

FIVE Holdings (BVI) Limited

**Consolidated financial statements
For the year ended 31 December 2023**

FIVE Holdings (BVI) Limited

Consolidated financial statements for the year ended 31 December 2023

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Independent auditor's report to the shareholder of FIVE Holdings (BVI) Limited

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of FIVE Holdings (BVI) Limited (the “Company”) and its subsidiaries (together the “Group”) as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

What we have audited

The Group’s consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.



Independent auditor's report to the shareholder of FIVE Holdings (BVI) Limited (continued)

Our audit approach

Overview

Key Audit Matter	<ul style="list-style-type: none">Fair valuation of property and equipment
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As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matter

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

Key audit matter	How our audit addressed the Key audit matter
Fair valuation of property and equipment (refer to Note 5)	<p>We obtained Group's calculations of property and equipment fair value based on external valuation reports and tested the accuracy of the posting of the related revaluation gain to the consolidated statement of comprehensive income, and performed the following:</p> <ul style="list-style-type: none">- We reconciled the property and equipment value on the consolidated statement of financial position to the external valuation reports.- We tested the accuracy of the net gain on property and equipment by recalculating the difference in fair value of individual property and equipment between 31 December 2023 and 31 December 2022.



Independent auditor's report to the shareholder of FIVE Holdings (BVI) Limited (continued)

Our audit approach (continued)

Key audit matter (continued)

Key audit matter	How our audit addressed the Key audit matter
Fair valuation of property and equipment (refer to Note 5) (continued)	
<p>As at 31 December 2023, the fair value of Group's property and equipment was AED 8,299,985 thousand (31 December 2022: AED 6,966,867 thousand), representing 77% (31 December 2022: 83%) of total assets making it the most significant asset on the consolidated statement of financial position. Refer Note 2.7 of the consolidated financial statements for accounting policy applied for property and equipment. The Group's property and equipment is valued under the "discounted cash flow method" or "income capitalisation method" (together, the "income approach"). The determined fair value of each property and equipment is based on its individual nature and location which is most sensitive to its discount rate and capitalisation rate. The underlying assumptions used to determine the fair value of property and equipment and sensitivity analysis are further explained in Note 4.7.</p> <p>We have focused on this area because of the complexity and uncertainty inherent in the determination of fair value (including the use of estimates) and the significant impact any changes in the individual property fair value, or error in their computation, could have on the Group's reported consolidated statement of financial position and consolidated financial performance.</p>	<ul style="list-style-type: none">- We involved our in-house property valuation experts to assess the methodology used by the Group's external valuers and the appropriateness of the underlying assumptions by performing the following procedures:<ul style="list-style-type: none">- Reviewed the methodology applied by the external valuers is appropriate;- Assessed the reasonableness of Average Daily Rates ("ADR"), occupancy rates and operating expenses and compared them against market evidence and the properties' actual performance; and- Assessed the discount rate and capitalisation rate to ensure they are appropriate and in line with current market conditions.- Evaluated the external valuers' independence, experience and reputation in the property valuation field; and- We reviewed the adequacy of the Group's disclosures in Note 4.7 and Note 5 to the consolidated financial statements about those assumptions to which the outcome of the fair valuation is most sensitive, that is, those that have the most significant effect on the determination of the valuation of the Group's property and equipment.



Independent auditor's report to the shareholder of FIVE Holdings (BVI) Limited (continued)

Other information

Management is responsible for the other information. The other information comprises the Group's annual report (but does not include the consolidated financial statements and our auditor's report thereon) which is expected to be made available to us after the date of this auditor's report.

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

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

When we read the Group's annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



Independent auditor's report to the shareholder of FIVE Holdings (BVI) Limited (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers Limited Partnership Dubai Branch
Dubai, United Arab Emirates
5 April 2024

FIVE Holdings (BVI) Limited

Consolidated statement of financial position

	Note	As at 31 December	
		2023	2022
		AED'000	AED'000
ASSETS			
Non-current assets			
Property and equipment	5	8,299,985	6,966,867
Intangible assets	6	892,366	235
Right-of-use assets	7	251,363	104,914
Other assets	8	2,027	-
		9,445,741	7,072,016
Current assets			
Trade and other receivables	9	571,335	560,011
Prepayments	10	56,342	38,136
Inventories	11	27,374	17,267
Property held for development and sale	12	-	6,526
Bank deposits	13	117,962	-
Cash and cash equivalents	13	613,779	696,200
		1,386,792	1,318,140
Total assets		10,832,533	8,390,156
EQUITY AND LIABILITIES			
EQUITY			
Capital and reserves attributable to Owner of FIVE Holdings (BVI) Limited			
Share capital	14	-	-
Contributed capital	15	252,913	252,913
Statutory reserve	16	2,238	2,238
Revaluation reserve		4,855,611	4,345,082
Foreign currency translation reserve		83,678	-
Retained earnings		1,166,075	807,172
		6,360,515	5,407,405
Non-controlling interests		28,848	21,666
Total equity		6,389,363	5,429,071
LIABILITIES			
Non-current liabilities			
Lease liabilities	7	224,464	99,513
Trade and other payables	17	34,119	51,012
Borrowings	18	1,431,873	1,063,656
Retention payables		37,081	18,648
Provision for employees' end of service benefits	20	14,074	10,837
Deferred tax liabilities	21	264,267	23,324
Finance liabilities	22	583,024	466,687
Deferred gain	23	445,769	398,677
		3,034,671	2,132,354
Current liabilities			
Lease liabilities	7	34,893	22,688
Due to related parties	24	7,783	6,470
Trade and other payables	17	766,410	482,465
Borrowings	18	191,151	106,834
Retention payables		257	340
Contract liabilities	19	214,578	55,145
Current tax liabilities		7,549	-
Finance liabilities	22	109,433	88,984
Deferred gain	23	76,445	65,805
		1,408,499	828,731
Total liabilities		4,443,170	2,961,085
Total equity and liabilities		10,832,533	8,390,156

These consolidated financial statements were approved by the Board of Directors on April 5, 2024, and signed on behalf of the Board of FIVE Holdings (BVI) Limited by:

Kabir Mulchandani
Chairman

The notes on pages 11 to 72 form an integral part of these consolidated financial statements.

FIVE Holdings (BVI) Limited

Consolidated statement of profit or loss

	Note	Year ended 31 December	
		2023 AED'000	2022 AED'000
Revenue	25	1,693,719	1,236,949
Cost of sales	26	(724,544)	(494,958)
Depreciation and amortisation	5,6 & 7	(219,543)	(191,187)
Gross profit		749,632	550,804
General and administrative expenses	27	(259,862)	(183,989)
Selling and marketing expenses	28	(97,214)	(77,705)
Impairment reversal on financial assets		-	4,877
Other income	30	19,762	19,847
Operating profit		412,318	313,834
Finance income	31	26,527	5,967
Finance cost	31	(176,721)	(87,133)
Finance cost - net	31	(150,194)	(81,166)
Profit before income tax		262,124	232,668
Income tax benefit	32	51,671	-
Profit for the year		313,795	232,668
Profit for the period attributable to:			
Owner of FIVE Holdings (BVI) Limited		311,341	225,520
Non-controlling interests		2,454	7,148
		313,795	232,668

	Note	Year ended 31 December	
		2023 AED'000	2022 AED'000
Basic and diluted earnings per share attributable to the owner of FIVE Holdings (BVI) Limited	35	311,341	225,520

FIVE Holdings (BVI) Limited

Consolidated statement of comprehensive income

	Year ended 31 December	
	2023 AED'000	2022 AED'000
Profit for the year	313,795	232,668
Other comprehensive income		
<i>Items that will not be reclassified to profit or loss:</i>		
Revaluation gain on property and equipment (Refer note 5)	845,778	972,831
Deferred tax liabilities addition on fair value gain on revaluation of property and equipment (Refer note 32)	(198,729)	(9,191)
<i>Items that will be reclassified to profit or loss:</i>		
Exchange differences on translation of foreign operations	83,678	-
Total other comprehensive income	730,727	963,640
Total comprehensive income for the year	1,044,522	1,196,308
Total comprehensive income for the period attributable to:		
Owner of FIVE Holdings (BVI) Limited	1,035,002	1,189,160
Non-controlling interests	9,520	7,148
	1,044,522	1,196,308

FIVE Holdings (BVI) Limited

Consolidated statement of changes in equity

	Attributable to Owner of FIVE Holdings (BVI) Limited								
	Share capital	Contributed capital	Statutory reserve	Revaluation reserve	Foreign	Retained earnings	Total	Non-Controlling Interests	Total
					currency translation reserve				
AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	
At 1 January 2023	-	252,913	2,238	4,345,082	-	807,172	5,407,405	21,666	5,429,071
Acquisition of business	-	-	-	-	-	-	-	571	571
Profit for the period	-	-	-	-	-	311,341	311,341	2,454	313,795
Other comprehensive income	-	-	-	639,983	83,678	-	723,661	7,066	730,727
Total comprehensive income for the period ended 31 December 2023	-	-	-	639,983	83,678	311,341	1,035,002	10,091	1,045,093
<i>Transactions with non controlling interests</i>									
Dividend (Note 34)	-	-	-	-	-	-	-	(2,909)	(2,909)
<i>Transactions with owner in their capacity as owner:</i>									
Dividend (Note 34)	-	-	-	-	-	(81,892)	(81,892)	-	(81,892)
<i>Others:</i>									
Transfer of revaluation reserve upon disposal	-	-	-	(16,245)	-	16,245	-	-	-
Depreciation transfer for property and equipment under revaluation model	-	-	-	(113,209)	-	113,209	-	-	-
At 31 December 2023	-	252,913	2,238	4,855,611	83,678	1,166,075	6,360,515	28,848	6,389,363

	Attributable to Owner of FIVE Holdings (BVI) Limited								
	Share Capital	Contributed Capital	Statutory reserve	Revaluation reserve	Foreign	Retained earnings	Total	Non-Controlling Interests	Total
					currency translation reserve				
AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	
At 1 January 2022	-	252,913	2,238	3,486,063	-	471,091	4,212,305	129,397	4,341,702
Profit for the year	-	-	-	-	-	225,520	225,520	7,148	232,668
Other comprehensive income	-	-	-	963,640	-	-	963,640	-	963,640
Total comprehensive income for the year ended 31 December 2022	-	-	-	963,640	-	225,520	1,189,160	7,148	1,196,308
<i>Transactions with non-controlling interests:</i>									
Purchase of non-controlling interest by the Group (Note 33)	-	-	-	-	-	5,940	5,940	(110,923)	(104,983)
Dividend paid (Note 34)	-	-	-	-	-	-	-	(3,956)	(3,956)
<i>Others:</i>									
Depreciation transfer for property and equipment under revaluation model	-	-	-	(104,621)	-	104,621	-	-	-
At 31 December 2022	-	252,913	2,238	4,345,082	-	807,172	5,407,405	21,666	5,429,071

The notes on pages 11 to 72 form an integral part of these consolidated financial statements

FIVE Holdings (BVI) Limited

Consolidated statement of cash flows

	Notes	Year ended 31 December	
		2023 AED'000	2022 AED'000
Cash flows from operating activities			
Profit before income tax		262,124	232,668
Adjustments for:			
Depreciation of property and equipment	5	192,629	168,121
Amortisation of intangible assets	6	2,151	-
Depreciation of right-of-use assets	7	24,763	23,066
Transaction cost	27	16,094	-
Interest on lease liabilities	31	9,695	7,218
Interest cost on finance liabilities	31	83,223	78,169
Provision for employees' end of service benefits	20	6,841	6,105
Amortisation of deferred gain	31	(46,087)	(55,256)
Interest income	31	(26,527)	(5,967)
Interest cost on borrowings	31	125,942	53,127
Other finance cost	31	3,948	3,875
Gain on lease termination	30	-	(12,748)
Profit on disposal of property and equipment	30	(480)	-
Changes in working capital:			
Property held for development and sale	12	6,526	12,097
Inventories	11	560	(3,317)
Trade and other receivables	9	66,251	(24,355)
Prepayments	10	(15,850)	12,784
Due to related parties	24	737	(128,105)
Trade and other payables	17	(164,604)	272,701
Retention payables		18,350	17,983
Contract liabilities	19	159,433	28,596
Provision for employee's end of service benefits	20	(4,614)	(1,123)
Cash generated from operations		721,105	685,639
Income taxes paid		(1,079)	-
Net cash inflow from operating activities		720,026	685,639
Cash flows from investing activities			
Purchase of property and equipment	5	(413,592)	(324,300)
Proceed from sale of property and equipment		5,215	-
Purchase of intangible assets	6	(1,860)	(101)
Bank deposits	13	(117,962)	-
Acquisition of a subsidiary, net of cash acquired	37	(1,039,457)	-
Transaction cost	27	(16,094)	-
Interest income	31	26,527	5,967
Net cash used in investing activities		(1,559,250)	(318,434)
Cash flows from financing activities			
Advance received under financing arrangements	17	364,932	109,494
Proceeds from financing arrangements	22	240,605	77,289
Interest payment on finance liabilities	22	(83,223)	(78,169)
Purchase of non-controlling interest share in a subsidiary	33	-	(104,982)
Principal element of lease payments	7	(34,056)	(17,009)
Interest paid on lease liabilities	7	(9,695)	(7,218)
Dividends paid	34	(44,801)	(13,321)
Interest paid on borrowings	31	(129,890)	(57,002)
Proceeds from issuance of bonds	18	1,272,855	-
Repayment of bond	18	(28,951)	-
Transaction cost relating to borrowing	18	(70,020)	-
Proceed from bank borrowings	18	679,413	139,637
Repayment of from bank borrowings	18	(1,400,762)	(208,109)
Net cash generated from/ (used) in financing activities		756,407	(159,390)
Net increase in cash and cash equivalents		(82,817)	207,815
Cash and cash equivalents, beginning of the year		696,200	488,385
Effects of exchange rate changes on cash and cash equivalents		396	-
Cash and cash equivalents, end of the year	13	613,779	696,200

Refer note 7 for non-cash transactions pertaining to additions to right-of-use assets and refer note 34 for non-cash transaction pertaining to financing activities i.e. dividend.

FIVE Holdings (BVI) Limited

Notes to the consolidated financial statements for the year ended 31 December 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, its subsidiaries and joint operations collectively referred as the “Group” are to provide hospitality services primarily in the United Arab Emirates (UAE) and Switzerland. The Group is also engaged in real estate development projects in Dubai, UAE. The Group on 9th October 2023 acquired 100% equity of Universo Pacha, S.A. (‘Pacha’) incorporated in Ibiza, Spain. Pacha along with its subsidiaries and other affiliated entities (collectively referred as “Pacha Group”) are engaged in hospitality business comprising 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. Pacha Group also owns a merchandise establishment in Spain and owns brands like Toy Room, WooMoon and Storytellers that are engaged in organising the concept parties and events.

