANK BALANCES AND CASH

	Unaudited 30 June 2024 AED'000	Audited 31 December 2023 AED'000
Cash in hand	**1,009**	1,054
Cash at bank		
– in current accounts	**39,374**	70,347
– in deposit accounts held under lien	**3,912**	6,904
	44,295	78,305

	Unaudited 30 June 2024 AED'000	Audited 31 December 2023 AED'000
Cash and cash equivalent comprise:		
Bank balance and cash (excluding deposits under lien)	**40,383**	71,401
Bank overdrafts	**(27,707)**	(41,589)
	12,676	29,812

10 BASIC AND DILUTED EARNINGS PER SHARE

	Unaudited Six month period ended 30 June		Unaudited Three month period ended 30 June	
	2024	2023	**2024**	2023
Profit attributable to shareholders (AED)	**34,770**	17,710	**18,297**	5,419
Weighted average number of shares	**4,289,540**	4,289,540	**4,289,540**	4,289,540
Basic and diluted earnings per share (AED)	**0.0081**	0.0041	**0.0043**	0.0013

11 BANK LOANS

	Unaudited 30 June 2024 AED'000	Audited 31 December 2023 AED'000
Balance	**818,970**	1,207,865
Less: Current portion	**(621,565)**	(986,930)
Non-current portion	**197,405**	220,935

The bank loans carry interest at commercial rates. The movement in bank loans during the period/year was as follows:

	Unaudited 30 June 2024 AED'000	Audited 31 December 2023 AED'000
At 1 January	**1,207,865**	822,498
Availed during the period/year	**33,149**	101,227
Repayments during the period/year	**(422,044)**	(130,943)
Movement due to the loan restructure during the year	-	487,192
Settlement against advances to bank	-	(72,109)
At the end of the period/year	**818,970**	1,207,865

The Group continues to honour its payment plans agreed under the settlement agreement reached with a local bank during FY 2023.

12 TRADE AND OTHER PAYABLES

	Unaudited 30 June 2024 AED'000	Audited 31 December 2023 AED'000
Financial liabilities		
Trade payables	**199,129**	207,013
Retention payables	**1,095**	2,265
Accruals and deposits payables	**97,584**	93,757
Total	**297,808**	303,035
Non financial liabilities:		
Advances received from customers	**222,641**	10,777
Corporate tax payable	**4,561**	-
Other payables and accruals	**111,152**	123,234
	338,354	134,011
Total	**636,162**	437,046

12.1 Other payables and accruals

	Unaudited 30 June 2024 AED'000	Audited 31 December 2023 AED'000
Other payables and accruals mainly includes:		
Provisions and accruals against contracting business	-	2,492
Provision for staff related payables	**25,231**	32,338
Provisions and accruals for payment to contractors cost	**167,484**	166,977

13 FINANCIAL INSTRUMENTS

Financial assets of the Group include non-current receivables, investments at FVTPL, trade and other receivables and cash 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 amorized cost AED'000**	**Total amount AED'000**
30 June 2024 (unaudited)			
Financial assets			
Non-current receivables	-	117,326	117,326
Investments at FVTPL	704	-	704
Trade and other receivables	-	556,739	556,739
Cash at banks	-	43,286	43,286
Total	**704**	**717,351**	**718,055**
Financial liabilities			
Trade and other payables	-	297,808	297,808
Lease liabilities	-	16,113	16,113
Bank overdrafts	-	27,707	27,707
Bank loans	-	818,970	818,970
Total	**-**	**1,160,598**	**1,160,598**

	At fair value through profit or loss AED'000	At amorized cost AED'000	Total amount AED'000
31 December 2023 (audited)			
Financial assets			
Non-current receivables	-	11,575	11,575
Investments at FVTPL	699	-	699
Trade and other receivables	-	393,350	393,350
Cash at banks	-	77,251	77,251
Total	699	482,176	482,875
Financial liabilities			
Trade and other payables	-	303,035	303,035
Bank overdrafts	-	41,589	41,589
Bank loans	-	1,207,865	1,207,865
Lease liabilities	-	11,224	11,224
Total	-	1,563,713	1,563,713

