

FIVE Holdings (BVI) Limited and its subsidiaries

Interim condensed consolidated financial statements

for the three-month and six-month period ended 30 June 2023
(unaudited)

FIVE Holdings (BVI) Limited and its subsidiaries

Interim condensed consolidated financial statements for the three-month and six-month period ended to 30 June 2023

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Review report on interim condensed consolidated financial statements to the board of directors of FIVE Holdings (BVI) Limited

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of FIVE Holdings (BVI) Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2023 and the related interim condensed consolidated statements of comprehensive income for the three-month and six-month periods then ended and the interim condensed consolidated statements of changes in equity and cash flows for the six-month period then ended and other 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’ as issued by the International Accounting Standards Board. Our responsibility is to express a conclusion on 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 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.

Emphasis of matter

The interim condensed consolidated financial statements are prepared by the management in connection with the proposed listing of the Company’s bonds on the London Stock Exchange and Nasdaq Dubai. As a result, the interim condensed consolidated financial statements may not be suitable for another purpose. Our conclusion is not modified in respect of this matter.

PricewaterhouseCoopers Limited Partnership Dubai Branch
Dubai, United Arab Emirates

17 August 2023

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FIVE Holdings (BVI) Limited and its subsidiaries

Interim condensed consolidated statement of financial position

	Note	As at	
		30 June 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
ASSETS			
Non-current assets			
Property and equipment	3	7,193,135	6,966,866
Right-of-use assets	4	94,264	104,914
Intangible asset		905	235
Other assets	5	118,500	-
		7,406,804	7,072,015
Current assets			
Due from related parties	13	2,815	-
Trade and other receivables	6	666,118	560,011
Prepayments	7	70,546	38,136
Inventories		16,149	17,267
Property held for development and sale		-	6,526
Cash and cash equivalents	8	748,084	696,200
		1,503,712	1,318,140
Total assets		8,910,516	8,390,155
EQUITY AND LIABILITIES			
EQUITY			
Capital and reserves attributable to Owner of FIVE Holdings (BVI) Limited			
Share capital		-	-
Contributed capital		252,913	252,913
Statutory reserve		2,238	2,238
Revaluation reserve		4,400,297	4,345,082
Retained earnings		992,805	807,172
		5,648,253	5,407,405
Non-controlling interests		22,110	21,667
Total equity		5,670,363	5,429,072
LIABILITIES			
Non-current liabilities			
Lease liabilities	4	87,088	99,514
Trade and other payables		42,809	51,012
Bank borrowings	9	764,347	1,063,656
Retention payables		31,869	18,648
Provision for employees' end of service benefits		12,139	10,837
Deferred tax liabilities		11,609	23,324
Finance liabilities	11	526,608	466,687
Deferred gain	12	434,063	398,675
		1,910,532	2,132,353
Current liabilities			
Lease liabilities	4	27,222	22,688
Due to related parties	13	826	6,470
Trade and other payables		493,444	482,465
Bank borrowings	9	271,240	106,834
Retention payables		967	339
Contract liabilities	10	363,560	55,145
Finance liabilities	11	101,378	88,984
Deferred gain	12	70,984	65,805
		1,329,621	828,730
Total liabilities		3,240,153	2,961,083
Total equity and liabilities		8,910,516	8,390,155

These interim condensed consolidated financial statements were approved by the Board of Directors on 17 August 2023 and signed on behalf of the Board of FIVE Holdings (BVI) Limited by:


Kabir Mulchandani
Chairman

The notes on pages 6 to 33 form an integral part of these interim condensed consolidated financial statements

FIVE Holdings (BVI) Limited and its subsidiaries

Interim condensed consolidated statement of comprehensive income

	Note	Three-month period ended 30 June		Six-month period ended 30 June	
		2023	2022	2023	2022
		AED'000 (Unaudited)	AED'000 (Unaudited and restated)	AED'000 (Unaudited)	AED'000 (Unaudited and restated)
Revenue	14	401,375	248,407	807,794	574,864
Cost of sales	15	(165,380)	(94,267)	(324,531)	(205,964)
Depreciation	3,4	(49,927)	(43,048)	(103,360)	(90,983)
Gross profit		186,068	111,092	379,903	277,917
General and administrative expenses	16	(48,712)	(68,375)	(100,812)	(109,022)
Selling and marketing expenses	17	(21,936)	(14,580)	(49,092)	(30,613)
Other income		820	13,091	1,939	13,577
Operating profit		116,240	41,228	231,938	151,859
Finance income	18	7,796	185	12,643	5,617
Finance cost	18	(32,146)	(18,370)	(58,624)	(37,765)
Finance cost - net	18	(24,350)	(18,185)	(45,981)	(32,148)
Profit for the period		91,890	23,043	185,957	119,711
Profit for the period attributable to:					
Owner of FIVE Holdings (BVI) Limited		91,155	22,295	184,653	113,897
Non-controlling interests		735	748	1,304	5,814
		91,890	23,043	185,957	119,711

	Three-month period ended 30 June		Six-month period ended 30 June	
	2023	2022	2023	2022
	AED'000 (Unaudited)	AED'000 (Unaudited and restated)	AED'000 (Unaudited)	AED'000 (Unaudited and restated)
Basic and diluted earnings per share attributable to the owner of FIVE Holdings (BVI) Limited	91,155	22,295	184,653	113,897

	Three-month period ended 30 June		Six-month period ended 30 June		
	2023	2022	2023	2022	
	AED'000 (Unaudited)	AED'000 (Unaudited and restated)	AED'000 (Unaudited)	AED'000 (Unaudited and restated)	
Profit for the period	91,890	23,043	185,957	119,711	
Other comprehensive income	-	-	-	-	
Items that will not be reclassified to profit or loss:					
Revaluation gain on property and equipment	113,715	512,987	113,715	512,987	
Exchange losses arising on translation of foreign subsidiary	-	(9,478)	-	(9,478)	
Deferred tax liabilities reversal / addition on fair value loss / (gain) in revaluation of property and equipment	12,480	(4,596)	12,480	(4,596)	
Total comprehensive income for the period	218,085	521,956	312,152	618,624	
Total comprehensive income for the period attributable to:					
Owner of FIVE Holdings (BVI) Limited	217,350	521,208	310,848	612,810	
Non-controlling interests	735	748	1,304	5,814	
	218,085	521,956	312,152	618,624	

FIVE Holdings (BVI) Limited and its subsidiaries

Interim condensed consolidated statement of changes in equity

	Attributable to Owner of FIVE Holdings (BVI) Limited							Non-Controlling Interests	Total
	Share Capital	Contributed Capital	Statutory reserve	Revaluation reserve	Retained earnings	Total			
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000			
At 1 January 2023 (Audited)	-	252,913	2,238	4,345,082	807,172	5,407,405	21,667	5,429,072	
Profit for the period	-	-	-	-	184,653	184,653	1,304	185,957	
Other comprehensive income	-	-	-	126,195	-	126,195	-	126,195	
Total comprehensive income for the period ended 30 June 2023 (Unaudited)	-	-	-	126,195	184,653	310,848	1,304	312,152	
<i>Transactions with owner in their capacity as owner:</i>									
Dividend	-	-	-	-	(70,000)	(70,000)	(861)	(70,861)	
Transfer of revaluation reserve upon disposal of property and equipment	-	-	-	(16,245)	16,245	-	-	-	
Depreciation transfer for property and equipment under revaluation model	-	-	-	(54,735)	54,735	-	-	-	
At 30 June 2023 (Unaudited)	-	252,913	2,238	4,400,297	992,805	5,648,253	22,110	5,670,363	

	Attributable to Owner of FIVE Holdings (BVI) Limited							Non-Controlling Interests	Total
	Share Capital	Contributed Capital	Statutory reserve	Revaluation reserve	Foreign exchange reserve	Retained earnings	Total		
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000		
At 1 January 2022 (as previously reported)	-	252,913	2,238	1,306,139	-	514,089	2,075,379	129,397	2,204,776
Impact of restatement	-	-	-	2,179,924	-	(42,998)	2,136,926	-	2,136,926
At 1 January 2022 (Audited and restated)	-	252,913	2,238	3,486,063	-	471,091	4,212,305	129,397	4,341,702
Profit for the period (Unaudited and restated)	-	-	-	-	-	113,897	113,897	5,814	119,711
Other comprehensive income	-	-	-	508,392	(9,478)	-	498,914	-	498,914
Total comprehensive income for the period ended 30 June 2022 (Unaudited and restated)	-	-	-	508,392	(9,478)	113,897	612,811	5,814	618,625