The consolidated financial statements of the Company includes subsidiaries listed in the table below:

Name of entities and country of incorporation	Principal activities	Percentage of ownership/ voting rights on 31 December	
		2023	2022
United Arab Emirates			
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 Luxe Hotel 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
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 (‘FIVE Beach’)	Property holding Company	85	85
Praia Restaurant FZE (100% subsidiary of FIVE Beach)	Restaurant operating Company	85	85
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	-
Sea FIVE Yacht LLC***	Water sports Company	100	-
FIVE International Real Estate Brokers LLC***	Real estate brokerage Company	100	-
Cayman Islands			
FIVE Development LLC**	Holding Company	-	100
Unlimited 1 Development	Holding Company	100	100
FIVE Hospitality LLC****	Holding Company	-	100

FIVE Holdings (BVI) Limited

Notes to the consolidated financial statements for the year ended 31 December 2023

1 Legal status and operations (continued)

Name of entities and country of incorporation	Principal activities	Percentage of ownership/ voting rights on 31 December	
		2023	2022
Cayman Islands			
Sky's the Limit 1 LLC	Holding Company	100	100
Spain *****			
Universo Pacha, S.A.	Holding & Night Club Operating Company	100	-
El Hotel Pacha, S.L.	Hotel Operating Company	100	-
Nube,S.L.	Property and Brand holding Company	100	-
Pacha Merchandise, S.L.	Merchandise operating company	100	-
Pacha Franquicias, S.L.	Franchise operating Company	100	-
Sweet Pacha, S.L.	Events & Productions	100	-
Nomad Suntribe, S.A.	Events & Productions	100	-
Pacha Multimedia, S.L.	Music Production Company	100	-
United Kingdom *****			
Toy Room Ltd ('TOY ROOM')	Holding Company and Brand Holding Company	51	-
Toy Room Brand Ltd (100% subsidiary of TOY ROOM)	Franchise operating Company	51	-
Switzerland			
5 Atlantis A G	Property holding and Hotel Operating Company	100	100

The consolidated financial statements also include the result of a 50% joint operation interest in Marisol Pacha Ibiza, A.I.E acquired along with Universo Pacha S.A. It is engaged in merchandise business and accounted for under the proportionate consolidation method.

* Effective 3 July 2023, the name of the entity was changed from FIVE JBR Hotel LLC to FIVE Luxe Hotel LLC.

** During the year ended 31 December 2023 as part of Group's re-organisation, these entities were transferred to the Owner for consideration at net assets of these respective entities.

*** Newly incorporated entities during the year 2023.

**** During the year ended 31 December 2023 as part of Group's re-organisation, these entities were liquidated.

***** On 9 October 2023, the Group acquired these entities (Refer Note 37).

2 Material accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented except as mentioned in Note 2.2 (a).

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention unless otherwise stated. The consolidated financial statements comply with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements have been presented in UAE Dirhams (AED).

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. There are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements except as disclosed in Note 4.

2 Material accounting policies (continued)**2.1 Basis of preparation (continued)**

The consolidated statement of profit or loss is presented on the basis of by function. However, depreciation is separately presented within gross profit and 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.

The Group has prepared the consolidated financial statements on the basis that it will continue to operate as a going concern.

2.2 Change in accounting policies and disclosures*(a) New standards, interpretations, and amendments in issue and effective*

The Group has applied the following standards, amendments and interpretations for the first time for their annual reporting period commencing 1 January 2023:

- IFRS 17 Insurance Contracts;
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2;
- Definition of Accounting Estimates – Amendments to IAS 8; and
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
- International Tax Reform – Pillar Two Model Rules – amendments to IAS 12

The above standards, amendments and interpretation to accounting standards did not have material impact on the Group’s consolidated financial statements and did not require retrospective adjustments and there are no other standards, amendments or interpretations that became effective for the first time for the annual reporting period commencing 1 January 2023 and have a material impact on the Group.

(b) New standards and amendments adopted by the Group

New amendments and interpretations not effective for the financial year beginning 1 January 2023 and not early adopted by the Group.

- Classification of Liabilities as Current or Non-current Amendments to IAS 1
- Non-current liabilities with covenants – Amendments to IAS 1;
- Lease liability in sale and leaseback – amendments to IFRS 16;
- Supplier financing arrangements – Amendments to IAS 7 and IFRS 7; and
- Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28.

Management is currently assessing the impact of aforementioned new standards, interpretations, and amendments. 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.

2.3 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.

2 Material accounting policies (continued)

2.4 Basis of preparation

The key APM that the Group uses is EBITDA. This APM is set out in note 38 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 operations 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. Pre-opening costs refer to costs incurred in getting new outlets operational, and primarily include costs incurred before opening and in preparing for launch.

Acquisition-related costs

Acquisition-related costs are costs incurred to affect 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.

2.5 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

(a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(b) Business combination and goodwill

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree, and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets

acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

2 Material accounting policies (continued)

2.5 Basis of consolidation (continued)

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Any subsequent change to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 in statement of profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of profit or loss.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group.

Transfer of businesses under common control is accounted for under the uniting of interest method. Business combinations involving entities under common control do not fall under the scope of IFRS 3 "Business Combinations". Under the uniting of interest method there is no requirement to fair value the assets and liabilities of the transferred entities and hence no goodwill is created as the balances remain at book value. The results and cash flows of the subsidiaries are consolidated from the beginning of the comparative financial period. The consolidated statement of comprehensive income and the consolidated statement of financial position comparatives are also presented as if the Company had been the intermediate parent undertaking of the Group throughout the current and previous year. The aim is to present the consolidated financial statements as though the Group had always been consolidated.

(d) Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(e) Acquisitions that do not meet the definition of a business

When an entity is acquired which under IFRS 3 meets the definition of an asset acquisition as opposed to a business combination, the individual assets and liabilities acquired are identified, and the cost of the transaction is allocated to the assets acquired and liabilities assumed based on their relative fair values at the date of purchase. No goodwill is recognised on these transactions. All transactions costs are capitalised as part of the assets acquired.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial

2 Material accounting policies (continued)**2.6 Foreign currency translation (continued)**

statements are presented in United Arab Emirates Dirham (“AED”), which is the Company’s presentation and functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the average exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are generally recognised in consolidated statement of profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss on a net basis within other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised consolidated statement of profit or loss as part of the fair value gain or loss, and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income.

(c) Consolidation of the foreign operations

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows: assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position; income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income (‘foreign currency translation reserve’). When a foreign operation is sold, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.7 Property and equipment

Land, buildings and capital work-in-progress are initially recognised at cost, and classified as buildings upon commissioning, are stated at fair value based on annual valuations performed by external independent valuers less impairment and depreciation. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. All other property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

2 Material accounting policies (continued)**2.7 Property and equipment (continued)**

All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in revaluation reserve in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between the depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the property, plant and equipment revaluation reserve to the retained earnings.

The leasehold improvements are depreciated over the period of lease or life of asset whichever is less.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Type of assets	Years
Buildings	30
Equipment	4 - 5
Furniture and fixtures	5
Motor vehicles	5
Leasehold improvements	5-10

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

Gains and losses on disposals are determined by comparing proceeds with the asset's carrying amount. These are recognised in the consolidated statement of comprehensive income. When revalued assets are sold, the amounts included in revaluations reserves are transferred to retained earnings.

When commissioned, capital work-in-progress is transferred to the respective category and depreciated in accordance with the Group's policy consistent with IFRS Accounting Standards.

Transfers between property and equipment, and property held for development and sale are made when there is a change in use evidenced by commencement of owner-occupation or development with a view to sale, end of owner-occupation or commencement of an operating lease to another party, as applicable. All transfers are made at carrying value on the date of transfer.

2.8 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated

2 Material accounting policies (continued)**2.8 Intangible assets (continued)**

as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets. Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

A summary of the policies applied to the Group's intangible assets is, as follows:

Goodwill

Goodwill is measured as described in note 2.5(b). Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or Groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Trademarks

Trademarks acquired in business combination are recognised at fair value at the acquisition date and subsequently reduced by accumulated amortisation and impairment losses. Considering the strength of the trademark and expectation of the market participant to modify or replace the brand, Destino trademark has a finite life of 3 years and Pacha has indefinite useful life which were acquired by the Group as part of acquisition of Pacha (note 36).

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight-line basis over their estimated useful lives which is normally a period of 5 years.

Franchise contracts

Franchise contracts acquired in business combination are recognised at fair value at the acquisition date and subsequently reduced by accumulated amortisation and impairment losses. Munich and Barcelona franchise contractual arrangement is for 5 years which were acquired by the Group as part of acquisition of Pacha (note 36).

2.9 Financial instruments*Financial instruments*

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly

2 Material accounting policies (continued)**2.9 Financial instruments (continued)**

attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets at amortised cost

The Group classifies its financial assets at amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Group's financial assets include cash and cash equivalents, due from related parties, and trade and other receivables (excluding advances to suppliers, prepayments and municipality fees receivable). There are no financial assets carried at fair value through profit and loss or through other comprehensive income.

At initial recognition, the Group measures financial assets at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Such financial assets are subsequently measured at amortised cost using the 'EIR' method less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the consolidated statement of profit or loss. The losses arising from impairment and subsequent reversal of such losses are recognised in the consolidated statement of profit or loss under Net impairment reversal / (losses) on financial assets (excluding advances to suppliers, prepayments and municipality fees receivable).

- Cash and cash equivalents comprise balances in current accounts at banks and cash on hand including escrow accounts.
- Trade receivables are amounts due from customers for properties sold or services provided in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.
- Contract assets or unbilled receivables relate to the Group's right to receive consideration for the satisfied performance obligations but not billed at the reporting date, unbilled receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value.

Impairment of financial assets

The Group's financial assets that are subject to the expected credit loss model are trade and other receivables (excluding advances to suppliers, prepayments and municipality fees receivable).

While cash and cash equivalents and short term deposits are also subject to the impairment requirements of IFRS 9, the identified impairment loss is immaterial.

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables and unbilled receivables. To measure the expected credit losses, trade receivables and unbilled receivables have been grouped based on shared credit risk characteristics and the days past due. The unbilled receivables relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the unbilled receivables. The Group has established a provision matrix that is based on the Group's historical credit loss experience, which is adjusted for expected cash flows from the realisation of the assets' collateral, if any, and further adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables and unbilled receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group. Impairment losses on trade receivables and unbilled receivables are written off when there is no reasonable expectation of recovery. The Group initially assesses a receivable for write-off when a debtor fails to make contractual payments greater than 360 days past due. Subsequent recoveries of amounts previously written off are credited against the same line item. The Group has identified the the inflation

2 Material accounting policies (continued)**2.9 Financial instruments (continued)***Impairment of financial assets (continued)*

rate of the of the country in which it operates as the most relevant factor, and accordingly adjusts the loss rates based on expected changes in these factors.

At each reporting date, the Group assess whether financial assets carried at amortised cost are impaired. Evidence of credit impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and an observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. The company also on case to case basis assesses the risk of default for amounts outstanding for over 90 days.

Recognition and derecognition of financial assets

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

A financial asset is derecognised when:

- the rights to receive cash flows from the asset have expired,
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement,
- the Group has transferred its rights to receive cash flows from the asset and either:
 - i) has transferred substantially all risks and rewards of the asset or
 - ii) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.10 Financial liabilities*Classification and measurement*

The Group classifies its financial liabilities at amortised cost which include trade and other payables (excluding advances from customers, VAT payable and municipality fee payable), bank borrowings, finance liability, lease liability, retention payable, contract liabilities and due to related parties. There are no financial liabilities carried at fair value through profit and loss or through other comprehensive income.

*Financial liabilities at amortised cost**Trade payables*

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 Material accounting policies (continued)**2.10 Financial liabilities (continued)***Other liabilities at amortised cost*

The Group has entered into agreements with buyers-lessors of condo hotel units sold in current and previous years. The terms of these arrangements are such that they are in substance financing arrangements, whilst the legal form reflects a sale and lease back. As per the significant judgements made in note 4.6a, it has been assessed that the arrangements meet the definition of a financial liability. At initial recognition these arrangements are measured at fair value taking into account the estimated future cash flows to be generated from these arrangements. The estimated cash flows are based on the terms of the contractual arrangements, these arrangements include both fixed and variable payment terms.

The expected cash flows are discounted using the effective interest rate method (“EIR Method”), using a discount rate which is reflective of the risks inherent with such an arrangement. The determination of the discount rate is considered a significant judgement and the assumptions have been disclosed in Note 4.6b. The interest expenses recognised using effective interest rate method in the consolidated statement of profit or loss within ‘Finance cost’.

Upon discounting the cash flows using the EIR Method, the financial liability is recognised at fair value. Due to the assumptions used in determining the discount rate, this results in a day 1 difference in the fair value of the cash flows. For the arrangements in place at the reporting date, there was a day 1 gain, which is deferred on the balance sheet as the measurement of these instruments was not based on observable market prices and therefore cannot be recognised in the Statement of Comprehensive Income on day 1. The gain has been deferred and is being amortised over systematic basis relative to the underlying term of the financing arrangements. These amounts are recognised in the Statement of Profit or loss as reduction in finance cost..

The deferred gain is presented in the consolidated statement of financial position separately from the underlying financial liability. At the end of each reporting period, the Group will re-estimate the future cash outflows based on revised assumptions, and discount these using the original EIR. Any difference between the carrying value of financial liability and the re-estimated liability value will be recognised in the consolidated statement of profit or loss within finance costs.

The financial liability is split between current and non-current based on the expected cash out flow within twelve months from the reporting date. The deferred day 1 gain or loss is split between current and non-current based on the expected amortisation to consolidated statement of profit or loss within twelve months from the reporting date.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the group or the counterparty.

2 Material accounting policies (continued)

2.12 Trade receivables and unbilled receivables

Trade and unbilled receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

The carrying amount of the asset is reduced through the use of a loss allowance account, and the amount of the loss is recognised in the consolidated statement of comprehensive income.

2.13 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, current accounts including restricted cash held with financial institutions.

2.14 Provision for employees' end of service benefits

An accrual is made for employee's entitlements to annual leave and leave passage as a result of service rendered by the employees up to the reporting date.

A provision is made, using actuarial techniques, for the full amount of end of service benefits due to non-UAE national employees in accordance with the UAE Labour Law for their periods of service up to the statement of financial position date. The accrual relating to annual leave and leave passage is disclosed as a current liability and included in other payables, while that relating to end of service benefits is disclosed as a non-current liability in the consolidated statement of financial position.

The present value of the defined benefit obligation is determined by discounting estimated future cash outflows using market yields at the end of the reporting period of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and have terms approximating to the estimated term of the retirement benefit obligations.

Actuarial gains and losses arising from changes in actuarial assumptions and experience adjustments are recognised in equity through the consolidated statement of comprehensive income in the period in which they arise.

2.15 Contract liabilities

Instalments received from customers, for sale of property, prior to meeting the revenue recognition criteria, are recognised as contract liabilities. These are subsequently released to the consolidated statement of comprehensive income once the revenue recognition criteria are met.

2.16 Provisions

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

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and risks specific to the obligation. Increases in provisions due to the passage of time are recognised as interest expense.

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

2 Material accounting policies (continued)**2.17 Property held for development and sale (“PHDS”)**

Properties acquired, constructed or in the course of construction for sale in the ordinary course of business are classified as Property held for development and sale (“PHDS”) and are stated at the lower of cost or net realisable value. Cost includes:

- Freehold and leasehold rights for land;
- Amounts paid to contractors for construction including the cost of construction of buildings; and
- Planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Net realisable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less costs to completion and applicable variable selling expenses.

