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Private Department of
Skh Mohamed Bin Khalid Al Nahyan LLC

Directors' report and consolidated financial statements
for the year ended 31 December 2023

Private Department of Skh Mohamed Bin Khalid Al Nahyan LLC

Directors' report and consolidated financial statements for the year ended 31 December 2023

Private Department of Skh Mohamed Bin Khalid Al Nahyan LLC

Directors' report
for the year ended 31 December 2023

The Board of Directors submit their report together with the audited consolidated financial statements of Private Department of Skh Mohamed Bin Khalid Al Nahyan LLC ("the Department"), and its subsidiaries (together, "the Group") for the year ended 31 December 2023.

Principal activities

The Group operates mainly in the fields of hospitality and real estate lease.

Results for the year

The results of the Group for the year ended 31 December 2023 are set out on page 8 of the consolidated financial statements.

Board Members

Members who served in the Board during the year were:

Sh. Khalifa bin Mohammed bin Khalid Al Nahyan - Chairman
Sh. Sultan bin Mohammed bin Khalid Al Nahyan - Vice Chairman
Sh. Hamdan bin Mohammed bin Khalid Al Nahyan - Board Member
Mr. Abdul Jalil Abdul Rehman Mohammed Al Blouki - Managing Director

Auditors

The consolidated financial statements have been audited by PricewaterhouseCoopers, who retire and, being eligible, offer themselves for reappointment.

On behalf of the Board

....
Sh. Khalifa bin Mohammed bin Khalid Al Nahyan
Chairman

04 APR 2024

Independent auditor's report to the shareholders of Private Department of Skh Mohamed Bin Khalid Al Nahyan LLC

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Private Department of Skh Mohamed Bin Khalid Al Nahyan LLC (the "Department") 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 financial position as at 31 December 2023;
- 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 shareholders of Private Department of Skh Mohamed Bin Khalid Al Nahyan LLC (continued)

Our audit approach

Overview

Key Audit Matter	• Restructuring of bank borrowings

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 matters

Key audit matters are those matters that, in our professional judgment, 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
Restructuring of bank borrowings During the year, the Group entered into a facility restructuring agreement, which modifies Ijarah Facility I and Ijarah Facility II into Facility A and B commitments. In addition to the modification of repayment due dates for the due borrowings with the first principal payment being on 31 March 2026 and the first interest payment date being 31 March 2023 with the final settlement of the loan being on 31 December 2032. Due to the materiality of the amount involved and the complexity of the transaction as well as its impact on the Group's businesses and activities, we assess the restructuring of bank borrowings as a key audit matter.	Our audit procedures performed in relation to restructuring of bank borrowings included: • obtained the related agreements in order to assess the accounting implications of the restructuring on the consolidated financial statements of the Group; • Involved our technical accounting team to assess the appropriateness of the treatment as a debt modification in accordance with IFRS Accounting Standards; • traced the impact of the restructuring to the bank statements; • assessed the compliance with the debt covenants; and • assessed the completeness and accuracy of disclosures within the consolidated financial statements in accordance with IFRS Accounting Standards.

Independent auditor's report to the shareholders of Private Department of Skh Mohamed Bin Khalid Al Nahyan LLC (continued)

Other information

The directors are responsible for the other information. The other information comprises of the Report of the Directors (but does not include the consolidated financial statements and our auditor's report thereon) which we obtained prior to the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do 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.

If, based on the work we have performed, on the other information which we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 their preparation in compliance with the applicable provisions of the UAE Federal Law No. 32 of 2021, 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.

Independent auditor's report to the shareholders of Private Department of Skh Mohamed Bin Khalid Al Nahyan LLC (continued)

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.

- 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.

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Independent auditor's report to the shareholders of Private Department of Skh Mohamed Bin Khalid Al Nahyan LLC (continued)

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

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.

Report on other legal and regulatory requirements

Further, as required by the UAE Federal Decree Law No. 32 of 2021, we report that:

(i) we have obtained all the information we considered necessary for the purposes of our audit;

(ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Decree Law No. 32 of 2021;

(iii) the Group has maintained proper books of account;

(iv) the financial information included in the Report of the Directors is consistent with the books of account of the Group;

(v) Note 18 to the consolidated financial statements discloses material related party transactions, and the terms under which they were conducted;

(vi) as disclosed in note 1 to the consolidated financial statements the Group has not purchased or invested in any shares during the year ended 31 December 2023;

(vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2023 any of the applicable provisions of the UAE Federal Law No. 32 of 2021, or in respect of the Department's Articles of Association which would materially affect its activities or its financial position as at 31 December 2023.

PricewaterhouseCoopers Limited Partnership – Abu Dhabi

04 APR 2024
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Rami Sarhan
Registered Auditor Number 1152
Abu Dhabi, United Arab Emirates