FIVE Holdings (BVI) Limited and its subsidiaries

Interim condensed consolidated statement of cash flows

	Notes	Six-month period ended 30 June	
		2023 AED'000 (Unaudited)	2022 AED'000 (Unaudited and restated)
Cash flows from operating activities			
Profit for the period		185,957	119,711
Adjustments for:			
Depreciation of property and equipment	3	92,710	83,418
Depreciation of right-of-use assets	4	10,650	7,565
Interest on lease liabilities	18	3,782	3,979
Interest cost on finance liabilities	18	39,927	40,351
Amortisation of deferred gain	18	(27,474)	(29,720)
Interest income	18	(12,643)	(5,617)
Interest cost on bank borrowings	18	39,463	21,035
Other finance cost	18	2,926	2,120
Profit on sale of property		(480)	-
Changes in working capital:			
Property held for development and sale		6,526	18,623
Inventory		1,118	2,130
Trade and other receivables	5	(106,107)	15,744
Prepayments	7	(32,410)	1,121
Due from a related party	13	(2,815)	-
Due to related parties	13	(5,644)	(97,740)
Trade and other payables		(183,269)	1,079
Retention payables		13,849	4,073
Contract liabilities	10	308,415	21,824
Provision for employee's end of service benefits		1,302	1,172
Net cash generated from operating activities		335,783	210,868
Cash flows from investing activities			
Purchase of property and equipment	3	(244,784)	(141,368)
Purchase of intangible assets		(670)	(50)
Guarantee deposits paid for acquisition		(118,500)	-
Interest income	18	12,643	5,617
Net cash used in investing activities		(351,311)	(135,801)
Cash flows from financing activities			
Advance received under financing arrangements		186,810	-
Proceeds from financing arrangements	11, 12	140,356	136,239
Interest payment of finance liabilities	11	(39,927)	(40,351)
Purchase of non-controlling interest share in a subsidiary		-	(104,981)
Payment of lease liabilities	4	(7,892)	(19,627)
Interest paid on lease liabilities	4	(3,782)	(3,979)
Dividends paid		(30,861)	(13,321)
Interest paid on bank borrowings	18	(42,389)	(23,155)
Proceed from bank borrowings		-	108,382
Repayment of from bank borrowings		(134,903)	(75,607)
Net cash generated from / (used) in financing activities		67,412	(36,400)
Net increase in cash and cash equivalents		51,884	38,667
Cash and cash equivalents, beginning of the period		696,200	488,385
Cash and cash equivalents, end of the period	8	748,084	527,052

FIVE Holdings (BVI) Limited and its subsidiaries

Notes to the interim condensed consolidated financial statements For the three-month and six-month period ended 30 June 2023

1 Legal status and operations

FIVE Holdings (BVI) Limited (the “Company”) is a Company limited by shares registered on 30 August 2013 with Registrar of Corporate Affairs in British Virgin Islands. The registered address of the Company is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. Kabir Mulchandani is the ultimate controlling and ultimate beneficial owner (the “Owner”).

The principal activities of the Company and its Subsidiaries collectively referred as the “Group” are to provide hospitality services primarily in the United Arab Emirates (UAE) and recently started its operations in Switzerland. The Group is also engaged in real estate development.

The Company owns 100% equity stake in FIVE Holding Limited, an entity incorporated in Dubai International Financial Centre (“DIFC”), Dubai – United Arab Emirates (“UAE”). The Company along with its subsidiaries (together the “Group”) acts as an investment vehicle holding interests in the following principal subsidiaries:

Name of entity (subsidiary)	Principal activity	As at	
		30 June 2023	31 December 2022
<i>United Arab Emirates</i>			
FIVE Holding Limited	Holding Company	100	100
SKAI Holdings Group Limited	Holding Company	100	100
FIVE International Holding Limited	Holding Company	100	100
FIVE JBR Holding (DIFC) limited	Property holding Company	100	100
Devco Real Estate Development LLC	Real Estate development Company	100	100
FIVE Hotel JBR LLC	Hotel operating Company	100	100
FIVE Real Estate Development LLC	Real Estate development Company	-	100
Assas Investments Limited	Property holding Company	100	100
FIVE Hotel Jumeirah Village L.L.C	Hotel operating Company	100	100
FIVE Mansion Restaurant LLC	Restaurant operating Company	100	100
FIVE Investment LLC	Holding Company	-	100
Unlimited 1 Limited	Property holding Company	100	100
FIVE Holiday Homes Rental LLC	Holiday Homes Rental Company	100	100
Rehan Limited	Property holding Company	100	100
Ananda Investments Limited	Property holding Company	-	100
FIVE Hotel FZE	Hotel operating Company	100	100
FIVE International Hotel Management L.L.C	Hotel management Company	100	100
Five Beach Club Limited	Property holding Company	85	85
Praia Restaurant FZE	Restaurant operating Company	100	100
FIVE International Hotel Management Limited	Hotel management Company	100	100
FIVE Music FZ-LLC	Music production Company	100	-
Pacha Universe Holding Limited	Holding Company	100	-
<i>Cayman Islands</i>			
FIVE Development LLC	Holding Company	-	100
Unlimited 1 Development	Holding Company	100	100
FIVE Hospitality LLC	Holding Company	-	100
Sky’s the Limit 1	Holding Company	100	100
<i>Switzerland</i>			
5 Atlantis AG	Property holding and Hotel operating Company	100	100

FIVE Holdings (BVI) Limited and its subsidiaries

Notes to the interim condensed consolidated financial statements For the three-month and six-month period ended 30 June 2023

2 Summary of significant accounting policies

2.1 Basis of preparation

The interim condensed consolidated financial statements of the Group are prepared in accordance with International Accounting Standard 34: Interim Financial Reporting.

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 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 consolidated financial statements for the year ended 31 December 2022, except for policies and the new standards, policies and amendments adopted during the current period and restatement as explained in Note 25.

The Statement of Profit or loss is presented on the basis of by function. However, depreciation is separately presented within gross profit, this is considered appropriate presentation as the depreciation is a material line item, and IAS 1 "Presentation of Financial Statements", permits material items to be separately presented.

Seasonality of operations

The Group's interim results may not be indicative of fiscal year performance because of, among other reasons, macroeconomic conditions, including inflationary pressures, rising interest rates, and seasonal and short-term variations. The Group's hospitality segment is seasonal in nature and there are periods during which our properties experience variations in hotel revenue activities and margins that may vary and depend principally upon location and season. The Group's development business revenue and margins are dependent on the number of new developments and percentage of completion which is prone to natural fluctuations in the real estate market of the region.

New standards, interpretations, and amendments in issue and effective

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of new standards and interpretations effective as of 1 January 2023. Although these new standards and amendments apply for the first time in 2023, they do not have a material impact on the interim condensed consolidated financial statements of the Group or the annual consolidated financial statements of the Group. The new standards, interpretations, and amendments in issue and effective are mentioned below:

New standards or amendments	Effective date
IFRS 17 Insurance Contracts	1 January 2023
Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023
Definition of Accounting Estimates – Amendments to IAS 8	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1 January 2023

New standards, interpretations, and amendments in issue and effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's interim condensed consolidated financial statements are disclosed below.

New standards or amendments	Effective date
Non-current liabilities with covenants – Amendments to IAS 1	1 January 2024
Lease liability in sale and leaseback – amendments to IFRS 16	1 January 2024
Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28	Effective date deferred indefinitely

FIVE Holdings (BVI) Limited and its subsidiaries

Notes to the interim condensed consolidated financial statements For the three-month and six-month period ended 30 June 2023

2 Significant accounting policies (continued)

2.1 Basis of preparation (continued)

Management is currently assessing the impact of aforementioned new accounting standards, amendments and interpretations. However, the management's preliminary view is that these are expected to have no material impact on the Group in the current or future reporting periods.