2.18 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Assets that are subject to depreciation/amortisation are reviewed for impairment (other than land and buildings classified under property and equipment) whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (“cash generating units”). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. A reversal of an impairment loss for an asset shall be recognised immediately in the consolidated statement of profit or loss. After a reversal of an impairment loss is recognised, the depreciation/amortisation charge of the asset shall be adjusted in future periods to allocate the asset’s revised carrying amount, less residual value over the remaining useful life.

2.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right or has met all conditions (if applicable) to defer settlement of the liability for at least twelve months after the reporting date.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Both specific and general borrowing costs are capitalised using appropriate capitalisation rates. In all cases, the amount of borrowings capitalised is limited to the amount of borrowing costs actually incurred during the year.

The capitalisation of borrowing costs commences from date of incurring the expenditure relating to the qualifying asset and ceases when all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. Borrowing costs relating to the period after acquisition, construction or production are expensed.

2.20 Revenue from contracts with customers*Revenue from contracts with customers*

IFRS 15 Revenue from contracts with customers outlines a single comprehensive model of accounting for revenue arising from contracts with customers. It establishes a five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

2 Material accounting policies (continued)

2.20 Revenue from contracts with customers (continued)

The Group recognises revenue from contracts with customers based on a five-step model as set out below:

- Step 1 Identify the contract with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for each of those rights and obligations.
- Step 2 Identify the performance obligations in the contract: A performance obligation in a contract is a promise to transfer a good or service to the customer.
- Step 3 Determine the transaction price: Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods and services to a customer, excluding amounts collected on behalf of third parties.
- Step 4 Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
- Step 5 Recognise revenue as and when the Group satisfies a performance obligation.

The Group recognises revenue over time if any one of the following criteria is met:

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

For performance obligations where none of the above conditions are met, revenue is recognised at the point in time at which the performance obligation is satisfied.

When the Group satisfies a performance obligation by delivering the promised goods or services it creates a contract-based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives rise to a contract liability – advances from customers.

Revenue is measured at the transaction price agreed under the contract. Amounts disclosed as revenue are net of variable consideration and payments to customers, which are not for distinct services, which may include discounts, trade allowances, rebates and amounts collected on behalf of third parties. Revenue is recognised in the consolidated statement of profit or loss to the extent that it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

The Group is acting as principal in contractual arrangements with customers discussed in (a) to (e).

(a) Revenue from sale of property held for development and sale

Revenue on sale of development properties is recognised when control over the properties has been transferred to the customer, in some circumstances this is over time, where the criteria as per IFRS 15 paragraph 35 is met and in other circumstances revenue is recognised at a point in time, when the customer has control of the property and is able to direct the use of the property, this is typically when the customer has taken possession of the property

Over time contracts

However, the Group has determined that, for its typical contracts, its performance does not create an asset with alternative use to the Group and it has concluded that, at all times, it has an enforceable right to payment for performance completed to date. Therefore, control transfers over time for these contracts. For contracts that meet the overtime revenue recognition criteria, the Group's performance is measured using an input method, by reference to the costs incurred to the satisfaction of a performance obligation (e.g., resources consumed, labour

2 Material accounting policies (continued)

2.20 Revenue from contracts with customers (continued)

hours expended, costs incurred, time elapsed or machine hours used) relative to the total expected inputs to the completion of the property.

The Group excludes the effect of any costs incurred that do not contribute to the Group's performance in transferring control of goods or services to the customer (such as unexpected amounts of wasted materials, labour or other resources) and adjusts the input method for any costs incurred that are not proportionate to the Group's progress in satisfying the performance obligation (such as uninstalled materials).

Infrastructure costs allocated to each project are released to the consolidated statement of profit or loss, as cost of properties sold within 'cost of sales', based on the percentage of construction completed for each project and the percentage of infrastructure cost incurred at each period end to the total estimated infrastructure cost.

Payment is usually received on an instalment plan over the period of construction.

(b) Room revenue

Revenue from rental of rooms is recognised over time, net of discounts and municipality fees where applicable, when the rooms are rented, and the services are rendered. Payment is usually received upon booking for individual guests and on extended credit terms for certain other channels of distribution.

(c) Food and beverage revenue

Restaurant revenue from sales of food and beverages and other services is recognised when goods are sold and services are rendered, respectively. Amounts recognised are net of discounts and municipality fees where applicable. Mandatory service charge and surcharge collectible are included in revenue. Revenue is recognised at the point in time at which the performance obligation is satisfied.

Other operating departments

(a) Event admission

The Group recognizes revenue from event admission when it is earned and the amount can be reliably measured. Revenue is considered earned when the events or nightclub services have been provided to the customer. Revenue from event admission is recognized at the point of entry to the event or nightclub.

(b) Merchandise revenue

Merchandise revenue from the sale of clothing and apparels and accessories is recognised when goods are sold and control over the merchandise has transferred to the customers.

(c) Hotel ancillary services revenue

Revenue from provision of other ancillary services is recognised over time, net of discounts and municipality fees where applicable, when the services are rendered.

The revenue is recognised net of discounts and taxes, wherever applicable.

2.21 Dividends distribution

The liability for dividend is provided for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.22 Share capital

Ordinary shares are classified as equity.

2 Material accounting policies (continued)**2.23 Leases**

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involved the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where all the decisions about how and for what purpose the asset is used are predetermined, the Group has the right to direct the use of the asset if either:
 - the Group has the right to operate the asset; or
 - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

At the inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-to-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discounted rate, which is determined in a range of 4% to 12% per annum depending on the tenure of the lease and the location of the leased asset.

Lease payments included in the measurement of the lease liability comprise:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee or if the Group changes its assessment of whether it will exercise a purchase, extension or terminate option.

Lease liability is subsequently increased by the finance costs on the lease liability and decreased by lease payments made. Each lease payment is allocated between the liability and finance cost. The finance costs are charged to the

2 Material accounting policies (continued)**2.23 Leases (continued)**

consolidated statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in the consolidated statement of profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases including holiday homes agreement that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor

When the Group acts as a lessor more specifically, for the retail spaces within the hotel premises, it determines at the lease commencement whether each lease is a finance lease or an operating lease. To classify each lease the Group makes an overall assessment of whether the lease transfer to the lessee substantially all of the risk and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for major part of the economic life of the asset.

When assets are leased out under an operating lease, the asset is included in the consolidated statement of financial position based on the nature of the asset. Lease income is recognised over the term of the lease on a straight-line basis. The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'Revenue'.

Sales and leaseback

For sale and leaseback transactions, the Group considers whether the initial transfer of the underlying asset to the buyers-lessors is a sale. The Group applies IFRS 15 to determine whether a sale has taken place. When the transfer to buyers-lessors is a sale, the Group derecognises the underlying asset and applies the lessee accounting model to the leaseback, the Group measures the right-of-use asset at the retained portion of the previous carrying amount (i.e., at cost), and recognises only the amount of any gain or loss related to the rights transferred to the lessors. When the transfer to buyers-lessors is not a sale, the Group continues to recognise the underlying asset, and recognises a financial liability for any amount received from the buyers-lessors. On or after the commencement of the hotels' operations, the Group has entered into a sale and leaseback agreements with customers (buyers-lessors) to sell and leaseback hotel room units. Management has performed the assessment of the above transaction and concluded that the transfer of hotel room units satisfies the requirements of IFRS 15 to be accounted for as a sale.

The Group has entered into lease agreements with buyers-lessors of most of the hotel apartments sold in previous years (sale and leaseback agreements). The lease contracts were made for a period of 5 years for hotel apartments. Lease amount is based on variable payment terms which is equivalent to 40% of room revenue of the hotels net off admissible expenses. This lease amount is fully contingent on the performance of the hotels operated by the Group and there are no minimum lease payments stated per lease agreement. The Group recognised the right of use asset at the proportion of the cost of assets that relates to the right of use retained by the Group. The lease liabilities arising from above lease transactions is measured at the present value of the lease payments, discounted using the Group's incremental borrowing rate (6.0% per annum). Incremental borrowing rate is that rate the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

2 Material accounting policies (continued)

2.24 Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest thousand currency units unless otherwise stated.

2.25 Value Added Tax

Expenses and assets are recognised net of the amount of VAT, except:

- a) When the VAT incurred on a purchase of assets or goods or services is not recoverable from the taxation authority, in which case, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; or
- b) When receivables and payables are stated with the amount of VAT included. The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

2.26 Taxes

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate in a particular jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the country where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated statement of financial position. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognized in consolidated statement of other comprehensive income or directly in consolidated statement of changes in equity, respectively.

3 Financial risk management

3.1 Financial risk factors

The management of the Group's sets out the overall business strategies and its risk management philosophy. The board provides guidance for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

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

(a) *Market risk*

(i) *Currency risk*

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rate. There are no material monetary assets and liabilities in the currency other than functional currency of the entities in the Group. The Group may be exposed to currency and translation related risks on its investments in foreign subsidiaries.

The table below summarises the sensitivity of the Group's net investment in foreign subsidiaries to changes in foreign exchange movements at year end. The analysis is based on the assumptions that the relevant foreign exchange rate increased / decreased by 5% with all other variables held constant:-

	Assets	Liabilities	Net exposure	Effect on net equity for +/- 5% sensitivity
	AED' 000	AED' 000	AED' 000	AED' 000
2023				
Euro	1,399,973	(261,233)	1,138,740	+/- 56,937
Pound Sterling	1,868	(1,822)	46	+/- 2
Swiss Franc	672,501	(271,750)	400,751	+/- 20,038
	2,074,342	(534,805)	1,539,537	+/- 76,977
2022				
Swiss Franc	667,565	(309,018)	358,547	+/- 17,927

The fluctuation in exchange rates are monitored on a continuous basis by the management and relevant decisions are taken by the management to reduce the risk and impact of the fluctuations.

(ii) *Price risk*

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all the instruments traded in the market. The Group has no significant exposure to price risk as it does not hold any listed equity securities or commodities.

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

The Group is exposed to interest rate risk on its interest-bearing liabilities. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings and lease liabilities at fixed rates expose the Group to fair value interest rate risk. The ratio of variable rate borrowings to fixed rate borrowings is 26:74 (2022: 97:3 variable rate borrowings).

3 Financial risk management (continued)**3.1 Financial risk factors (continued)***(a) Market risk (continued)**(iii) Cash flow and fair value interest rate risk (continued)*

At 31 December 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 profit and loss would have been decreased/increased by AED 11,705 thousand (2022: AED 12,390 thousand) as a result of higher/lower interest expense.

The borrowings at fixed rate issued during the year is in line with variable interest rate for the year and as such there is no material impact on carrying value of the fixed rate borrowings.

Management monitors on periodic basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken. The Group does not hedge its exposure to interest rate risk.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. When such an event happens, it is considered as a default event. The Group is exposed to credit risk in relation to its monetary assets, mainly trade receivables, unbilled receivables, other receivables and bank balances. The Group has no other significant concentrations of credit risk.

Bank balances

Bank balances are limited to high-credit-quality financial institutions. The table below presents an analysis of bank balances by rating agency designation at the end of reporting period based on Moody's ratings or Capital Intelligence (CI) its equivalent for the main banking relationships:

	Moody's/ CI Rating	As at 31 December 2023 AED'000	As at 31 December 2022 AED'000
Counterparty 1	Baa1	587,712	613,133
Counterparty 2	A2	76,584	28,137
Counterparty 3	Ba1	-	10,317
Counterparty 4	Ba3	-	2,026
Counterparty 5	Aa2	55	35
Counterparty 6	b+	63,899	40,969
		728,250	694,617

The table above excludes cash on hand amounting to AED 3,491 thousand (2022: AED 1,583 thousand).

As at 31 December 2023, balances with two banks accounted for 91% (2022: two banks accounted for 94%) of the cash and cash equivalents of the Group.

Management is of the opinion that having sound credit rating, obtaining simultaneous loan facilities from local and international banks and RERA secured escrow balances will not result in a significant loss to the Group.

Trade and other receivables

Trade receivables are either made to customers with an appropriate credit history or secured by deposits and/or underlying real estate assets, which can be called upon if the counterparty is in default under the terms of the agreement. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

3 Financial risk management (continued)**3.1 Financial risk factors (continued)***(b) Credit risk (continued)**Trade and other receivables (continued)*

The Group has entered into contracts for the sale of residential units on an instalment basis. The instalments are specified in the contracts. The Group is exposed to credit risk in respect of instalments due. However, the legal ownership of residential units is transferred to the buyer only after all the instalments are collected. In addition, instalment dues are monitored on an ongoing basis. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information including significant changes in the value of the collateral supporting the obligation.

Other financial assets

With respect to the credit risk arising from other financial assets of the Group, including other receivables, the Group's exposure to credit risk arises from default of the counterparty, with maximum exposure equal to the carrying amount of these assets.

Excessive risk of concentration

Concentration arises when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentration of risk, the Group's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. Selective hedging is used within the Group to manage risk concentrations at both the relationship and industry levels.

(c) 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 below table 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. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. The amounts disclosed in the table are the contractual undiscounted cash flows.

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Notes to the consolidated financial statements for the year ended 31 December 2023

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

	Contractual maturities of financial liabilities				Carrying value AED'000
	Less than 1 year	Between 1 and 5 years	Over 5 years	Total contractual cash flows	
	AED'000	AED'000	AED'000	AED'000	
At 31 December 2023					
Trade and other payables * (note 17)	285,978	39,605	-	325,583	319,614
Borrowings (note 18)	332,515	1,931,565	-	2,264,080	1,623,024
Finance liabilities (note 22)	109,433	464,897	2,332,549	2,906,879	692,457
Lease liabilities (note 7)	42,999	125,051	310,072	478,122	259,357
Retention Payables	257	37,081	-	37,338	37,338
Due to related parties (note 24)	7,783	-	-	7,783	7,783
	778,965	2,598,199	2,642,621	6,019,785	2,939,573

	Contractual maturities of financial liabilities				Carrying value AED'000
	Less than 1 year	Between 1 and 5 years	Over 5 years	Total contractual cash flows	
	AED'000	AED'000	AED'000	AED'000	
At 31 December 2022					
Trade and other payables * (note 17)	218,153	61,698	-	279,851	268,689
Borrowings (note 18)	152,340	1,045,902	-	1,198,242	1,170,490
Finance liabilities (note 22)	88,894	316,038	2,192,381	2,597,313	555,671
Lease liabilities (note 7)	22,688	34,515	79,692	136,895	122,201
Retention Payables	340	10,837	-	11,177	11,177
Due to related parties (note 24)	6,470	-	-	6,470	6,470
	488,885	1,468,990	2,272,073	4,229,948	2,134,698

*Excluding advance from customers, VAT payable, municipality fees payable, withholding tax payable.

3.2 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. Refer to Note 18 for covenants related information.

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 consolidated statement of financial position plus net debt, if any. Changes in liabilities arising from financing activities are included in Note 22.