13 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 2 AED'000	Level 3 AED'000	Total AED'000
30 June 2024 (unaudited)				
Investments at fair value through profit or loss	-	-	**704**	**704**
31 December 2023 (audited)				
Investments at fair value through profit or loss	-	-	699	699

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

14 SEGMENT REPORTING

Business segments

The Group's activities include four main business segments, namely, real estate property management, contracting activities, sales of goods and services and investing activities. 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
Six-month period ended 30 June 2024 (unaudited)					
Segment revenue	**24,716**	**15,923**	**225,146**	**-**	**265,785**
Direct cost	**(12,591)**	**(15,796)**	**(184,752)**	**-**	**(213,139)**
Gross profit	**12,125**	**127**	**40,394**	**-**	**52,646**
Administrative and general expenses	**(29,768)**	**(1,237)**	**(20,313)**	**-**	**(51,318)**
Other operating income	**2,014**	**2,556**	**5,332**	**-**	**9,902**
Gain on sale of investment properties	**31,201**	**-**	**-**	**-**	**31,201**
Operating profit	**15,572**	**1,446**	**25,413**	**-**	**42,431**
Share of losses from an associate, net	**-**	**-**	**-**	**(5,814)**	**(5,814)**
Other income	**3,714**	**-**	**-**	**13,883**	**17,597**
Finance income	**150**	**-**	**-**	**-**	**150**
Finance cost	**(7,716)**	**-**	**(7,317)**	**-**	**(15,033)**
Corporate tax expense	**(2,517)**	**(20)**	**(2,024)**		**(4,561)**
Profit/(loss) for the period	**9,203**	**1,426**	**16,072**	**8,069**	**34,770**
Capital expenditure	**1,241**	**1,528**	**3,386**	**-**	**6,155**
Depreciation of property, plant and equipment	**303**	**1,902**	**2,356**	**-**	**4,561**
Depreciation of right of use assets	**7,637**	**-**	**3,943**	**-**	**11,580**
As at 30 June 2024 (unaudited)					
Segment assets	**3,906,253**	**49,331**	**585,853**	**294**	**4,541,731**
Investment in an associate	**-**	**-**	**-**	**14,101**	**14,101**
Total assets	**3,906,253**	**49,331**	**585,853**	**14,395**	**4,555,832**
Segment liabilities	**1,132,489**	**257,727**	**305,883**	**29,987**	**1,726,086**
Six-month period ended 30 June 2023 (unaudited)					
Segment revenue	20,190	21,236	199,417	-	240,843
Direct cost	(13,093)	(17,974)	(164,142)	-	(195,209)
Gross profit	7,097	3,262	35,275	-	45,634
Administrative and general expenses	(15,745)	(2,706)	(19,031)	-	(37,482)
Other operating income	1,532	869	6,597	-	8,998
Gain on sale of investment properties	38,625	-	-	-	38,625
Operating profit	31,509	1,425	22,841	-	55,775
Share of loss from associates	-	-	-	(29,014)	(29,014)
Other income	37,534	-	-	9,149	46,683
Finance income	413	-	-	-	413
Finance cost	(48,810)	-	(7,337)	-	(56,147)
Profit/(loss) for the period	20,646	1,425	15,504	(19,865)	17,710
Capital expenditure	2,234	2,292	4,532	-	9,058
Depreciation of property, plant and equipment	899	1,405	1,952	57	4,313
Depreciation of right of use assets	619	-	220	-	839
As at 31 December 2023 (audited)					
Segment assets	4,104,054	47,208	608,283	293	4,759,838
Investment in an associate	-	-	-	19,914	19,914
Total assets	4,104,054	47,208	608,283	20,207	4,779,752
Segment liabilities	1,592,413	40,759	308,967	42,637	1,984,776

14 SEGMENT REPORTING (CONTINUED)

Business segments (continued)