Alternative performance measures

The Group has identified certain measures that it believes will assist the understanding of the performance of the business. These alternative performance measures ("APMs") are not defined or specified under the requirements of IFRS. The Group believes that these APMs, which are not considered to be a substitute for, or superior to, IFRS, provide stakeholders with an additional useful information on the underlying trends, performance and position of the Group and are consistent with how business performance is measured internally. The APMs are not defined by IFRS and therefore may not be directly comparable with other companies' alternative performance measures.

The key APM that the Group uses is EBITDA. This APM is set out in note 33 including an explanation of how it is calculated and how it reconciles to a statutory measure where relevant. These measures exclude the below items as defined below.

Exceptional items

The Group classifies certain one-off charges or credits that have a material impact on the Group's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the Group. Management splits out these costs for internal purposes when reviewing the business.

Pre-opening costs

Pre-opening costs can vary significantly depending on the number of new sites acquired and opened in any period, and so do not reflect the costs of the day-to-day operations of the business. These costs are therefore split out in order to aid comparability with prior periods. Site pre-opening costs refer to costs incurred in getting new sites operational, and primarily include costs incurred before opening and in preparing for launch.

Acquisition-related costs

Acquisition-related costs are costs incurred to effect a business combination. Those costs include advisory, legal, accounting, valuation and other professional or consulting fees including employees bonuses in connection with the successful completion of a transaction. Acquisition-related costs are expensed in the period in which the costs are incurred, and the services are received.

FIVE Holdings (BVI) Limited and its subsidiaries

**Notes to the interim condensed consolidated financial statements
For the three-month and six-month period ended 30 June 2023**

3 Property and equipment

	Land & Buildings* AED'000	Equipment AED'000	Furniture and fixtures AED'000	Motor vehicles AED'000	Leasehold improvements AED'000	Capital work- in- progress** AED'000	Total AED'000
Cost or revaluation							
At 1 January 2022 (Audited and restated)	4,818,110	18,931	76,024	1,932	9,623	1,319,648	6,244,267
Additions	12,539	219	2,532	-	-	309,010	324,300
Transfer	595,081	-	20,620	-	-	(615,701)	-
Revaluation gain	612,731	-	-	-	-	360,100	972,831
At 31 December 2022 (Audited)	6,038,461	19,150	99,176	1,932	9,623	1,373,057	7,541,398
Additions	31,796	212	241	341	-	212,194	244,784
Disposal	(47,506)	-	-	-	-	-	(47,506)
Transfer	32,640	-	-	-	-	(32,640)	-
Revaluation gain	64,838	-	-	-	-	48,877	113,715
At 30 June 2023 (Unaudited)	6,120,229	19,362	99,417	2,273	9,623	1,601,488	7,852,392
Accumulated Depreciation							
At 1 January 2022 (Audited and restated)	330,496	18,750	51,077	1,368	4,720	-	406,411
Charge for the year	150,888	169	14,506	341	2,218	-	168,122
At 31 December 2022 (Audited)	481,384	18,919	65,583	1,709	6,938	-	574,533
Charge for the period	83,416	44	8,142	135	973	-	92,710
Disposal for the period	(7,986)	-	-	-	-	-	(7,986)
At 30 June 2023 (Unaudited)	556,814	18,963	73,725	1,844	7,911	-	659,257
Net book amount							
As at 30 June 2023 (Unaudited)	5,563,415	399	25,692	429	1,712	1,601,488	7,193,135
As at 31 December 2022 (Audited)	5,557,077	231	33,593	223	2,685	1,373,057	6,966,866

*Land and buildings are based on valuation provided by an independent valuer as at 30 June 2023 and 31 December 2022 and includes 20% as value of land which is not depreciated.

**Capital work-in-progress comprises of a property FIVE Luxe JBR hotel and 5 Atlantis AG. Capital work-in-progress includes AED 20,114 thousand of capitalised interest expense (31 December 2022: 28,144 thousand) for the period ended June 30, 2023, the capitalisation rate was UAE EIBOR + 4.75% in FIVE Luxe JBR hotel and 1.25% to 1.5% + LIBOR for 5 Atlantis AG.

FIVE Holdings (BVI) Limited and its subsidiaries

Notes to the interim condensed consolidated financial statements For the three-month and six-month period ended 30 June 2023

3 Property and equipment (continued)

3.1 Revaluation of land and building classified as property and equipment

As at 30 June 2023, land and building under property and equipment were revalued and by an external independent and qualified valuer the revaluation gain/loss was recognised in the consolidated statement of comprehensive income.

3.1.1 Revaluation of land and building Five Hotel Jumeirah Village

A formal external valuation of the Group's property was performed as at 30 June 2023. The revaluation was supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at a rate of 10.10% and terminal value rate of 8.10%. Based on such valuation, the fair value of the hotel building as at 30 June 2023 was AED 857,434 thousand (31 December 2022: AED 854,143 thousand) which was higher than the net book amount of AED 373,816 thousand (31 December 2022: AED 359,788 thousand).

Fair Value Reconciliation – Jumeirah Village Hotel

	As at	
	30 June 2023 AED'000	31 December 2022 AED'000
Fair Value as per external valuation report	1,394,105	1,389,800
Less: Adjustment of receivables	(244,900)	(244,900)
Less: Adjustment of 5-year leases under IFRS 16	(291,771)	(290,757)
Fair Value of Jumeirah Village Hotel	857,434	854,143

Below is a sensitivity analysis in isolation of the key assumptions used to determine the fair value of the investment. The table reflects change in the fair value with change in key assumptions.

Key assumptions	Change	As at	
		June 2023 AED'000	December 2022 AED'000
Discount rate	+0.5%	(19,262)	(19,161)
	-0.5%	38,336	38,220
Cap rate	+0.5%	(14,798)	(14,714)
	-0.5%	35,713	35,607

3.1.2 Revaluation of land and building Five Hotel Palm Jumeirah

A formal external valuation of the Group's property was performed as at 30 June 2023. The revaluation was supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at a rate of 9.90% and terminal value rate of 7.90%. Based on such valuation, the fair value of the hotel building as at 30 June 2023 was AED 4,136,783 thousand (31 December 2022: AED 4,114 Thousand), which was higher than the net book amount of AED 918,204 thousand (31 December 2022: AED 949,928 thousand).

FIVE Holdings (BVI) Limited and its subsidiaries

Notes to the interim condensed consolidated financial statements For the three-month and six-month period ended 30 June 2023

3 Property and equipment (continued)

3.1 Revaluation of land and building classified as property and equipment (continued)

Fair Value Reconciliation – Five Hotel Palm Jumeirah

	As at	
	30 June 2023 AED'000	31 December 2022 AED'000
Fair Value as per external valuation report	4,208,072	4,208,200
Less: Adjustment of receivables	(11,700)	(28,000)
Less: Holiday home value	(59,589)	(65,600)
Fair Value of Hotel Palm Jumeirah	4,136,783	4,114,600

	Change	As at	
		June 2023 AED'000	December 2022 AED'000
Key assumptions			
Discount rate	+0.5%	(104,958)	(105,796)
	-0.5%	174,308	171,868
Cap rate	+0.5%	(87,104)	(88,045)
	-0.5%	166,272	163,877

3.1.3 Revaluation of FIVE Luxe JBR hotel

During the year 2021, the Group purchased a property under construction worth AED 671,670 thousand from another developer as per the agreement between the parties, where AED 403,002 thousand (60%) is allocated to the hotel and classified as Land and Building based on Built up Area (BUA), the remaining of AED 268,668 thousand (40%) is allocated to property held for development and sale.

The assets listed below (stated at carrying value) have been pledged as security for borrowings.

<i>Asset pledged</i>	As at 31	
	As at 30 June 2023 AED'000	December 2022 AED'000
Capital work-in-progress	1,601,488	1,366,310

A formal external valuation of the Group's property was performed as at 30 June 2023. The revaluation was done by adopting the Profits method and the Residual method of valuation. The profit method was used to calculate the Gross Development Value of the property from which the remaining construction costs are deducted giving the fair value of the property. Based on such valuation, the fair value of the property as at 30 June 2023 was AED 1,601,488 thousand (31 December 2022: AED 1,366,310 thousand) which was higher than the net book amount of AED 828,967 thousand (31 December 2022: AED 632,867 thousand).