The gearing ratio as at 31 December 2023 and 2022 were as follows:

	As at 31 December	
	2023 AED'000	2022 AED'000
Total borrowings (Note 18)	1,623,024	1,170,490
Total finance liabilities (Note 22)	692,457	555,671
Total lease liabilities (Note 7)	259,357	122,201
Less: cash and cash equivalents including bank deposits (Note 13)	(731,741)	(696,200)
Net debt (A)	1,843,097	1,152,162
Total equity (B)	6,389,363	5,429,071
Total capital ((C) = (A) + (B))	8,232,460	6,581,233
Gearing ratio ((A)/(C))	22%	18%

3 Financial risk management (continued)

3.3 Fair value estimation

The financial instruments carried at fair value by valuation method are categorised as follows:

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

The Group does not carry any financial asset or and liability that is measured at fair value at 31 December 2023. The Group's non-financial assets carried on the revaluation model is disclosed in Note 5. These assets are included in Level 3.

As at 31 December 2023 and 2022, the carrying value of financial assets and liabilities approximate their fair values. For lease liabilities, the fair value is determined by discounting the future contractual cash flows at the current market interest rate at the time of lease commencement that is available to the Group for similar financial instruments.

4 Critical accounting judgements, estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

4.1 Determination of lessee's incremental borrowing rate (judgement and estimates)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Generally, the Group uses the rate as stated below:

- incremental borrowing rate of 4.29% per annum for Group's lease initially recognised in 2021 in Zurich for 35 years;
- incremental borrowing rate of 6% per annum for leases up to 10 years or less (staff accommodation (initially recognised in 2019), beach lease of FIVE Palm hotel (initially recognised in 2019) and seabed lease of FIVE Luxe JBR hotel (initially recognised in 2021);
- discount rate of 12% per annum for lease with 25 years tenure (FIVE Luxe JBR hotel – Beach lease (initially recognised in 2021); and
- incremental borrowing rate ranging from 6.40% per annum to 8.95% per annum depending on the period of the lease for Group's leases in Spain (initially recognised in 2023)

Below is a sensitivity analysis in isolation of the key assumptions used to determine the impact on lease liability and right-of-use assets for leases at an incremental borrowing rate of 4.29%:

Key assumptions	Change	Right-of-use asset		Lease liability	
		2023	2022	2023	2022
		AED'000	AED'000	AED'000	AED'000
Discount rate	+0.5%	(2,655)	-	(2,655)	-
	-0.5%	2,943	-	2,941	-

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Notes to the consolidated financial statements for the year ended 31 December 2023

4 Critical accounting judgements, estimates and assumptions (continued)

4.1 Determination of lessee's incremental borrowing rate (judgement and estimates) (continued)

Below is a sensitivity analysis in isolation of the key assumptions used to determine the impact on lease liability and right-of-use assets for leases at an incremental borrowing rate of 6%:

Key assumptions	Change	Right-of-use asset		Lease liability	
		2023	2022	2023	2022
		AED'000	AED'000	AED'000	AED'000
Discount rate	+0.5%	(1,285)	(2,218)	(1,257)	(2,481)
	-0.5%	1,289	2,216	1,163	2,473

Below is a sensitivity analysis in isolation of the key assumptions used to determine the impact on lease liability and right-of-use assets for leases in Spain at an incremental borrowing rate of 6.40% to 8.95%:

Key assumptions	Change	Right-of-use asset		Lease liability	
		2023	2022	2023	2022
		AED'000	AED'000	AED'000	AED'000
Discount rate	+0.5%	(801)	-	(800)	-
	-0.5%	851	-	852	-

Below is a sensitivity analysis in isolation of the key assumptions used to determine the impact on lease liability and right-of-use assets for leases at an incremental borrowing rate of 12%:

Key assumptions	Change	Right-of-use asset		Lease liability	
		2023	2022	2023	2022
		AED'000	AED'000	AED'000	AED'000
Discount rate	+0.5%	(88)	(92)	(89)	(93)
	-0.5%	94	98	101	99

4.2 Presentation and measurement of provision for employees' end of service benefits (estimate)

During the year, the estimated provision for employees' end of service benefits were valued by an external, independent and qualified actuary using projected unit credit method. The Group makes significant estimates in relation to the discount rates, mortality rates and inflation rates used to calculate the present value of the defined benefit obligation. Note 20 describes the assumptions used together with an analysis of the sensitivity to changes in key assumptions.

4.3 Useful lives and residual values of property and equipment and intangible assets (estimate)

Management assigns useful lives and residual values to 'Property and equipment' and 'intangible assets' based on the intended use of the assets and the economic lives of those assets. Subsequent changes in circumstances such as technological advances and prospective utilisation of the assets concerned could result in the actual useful lives or residual values differing from initial estimates. Where management determines that the useful life of an asset group or residual value of the asset requires amendment, the net book amount in excess of the residual value is depreciated over the revised remaining useful life.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

4 Critical accounting judgements, estimates and assumptions (continued)

4.4 Impairment of financial assets (estimate)

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history and existing market conditions, as well as forward-looking estimates at the end of each reporting period.

4.5 Revenue recognition (estimate)

The Group uses the percentage-of-completion method in accounting for its Revenue from sale of property held for development and sale. Use of the percentage-of-completion method requires the Group to estimate the stage of completion of the contract to date as a proportion of the total contract work to be performed in accordance with the accounting policy set out in (Note 2.17). As a result, the Group is required to estimate the total cost to completion of all outstanding projects at each year end.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

4.6a Accounting for financing arrangements (judgement)

Management has assessed whether transactions relating to certain sale and leaseback arrangements meet the criteria for a sale under the requirements of IFRS 15 "Revenue from contracts with customers". In assessing the control criteria in IFRS 15, management judged that whilst contractually a sale takes place, control does not pass to the customer, as the customer cannot obtain economic benefits from the arrangement akin to purchasing an asset. Therefore, the arrangements are not within the scope of IFRS 15. Notwithstanding the control criteria, management also assessed that the overall substance of these transactions were financing in nature and hence also do not meet the criteria to recognise a lease under IFRS 16 "Leases".

Management has concluded that these arrangements should be accounted for as financial liabilities as per IFRS 9 "Financial Instruments" and the accounting policy is set out in Note 2.9.

4.6b Determination of discount rate for financing arrangement (estimate)

The payments in relation to the financing arrangements described above are discounted using the prevailing market rate of interest. Generally, the Group uses the prevailing market rate of interest as the discounted rate, which is determined to be 16% per annum (2022: 12.7% per annum). The assumptions used in determining the discount rate were consistent with risk inherent with similar arrangements. The assumptions were determined using external valuers.

Below is a sensitivity analysis in isolation of the key assumptions used to determine the impact on finance liability and deferred gain:

Key assumptions	Change	Finance liability		Deferred gain	
		2023 AED'000	2022 AED'000	2023 AED'000	2022 AED'000
Discount rate	+0.5%	(15,576)	(13,614)	2,941	3,256
	-0.5%	16,400	14,348	(3,648)	(3,918)

4 Critical accounting judgements, estimates and assumptions (continued)

4.7 Revaluation of land and building classified as property and equipment (estimate)

During the year, the estimated fair value of land and buildings were revalued by an external, independent and qualified valuer.

The Group's property and equipment was valued as at 31 December 2023 categorised under level 3 fair value hierarchy.

4.7.1 Revaluation of land and buildings in FIVE Jumeirah Village hotel and FIVE Hotel Palm Jumeirah

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 an appropriate rate (discounted cash flow method) by an external, independent, and qualified valuer.

In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of the revalued assets. The key assumptions on which management has based its cash flow projections when determining the recoverable amount of the assets are as follows:

- Management's projections have been prepared on the basis of strategic plans, knowledge of the market, and management's views on achievable growth in retail market share over the long-term year of ten years;
- Terminal value upon exit of the 10-year cash flows projection at the rate of 8.10% for Hotel Jumeirah Village hotel and 7.90% for Five Hotel Palm Jumeirah
- The discount rate of 10.10% for Five Hotel Jumeirah Village hotel and 9.90% for Five Hotel Palm Jumeirah is reflective of the return that an investor would make from a similar retail investment;

The determined fair value is most sensitive to the discount rate and capitalisation rate to calculate the terminal value.

4.7.1 Revaluation of land and buildings in Jumeirah Village hotel and Five Hotel Palm Jumeirah (continued)

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	Five Hotel Palm Jumeirah		Jumeirah Village hotel	
		2023	2022	2023	2022
		AED'000	AED'000	AED'000	AED'000
Discount rate	+0.5%	(109,116)	(105,796)	(18,840)	(19,161)
	-0.5%	170,365	171,868	37,415	38,220

Key assumptions	Change	Five Hotel Palm Jumeirah		Jumeirah Village hotel	
		2023	2022	2023	2022
		AED'000	AED'000	AED'000	AED'000
Capitalisation rate	+0.5%	(91,300)	(88,045)	(14,479)	(14,714)
	-0.5%	162,378	163,877	38,852	35,607

4.7.2 Revaluation of FIVE Luxe JBR hotel

During the year, the estimated fair value of land and buildings including retail outlets were revalued by an external, independent and qualified valuer. This is based on management's assumption that these assets are developed and transferred to building class of property upon commissioning.

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 an appropriate rate (discounted cashflow method) by an external, independent and qualified valuer.

4 Critical accounting estimates and assumptions (continued)*4.7.2 Revaluation of FIVE Luxe JBR hotel (continued)*

In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of the revalued assets. The key assumptions on which management has based its cash flow projections when determining the recoverable amount of the assets are as follows:

- Management's projections have been prepared on the basis of strategic plans, knowledge of the market, and management's views on achievable growth in retail market share over the long term year of ten years;
- Terminal value upon exit of the 10-year cash flows projection at the rate of 7.90%; and
- The discount rate of 9.90% is reflective of the return that an investor would make from a similar retail investment.

The determined fair value of the property is most sensitive to the discount rate and capitalisation rate to calculate the terminal value.

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	2023 AED'000	2022 AED'000
Discount rate	+0.5%	(51,237)	(120,000)
	-0.5%	101,937	136,400

Key assumptions	Change	2023 AED'000	2022 AED'000
Capitalisation rate	+0.5%	(53,883)	(120,000)
	-0.5%	111,879	136,400

4.7.3 Revaluation of 5 ATLANTIS AG HOTEL, Zürich

During the year, the estimated fair value of land and buildings including retail outlets were revalued by an external, independent and qualified valuer. This is based on management's assumption that these assets are developed and transferred to building class of property upon commissioning.

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 an appropriate rate (discounted cash flow method) by an external, independent and qualified valuer.

In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of the revalued assets. The key assumptions on which management has based its cash flow projections when determining the recoverable amount of the assets are as follows:

- Management's projections have been prepared on the basis of strategic plans, knowledge of the market, and management's views on achievable growth in retail market share over the long term year of ten years;
- Terminal value upon exit of the 10 year cash flows projection at the rate of 5%; and
- The discount rate of 7% is reflective of the return that an investor would make from a similar investment.

The determined fair value of the property is most sensitive to the discount rate and capitalisation rate to calculate the terminal value.

4 Critical accounting estimates and assumptions (continued)*4.7.3 Revaluation of 5 ATLANTIS AG HOTEL, Zürich (continued)*

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	2023 AED'000	2022 AED'000
Discount rate	+0.5%	(41,737)	(3,890)
	-0.5%	4,227	9,279

Key assumptions	Change	2023 AED'000	2022 AED'000
Capitalisation rate	+0.5%	(53,336)	(16,065)
	-0.5%	42,680	30,020

The higher the discount rate and terminal yield/capitalisation rate, the lower the fair value.

4.8 Cost to complete properties held for development and sale (FIVE Luxe JBR hotel) (judgment)

The Group uses the percentage-of-completion method in accounting for its revenue from the sale of properties and land with infrastructure held for development and sale. The percentage-of-completion method requires the Group to estimate the cost incurred to date as a proportion of the total estimated project cost. The amount of revenue recognised for the period is in proportion to the percentage of cost incurred.

Using the proportion of cost incurred to date to the estimated cost of the project method requires the Group to estimate the obligations performed to date as a proportion of the total obligations to be performed under contracts with customers for sale of land and properties held for development and sale.

Were the estimated total costs to decrease / increase by 1% from management's estimates with all other variables held constant, the profit for the period would have increased / decreased by AED 3,744 thousands / AED 3,645 thousands.

4.9 Satisfaction of performance obligations for property sales (FIVE Luxe JBR hotel) (judgment)

The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognising revenue. The Group has assessed that based on the legally enforceable sale and purchase agreements entered into with customers for the provision of real estate assets, the Group does not create an asset with an alternative use and has an enforceable right to payment for performance completed to date. In these circumstances the Group recognises revenue over time. Where this is not the case revenue is recognised at a point in time.

4.10 Measurement of right-of-use assets under sale and leaseback agreements (judgement and estimate)

Where the Group (as the seller and future lessee) enters into the sale and leaseback transactions to sell properties to the buyer/lessor, the Group first considers whether the initial transfer of the underlying asset from the Group to the buyer-lessor is considered a financing arrangement in IFRS 9 - Financial Instruments or a sale under IFRS 15 - Revenue from Contracts with Customers (IFRS 15). The Group will derecognise the underlying asset and apply the revenue accounting model to the transaction if control over the assets passes to the buyer-lessor and the sale is accounted for under IFRS 15.

A lease is classified as a finance lease when substantially all the risks and rewards of ownership are transferred by the buyer-lessor to seller-lessee ("the Group"). In determining the appropriate classification, the substance of the transaction rather than the form is considered. Factors considered include but are not limited to the following: whether the lease transfers ownership of the asset to the lessee by the end of the lease term; the lessee has the option to purchase the asset at the price that is sufficiently lower than the fair value on exercise date; the lease term is for a major part of the economic life of the asset and the present value of the minimum lease payments

4 Critical accounting estimates and assumptions (continued)*4.10 Measurement of right-of-use assets under sale and leaseback agreements (judgement and estimate) (continued)*

amounts to at least substantially all of the fair value of the leased asset. The lease back arrangements for 5 years are accounted under IFRS 16 since the lease term for a major part of the economic life of the asset is not with the Group.

On or after the commencement of the hotels' operations, the Group has entered into a sale and leaseback agreements with customers (buyer-lessors) to sell and leaseback of residences and hotel apartments. Right-of-use assets is measured as a proportion of the asset's previous carrying amount to reflect the right of use retained by the Group (seller-lessee). To calculate the proportion, the Group determines a value for the right-of-use retained as the present value of the expected leaseback payments compared to the sale value of the asset. The net present value of future cash flows derived from the expected variable payments which is equivalent to 40% of room revenue of the hotels net off admissible expenses (Note 2.21) which have been discounted at an appropriate rate.

The key assumptions on which management has based its cash flow projections when determining the of the right-of-use assets under sale and leaseback agreements are as follows:

- Management's projections have been prepared on the basis of strategic plans, knowledge of the market, and management's views on achievable growth over the lease term; and
- Incremental borrowing rate as the discounted rate, as disclosed in note 4.1

In respect of sale and leaseback arrangement in FIVE JVC, the Group (seller-lessee) has assessed whether the control over the residential units in FIVE JVC has passed to buyer-lessor and the sale can be accounted in accordance with IFRS 15. In determining the appropriate classification for the arrangement, the Group considered the particulars of the contract. As per the contract, the Group sells the residential units to the buyer lessor and simultaneously leases back the unit for a period of 5 years from the buyer-lessor. The Group has assessed if the control over the unit has passed to the buyer-lessor and not retained by the Group. Although, the contract provides the seller-lessee the right to use the unit and obtain the economic benefits through period of lease. The buyer-lessor has discretion over the use of the property for residential purposes. Further, the lease period is a small portion of the unit's economic useful life and there is no lease extension option unless mutually agreed. Accordingly, the management has applied judgement and considered that the control over the residential unit has been transferred to the buyer-lessor and the sale can be accounted for in accordance with IFRS 15 for sale and leaseback accounting to be applied in accordance with IFRS 16.