	Real estate	Contracting	Goods and services	Investments	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
Three month period ended 30 June 2024 (unaudited)					
Segment revenue	**13,668**	**6,348**	**107,655**	**-**	**127,671**
Direct cost	**(7,202)**	**(7,600)**	**(94,363)**	**-**	**(109,165)**
Gross profit	**6,466**	**(1,252)**	**13,292**	**-**	**18,506**
Administrative and general expenses	**(14,170)**	**(437)**	**(8,806)**	**-**	**(23,413)**
Other operating income	**900**	**2,454**	**2,633**	**-**	**5,987**
Gain on sale of investment properties	**30,228**	**-**	**-**		**30,228**
Operating profit	**23,424**	**765**	**7,119**	**-**	**31,308**
Share of losses from an associate, net	**-**	**-**	**-**	**(4,516)**	**(4,516)**
Other income	**-**	**-**	**-**	**-**	**-**
Finance income	**68**	**-**	**-**	**-**	**68**
Finance cost	**(2,807)**	**-**	**(3,577)**	**-**	**(6,384)**
Corporate tax expense	**(2,517)**	**-**	**(517)**	**855**	**(2,179)**
Profit/ (loss) for the period	**18,168**	**765**	**3,025**	**(3,661)**	**18,297**
Capital expenditure	**897**	**274**	**2,507**	**-**	**3,678**
Depreciation of property, plant and equipment	**4**	**966**	**956**	**-**	**1,926**
Depreciation of right of use assets	**7,327**	**-**	**3,710**	**-**	**11,037**
Three month period ended 30 June 2023 (unaudited)					
Segment revenue	9,124	12,399	97,182	-	118,705
Direct cost	(7,544)	(10,112)	(82,085)	-	(99,741)
Gross profit	1,580	2,287	15,097	-	18,964
Administrative and general expenses	(9,108)	(1,661)	(10,136)	-	(20,905)
Other operating income	588	783	4,141	-	5,512
Gain on sale of investment properties	32,446	-	-	-	32,446
Operating profit	25,506	1,409	9,102	-	36,017
Share of losses from associates	-	-	-	(27,334)	(27,334)
Other income	25,168	-	-	-	25,168
Finance income	283	-	-	-	283
Finance cost	(24,970)	-	(3,745)	-	(28,715)
Profit/(loss) for the period	25,987	1,409	5,357	(27,334)	5,419
Capital expenditure	-	666	2,489	-	3,155
Depreciation of property, plant and equipment	446	738	749	-	1,933
Depreciation of right of use assets	309	-	48	-	357

15 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

	Unaudited 30 June 2024 **AED'000**	Audited 31 December 2023 AED'000
Company and its subsidiaries		
Contingent liabilities:		
Letters of guarantee	**27,901**	27,901

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. Amounts accrued for tax expense in an interim period may have to be adjusted in subsequent interim period if the estimate of the annual income tax rate changes.

	Unaudited 30 June 2024 **AED'000**	Audited 31 December 2023 AED'000
Condensed interim income statements		
Current tax	**4,561**	-

Relationship between tax expense and accounting profit

	Unaudited 30 June 2024 **AED'000**	Audited 31 December 2023 AED'000
Profit for the period before taxation	**39,331**	-
Less share of loss from an associate	**(5,814)**	-
Profit subject to taxation	**45,145**	-
Basic exemption limit (1)	**(1,500)**	-
Effect of the items not considered in determining taxable income (2)	**6,550**	-
Taxable profit for the period	**50,195**	-
Tax at applicable tax rate of 9% (3)	**(4,561)**	-

(1) Basic exemption is a sum of quarterly apportioned annual exemptions for each entity in the aggregated FS.

(2) Identified non-deductible cost and reversed 2023 deferred tax provision.

(3) Effective tax rate is 9.1% on the Taxable profit after offsetting losses in related entities.

17 COMPARATIVES

Reclassifications

Certain comparative figures have been reclassified or regrouped, wherever necessary, to conform to the presentation adopted in these interim condensed consolidated financial statements. Such reclassifications do not affect the previously reported profit, net assets, or equity of the Group.