FIVE Holdings (BVI) Limited and its subsidiaries

Notes to the interim condensed consolidated financial statements For the three-month and six-month period ended 30 June 2023

3 Property and equipment (continued)

3.1 Revaluation of land and building classified as property and equipment (continued)

3.1.3 Revaluation of FIVE Luxe JBR hotel (continued)

Fair Value Reconciliation – Five Luxe JBR:

	As at	
	30 June 2023 AED'000	31 December 2022 AED'000
Fair Value as per external valuation report	2,461,085	2,294,115
Less: Adjustment of receivables	(859,597)	(927,805)
Fair Value of Five Luxe, JBR	1,601,488	1,366,310

Below is a sensitivity analysis in isolation of the key assumptions used to determine the fair value of the investment. The table reflects change in the fair value with change in key assumptions.

Key assumptions	Change	30 June 2023 AED'000	31 December 2022 AED'000
		Discount rate	+0.5%
	-0.5%	49,124	42,307
Cap rate	+0.5%	(65,680)	(67,744)
	-0.5%	65,344	66,094

3.1.4 Revaluation of 5 ATLANTIS AG HOTEL, Zürich

During the period ended 31 December 2020, the 5 Atlantis AG ("The Subsidiary") acquired new building from Neue Hotel Atlantis AG, the purchase agreement amounted to AED 340,292,529 (CHF 83,985,000).

A formal external valuation of the Group's property was performed as at 30 June 2023. The revaluation was supported by cash flow projections which have been discounted at a rate of 4.50% and terminal value rate of 2.50%. Based on such valuation, the fair value of the property as at 30 June 2023 was AED 568,717 thousand (CHF 138,600 thousand) (31 December 2022: AED 595,081 thousand (CHF 149,800 thousand) which was higher than the net book amount of AED 456,216 thousand (31 December 2022: AED 422,147 thousand).

Below is a sensitivity analysis in isolation of the key assumptions used to determine the fair value of the investment. The table reflects change in the fair value with change in key assumptions.

Key assumptions	Change	30 June 2023 AED'000	31 December 2022 AED'000
		Discount rate	+0.5%
	-0.5%	22,298	36,890
Cap rate	+0.5%	(72,475)	(63,873)
	-0.5%	146,250	119,349

The current use of the property is at its highest and best use. The valuation technique uses significant unobservable inputs. Accordingly, the fair value was classified to level 3 for all the properties mentioned above. There were no transfers between fair value hierarchy during the six-month period ended 30 June 2023.

FIVE Holdings (BVI) Limited and its subsidiaries

Notes to the interim condensed consolidated financial statements For the three-month and six-month period ended 30 June 2023

3 Property and equipment (continued)

3.1 Revaluation of land and building classified as property and equipment (continued)

At each financial year end the finance department:

- verifies all major inputs to the independent valuation report;
- assesses property valuation movements when compared to the prior year valuation report; and
- holds discussions with the independent valuer.

Carrying amounts that would have been recognised if property and equipment were stated at cost:

If property and equipment were stated on the historical cost basis, the amounts would be as follows:

	Land and Buildings	Capital Work in Progress	Total
	AED'000	AED'000	AED'000
30 June 2023			
Cost	2,140,500	670,035	2,810,535
Transfers	32,640	(53,261)	(20,621)
Additions	31,796	212,193	243,989
Disposal	(29,101)	-	(29,101)
Accumulated depreciation	(263,000)	-	(263,000)
Net book amount	1,912,835	828,967	2,741,802
31 December 2022			
Cost	1,700,941	788,184	2,489,125
Transfers	427,019	(427,019)	-
Additions	14,421	308,870	323,291
Disposal	(1,881)	-	(1,881)
Accumulated depreciation	(238,217)	-	(238,217)
Net book amount	1,902,283	670,035	2,572,318

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Notes to the interim condensed consolidated financial statements For the three-month and six-month period ended 30 June 2023

4 Right-of-use assets and lease liabilities

The Group's right-of-use asset mainly relates to the right obtained to use certain lands, staff accommodations and hotel rooms under sale and leaseback agreements through tenancy agreements. The leases typically ranges from 1 to 35 years. Some leases include an option to renew the lease when all terms are negotiable. None of the leases include variable lease payments other than leases under sale and leaseback agreements.

	Land AED'000	Buildings AED'000	Total AED'000
Cost			
At 1 January 2022 (Audited and restated)	33,355	133,464	166,819
Additions	-	63,268	63,268
Lease termination	-	(55,735)	(55,735)
At 31 December 2022 (Audited)	33,355	140,997	174,352
At 30 June 2023 (Uaudited)	33,355	140,997	174,352
Accumulated depreciation			
At 1 January 2022 (Audited and restated)	438	63,430	63,868
Charge for the year	-	23,066	23,066
Lease termination	-	(17,496)	(17,496)
At 31 December 2022 (Audited)	438	69,000	69,438
Charge for the period	-	10,650	10,650
At 30 June 2023 (Uaudited)	438	79,650	80,088
Net book amount			
At 30 June 2023 (Uaudited)	32,917	61,347	94,264
At 31 December 2022 (Audited)	32,917	71,997	104,914

	As at	
	30 June 2023	31 December 2022
	AED'000 Unaudited	AED'000 Audited
Lease liabilities		
Non-current	87,088	99,514
Current	27,222	22,688
	114,310	122,202

	As at	
	30 June 2023	31 December 2022
	AED'000 Unaudited	AED'000 Audited
Lease liabilities		
At 1 January	122,202	127,130
Addition	-	62,894
Finance cost	3,782	7,218
Payment of lease liability	(13,186)	(24,227)
Other Movement	1,512	-
Lease termination	-	(50,813)
	114,310	122,202

FIVE Holdings (BVI) Limited and its subsidiaries

Notes to the interim condensed consolidated financial statements For the three-month and six-month period ended 30 June 2023

5 Other assets

The other asset represents the amount deposited in the escrow account as guarantee for the obligation assumed by the Group pursuant to the sale and purchase agreement (“SPA”) dated 30 June 2023 of Universo Pacha, S.A. incorporated in Ibiza, Spain (‘the Target’). The Target is engaged in hospitality business comprises of two operational hotels under the brand name Destino and El Hotel Pacha and one night club under the brand name Pacha in Ibiza, Spain. The aforementioned transaction is subject to fulfilment of certain conditions which includes but not limited to completion of the required reorganisation to carve out the Target companies outside the seller’s Group and necessary approval from the regulatory authorities.

6 Trade and other receivables

	As at	
	30 June 2023	31 December 2022
	AED’000	AED’000
	Unaudited	Audited
Trade receivables*	8,549	33,933
Unbilled receivables**	548,886	369,015
Advances to suppliers	77,692	113,307
Municipality fees receivable	500	1,462
Other receivables	30,491	42,294
	666,118	560,011

Analysed as follows:

Current portion	666,118	560,011
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*Included within trade receivables are amounts due from hotel customers who have paid by credit card, these amounts are usually collected during the next working day and do not carry any significant credit risk

** The unbilled receivables represent revenue recognised under percentage of completion method for the off-plan sale of properties held for development and sale for which collection is due at later date in accordance with the contractual terms. The increase in the balance is attributable to revenue recognised for FIVE Luxe residence project during the six-month period ended 30 June 2023 for which collection is due upon completion of the project.

The fair value of trade receivable approximates their carrying value. Trade and other receivables of the Group are denominated in AED and CHF.

The Group has a broad base of customers with no concentration of credit risk within trade and other receivables as at 30 June 2023 and 31 December 2022. Management is of the opinion that this concentration of credit risk will not result in a significant loss to the Group for the period ended 30 June 2023. Other classes within trade and other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables. There is no collateral against other receivables.

FIVE Holdings (BVI) Limited and its subsidiaries

Notes to the interim condensed consolidated financial statements For the three-month and six-month period ended 30 June 2023

7 Prepayment

	As at	
	30 June 2023	31 December 2022
	AED'000	AED'000
	Unaudited	Audited
Deferred sales commission*	58,836	25,023
Prepaid Visa fees	4,335	4,830
Others	7,375	8,283
	70,546	38,136

*It mainly relates to sales commission that is paid to the real estate brokers (refer note 13) and amortized in the statement of profit and loss based on percentage of completion of the related project. The increase in the balance pertains to sale commission paid to the agents by the Group for facilitating the sale of units in the new tower in FIVE Luxe and Sensoria, JBR.