4.11 Business combination (judgement and estimate)

Accounting for the acquisition of a business requires the allocation of the purchase price to the various assets and liabilities of the acquired business. For most assets and liabilities, the purchase price allocation is accomplished by recording the asset or liability at its estimated fair value. Determining the fair value of assets acquired and liabilities assumed requires judgment by management and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, the useful lives of assets and market multiples. The Group's management uses all available information to make these fair value determinations.

4.11 (a) Valuation of Pacha night club (estimate)

Pacha Nightclub was valued using Income approach (Rent Capitalization method). Estimated rent was capitalised using a gross yield of 6.5%. Based on the target rent of AED 12,806 thousand and 6.5% gross yield, a value of AED 197,028 thousand was attributed to Pacha Nightclub. Out of this, AED 161,451 thousand pertains to land and AED 35,577 thousand pertains to buildings.

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

4 Critical accounting estimates and assumptions (continued)

4.11 (a) Valuation of Pacha night club (estimate) (continued)

Key assumptions	Change	2023 AED'000
Rent capitalization rate	+0.5%	(14,079)
	-0.5%	16,410

4.11 (b) Valuation of intangible assets (estimate and judgement)

Pacha and Destino trademark was valued using Income Approach (relief-from-royalty method). Key assumptions used in the valuation were as follows:

Assumptions	Pacha	Destino
Discount Rate	10.9%	11.9%
Growth Rate	2.0%	2.0%
Royalty Rate	6.0%	2.0%
Useful Life	Indefinite (*)	3 Years

(*) The Group's trademarks and trade names are expected to generate cash flows indefinitely. Consequently, these assets were classified as indefinite-lived intangibles and accordingly are not amortized but reviewed for impairment annually, or sooner under certain circumstances.

The Group has considered both economic and legal factors when determining the intangible asset's useful life. Based on the analysis, the Group has determined that:

- Pacha is a reputed name in the night club sector and possesses a dominant market position in Europe. The Group continues to use the "Pacha" brand to host events and generate revenue for an unlimited time period.
- There is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity, considering the popularity of the brand across the globe and the strong customer loyalty that the brand has generated;
- There is evidence that the conditions necessary to obtain renewal of trademark will be satisfied; and
- The cost to the entity of renewal is not significant when compared with the future economic benefits expected to flow to the entity from renewal.

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

Key assumptions	Change	2023 AED'000
Discount rate	+0.5%	(13,927)
	-0.5%	8,085

Key assumptions	Change	2023 AED'000
Royalty rate	+0.5%	13,931
	-0.5%	(20,811)

4 Critical accounting estimates and assumptions (continued)

4.12 Recognition of deferred tax asset for carried-forward tax losses (Judgement and estimate)

Deferred tax assets are recognised for carried forward tax losses to the extent that it is probable that taxable profit will be available against which the carried forward tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The Group has AED 68,124 thousand of tax losses carried forward. These losses relate to Universo Pacha S.A and its certain subsidiaries, which were acquired on 9th October 2023. As these subsidiaries are in consistent profit, the Group believes that it will utilise these losses over next few years. There is no statutory time limit as per Spanish tax law for utilization of these carry forward losses. On this basis, the Group concluded to recognise deferred tax assets on the carried forward tax losses.

4.13 Recognition of deferred tax liability on goodwill (Judgement and estimate)

None of the goodwill recognised except the one which already exist in Universo Pacha S.A. amounting to AED 128,079 thousand is deductible for the income tax purposes. Out of the total such goodwill, the Group already deducted AED 43,168 as on 31 December 2023.

FIVE Holdings (BVI) Limited

Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

5 Property and equipment

	Land & Buildings*	Equipment	Furniture and fixtures	Motor vehicles	Leasehold improvements	Capital work-in-progress**	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Cost or revaluation							
At 1 January 2022	4,818,110	18,929	76,025	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	6,038,461	19,148	99,177	1,932	9,623	1,373,057	7,541,398
Acquisition of business (Refer note 37)	234,239	14,405	5,656	619	-	949	255,868
Additions	40,816	2,958	886	1,003	-	367,929	413,592
Disposal (Note 30)	(49,823)	(128)	(73)	-	-	-	(50,024)
Transfer	32,640	-	-	-	-	(32,640)	-
Revaluation gain	117,109	-	-	-	-	728,669	845,778
Foreign exchange movement	55,244	-	-	-	-	-	55,244
At 31 December 2023	6,468,686	36,383	105,646	3,554	9,623	2,437,964	9,061,856
Accumulated Depreciation							
At 1 January 2022	330,495	18,750	51,077	1,368	4,720	-	406,410
Charge for the year	150,888	169	14,506	341	2,217	-	168,121
At 31 December 2022	481,383	18,919	65,583	1,709	6,937	-	574,531
Charge for the year	173,268	1,791	15,616	280	1,674	-	192,629
Disposal	(5,289)	-	-	-	-	-	(5,289)
At 31 December 2023	649,362	20,710	81,199	1,989	8,611	-	761,871
Net book amount							
As at 31 December 2023	5,819,324	15,673	24,447	1,565	1,012	2,437,964	8,299,985
As at 31 December 2022	5,557,078	229	33,594	223	2,686	1,373,057	6,966,867

i. *The land and building are fair valued cumulatively by an independent valuer for Dubai and Zurich hotel and 20% of this cumulative value is considered as land.

ii. **As at 31 December 2023, capital work-in-progress balance mainly comprises of a property FIVE Luxe JBR Hotel and it was handed over in quarter 1 of year 2024.

iii. Capital work-in-progress includes AED 34,890 thousand of interest expense (2022: 28,144 thousand) capitalised for the year ended 2023. The capitalisation rate was 8% to 9.5% (2022: 1.25% to 1.5% for 5 Atlantis AG and 4% to 5% for FIVE Luxe JBR hotel) in FIVE Luxe JBR hotel.

iv. Out of the total carrying value of property and equipment, the assets aggregated to AED 6,781,459 thousand (2022: AED 5,688,318 thousand) is pledged against the Group's borrowings.

v. Land and building on 'Acquisition of business' mainly include Pacha Night Club and of hotels acquired through business combinations of Universo Pacha S.A. (Refer Note 37). Included within the land and building above are certain spaces which are leased out to third party service providers (travel agents, merchandise sellers) integral to the overall hospitality operations of the Group. These spaces generated rental income amounting to 2023: AED 18,201 thousand (2022: AED 12,953 thousand).

FIVE Holdings (BVI) Limited

Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

5 Property and equipment (continued)

5.1 Revaluation of land and building classified as property and equipment

As at 31 December 2023 and 2022, 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. The sensitivity analysis for fair value change with changes in key assumptions is specified in Note 4.7

5.1.1 Revaluation of land and building Five Hotel Jumeirah Village

A formal external valuation of the Group's property was performed as at 31 December 2023 and 2022. 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 an appropriate rate. Based on such valuation, the fair value of the hotel building as at 31 December 2023 was AED 837,598 thousand (2022: AED 854,173 thousand)

Fair Value Reconciliation – Jumeirah Village Hotel

	As at 31 December	
	2023	2022
	AED'000	AED'000
Fair Value as per external valuation report	1,217,400	1,389,800
Less: Adjustment of receivables	(97,301)	(244,900)
Less: Adjustment of 5-year leases under IFRS 16	(282,501)	(290,757)
Fair Value of Jumeirah Village Hotel	837,598	854,143

5.1.2 Revaluation of land and building FIVE Hotel Palm Jumeirah

A formal external valuation of the Group's property was performed as at 31 December 2023 and 2022. 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 an appropriate rate. Based on such valuation, the fair value of the property as at 31 December 2023 was AED 4,136,200 thousand (2022: AED 4,114,600).

Fair Value Reconciliation – FIVE Hotel Palm Jumeirah

	As at 31 December	
	2023	2022
	AED'000	AED'000
Fair Value as per external valuation report	4,212,000	4,208,200
Less: Adjustment of receivables	-	(28,000)
Less: Holiday home value	(75,800)	(65,600)
Fair Value of Hotel Palm Jumeirah	4,136,200	4,114,600

5.1.3 Revaluation of FIVE Luxe JBR hotel

During the year 2021, FIVE 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.

FIVE Holdings (BVI) Limited

Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

5 Property and equipment (continued)

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

5.1.3 Revaluation of FIVE Luxe JBR hotel (continued)

A formal external valuation of the Group's property was performed as at 31 December 2023 and 2022. 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 an appropriate rate. Based on such valuation, the fair value of the property as at 31 December 2023 was AED 2,432,400 thousand (2022: AED 1,366,310 thousand).

Fair Value Reconciliation – FIVE Luxe JBR:

	As at 31 December	
	2023	2022
	AED'000	AED'000
Fair Value as per external valuation report	3,018,400	2,294,115
Less: Adjustment of receivables	(586,000)	(927,805)
Fair Value of FIVE Luxe, JBR	2,432,400	1,366,310

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.

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.

5.1.4 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). Capital work in progress in 2022 represents the hotel building and was opened on 30 June 2022.

A formal external valuation of the Group's property was performed as at 31 December 2023. The revaluation was supported by cash flow projections which have been discounted at an appropriate rate. Based on such valuation, the fair value of the property as at 31 December 2023 was AED 611,394 thousand (CHF 140,000 thousand) (2022: AED 595,081 thousand (CHF 149,800 thousand)).

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.

FIVE Holdings (BVI) Limited

Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

5 Property and equipment (continued)

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

5.1.4 Revaluation of 5 ATLANTIS AG HOTEL, Zürich (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.

5.1.5 Revaluation of Pacha Night Club. Ibiza-Spain

A formal external valuation of the Group's property was performed as at 9 October 2023. Pacha Nightclub was valued using Income approach (Rent Capitalization method). Estimated rent was capitalised using a gross yield of 6.5%. Based on the target rent of AED 12,228 and 6.5% gross yield, a value of AED 196,113 thousand was attributed to Pacha Nightclub. Out of this, AED 160,700 thousand pertains to land and AED 35,412 thousand pertains to buildings. There is no significant change in the fair value as the 31 December 2023 as compared to the valuation performed in 9 October 2023.

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
31 December 2023			
Cost	2,140,500	670,175	2,810,675
Acquisition of business	234,239	949	235,188
Transfers	32,640	(32,640)	-
Additions	40,816	367,929	408,745
Disposal	(34,551)	-	(34,551)
Accumulated depreciation	(292,576)	-	(292,576)
Net book amount	2,121,068	1,006,413	3,127,481
31 December 2022			
Cost	1,700,941	788,184	2,489,125
Transfers	427,019	(427,019)	-
Additions	12,539	309,010	321,549
Accumulated depreciation	(238,216)	-	(238,216)
Net book amount	1,902,283	670,175	2,572,458

FIVE Holdings (BVI) Limited

Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

6 Intangible assets

	Goodwill AED'000	Trademark & Franchise right AED'000	Others AED'000	Total AED'000
Cost or revaluation				
At 1 January 2022	-	-	133	133
Additions	-	-	102	102
At 31 December 2022	-	-	235	235
Acquisition of business (Refer note 37)	685,737	206,685	-	892,422
Additions	-	-	1,860	1,860
At 31 December 2023	685,737	206,685	2,095	894,517
Accumulated amortization				
At 1 January 2022	-	-	-	-
Charge for the year	-	799	1,352	2,151
At 31 December 2023	-	799	1,352	2,151
Net book amount				
As at 31 December 2023	685,737	205,886	743	892,366
As at 31 December 2022	-	-	235	235

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The goodwill recognised by the Group is resulted from the business combination of Universo Pacha S.A. (Refer Note 37).

Trademark and Franchise rights include intangible assets acquired through business combinations. The trademark of Destino has a useful life of 3 years whereas for Pacha the useful life is indefinite. The major assumptions used in the calculation includes discount rate in the range of 10% to 12% and growth rate of 2%. The carrying value of Trademark & Franchise right as at 31 December 2023 includes AED 192,163 thousand related to Pacha trademark.

Trademarks are valued under the relief from royalty methodology and a royalty rate of 8.0% - 12.0% in line with comparable data on the brand name in similar sectors.

Franchisees are valued under the Net Present Value of the Income approach with a 5-year useful life and a discount rate of 11.2 % equivalent to the weighted average cost of capital attributable to the respective entity.

For impairment testing goodwill acquired through business combinations and Trademark with indefinite useful lives are allocated to the hospitality segment of Spain ('Spain CGU'). The recoverable amount of Spain CGU as at 31 December 2023 has been determined based on a value in use calculation using cash flow projections from financial budgets covering a five-year period. The discount rate applied to cash flow projections is 11.2% which reflects specific risks relating to the relevant segments and the countries in which they operate and cash flows beyond the five-year period are extrapolated using a 2.0% growth rate. This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rates are consistent with forecasts included in industry reports. As a result of this analysis, the management has not recognised an impairment loss during the year.

Had the assumption of discount rate been changed by 0.5%, the aggregate value in use would have been increased or decreased by AED 68,967 thousand and AED 61,314 thousand respectively. Had the assumption of growth rate been changed by 0.5%, the aggregate value in use would have been increased or decreased by AED 41,967 thousand and AED 37,640 thousand respectively.

FIVE Holdings (BVI) Limited**Notes to the consolidated financial statements for the year ended 31 December 2023**
(continued)**7 Right-of-use assets and lease liabilities**

The Group leases various land parcels, buildings and staff accommodations. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease term of these assets ranges from 1 to 35 years. The lease agreements do not impose any covenants. Leased assets may not be used as security for borrowing purposes.

	Land & Buildings
	AED'000
Cost	
At 1 January 2022	166,819
Additions	63,268
Lease termination	(55,735)
At 31 December 2022	174,352
Additions	36,010
Acquisition of business (Refer note 37)	131,497
Others	3,705
At 31 December 2023	345,564
Accumulated depreciation	
At 1 January 2022	63,868
Charge for the year	23,066
Lease termination	(17,496)
At 31 December 2022	69,438
Charge for the year	24,763
At 31 December 2023	94,201
Net book amount	
At 31 December 2023	251,363
At 31 December 2022	104,914

	As at 31 December	
	2023	2022
	AED'000	AED'000
Lease liabilities		
Non-current	224,464	99,513
Current	34,893	22,688
	259,357	122,201

	As at 31 December	
	2023	2022
	AED'000	AED'000
Lease liabilities		
At 1 January	122,201	127,129
Addition	22,602	62,894
Acquisition of business (Refer note 37)	131,497	-
Finance cost	9,695	7,218
Payment of lease liability	(31,041)	(24,227)
Others	4,403	-
Lease termination	-	(50,813)
	259,357	122,201

FIVE Holdings (BVI) Limited

Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

8 Other assets

The other asset represents a guaranteed deposit paid to acquire 100% equity shares of Chioro ITG, S.L.U. ('Chioro'), pursuant to a share purchase agreement executed between one of the subsidiaries of the Group, namely Nube, S.L.U., and the seller, Ibiza Investments Limited. Chioro is a Spanish entity with ownership rights over the real estate of El Hotel Pacha and its adjacent land plot. The purchase price is agreed at AED 213,863 thousand subject to certain working capital adjustments. The purchase was subsequently completed on January 5th, 2024.

9 Trade and other receivables

	As at 31 December	
	2023	2022
	AED'000	AED'000
Trade receivables*	193,490	33,933
Unbilled receivables**	232,526	369,015
Advances to suppliers	99,663	113,307
Municipality fees receivable	-	1,462
Other receivables***	45,657	42,294
Total	571,336	560,011
Analysed as follows:		
Current portion	571,336	560,011
Total	571,336	560,011

* 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.

*Increase in trade receivable on account of completion of Five Luxe residential building and consequent movement from unbilled receivable to trade receivable.

*Includes an amount of AED 8,957 thousand (2022: Nil) receivables from key management personnel for sale of units in FIVE Luxe JBR.

**Includes an amount of AED 798 thousand (2022: Nil) receivables from key management personnel for sale of units in FIVE Luxe JBR.

** The unbilled receivables of AED 232,526 thousand (2022: 369,015 thousand) are mainly arising from the off-plan sale of property held for development and sale. The title deed of these properties is transferred upon collection of full payment. In the event of customer default, the Group reserves the right to recover the outstanding amount upon disposal of the units, in accordance with the applicable regulations.

***During the year ended 31 December 2022, other receivables includes an amount of AED 12,504 thousand receivables from key management personnel for sale of units in FIVE Luxe JBR.

The fair value of trade receivable approximates their carrying value.

The Group has a broad base of customers with no concentration of credit risk within trade and other receivables as at 31 December 2023 and 31 December 2022.

FIVE Holdings (BVI) Limited**Notes to the consolidated financial statements for the year ended 31 December 2023**
(continued)**9 Trade and other receivables (continued)**

Ageing of unbilled receivables and trade receivables are stated below:

31 December 2023

	Current	More than 90 days	Total
Trade receivables (AED)			
- Hospitality	21,647	-	21,647
- Real estate development	169,023	2,820	171,843
Net trade receivables (AED)	190,670	2,820	193,490
Unbilled receivables (AED)	232,526	-	232,526
Net unbilled receivables (AED)	232,526	-	232,526

31 December 2022

	Current	0- 90 days	More than 90 days	Total
Trade receivables (AED)				
- Hospitality	10,683	-	-	10,683
- Real estate development	3,183	11,932	8,135	23,250
Net trade receivables (AED)	13,866	11,932	8,135	33,933
Unbilled receivables (AED)	369,015	-	-	369,015
Net unbilled receivables (AED)	369,015	-	-	369,015

The movement in the provision for loss allowance of trade receivables is as follows:

	As at 31 December	
	2023	2022
	AED'000	AED'000
As at 1 January	-	4,877
Reversal	-	(4,877)
At 31 December	-	-

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.

The creation and release of loss allowance is included in the consolidated statement of profit or loss. Amounts charged are generally written off when there is no expectation of recovering cash. The other classes within trade and other receivables do not contain impaired assets. The Group's property sales related receivables are fully collateralised where the final title on the units are yet to be transferred. Due to the collateralization of real estate development related receivables and short-term collection period for hospitality related receivables, the credit risk associated with these balance is low.

The Group has applied IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected credit losses ("ECL") that result from all possible default events over the expected life at a financial instrument for all trade and unbilled receivables. The Group is not exposed to significant amount of credit risk.

FIVE Holdings (BVI) Limited

Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

10 Prepayments

	As at 31 December	
	2023	2022
	AED'000	AED'000
Deferred sales commission*	38,628	25,023
Prepaid Visa fees	4,034	4,830
Others	13,680	8,283
	56,342	38,136

*It mainly relates to sales commission that is paid to the real estate brokers (Refer note 28) 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, JBR i.e. Sensoria.

11 Inventories

	As at 31 December	
	2023	2022
	AED'000	AED'000
Beverages	16,272	14,544
Food	1,228	1,094
General Stores	273	945
Others	9,601	684
	27,374	17,267

The cost of inventory recognised as an expense for the year included in inventory consumption amounted to AED 27,374 thousand (2022: AED 17,267 thousand) (Note 26).

12 Property held for development and sale

	Property held for development and sale AED'000
At 1 January 2022	18,623
Additions	131,049
Cost of sales	(143,146)
At 31 December 2022	6,526
Additions	318,916
Cost of sales	(325,442)
At 31 December 2023	-

13 Cash and bank balances

A. Cash and cash equivalents

	As at 31 December	
	2023	2022
	AED'000	AED'000
Cash on hand	3,491	1,583
Cash at banks	610,288	694,617
Cash and cash equivalents	613,779	696,200

FIVE Holdings (BVI) Limited

Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

13 Cash and bank balances (continued)

B. Bank deposits

	As at 31 December	
	2023	2022
	AED'000	AED'000
Term deposits with original maturity more than 3 months	117,962	-

*The above term deposit carries an annual interest rate between 3% to 5.50%.

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

Cash at banks includes an amount of AED 400,967 thousand (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.

14 Share capital

As at 31 December 2023 and 2022, the total authorised, issued and fully paid share capital of the Group comprises of 1 share of AED 3.67 (USD 1).

15 Contributed capital

Contributed capital of AED 252,913 thousand (2022: AED 252,913 thousand) represents funds provided by the Owner or on his behalf to the Group to support its operations. The Group has no obligation to repay any of these contributions. It is at the sole discretion of the Group to repay any of the amounts contributed.

16 Statutory reserve

Until 31 December 2022, in accordance with the Memorandum of Association of certain subsidiaries registered in UAE under UAE Federal Law No. (2) of 2015, amended, 10% of the profit for the year was to be transferred to a statutory reserve which is non-distributable. Transfers to these reserves were required to be made until such time as it equals 50% of the paid-up share capital for those subsidiaries. Transfers to the legal reserve have accordingly been made by the individual entities within the Group. Effective 1 January 2023, the Group is required to transfer 5% of profits as per Article 103, Chapter 3 of the Law.

FIVE Holdings (BVI) Limited

Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

17 Trade and other payables

	As at 31 December	
	2023	2022
	AED'000	AED'000
Advances from customers *	469,450	248,368
Trade payables#	128,565	159,616
Accruals	151,531	88,764
Staff payable***	22,674	-
VAT payable	2,605	8,697
Withholding tax payable	5,466	-
Income to be distributed to hotel room owners**	12,150	9,481
Municipality fee	3,394	7,723
Other payables	4,694	10,828
	<u>800,529</u>	<u>533,477</u>
Analysed as follows:		
Current portion	766,410	482,465
Non-current portion	34,119	51,012
	<u>800,529</u>	<u>533,477</u>

* Advance from customers includes advances collected from disposal FIVE Luxe hotel units amounting to AED 449,685 thousand (2022: AED 109,494 thousand) under financing arrangements.

**Pertains to the sale and lease back arrangement with hotel room owners who are eligible for 40% of the room revenue of the hotels net off the deductible expenses.

*** Includes management incentives payable to key management personnel amounting to AED 16,592 thousand.

#As per the Addendum signed with China State Construction Engineering Corporation (Middle East) (LLC) dated 24 January 2022, Assas Investments Limited (“a subsidiary”) has to pay AED 65,000 thousand to the main contractor of the project FIVE Palm Jumeirah Hotel and will be payable in 86 monthly instalments. Trade payables includes a discounted amount of AED 39,948 thousand (2022: 47,377 thousand) which is discounted to its present value using the discount rate of 6%.

18 Borrowings

	As at 31 December	
	2023	2022
	AED'000	AED'000
Term loans	449,140	1,165,876
Listed Green Bonds	1,256,424	-
Bank overdrafts	-	41,070
Less: unamortised borrowing costs	(82,540)	(36,456)
	<u>1,623,024</u>	<u>1,170,490</u>
Analysed as follows:		
Current portion	191,151	106,834
Non-current portion	1,431,873	1,063,656
	<u>1,623,024</u>	<u>1,170,490</u>

FIVE Holdings (BVI) Limited

Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

18 Borrowings (continued)

Following is the breakup of amount utilised against each facility, net of unamortized costs:

	Interest rates	As at 31 December	
		2023 AED'000	2022 AED'000
Listed Green Bonds			
Facility A	9.375%	1,208,790	-
Term Loans			
Facility B	3 months EIBOR + 3.75% SARON/LIBOR + 1.25% (0% if SARON/LIBOR is negative)	223,083	-
Facility C		191,151	225,457
Facility D	3 months EIBOR + 4.75%	-	695,397
Facility E	3 months EIBOR + 3.65%	-	113,470
Facility F	3 months EIBOR + 4%	-	95,095
Bank Overdrafts			
Facility G – overdraft facility	3 months EIBOR + 4.75%	-	30,070
Facility H	3 months EIBOR + 4%	-	11,001
		1,623,024	1,170,490

Facility A

On 3 October 2023, the Group issued US\$ 350 million (AED 1,285 million) secured Green Bond Notes (“Notes”) maturing on 3 October 2028. FIVE Holdings (BVI) Limited is the Issuer and all material companies in the group are the Guarantors. The Certificates are listed on Nasdaq Dubai and ISM London. The Notes were issued at a price of 99.026% and will bear an interest rate of 9.375% per annum payable semi - annually in arrears on 3 April and 3 October.

FIVE Holding Limited, FIVE JBR Holding (DIFC) Limited, FIVE International Holding Limited, DEVCO Real Estate Development LLC, FIVE International Hotel Management LLC, SKAI Holdings Group Limited, Assas Investments Limited, Rehan Limited, Unlimited 1 Limited, FIVE Hotel FZE, FIVE Luxe Hotel LLC (formerly FIVE Hotel JBR LLC), FIVE Hotel Jumeirah Village LLC, Unlimited 1 Development, Sky’s the Limit 1, FIVE Holiday Homes Rental LLC and Pacha Universe Holding Limited were the Guarantors to the Notes.

As at December 31, 2023, the total outstanding balance from green bond is of AED 1,256,424 thousand (AED 1,208,790 thousand net of unamortized borrowing costs). The Group complied with all the covenants of the Facility A as at 31 December 2023.

Facility B

On 27 September 2023, the Issuer (as borrower) entered into a revolving credit facility agreement (the “Revolving Credit Facility Agreement”) with, among others, CBD as agent (the “RCF Agent”) and security agent, CBD and AAIB as mandated lead arrangers and the lenders named therein (the “RCF Lenders”).

Pursuant to the Revolving Credit Facility Agreement, the RCF Lenders made a revolving credit facility available to the Issuer with an aggregate total commitment of AED 734,500 thousand (equivalent to USD 200,000 thousand), comprising (i) a facility with a total commitment of AED 477,425 thousand (equivalent to USD 130,000 thousand) (“Tranche A”) and (ii) a facility with a total commitment of AED 257,075 thousand (equivalent to USD 70,000 thousand) (“Tranche B”). The Revolving Credit Facility has a four-year tenor.

The annual interest rate on loans under the Revolving Credit Facility is calculated based on term secured overnight financing rate (“SOFR”) if a utilisation is made in U.S. dollars or the UAE interbank offered rate (“EIBOR”) if a utilisation is made in UAE dirhams plus, in each case, a margin of 3.75 per cent. Interest is payable on a quarterly basis. The Revolving Credit Facility Agreement contains provisions for fees, including, but not limited to, quarterly commitment fees, which are payable on available undrawn commitments.

FIVE Holdings (BVI) Limited

Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

18 Borrowings (continued)

Facility B (continued)

As at December 31, 2023, the total outstanding balance from Facility B of AED 257,075 thousands (AED 223,084 thousand net of unamortized borrowing costs). The Group complied with all the covenants of the Facility B as at 31 December 2023.

The Notes (Facility A) and the Revolving Credit Facility (Facility B) will be secured on a pari passu basis in right of payment with the Revolving Credit Facility, by (i) first ranking mortgages over substantially all immovable assets of the FIVE group in the UAE, (ii) share pledges over the shares of each of the Guarantors, and (iii) security over a substantial part of the movable assets of the Group in the UAE. The Spanish Security will be granted by the relevant Security Providers only for the benefit of the relevant finance parties under Tranche A of the Revolving Credit Facility and will not secure the Notes and the Guarantees.

Facility C

During the year ended 31 December 2021, the 5 Atlantis AG (“a subsidiary”) obtained a term loan of AED 201,000 thousand from an international bank for the purpose of acquiring the hotel building and to support the additional need for refurbishing the building. During the year ended 31 December 2022, additional drawdown of AED 32,000 thousand was made by the Group from the same facility. The total outstanding balance from Facility F is AED 192,065 thousand (AED 191,151 thousand net of unamortized borrowing costs). (2022: AED 225,457 thousand).

Facility D, G and H

The Group had drawn down AED 720,000 thousand from Facility D and AED 13,000 thousand from Facility H. The total outstanding balance from Facility D is Nil (2022: AED 695,397 thousand) and from Facility G is Nil million (2022: AED 11,001 thousand). At 31 December 2023, Facility G is a bank overdraft on which interest was paid on a monthly respectively and was fully settled during the year.

Facility E

On 2 August 2021, the Group entered into a borrowing facility agreement with a branch of an international bank of AED 257,000 thousand. As at 31 December 2023, the total outstanding balance from Facility E is Nil (2022: AED 113,470 thousands).

The nature of securities provided by the Company in respect of the term loan is as follows:

- Real estate mortgage over hotel units and retail outlets owned by the Company (Note 5).
- Legal assignment of all current and future receivables of the Group entities.
- Assignment of hotel operations and food and beverage revenues of FIVE Hotel Jumeirah Village.
- Assignment of all risks insurance policies of the hotel endorsing in favour of Arab African International Bank.
- Corporate guarantees from certain Group entities.
- Personal guarantees from the owner.

The above securities were released by the bankers as at 31 December 2023.

Facility F

The Group had drawdown AED 107,580 thousand from Facility F in 2022. As at 31 December 2023, the total outstanding balance from facility F is Nil (2022: AED 95,095 thousand).

The nature of securities provided by the Group in respect of its bank borrowing includes real Estate Mortgage (the JBR Hotel Real Estate Mortgage and Palm Hotel Real Estate Mortgage) and share pledge of certain Group entities. The securities were released by the bankers as at 31 December 2023.

FIVE Holdings (BVI) Limited

Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

18 Borrowings (continued)

Key covenants

Under the terms of the major borrowing facilities, the Group is required to comply with the following financial covenants:

- The Loan to Value Ratio "LTV" shall not exceed 65%;
- Effective 31 December 2023, the Debt service coverage ratio shall not fall below a ratio of 1.5:1;
- Net Debt to EBITDA Ratio shall not, in respect of any Relevant Period, exceed the ratio of 3.5:1;
- Secured net debt to EBITDA Ratio shall not, in respect of any Relevant Period, exceed the ratio of 2.5:1;
- Priority debt (non guarantor loans and leases) not to exceed 5% of the total assets of the Group;
- The Borrower, or any designated affiliate of the Borrower, shall maintain at least CHF 20 million (or its equivalent in other currencies) in liquid, marketable net assets under management with the Lender until the Facilities are cancelled and all amounts under the Facilities are repaid in full.

The Group has complied with the above financial covenants of its borrowing facilities as at the reporting date.