8 Cash and cash equivalents

	As at	
	30 June 2023	31 December 2022
	AED'000	AED'000
	Unaudited	Audited
Cash on hand	1,761	1,583
Cash at banks	746,323	694,617
Cash and cash equivalents	748,084	696,200

Bank balances are held with locally incorporated banks and branches of international banks.

Cash at banks includes an amount of AED 550,696 thousand (31 December 2022: AED 361,705 thousand) held in escrow accounts and collateral reserve accounts. Cash held in escrow accounts represents cash received from customers that is held with banks authorised by the Real Estate Regularity Authority ("RERA"). Use of this cash is limited to specific development projects to which the cash receipts relate.

9 Bank borrowings

	As at	
	30 June 2023	31 December 2022
	AED'000	AED'000
	Unaudited	Audited
Term loans	1,034,873	1,165,876
Bank overdrafts	24,325	41,070
Less: unamortised borrowing costs	(23,611)	(36,456)
	1,035,587	1,170,490
Analysed as follows:		
Current portion	271,240	106,834
Non-current portion	764,347	1,063,656
	1,035,587	1,170,490

FIVE Holdings (BVI) Limited and its subsidiaries

Notes to the interim condensed consolidated financial statements For the three-month and six-month period ended 30 June 2023

10 Contract liabilities

Contract liabilities represent instalments received from customers towards the purchase of development properties, net of revenue recognised.

	As at	
	30 June 2023	31 December 2022
	AED'000	AED'000
	Unaudited	Audited
Opening	55,145	26,549
Advance from customers*	413,475	82,633
Revenue recognised	(105,060)	(54,037)
	363,560	55,145

Analysed as follows:

Current portion	363,560	55,145
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* Increase is mainly attributable to advance collected from the customers for sale of new tower in FIVE Luxe, JBR i.e. Sensoria residence for which the percentage of completion as at 30 June 2023 is below the advance collected.

The aggregate amount of the sale price allocated to the performance obligations of the Group that are unsatisfied partially unsatisfied as at 30 June 2023 of AED 960.1 million (2022: AED 212.8 million), the Group expects to recognize these unsatisfied performance obligations as revenue over a period of 12 month.

11 Finance liabilities

	As at	
	30 June 2023	31 December 2022
	AED'000	AED'000
	Unaudited	Audited
Opening Balance	555,671	453,814
Net movement during the period / year	72,315	101,857
Payments made during the period / year	(39,928)	(78,169)
Interest on finance liabilities	39,928	78,169
Closing Balance	627,986	555,671

Analysed as follows:

Current portion	101,378	88,984
Non-current portion	526,608	466,687
	627,986	555,671

Fixed/Variable

Fixed portion	67,743	25,271
Variable portion	560,243	530,400
	627,986	555,671

FIVE Holdings (BVI) Limited and its subsidiaries

Notes to the interim condensed consolidated financial statements For the three-month and six-month period ended 30 June 2023

12 Deferred gain

	As at	
	30 June 2023	31 December 2022
	AED'000	AED'000
	Unaudited	Audited
Opening Balance	464,480	434,810
Net movement during the period / year	71,120	84,926
Amortisation during the period / year	(30,553)	(55,256)
Closing Balance	505,047	464,480
Analysed as follows:		
Current portion	70,984	65,805
Non-current portion	434,063	398,675
	505,047	464,480

13 Transactions and balances with related parties

Related parties include the Owner, non-controlling interests, key management personnel and any businesses which are controlled, directly or indirectly by the Owner and directors or over which they exercise significant management influence (the "other related parties"). During the period, the Group entered into the following significant transactions with related parties in the normal course of business and at prices and terms agreed by the Group's management.

	Six-month period ended 30 June	
	2023	2022
	AED'000	AED'000
	(Unaudited)	(Unaudited and restated)
Non-controlling interest		
Dividend declared (refer note 19)	861	3,956
Owner		
Dividend declared (refer note 19)	70,000	-
Key management remuneration:		
Salaries and other short term employee benefits	14,910	16,705
Termination and post-employment benefits	180	180
Other related party*		
Sales incentive and commission expenses	20,425	7,787

*Other related party transaction includes a transaction with Five Real Estate Brokers LLC, a company under common control.

The Group's owner agreed to waive his termination and post-employment benefits. Therefore, the Group did not provide for such benefits in current and previous years.

FIVE Holdings (BVI) Limited and its subsidiaries

Notes to the interim condensed consolidated financial statements For the three-month and six-month period ended 30 June 2023

13 Transactions and balances with related parties (continued)

Balances with related parties

The amounts due to related parties, represent balances arising from funds and services provided and received in the normal course of business. The majority of the balance due to other related party, is in relation to the sales commission due to be paid.

	As at	
	30 June 2023 AED'000 Unaudited	31 December 2022 AED'000 Audited
Due to related party		
Owner	826	6,332
Other related party*	-	138
	826	6,470

*Five Real Estate Brokers LLC, a company under the common control.

	As at	
	30 June 2023 AED'000 Unaudited	31 December 2022 AED'000 Audited
Due from a related party		
Other related party*	2,815	-
	2,815	-

*Five Real Estate Brokers LLC, a company under the common control.

Due from / to related parties is unsecured in nature, bears no interest and receivable / payable on demand.

14 Revenue

	Three-month period ended 30 June		Six-month period ended 30 June	
	2023 AED'000 (Unaudited)	2022 AED'000 (Unaudited and restated)	2023 AED'000 (Unaudited)	2022 AED'000 (Unaudited and restated)
At a point in time:				
Food and beverages	113,524	106,275	226,674	236,620
Other operating departments	22,327	13,753	42,173	30,251
	135,851	120,028	268,847	266,871
Over time:				
Sale of property held for development and sale*	176,638	45,051	344,532	100,636
Room revenue	88,259	82,021	192,924	205,184
	264,897	127,072	537,456	305,820
Rental income and other income	627	1,307	1,491	2,173
	401,375	248,407	807,794	574,864

*Revenue from sale of property held for development is recognised based on unit sales for completed property and percentage completion basis for under construction property. These contracts were signed for a fixed cash consideration on varying instalment payment plans.

FIVE Holdings (BVI) Limited and its subsidiaries

Notes to the interim condensed consolidated financial statements For the three-month and six-month period ended 30 June 2023

15 Cost of sales

	Three-month period ended 30 June		Six-month period ended 30 June	
	2023 AED'000 (Unaudited)	2022 AED'000 (Unaudited and restated)	2023 AED'000 (Unaudited)	2022 AED'000 (Unaudited and restated)
Cost of property held for development and sale	74,151	18,704	140,736	43,730
Staff costs	44,082	35,202	87,644	72,990
Inventory consumption	23,183	23,206	46,782	51,377
Utility costs	9,478	8,015	17,989	15,458
Lease charges - holiday homes	8,511	5,193	16,708	11,872
Music and entertainment	5,975	3,947	14,672	10,537
	165,380	94,267	324,531	205,964

16 General and administrative expenses

	Three-month period ended 30 June		Six-month period ended 30 June	
	2023 AED'000 (Unaudited)	2022 AED'000 (Unaudited and restated)	2023 AED'000 (Unaudited)	2022 AED'000 (Unaudited and restated)
Staff costs	11,875	19,285	25,605	24,149
Hotel operating expenses*	17,155	15,791	34,713	31,074
Repairs and maintenance	7,957	7,327	16,380	14,463
Legal and professional fees	4,657	6,542	9,842	10,068
Credit card commission expenses	3,805	3,413	7,897	8,211
Pre-operating expenses	-	12,150	-	16,448
Travelling expenses	1,040	2,381	4,119	3,123
Charity	277	-	310	-
Others	1,946	1,486	1,946	1,486
	48,712	68,375	100,812	109,022

*Operating expenses include indirect costs such as IT support, hotel maintenance, other hotel support costs etc. and hence these costs have been classified to general and administrative expenses.

17 Selling and marketing expenses

	Three-month period ended 30 June		Six-month period ended 30 June	
	2023 AED'000 (Unaudited)	2022 AED'000 (Unaudited and restated)	2023 AED'000 (Unaudited)	2022 AED'000 (Unaudited and restated)
Sales incentive and commission to agents	17,575	10,185	37,323	21,379
Advertising expenses	4,361	4,395	11,769	9,234
	21,936	14,580	49,092	30,613

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18 Finance costs, net

	Three-month period ended 30 June		Six-month period ended 30 June	
	2023 AED'000 (Unaudited)	2022 AED'000 (Unaudited and restated)	2023 AED'000 (Unaudited)	2022 AED'000 (Unaudited and restated)
<i>Finance costs:</i>				
- Interest on bank borrowings	33,805	16,037	59,577	33,201
- Unwinding of interest on finance liabilities	18,213	15,704	39,927	40,351
- Unwinding of interest on lease liabilities	1,885	1,920	3,782	3,979
- Others	1,457	1,053	2,926	2,120
Less: Interest capitalised on qualifying assets	(10,166)	(6,022)	(20,114)	(12,166)
Less: Amortisation of deferred gain	(13,048)	(10,322)	(27,474)	(29,720)
Total finance costs (A)	32,146	18,370	58,624	37,765
<i>Finance income:</i>				
- Interest income	7,796	185	12,643	5,617
Total finance income (B)	7,796	185	12,643	5,617
Finance costs – net ((A) - (B))	24,350	18,185	45,981	32,148

19 Dividend

During the six-month period ended 30 June 2023, the Group paid dividend of AED 861 thousand and AED 70,000 thousand (for the year ended 31 December 2022: AED 3,956 thousand and AED Nil) to its minority shareholders and the Owner respectively. The dividend to the Owner is paid in cash amounting to AED 30,000 thousand out of the sale proceeds of the units of FIVE Jumeirah Village hotel and AED 40,000 thousand in the form of residential unit owned by Rehan Limited at fair market value. The aforesaid unit was in the occupation of the Owner for the residential purpose in consideration of the rent payments determined as per arms' length principle.

20 Commitments and contingencies

Capital commitments

The Group has capital expenditure commitments arising from its contracts with contractors of AED 317,170 thousand as at 30 June 2023 (31 December 2022: AED 318,693 thousand). These commitments represent the value of contracts issued as at 30 June 2023, net of accruals, payments and invoices made till that date.

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21 Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

	As at	
	30 June 2023	31 December 2022
	AED'000	AED'000
	Unaudited	Audited
Assets as per the consolidated statement of financial position		
<i>At amortised cost</i>		
Trade and other receivables, excluding advances to suppliers and municipality fees receivable (Note 6)	587,926	445,242
Due from a related party (Note 13)	2,815	-
Cash and cash equivalents (Note 8)	748,084	696,200
	1,338,825	1,141,442

	As at	
	30 June 2023	31 December 2022
	AED'000	AED'000
	Unaudited	Audited
Liabilities as per the consolidated statement of financial position		
<i>At amortised cost</i>		
Trade and other payables (excluding advances from customers, municipality fees and VAT payable)	228,886	289,315
Bank borrowings (Note 9)	1,035,587	1,170,490
Lease liabilities (Note 4)	114,310	122,202
Finance liabilities (Note 11)	627,986	555,671
Due to related parties (Note 13)	826	6,470
	2,007,595	2,144,148

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Notes to the interim condensed consolidated financial statements For the three-month and six-month period ended 30 June 2023

22 Financial risk management

22.1 Financial risk factors

The Group's multinational operations and borrowings expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2022. There have been no changes in any risk management policies since year end.

Cash flow and fair value interest rate risk

The Group is exposed to interest rate risk on its interest-bearing liabilities. As at 30 June 2023, bank borrowings carried at variable rates comprise of AED 1,035,587 thousand (31 December 2022: AED 1,170,490 thousand) i.e, 58% of the Group's total borrowings of AED 1,777,883 (31 December 2022: AED 1,848,363 thousand). Other borrowings carried at fixed rate such as the finance liabilities and lease liabilities as at 30 June 2023 comprise of AED 742,296 thousand i.e, 42% (31 December 2022: AED 677,873 thousand).

At 30 June 2023, if interest rates on variable rate borrowings had been 1% higher/lower with all other variables held constant, the impact on the consolidated statement of comprehensive income would be a decrease/increase of AED 5,296 thousand (for six-month period ended 30 June 2022: AED 5,853 thousand) as a result of higher/lower interest expense.

22.2 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining availability under committed credit lines. Cash flow forecasting is performed by the Group on an ongoing basis to ensure it has sufficient cash to meet operational needs.

Liquidity risk management is carried out by a central treasury department at the Group level. Surplus cash held by the Group over and above the balance required are used for the payment of debt and to reduce the interest charges. The table on the next page analyses the Group's financial liabilities into relevant maturity Groupings based on the remaining period at the consolidated statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Contractual maturities of financial liabilities				
	Less than 1 year	Between 1 and 5 years	Over 5 years	Total contractual cash flows	Carrying value
	AED'000	AED'000	AED'000	AED'000	AED'000
At 30 June 2023 (Unaudited)					
Trade and other payables	515,941	42,809	-	558,750	536,253
Bank borrowings	340,361	825,495	-	1,165,856	1,035,587
Finance liabilities	103,979	441,563	2,295,586	2,841,128	627,986
Lease liabilities	28,654	55,584	87,107	171,345	114,310
Due to related party	826	-	-	826	826
	989,761	1,365,450	2,382,693	4,737,905	2,314,962
At 31 December 2022 (Audited)					
Trade and other payables	482,465	51,012	-	533,477	533,477
Bank borrowings	152,340	1,045,902	-	1,198,242	1,170,490
Finance liabilities	88,894	316,038	2,192,381	2,597,313	555,671
Lease liabilities	22,688	34,515	79,692	136,895	122,202
Due to related party	6,470	-	-	6,470	6,470
	752,857	1,447,467	2,272,073	4,472,397	2,388,310

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Notes to the interim condensed consolidated financial statements For the three-month and six-month period ended 30 June 2023

22.3 Capital risk management

The Groups' objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings, finance liabilities, and lease liabilities less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt, if any.

The gearing ratios as at 30 June 2023 and 31 December 2022 were as follows:

	As at	
	30 June 2023	31 December 2022
	AED'000	AED'000
	Unaudited	Audited
Total bank borrowings (Note 9)	1,035,587	1,170,490
Total finance liabilities (Note 11)	627,986	555,671
Total lease liabilities (Note 4)	114,310	122,202
Less: cash and cash equivalents (Note 8)	(748,084)	(696,200)
Net debt (A)	1,029,799	1,152,163
Total equity (B)	5,670,363	5,429,072
Total capital ((C) = (A) + (B))	6,700,162	6,581,235
Gearing ratio ((A)/(C))	15%	18%

22.4 Fair value estimation

Financial instruments comprise financial assets and financial liabilities. Financial assets of the Group include bank balances and cash, trade and unbilled receivables, loans and advances, and other receivables. Financial liabilities of the Group include advances from customer, interest-bearing loans and borrowings, accounts payable, retentions payable and other payable.

The fair values of the financial assets and liabilities are not materially different from their carrying value unless stated otherwise.

22.5 Net debt reconciliation

The below table summarises the net debt reconciliation for the six-month period ended 30 June 2023.