Net debt reconciliation

	Liabilities from financing activities				Cash and bank balance	Total
	Finance liabilities	Lease liabilities	Borrowings	Sub-total		
Net debt as at 31 December 2021	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	555,671	122,202	1,170,490	1,848,363	(696,200)	1,152,163
Addition (net of transaction cost)	136,786	154,099	1,882,247	2,173,132	(35,541)	2,137,591
Interest	83,223	9,695	129,890	222,808	-	222,808
Payments	(83,223)	(31,041)	(1,559,603)	(1,673,867)	-	(1,673,867)
Other movement	-	4,402	-	4,402	-	4,402
Net debt as at 31 Dec 2023	692,457	259,357	1,623,024	2,574,838	(731,741)	1,843,097

19 Contract liabilities

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

	As at 31 December	
	2023	2022
	AED'000	AED'000
Opening	55,145	26,549
Advance from customers	462,408	82,633
Less : Revenue recognised	(302,975)	(54,037)
	214,578	55,145

Analysed as follows:

Within 1 year	214,578	55,145
Current portion	214,578	55,145

The aggregate amount of sale price allocated to performance obligations that are unsatisfied / partially satisfied as at 31 December 2023 was AED 672,875 thousand (2022: AED 69,426 thousand). The Group expects to recognise revenue from these unsatisfied performance obligations within 1 year (2022: 1 year) from the consolidated statement of financial position date.

FIVE Holdings (BVI) Limited**Notes to the consolidated financial statements for the year ended 31 December 2023**
(continued)**20 Provision for employees' end of service benefits**

	As at 31 December	
	2023	2022
	AED'000	AED'000
Balance at the beginning of the year	10,837	5,855
Charge for the year	6,841	6,105
Paid during the year	(3,604)	(1,123)
Balance at the end of the year	14,074	10,837

In accordance with the provisions of IAS 19 revised, managements' expert has carried out an exercise to assess the present value of its obligations at 31 December 2023 and 2022, using projected unit credit method, in respect of employees' end of service benefits payable under the local labour law. Under this method, an assessment is made of the employees' expected service life with the Company and the expected basic salary at the date of leaving service. A provision is made, using actuarial techniques, for the full amount of end of service benefits due to the employees in accordance with the local labour law for their year ended of service up to the consolidated statement of financial position date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. These obligations are valued annually by independent qualified actuaries. The method and nature of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

The significant actuarial assumptions were as follows:

	2023	2022
Discount rate	4.88%	5.30%
Salary growth rate	3.50%	3.65%

The sensitivity of the provision for employees' end of service benefits to increase/decrease in the principal assumptions is:

Key assumptions	Change	As at 31 December	As at 31 December
		2023	2022
		AED'000	AED'000
Discount rate	+1.0%	(950)	(874)
	-1.0%	1,102	1,012
Salary growth rate	+1.0%	1,106	11,852
	-1.0%	(970)	9,946

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the provision for employees' end of service benefits to significant actuarial assumptions the same method (present value of the provision for employees' end of service benefits calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the provision for employees' end of service benefits liability recognised in the consolidated statement of financial position. The end of service benefit liability is unfunded obligation.

FIVE Holdings (BVI) Limited

Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

21 Deferred tax liabilities / (assets)

	As at 31 December	
	2023	2022
	AED'000	AED'000
Deferred tax assets		
The balance comprises temporary differences attributable to :		
Losses available for offsetting against future taxable income	17,031	-
Net carrying value of finance liability and deferred gain as reduced by net carrying value of condo hotel units under financing arrangement	44,466	-
Unutilised interest expenses	1,446	-
Others	1,064	-
	64,007	-
Set-off of deferred tax liabilities pursuant to set-off provisions	(64,007)	-
Total	-	-
Deferred tax liabilities		
The balance comprises temporary differences attributable to :		
Revaluations of property and equipment	267,228	23,324
Intangible assets	61,046	-
	328,274	23,324
Set-off of deferred tax assets pursuant to set-off provisions	(64,007)	-
Net deferred tax liabilities	264,267	23,324

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (UAE CT Law) to enact a Federal corporate tax regime in the UAE. The Corporate Tax regime is effective for the accounting periods beginning on or after 1 June 2023. As the Group's financial year starts on 1 January, it shall be applicable to its UAE resident entities from financial year 2024. The UAE CT Law applies to the standalone results of the Group's entities. As of 31 December 2023, the Group has identified certain timing differences, primarily stemming from variations in the accounting treatment of its sale and leaseback transactions, financing arrangement and the revaluation of property and equipment of condo hotel units in its consolidated financial statements. Pursuant to the provisions of IAS 12 - Income Taxes, the Group has recognized these deferred tax balances arising from these timing differences during the year ended 31 December 2023.

Below table summarise the movement of deferred tax liability / (deferred tax asset): -

Movement	Deferred tax liability		Deferred tax assets			Total
	Intangible assets	Property and equipment	Financing arrangement	Tax losses	Others	
At 1 January 2022	-	14,133	-	-	-	14,133
Charged						
- to other comprehensive income	-	9,191	-	-	-	9,191
At 31 December 2022	-	23,324	-	-	-	23,324
Acquisition of business (Refer note 37)	60,785	42,663	-	(11,407)	93	92,134
(Charged)/credited						
- to profit or loss	441	-	(44,466)	(5,624)	(2,869)	(52,518)
- to other comprehensive income	-	198,729	-	-	-	198,729
Others	(180)	2,512	-	-	266	2,598
At 31 December 2023	61,046	267,228	(44,466)	(17,031)	(2,510)	264,267
Deferred tax liability / (assets)		328,274			(64,007)	264,267

FIVE Holdings (BVI) Limited**Notes to the consolidated financial statements for the year ended 31 December 2023**
(continued)**22 Finance liabilities**

	As at 31 December	
	2023	2022
	AED'000	AED'000
Opening Balance	555,671	453,814
Additions during the year	136,786	101,857
Payments made during the year	(83,223)	(78,169)
Interest on finance liabilities	83,223	78,169
Closing Balance	692,457	555,671
Analysed as follows:		
Current portion	109,433	88,984
Non-current portion	583,024	466,687
	692,457	555,671
Fixed/Variable		
Fixed portion	95,272	25,271
Variable portion	597,185	530,400
	692,457	555,671

The fixed portion of finance liability pertains to the units in FIVE Jumeirah Village Circle LLC which has guaranteed rental payments are to be made to the unit owners.

23 Deferred gain

	As at 31 December	
	2023	2022
	AED'000	AED'000
Opening Balance	464,482	434,812
Movement during the year	103,819	84,926
Amortisation during the year	(46,087)	(55,256)
Closing Balance	522,214	464,482
Analysed as follows:		
Current portion	76,445	65,805
Non-current portion	445,769	398,677
	522,214	464,482

FIVE Holdings (BVI) Limited

Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

24 Transactions and balances with related parties

Related parties include the Owner, 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 year, 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.

	Year ended 31 December	
	2023	2022
	AED’000	AED’000
Dividend		
Owner	81,892	-
Transactions with key management personnel in ordinary course of business		
Revenue		
Sale of property held for development and sale	8,915	11,281
Food and beverages	2,440	1,561
Rental income	1,567	2,475
Expenses		
Holiday home expenses	1,866	1,325
Salaries and Other benefits*	5,569	5,277
Management incentives programme*	39,247	4,097
Other related parties **		
Capital and operating expenses	9,715	-
Sales incentive and commission expenses	39,404	11,464

The compensation to key management personnel consists of the (i) base salary and (ii) incentive based on the Group's business performance i.e., incentive payments based on a certain percentage of realised profits, subject to certain adjustments.

** Other related parties include entities under the common control or having significant influence

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.

	Year ended 31 December	
	2023	2022
	AED’000	AED’000
Due to related parties		
Owner	450	6,332
Other related party*	7,333	138
	7,783	6,470

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

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

FIVE Holdings (BVI) Limited**Notes to the consolidated financial statements for the year ended 31 December 2023**
(continued)**25 Revenue**

	Year ended 31 December	
	2023	2022
	AED'000	AED'000
<i>At a point in time:</i>		
Food and beverages	461,515	457,646
Other operating departments*	40,837	18,172
	502,352	475,818
<i>Over time:</i>		
Sale of property held for development and sale**	732,203	318,676
Room revenue	440,963	429,502
	1,173,166	748,178
Rental income	18,201	12,953
	1,693,719	1,236,949

*Other operating department includes revenue generated from event admission and merchandising.

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

26 Cost of sales

	Year ended 31 December	
	2023	2022
	AED'000	AED'000
Cost of property held for development and sale	325,442	143,146
Staff costs (Note 29)	193,619	163,887
Inventory consumption	95,256	99,981
Utility costs	39,623	40,486
Holiday home expenses	37,259	23,184
Music and entertainment	33,345	24,274
	724,544	494,958

27 General and administrative expenses

	Year ended 31 December	
	2023	2022
	AED'000	AED'000
Staff costs (Note 29)	71,328	26,045
Hotel operating expenses*	70,917	55,275
Repairs and maintenance	35,896	37,525
Legal and professional fees	19,864	16,749
Credit card commission expenses	17,073	15,441
Pre-operating expenses	5,056	18,906
Transaction cost	16,094	-
Travelling expenses	7,066	9,682
Charity	794	573
Others	15,774	3,793
	259,862	183,989

*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.

FIVE Holdings (BVI) Limited**Notes to the consolidated financial statements for the year ended 31 December 2023**
(continued)**28 Selling and marketing expenses**

	Year ended 31 December	
	2023	2022
	AED'000	AED'000
Sales incentive and commission	71,503	53,730
Advertising expenses	25,711	23,975
	97,214	77,705

29 Staff costs

	Year ended 31 December	
	2023	2022
	AED'000	AED'000
Salaries and other benefits	259,295	183,827
End of Service benefits	5,652	6,105
	264,947	189,932

Staff costs allocated as follows :

Cost of Sales	193,619	163,887
General and administrative expenses	71,328	26,045
	264,947	189,932

30 Other income

	Year ended 31 December	
	2023	2022
	AED'000	AED'000
Gain on lease termination *	-	12,748
Profit on sale of fixed assets (note 6)	480	-
Other income **	19,282	7,099
	19,762	19,847

*During the year ended 31 December 2022, the Group early terminated its lease arrangement with remaining lease period of 4.5 years for staff accommodation which had a lease period from 15 March 2017 to 14 March 2027 and relocated to new premises effective from 14 June 2023. On account of early lease termination, the Group derecognised the corresponding right-of-use asset net of accumulated depreciation and lease liabilities for an amount of AED 38,240 thousand (Refer note 7) and AED 50,988 thousand (Refer note 7) respectively and accordingly a profit on lease termination of AED 12,748 thousand was recorded within other income in the consolidated statement of profit or loss.

** Other income includes write back of the liabilities aggregating to AED 16,677 thousand no longer required to be paid.

FIVE Holdings (BVI) Limited**Notes to the consolidated financial statements for the year ended 31 December 2023**
(continued)**31 Finance costs, net**

	Year ended 31 December	
	2023	2022
	AED'000	AED'000
<i>Finance costs:</i>		
- Interest on borrowings	160,832	81,271
- Unwinding of interest on finance liabilities	83,223	78,169
- Unwinding of interest on lease liabilities	9,695	7,218
- Others	3,948	3,875
Less: Interest capitalised on qualifying assets	(34,890)	(28,144)
Less: Amortisation of deferred gain	(46,087)	(55,256)
Total finance costs (A)	176,721	87,133
<i>Finance income:</i>		
- Interest income	26,527	5,967
Total finance income (B)	26,527	5,967
Finance costs – net ((A) - (B))	150,194	81,166

FIVE Holdings (BVI) Limited**Notes to the consolidated financial statements for the year ended 31 December 2023**
(continued)**32 Income tax (expense) / benefit**

Tax (expenses) / benefit for the year:

	Year ended 31 December	
	2023	2022
	AED '000	AED '000
Current tax:		
Current tax on profit for the year	(847)	-
Deferred income tax benefit:		
On origination and reversal of temporary differences	8,052	-
Net carrying value of finance liability and deferred gain as reduced by net carrying value of condo hotel units under financing arrangement	44,466	-
Income tax benefit	51,671	-

Presented within consolidated statement of comprehensive income:

	Year ended 31 December	
	2023	2022
	AED '000	AED '000
Deferred tax charge on items recognized in OCI during in the year:		
On revaluation gain on property and equipment recognised through OCI	198,729	9,191

Reconciliation of tax expense and the accounting profit multiplied by effective tax rate:

	Year ended 31 December	
	2023	2022
	AED '000	AED '000
Accounting profit before income tax	262,124	232,668
Less: Profit not subject to tax*	(323,334)	-
Add: Loss on which deferred tax is not recognized	31,821	-
Accounting (loss) / profit subject to income tax, net	(29,390)	232,668
Current tax charge**	847	-
Deferred tax benefit**	(8,052)	-
Effective tax rate	25%	0%

*The corporate income tax (CIT) is chargeable on the Group's UAE operation with effect from 1st January 2024.

** It represents tax expense / benefit on the Group's operation in Spain and the United Kingdom, effective from the acquisition date. The CIT rate applicable to the Group in Spain and the United Kingdom during the period is 25%.

FIVE Holdings (BVI) Limited

Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

33 Non-controlling interest (NCI)

Financial information of subsidiaries that have material non-controlling interests is provided below:

Proportion of equity interest held by non-controlling interests:

Name	Country of incorporation and operation	As at 31 December	
		2023	2022
Toy Room Ltd & Toy Room Brand Ltd ('TOY ROOM')*	United Kingdom	49%	0%
Five Beach Club Limited & Praia Restaurant FZE ('FBCL')	The United Arab Emirates	85%	85%

* The Group has acquired 100% equity interest in Universo Pacha S.A. ('Universo') on 9th October 2023. Universo has 51% equity interest in Toy Room Ltd and Toy Room Brand Ltd besides 100% interest in other subsidiaries. Refer Note 1 and 37 for detail.

Summarised statement of financial position as at 31 December 2023:

	TOY ROOM	FBCL
Non-Current assets	26	176,167
Current assets	1,842	22,119
Non-Current liabilities	-	(535)
Current liabilities	(1,822)	(5,582)
Total equity	46	192,169
Attributable to:		
Owner	23	163,344
Non-controlling interest	23	28,825

Summarised statement of financial position as at 31 December 2022:

	TOY ROOM	FBCL
Non-Current assets	-	177,975
Current assets	-	19,407
Non-Current liabilities	-	(258)
Current liabilities	-	(6,428)
Total equity	-	190,696
Attributable to:		
Owner	-	169,030
Non-controlling interest	-	21,666

Summarised statement of comprehensive income for the year ended 31 December 2023:

	TOY ROOM	FBCL
Revenue	959	58,430
Profit for the year / period	525	14,643
Other comprehensive income	-	47,107
Total comprehensive income	525	61,750
Attributable to:		
Owner	268	52,487
Non-controlling interest	257	9,263
Dividend paid to non-controlling interest	806	2,103

Summarised statement of comprehensive income for the year ended 31 December 2022:

	TOY ROOM	FBCL
Revenue	-	79,996
Profit for the year / period	-	23,108
Other comprehensive income	-	-
Total comprehensive income	-	23,108
Attributable to:		
Owner	-	19,642
Non-controlling interest	-	3,466
Dividend paid to non-controlling interest	-	3,956

FIVE Holdings (BVI) Limited

Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

33 Non-controlling interest (NCI) (continued)

On the 25 March 2022, the Group has purchased the 10% non-controlling interest in Assas Investments Limited, a subsidiary of the Group increasing its stake from 90% to 100% for a cash consideration of AED 104,980 thousand. The carrying amount of the Non-controlling interest at the time of the transaction was AED 110,921.