	Liabilities from financing activities				Cash and cash equivalents	Total
	Finance liabilities	Lease liabilities	Bank borrowings	Sub-total		
Net debt as at 31 December 2021 (Audited and restated)	453,814	127,129	1,238,762	1,819,705	(488,385)	1,331,320
Addition	101,857	62,895	139,733	304,485	(207,815)	96,670
Interest	78,169	7,218	53,125	138,512	-	138,512
Payments	(78,169)	(24,227)	(261,130)	(363,526)	-	(363,526)
Lease termination	-	(50,813)	-	(50,813)	-	(50,813)
Net debt as at 31 December 2022 (Audited)	555,671	122,202	1,170,490	1,848,363	(696,200)	1,152,163
Addition	72,315	-	-	72,315	(51,884)	20,431
Interest	39,928	3,782	42,389	86,099	-	86,099
Payments	(39,928)	(13,186)	(177,292)	(230,406)	-	(230,406)
Other movement	-	1,512	-	1,512	-	1,512
Net debt as at 30 June 2023 (Unaudited)	627,986	114,310	1,035,587	1,777,883	(748,084)	1,029,799

FIVE Holdings (BVI) Limited and its subsidiaries

Notes to the interim condensed consolidated financial statements For the three-month and six-month period ended 30 June 2023

23 Segment Reporting

The Group's operating segments are Real estate development and Hospitality. The Management evaluates the operating results of its operating segments separately for the purpose of making strategic decisions about allocating resources and assessing performance. Segment performance is measured based on the adjusted profit or loss calculated in accordance with IFRS.

The Chief Operating Decision Maker reviews mainly the segment profit and loss for its strategic decision and therefore, the segment assets and liabilities are not disclosed in this section.

a) For the six-month ended 30 June 2023 (Unaudited)

Particulars	Hospitality	Real estate development	Others	Total
	AED'000	AED'000	AED'000	AED'000
Total Segment Results	196,570	174,353	-	370,923
Unallocated Items				
Corporate office	-	-	(35,625)	(35,625)
EBITDA	196,570	174,353	(35,625)	335,298

a) For the six-month ended 30 June 2022 (Unaudited and restated)

Particulars	Hospitality	Real estate development	Others	Total
	AED'000	AED'000	AED'000	AED'000
Total Segment Results	233,399	40,026	-	273,425
Add: Preopening expenses	16,448	-	-	16,448
Unallocated Items				
Corporate office	-	-	(30,583)	(30,583)
EBITDA	249,847	40,026	(30,583)	259,290

Reconciliation between profit for the period and earnings before interest, tax, depreciation and amortisation:

Particulars	Three-month period ended 30 June		Six-month period ended 30 June	
	2023	2022	2023	2022
	AED'000 (Unaudited)	AED'000 (Unaudited and restated)	AED'000 (Unaudited)	AED'000 (Unaudited and restated)
Profit for the period	91,890	23,043	185,957	119,711
Add:				
Depreciation	49,927	43,048	103,360	90,983
Pre-opening expenses (Note 16)	-	12,150	-	16,448
Finance costs (Note 18)	32,146	18,370	58,624	37,765
Finance income (Note 18)	(7,796)	(185)	(12,643)	(5,617)
Earning before interest, tax, depreciation and amortisation ("EBITDA")	166,167	96,426	335,298	259,290

FIVE Holdings (BVI) Limited and its subsidiaries

Notes to the interim condensed consolidated financial statements For the three-month and six-month period ended 30 June 2023

23 Segment Reporting (continued)

Particulars	Three-month period ended 30 June		Six-month period ended 30 June	
	2023 AED'000 (Unaudited)	2022 AED'000 (Unaudited and restated)	2023 AED'000 (Unaudited)	2022 AED'000 (Unaudited and restated)
Segment Revenue				
Hospitality	224,737	203,356	463,262	474,228
Real estate development	176,638	45,051	344,532	100,636
Total Segment Revenue	401,375	248,407	807,794	574,864
Segment Result				
Hospitality	92,395	91,274	196,570	233,399
Real estate development	88,748	16,806	174,353	40,026
Total Segment Results	181,143	108,080	370,923	273,425
Less: Unallocated Items				
Finance costs (Note 18)	32,146	18,370	58,624	37,765
Finance income (Note 18)	(7,796)	(185)	(12,643)	(5,617)
Corporate office	14,976	23,804	35,625	30,583
Depreciation	49,927	43,048	103,360	90,983
Net Profit	91,890	23,043	185,957	119,711

FIVE Holdings (BVI) Limited and its subsidiaries

Notes to the interim condensed consolidated financial statements For the three-month and six-month period ended 30 June 2023

23 Segment Reporting (continued)

Other Information

The Management of the entity further evaluates the result of the Hospitality segment separately into Hotel Rooms, Food and Beverage - Entertainment, Food and Beverage - Non entertainment, and others, which are the key drivers of the performance of the business.

	Three-month period ended 30 June		Six-month period ended 30 June	
	2023 AED'000 (Unaudited)	2022 AED'000 (Unaudited and restated)	2023 AED'000 (Unaudited)	2022 AED'000 (Unaudited and restated)
Hospitality - Revenue stream wise				
Rooms	88,259	82,021	192,924	205,184
Food and Beverage – Entertainment	60,829	57,769	123,034	137,468
Food and Beverage – Non Entertainment	52,695	48,506	103,640	99,152
Others	22,954	15,060	43,664	32,424
Total Hospitality - Revenue stream wise	224,737	203,356	463,262	474,228
Hospitality - Result stream wise				
Rooms	44,879	46,881	105,172	128,690
Food and Beverage – Entertainment	23,811	22,887	45,106	56,337
Food and Beverage – Non Entertainment	15,815	15,323	30,757	35,729
Others	7,890	6,183	15,535	12,643
Total Hospitality - Result stream wise	92,395	91,274	196,570	233,399
Add: Pre-opening Expenses				
Rooms	-	4,900	-	6,855
Food and Beverage – Entertainment	-	3,452	-	4,717
Food and Beverage – Non Entertainment	-	2,898	-	3,703
Others	-	900	-	1,173
Total Other Adjustments Hospitality	-	12,150	-	16,448
Earning before interest, tax, depreciation and amortization (EBITDA)				
Rooms	44,879	51,781	105,172	135,545
Food and Beverage – Entertainment	23,811	26,339	45,106	61,054
Food and Beverage – Non Entertainment	15,815	18,221	30,757	39,432
Others	7,890	7,083	15,535	13,816
Total EBITDA	92,395	103,424	196,570	249,847

Notes: -

- Segment Result = Revenue – Cost of sales – General and administrative expenses – Selling and marketing expenses + Other Income
- Preopening expense allocated in the sub-segment of hospitality based on the revenue of that sub-segment.

FIVE Holdings (BVI) Limited and its subsidiaries

Notes to the interim condensed consolidated financial statements For the three-month and six-month period ended 30 June 2023

24 Corporate tax

On 16 January 2023 the UAE government published a Cabinet Decision setting the threshold at which the new Corporate Income Tax will apply. This event made the Corporate Income Tax substantively enacted and enacted within the meaning of IAS 12. Current taxes will only be payable for financial years beginning on or after 1 June 2023 so the company will be subject to current tax for the first time effective from 1 January 2024. However, enactment of the legislation requires the Group to record deferred taxes using the enacted rate of 9%.

The Group assessed the deferred tax implication and concluded it is not material as of and for the six-month period ended 30 June 2023. The impact of any future changes in enacted law will be accounted for when such changes are substantively enacted or enacted.

25 Restatement of previously issued interim condensed consolidated financial statements

In accordance with the requirements of IAS 8 “Accounting policies, changes in accounting estimates and errors” (“IAS 8”), management has restated the figures to adjust the previously issued consolidated financial statements. The note below sets out the details of adjustments and the line items in the interim condensed consolidated statements of profit or loss, comprehensive income and cash flows:

Restatement 1: Sale and lease back

In the prior years the Group entered into three types of arrangements with buyers, as follows:

- Sale and leaseback of units at Five Palm Jumeirah for a period of 30 years, with a handover in 2017
- Sale and leaseback of units at Five Jumeirah Village Circle for a period of 30 years, with a handover in 2019
- Sale and leaseback of units at Five Palm Jumeirah for a period of 1 year, with auto-renewal terms, with a handover in 2017

A significant portion of these units were sold in the prior periods and revenue from the sale of the condominiums was recognised under IFRS 15 “Revenue from contracts with customers”. Upon the adoption of IFRS 16 “Leases” on 1 January 2019, the arrangements were reassessed and accounted for as sale and lease back arrangements. This was on the basis that management had assessed that control over the units passed to the customer under the requirements of IFRS 15, and the sale and leaseback criteria was met. As a result of this a right of use asset was recognised and a lease liability was recorded in the consolidated statement of financial position from 1 January 2019.

During 2022, the Group’s management reassessed the accounting treatment of these arrangements. Upon reassessment of the contractual terms, it was concluded that the arrangements fall under the scope of IFRS 9 “Financial Instruments” as these are in substance a form of financing in nature. It was assessed that the contractual terms resulted in there being no transfer of control of the condominiums under IFRS 15 “Revenue from Contracts with Customers”. It was concluded that the arrangements failed to qualify as a sale and should have been accounted for as financing under IFRS 9 Financial Instruments. Accordingly, a restatement has been recognised to reflect the arrangements as financing in the previously issued consolidated financial statements.

Restatement 2: Reclassification of direct costs

The Group identified music, entertainment and other operational expenses relating to the entertainment revenue stream included within selling and marketing costs, and general and administrative expenses. These have been reclassified to cost of sales as they are direct in nature.

FIVE Holdings (BVI) Limited and its subsidiaries

Notes to the interim condensed consolidated financial statements For the three-month and six-month period ended 30 June 2023

25 Restatement of previously issued interim condensed consolidated financial statements (continued)

Restatement 3: Reclassification of costs in “Cost of Sales” and “Selling and marketing expenses” to “General and Administrative expenses” in relation to certain indirect costs for the hotel

The Group identified certain indirect costs pertaining to the hotel which were classified as direct costs and selling and marketing expenses reclassified them to general and administrative expenses

Restatement 4: Reclassification of holiday home rent as direct costs

Pursuant to the holiday homes rental agreement with unit owners of residential units, the Group incurred the lease charges - rooms and hotel apartments during the period ended 30 June 2022. These were recognised in general and administrative expenses. However, as they relate to arrangements which generate revenue from hotel rooms the amounts should be recognised in cost of sales.

Restatement 5: Separate presentation of depreciation

In prior periods the Group presented depreciation within cost of sales. Given that this amount is material, this has been separately presented within gross profit in accordance with IAS 1 Presentation of Financial Statements. Interim condensed consolidated financial statements for the period ended have been restated for this reclassification.

Restatement 6: Presentation of restricted cash in escrow

As at 30 June 2022, the Group classified balances in escrow relating to ongoing project development, and collateral and other reserve accounts relating to bank borrowings as restricted cash. These balances can be used in the operations of the business as per specific criteria, as such management has assessed these balances to be cash and cash equivalents.

Restatement 7: Recognition of deferred tax liability in relation to the 5 Atlantis AG

During the six-month period ended 30 June 2022, deferred tax on revaluation gain of hotel in Switzerland should have been recorded in accordance with IAS 12 “Income taxes”. As a result of a fair value gain on the fixed assets in Switzerland being taxable only upon realisation (i.e., sale of the assets) in accordance with the provisions of Federal and Cantonal taxes applicable in Zurich, Switzerland, the Group has recognised the deferred tax liability as at balance sheet date.

FIVE Holdings (BVI) Limited and its subsidiaries

**Notes to the interim condensed consolidated financial statements
For the three-month and six-month period ended 30 June 2023**

25 Restatement of previously issued interim condensed consolidated financial statements (continued)

a) Impact on interim condensed statement of profit or loss for the three-month period ended 30 June 2022 is summarized below:

	As previously reported AED'000	Restatement 1 AED'000	Restatement 2 AED'000	Restatement 3 AED'000	Restatement 4 AED'000	Restatement 5 AED'000	As restated AED'000
Revenue	248,407		-	-	-	-	248,407
Cost of sales	(112,510)		(3,947)	3,360	(5,193)	24,023	(94,267)
Depreciation	-	(19,025)	-	-	-	(24,023)	(43,048)
Gross profit	135,897	(19,025)	(3,947)	3,360	(5,193)	-	111,092
General and administrative expenses	(73,658)	2,162	3,947	(6,019)	5,193	-	(68,375)
Selling and Marketing expenses	(17,239)	-	-	2,659	-	-	(14,580)
Other income	13,091	-	-	-	-	-	13,091
Operating profit	58,091	(16,863)	-	-	-	-	41,228
Finance income	-	185	-	-	-	-	185
Finance costs	(25,022)	6,652	-	-	-	-	(18,370)
Finance Costs, net	(25,022)	6,837	-	-	-	-	(18,185)
Profit for the period	33,069	(10,026)	-	-	-	-	23,043

FIVE Holdings (BVI) Limited and its subsidiaries

**Notes to the interim condensed consolidated financial statements
For the three-month and six-month period ended 30 June 2023**

25 Restatement of previously issued interim condensed consolidated financial statements (continued)

b) Impact on interim condensed statement of profit or loss for the six-month period ended 30 June 2022 is summarized below:

	As previously reported AED'000	Restatement 1 AED'000	Restatement 2 AED'000	Restatement 3 AED'000	Restatement 4 AED'000	Restatement 5 AED'000	As restated AED'000
Revenue	577,956	(3,092)	-	-	-	-	574,864
Cost of sales	(239,147)	1,288	(10,537)	6,053	(11,872)	48,251	(205,964)
Depreciation	-	(42,732)	-	-	-	(48,251)	(90,983)
Gross profit	338,809	(44,536)	(10,537)	6,053	(11,872)	-	277,917
General and administrative expenses	(125,118)	7,239	5,695	(8,710)	11,872	-	(109,022)
Selling and Marketing expenses	(38,114)	-	4,842	2,659	-	-	(30,613)
Other income	13,579	-	-	(2)	-	-	13,577
Operating profit	189,156	(37,297)	-	-	-	-	151,859
Finance income	-	5,617	-	-	-	-	5,617
Finance costs	(45,623)	7,858	-	-	-	-	(37,765)
Finance Costs, net	(45,623)	13,475	-	-	-	-	(32,148)
Profit for the period	143,533	(23,822)	-	-	-	-	119,711

FIVE Holdings (BVI) Limited and its subsidiaries

Notes to the interim condensed consolidated financial statements for the three-month and six-month period ended 30 June 2023 (continued)

25 Restatement of previously issued interim condensed consolidated financial statements (continued)

(b) Impact on interim condensed statement of comprehensive income for the Three-month period ended 30 June 2022 is summarised below:

	As previously reported AED'000	Restatement 1 AED'000	Restatement 7 AED'000	As Restated AED'000
Profit for the period	33,069	(10,026)	-	23,043
<u>Items that will not be classified to Profit or Loss</u>				
Revaluation gain on property and equipment	-	512,987	-	512,987
Deferred tax liabilities on fair value gain in revaluation of property and equipment	-	-	(4,596)	(4,596)
Exchange losses arising on translation of foreign subsidiary	(9,478)	-	-	(9,478)
Total comprehensive income for the period	23,591	502,961	(4,596)	521,956

(c) Impact on interim condensed statement of comprehensive income for the Six-month period ended 30 June 2022 is summarised below:

	As previously reported AED'000	Restatement 1 AED'000	Restatement 7 AED'000	As Restated AED'000
Profit for the period	143,533	(23,822)	-	119,711
<u>Items that will not be classified to Profit or Loss</u>				
Revaluation gain on property and equipment	-	512,987	-	512,987
Deferred tax liabilities on fair value gain in revaluation of property and equipment	-	-	(4,596)	(4,596)
Exchange losses arising on translation of foreign subsidiary	(9,478)	-	-	(9,478)
Total comprehensive income for the period	134,055	489,165	(4,596)	618,624

FIVE Holdings (BVI) Limited and its subsidiaries

Notes to the interim condensed consolidated financial statements for the three-month and six-month period ended 30 June 2023 (continued)

25 Restatement of previously issued interim condensed consolidated financial statements (continued)

(c) Impact on statement of changes in cashflow for the six-month period ended 30 June 2022 (extract) is summarised below:

	As previously reported AED'000	Restatement 1 AED'000	Restatement 6 AED'000	As Restated AED'000
Net cash generated from operating activities	149,576	(54,922)	116,214	210,868
Net cash used in investment activities	(58,285)	(77,516)	-	(135,801)
Net cash used in financing activities	(168,838)	132,438	-	(36,400)
Net (decrease) / increase in cash and cash equivalents	(77,747)	-	116,214	38,667
Cash and cash equivalents, beginning of the period	244,632	-	243,753	488,385
Cash and cash equivalents, end of the period	167,085	-	359,967	527,052