The carrying value of non-controlling interest has changed as follows:

China State Construction Engineering Corporation (M.E.) LLC

	31 December 2022
	AED'000
Carrying amount of non-controlling interest at 1 January 2022	107,243
Total comprehensive income for the year	3,680
Fair Value of Non-controlling interest at the time of transaction	110,923
Total consideration for acquisition of additional stake	104,983
Gain recognised in equity from change in shareholding	5,940

34 Dividends per share

During the year ended 31 December 2023, the Group had declared the dividend of AED 81,892 thousand (31 December 2022: Nil) to its Owner which included a non-cash dividend of AED 40,000 thousand through a transfer of residential unit valued at fair market value. Dividends per share was AED 81,891 thousand per share (2022: AED Nil per share).

The Group declared dividends of AED 2,909 thousand (31 December 2022: AED 3,956 thousand) to its minority shareholders.

35 Basic and diluted earnings per share

	Year ended 31 December	
	2023	2022
	AED'000	AED'000
Basic and diluted earnings per share attributable to the owner of FIVE Holdings (BVI) Limited	311,341	225,520

Basic earnings per share is calculated by dividing the profit for the year by the number of weighted average shares outstanding at the end of the reporting period. Diluted earnings per share is equivalent to basic earnings per share as the Group did not issue any new instrument that would impact earnings per share when executed.

FIVE Holdings (BVI) Limited

Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

36 Financial instruments by category

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

	As at 31 December	
	2023	2022
	AED'000	AED'000
Assets as per the consolidated statement of financial position		
<i>At amortised cost</i>		
Trade and other receivables, excluding advances to suppliers, municipality fees and other tax receivable (Note 9)	456,495	445,242
Cash and bank balance (Note 13)	731,741	696,200
	1,188,236	1,141,442
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) (Note 17)	319,614	268,689
Borrowings (Note 18)	1,623,024	1,170,490
Lease liabilities (Note 7)	259,357	122,201
Finance liabilities (Note 22)	692,457	555,671
Due to related parties (Note 24)	7,783	6,470
	2,902,235	2,123,521

* Trade and other receivables is net of AED 15,178 thousand of tax receivable included in other receivables.

37 Business combination

37.1 Business combination

On 30 June 2023, the Group entered into a sale and purchase agreement (the "Acquisition Agreement") with Mediterranean Sky International, S.A., E1 Firmamento Estelar, S.L. and MSI 2, S.C.A. (together, the "Sellers") to acquire the 100% share capital (the "Share Purchase") of Universo Pacha, S.A. (the "Target") in order to obtain control of and invest in certain identified subsidiaries, assets and trademarks of the Target (the "Target Perimeter"/the "Acquisition"). The Target Perimeter comprises several entities and each Target Perimeter Subsidiary, which own a range of assets that include Pacha Nightclub (Ibiza), Destino Pacha Hotel (Ibiza), El Hotel Pacha (Ibiza) and some of the iconic brands namely Pacha, Toy Room, WooMoon Storytellers.

On 9th October 2023, the Group successfully completed the aforesaid transaction for a total enterprise value of AED 1,072,183 thousand and assumed the full control over the Target.

37.2 Transaction rationale

The acquisition will enhance the Group's offering as it will be able to integrate globally recognised experiences associated with the renowned "Pacha" brand while introducing new entertainment concepts at its existing properties. The acquisition is also expected to provide significant credibility to the Group's international ambitions and offer potential for further value creation. In addition, diversification into a prominent hospitality market with contrasting peak seasons will serve a natural hedge against seasonal demand volatility. The Group anticipates that the contrasting seasons of the Dubai and Ibiza (Spain) hospitality markets will allow for optimal resource allocation and minimise exposure to fluctuations in demand.

FIVE Holdings (BVI) Limited

Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

37 Business combination (continued)

37.3 Assets acquired and liabilities assumed as a result of acquisition

The fair values of the identifiable assets and liabilities of Target Perimeter as at the date of acquisition (i.e. 9 October 2023) were:

Description	As at 9 Oct 2023 AED'000
Property and equipment	255,868
Right-of-use assets	131,497
Intangible asset	206,684
Trade and other receivables (*)	44,659
Deferred tax asset	970
Inventories	10,617
Cash and cash equivalents	35,993
Other Assets	1,772
Lease liabilities	(131,497)
Trade and other payables	(75,345)
Borrowings	(370,375)
Deferred tax liabilities	(93,104)
Net identifiable assets acquired	17,739
Less : Non controlling interest	(568)
Add : Goodwill on acquisition	685,737
Net assets acquired	702,908

(*) The fair value of acquired trade receivables is equivalent to the gross contractual amount for trade receivables and the expected loss allowance is insignificant.

The Target Perimeter is engaged in hospitality business and the Goodwill is allocated entirely to this segment comprising of various related assets. None of the goodwill recognised except the one which already exist in Universo Pacha S.A. Amounting to AED 128,220 is deductible for the income tax purposes. Out of the total such goodwill, the Group already deducted AED 43,168 as at 31 December 2023.

The Group recognises non-controlling interests in an acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. The Group recognised the non-controlling interest (of 49%) in Toy Room Limited (one of the subsidiaries of Universo Pacha S.A.) at its proportionate share of the acquired net identifiable assets. See note 2.4 (b) for the Group's accounting policies for business combinations.

From the date of acquisition, the Target Perimeter contributed AED 21,784 thousand of revenue and AED 29,391 thousand to loss before tax from continuing operations of the Group. If the combination had taken place at the beginning of the year, revenue from continuing operations of the Group would have been AED 2,089,778 thousand and profit before tax from continuing operations for the Group would have been AED 370,778 thousand.

Purchase consideration – cash outflow

Description	AED '000
Purchase consideration paid	703,458
Settlement of existing loan in target perimeter	370,365
Less: Cash acquired on business combination	(34,366)
Net cash flow on acquisition	1,039,457
Add: Transaction cost on acquisition	16,094
Net outflow of cash - investing activities	1,055,551

FIVE Holdings (BVI) Limited**Notes to the consolidated financial statements for the year ended 31 December 2023**
(continued)**37 Business combination (continued)***37.3 Assets acquired and liabilities assumed as a result of acquisition (continued)*

*Acquisition related cost amounting to AED 16,094 thousand has been included within general and administrative expenses in consolidated statement of profit or loss and within operating cash flows in the consolidated statement of cash flows.

Basis of pro forma

The pro forma combined statement of income for the year ended 31 December 2023 gives effect to the acquisition as if it had occurred on 1 January 2023. The Pro Forma Information has been compiled on a basis consistent with the accounting principles applied by the Group in its consolidated financial statements. The Pro forma information does not reflect any cost savings, synergy benefits or future integration costs that are expected to be generated or may be incurred as a result of the Acquisition.

These pro forma financial statements are being provided for informational purposes only and do not claim to represent the Group's actual financial position or results of operations for the year ended 31 December 2023.

	Consolidated	1 Jan - 8 Oct	
	AED'000	2023	AED'000
	FIVE	PACHA	PROFORMA
Revenue	1,693,719	396,059	2,089,778
Cost of sales	(724,544)	(183,009)	(907,553)
Depreciation	(219,543)	(12,425)	(231,968)
Gross profit	749,632	200,625	950,257
General and administrative expenses	(259,862)	(65,493)	(325,355)
Selling and marketing expenses	(97,214)	(16,050)	(113,264)
Net impairment profit / (losses) on financial assets	-	(464)	(464)
Other income	19,762	27,070	46,832
Operating profit	412,318	145,688	558,006
Finance income	26,527	3,759	30,286
Finance cost	(176,721)	(40,793)	(217,514)
Finance cost - net	(150,194)	(37,034)	(187,228)
Profit before income tax	262,124	108,654	370,778
Tax income	51,671	(32,157)	19,514
Profit for the Year	313,795	76,497	390,292
EBITDA for the year	653,011	158,113	811,124

FIVE Holdings (BVI) Limited

Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

38 Segment Reporting

The Group's operating segments are Real estate development and Hospitality. Segment performance is measured based on the adjusted profit or loss calculated in accordance with IFRS.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Chairman and Chief Executive Officer who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief operating decision-maker.

From the internal organisation of the Group's activities and consistent with the internal reporting provided to the chief operating decision maker and after considering the nature of its services, the ultimate customer availing those services and the methods used by it to provide those services, "Hospitality Services" and "Real Estate Development" has been identified to be the Group's operating segments.

Our chief operating decision maker monitors assets for the Group as a whole and not by operating segment when assessing performance or making operating segment resource allocations.

Description of the Segment:

Hospitality Segment: The Group has an international Hospitality Business that owns, operates and manages luxury hotels with a strong focus on entertainment and food & beverages (F&B).

Real Estate Development Segment: The Group's Real Estate Development Business is focused on the development of high-quality properties including hotel rooms, hotel apartments, residential units and experiential outlets, such as restaurants, bars, cafes and night-clubs. The Group derives its revenue and profit from sale of residential units to its customers.

Segment EBITDA reconciliation

a) For the year ended 31 December 2023

Particulars	Hospitality	Real estate development	Others	Total
	AED'000	AED'000	AED'000	AED'000
Total Segment Results	355,743	331,756	-	687,499
Add: Preopening expenses	5,056	-	-	5,056
Unallocated Items				
Other income	-	-	4,225	4,225
Corporate expenses	-	-	(43,769)	(43,769)
EBITDA	360,799	331,756	(39,544)	653,011

b) For the year ended 31 December 2022

Particulars	Hospitality	Real estate development	Others	Total
	AED'000	AED'000	AED'000	AED'000
Total Segment Results	400,430	136,988	-	537,418
Add: Preopening expenses	18,906	-	-	18,906
Unallocated Items				
Corporate expenses	-	-	(32,397)	(32,397)
EBITDA	419,336	136,988	(32,397)	523,927

FIVE Holdings (BVI) Limited

Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

38 Segment Reporting (continued)

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

	Year ended 31 December	
	2023	2022
	AED'000	AED'000
Profit for the period after tax	313,795	232,668
Add:		
Depreciation of property and equipment (Note 5)	192,629	168,121
Depreciation of right-of-use assets (Note 7)	24,763	23,066
Depreciation of intangible asset (Note 6)	2,151	-
Transaction cost (Note 27)	16,094	-
Pre-opening expenses (Note 27)	5,056	18,906
Finance costs (Note 31)	176,721	87,133
Finance income (Note 31)	(26,527)	(5,967)
Tax income (Note 32)	(51,671)	-
Earning before interest, tax, depreciation and amortisation ("EBITDA")	653,011	523,927

Segment Reporting

Particulars	Year ended 31 December	
	2023	2022
	AED'000	AED'000
Segment Revenue		
Hospitality*	961,516	918,273
Real estate development	732,203	318,676
Total Segment Revenue	1,693,719	1,236,949
Segment Result		
Hospitality	355,743	400,430
Real estate development	331,756	136,988
Total Segment Results	687,499	537,418
Less: Unallocated Items		
Finance costs (Note 31)	176,721	87,133
Finance income (Note 31)	(26,527)	(5,967)
Transaction cost (Note 27)	16,094	-
Corporate office	43,769	32,397
Other Income	(4,225)	-
Depreciation	219,543	191,187
Tax income (Note 32)	(51,671)	-
Net Profit	313,795	232,668

*Hospitality revenue and results includes AED 102,295 thousand (2022: AED 41,167) of revenue and AED 12,790 losses (AED: 24,732) respectively generated from the subsidiaries outside the UAE.

During the year 2023, the Group's real estate development segment witnessed a significant growth both in revenue and result, primarily attributable to the initiation of development activities for the Sensoria residential project and substantial progress achieved, along with the completion of the Luxe Residency project.

Hospitality segment result for 2023 includes a loss of AED (10,900) thousands from Pacha which was consolidated for the period from Oct 9 to December 31, 2023. Pacha is a seasonal business operating primarily from April to October and hence had a loss during the consolidation period.

Management incentive for the year 2023 amounted to AED 44,816 thousand as against AED 9,375 thousand for 2022 and is allocated equally between Hospitality and Real Estate Development segment.

FIVE Holdings (BVI) Limited

Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

38 Segment Reporting (continued)

Other Information

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

Description of Sub-Segments:

Rooms : Room revenue means all gross revenue derived from the rental of hotel rooms (excluding rooms managed under holiday home management agreement), net of any applicable rebates and discounts and excluding any incidental revenue such as telephone charges etc.

EATertainment : EATertainment segment refers to a guest experience that involves food and/or beverage dining before, after, or during other activities. These unique venues aim to blend food with entertainment, offering patrons a chance to savor their meals while enjoying a wide range of captivating activities, immersive themes, interactive performances. The segment includes revenue from event admission, F&B consumed during the events and other revenues directly associated with the events.

Food and Beverage - Non entertainment: The segment includes revenue and profit from sale of food, beverages and other items but are not directly connected to any event.

Holiday Homes : Holiday home segment refers to gross revenue derived from the rental of units owned by others but are managed by the Group under the Holiday Home Management agreement.

Others : All other hospitality revenues that are not connected to the above 3 segment are covered under “Others”. This includes income from Spa, laundry services, telephone services and other allied services.

FIVE Holdings (BVI) Limited**Notes to the consolidated financial statements for the year ended 31 December 2023**
(continued)**38 Segment Reporting (continued)**

	Year ended 31 December	
	2023	2022
	AED'000	AED'000
Hospitality - Revenue stream wise		
Rooms	387,831	393,793
EATertainment	260,677	262,773
Food and Beverage – Non Entertainment	209,735	194,873
Holiday Homes	53,132	35,709
Others	50,141	31,125
Total Hospitality - Revenue stream wise	961,516	918,273
Hospitality - Result stream wise		
Rooms	195,168	223,796
EATertainment	84,499	90,950
Food and Beverage – Non Entertainment	50,944	56,993
Holiday Homes	14,577	10,722
Others	10,555	17,969
Total Hospitality - Result stream wise	355,743	400,430
Add: Pre-opening Expenses		
Rooms	-	8,108
EATertainment	-	5,410
Food and Beverage – Non Entertainment	-	4,012
Others	5,056	1,376
Total Other Adjustments Hospitality	5,056	18,906
Earning before interest, tax, depreciation and amortization (EBITDA)		
Rooms	195,168	231,904
EATertainment	84,499	96,360
Food and Beverage – Non Entertainment	50,944	61,005
Holiday Homes	14,577	10,722
Others	15,611	19,345
Total EBITDA	360,799	419,336

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.
- Hospitality segment result for 2023 includes a loss of AED (10,900) thousands from Pacha which was consolidated for the period from Oct 9 to December 31, 2023. Pacha is a seasonal business operating primarily from April to October and hence had a loss during the consolidation period.
- Management incentive allocated to Hospitality segment for the year 2023 amounted to AED 22,408 thousand as against AED 4,688 thousand for 2022