Private Department of Skh Mohamed Bin Khalid Al Nahyan LLC

Consolidated statement of financial position

	Note	As at 31 December 2023 AED	2022 AED
ASSETS			
Non-current assets			
Property and equipment	5	845,055,105	832,560,900
Investment properties	6	5,072,545,455	4,655,359,092
		5,917,600,560	5,487,919,992
Current assets			
Inventories		1,486,592	1,696,491
Investment in debt securities	7	52,252,704	-
Trade and other receivables	8	78,581,953	63,815,336
Due from related parties	18	373,543,520	133,155,797
Cash and cash equivalents	9	109,558,342	93,018,391
Term deposits		141,500	-
		615,564,611	291,686,015
Total assets		6,533,165,171	5,779,606,007
EQUITY AND LIABILITIES			
EQUITY			
Capital and reserves			
Share capital	10	11,800,000	11,800,000
Legal reserve	11	5,900,000	5,900,000
General reserve	12	868,641,817	868,641,817
Retained earnings		2,512,001,823	2,187,588,685
Revaluation reserve	13	69,544,992	45,980,313
Total equity		3,467,888,632	3,119,910,815
LIABILITIES			
Non-current liabilities			
Bank borrowings	14	1,543,837,451	1,141,967,773
Sukuk Instruments	15	1,284,850,000	1,101,300,000
Provision for employees' end of service benefits	16	9,394,881	8,795,604
		2,838,082,332	2,252,063,377
Current liabilities			
Bank borrowings	14	32,153,226	202,322,773
Sukuk instruments	15	30,500,973	25,964,677
Bank overdraft	9	-	27,674,844
Derivative financial liabilities	26	143,538	-
Trade and other payables	17	129,847,714	136,768,099
Due to related parties	18	34,548,756	14,901,422
		227,194,207	407,631,815
Total liabilities		3,065,276,540	2,659,695,192
Total equity and liabilities		6,533,165,171	5,779,606,007

These consolidated financial statements were approved and authorised for issuance by the Board of Directors on 04 APR 2024 and signed on its behalf by:

....	....
Sh. Khalifa bin Mohammed bin Khalid Al Nahyan	Abdul Jalil Abdul Rehman Mohammed Al Blouki
Chairman	Managing Director

The notes on pages 12 to 65 form an integral part of these consolidated financial statements.

Private Department of Skh Mohamed Bin Khalid Al Nahyan LLC

Consolidated statement of comprehensive income

	Note	Year ended 31 December 2023 AED	2022 AED
Revenue from contracts with customers	19	379,699,587	331,443,812
Direct costs	20	(79,195,375)	(71,796,399)
Gross profit		300,504,212	259,647,413
General and administrative expenses	21	(59,590,578)	(83,904,395)
Marketing and selling expenses	23	(8,813,578)	(6,629,496)
Management incentive fee	18	(2,385,308)	(1,454,533)
Net impairment loss on financial assets	8	(6,423,982)	(2,137,032)
Unrealised gain/(loss) on revaluation of investment properties	6	256,506,530	(636,257)
Unrealised loss on revaluation of property and equipment	5	(9,561,613)	(26,093,141)
Other income		11,365,807	78,244
Operating profit		481,601,490	138,870,803
Finance costs	24	(176,019,621)	(93,085,068)
Finance income	25	15,705,575	1,204,488
(Loss)/gain from changes in fair values of derivative financial instruments	26	(143,538)	38,206,140
Unrealised gain from change in fair values of debt securities	7	3,269,232	-
Profit for the year		324,413,138	85,196,363
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation of property and equipment	5	23,564,679	16,675,979
Total comprehensive income for the year		347,977,817	101,872,342
Earnings per share for profit attributable to the ordinary equity holders of the Parent Company			
Basic earnings per share	27	27.49	7.22

Consolidated statement of changes in equity

	Share capital AED	Legal reserve AED	General reserve AED	Retained earnings AED	Revaluation reserve AED	Total equity AED
At 1 January 2022	11,800,000	5,900,000	868,641,817	2,102,392,322	29,304,334	3,018,038,473
Profit for the year	-	-	-	85,196,363	-	85,196,363
Other comprehensive income	-	-	-	-	16,675,979	16,675,979
Total comprehensive income for the year	-	-	-	85,196,363	16,675,979	101,872,342
At 31 December 2022	11,800,000	5,900,000	868,641,817	2,187,588,685	45,980,313	3,119,910,815
Profit for the year	-	-	-	324,413,138	-	324,413,138
Other comprehensive income	-	-	-	-	23,564,679	23,564,679
Total comprehensive income for the year	-	-	-	324,413,138	23,564,679	347,977,817
At 31 December 2023	11,800,000	5,900,000	868,641,817	2,512,001,823	69,544,992	3,467,888,632

The notes on pages 12 to 65 form an integral part of these consolidated financial statements.

Private Department of Skh Mohamed Bin Khalid Al Nahyan LLC

Consolidated statement of cash flows

	Note	Year ended 31 December 2023 AED	2022 AED
Cash flows from operating activities			
Profit for the year		324,413,138	85,196,363
Adjustments for:			
Depreciation of property and equipment	5	19,755,864	19,619,134
Unrealised (gain)/loss on revaluation of investment properties	6	(256,506,530)	636,257
Unrealised loss on revaluation of property and equipment	5	9,561,613	26,093,141
Loss/(gain) from changes in fair values of derivative financial instruments	26	143,538	(38,206,140)
Provision for employees' end of service benefits	16	1,438,527	1,222,679
Net impairment loss on financial assets	8	6,423,982	2,137,032
Gain from transfer of property and equipment to investment properties	5	(7,833,333)	-
Finance costs	24	176,019,621	93,085,068
Finance income	25	(15,705,575)	(1,204,488)
Operating cash flows before payment of employees' end of service benefits and changes in working capital		257,710,845	188,579,046
Payment of employees' end of service benefits	16	(991,705)	(1,607,955)
Changes in working capital:			
Inventories		209,899	(194,403)
Trade and other receivables		(21,190,599)	(6,570,011)
Due from related parties		(240,387,722)	(132,778,629)
Trade and other payables		(6,920,386)	14,041,427
Due to related parties		19,799,789	(28,344,150)
Net cash generated from operating activities		8,230,121	33,125,325
Cash flows from investing activities			
Purchases of property and equipment	5	(22,650,121)	(16,183,934)
Acquisition of investment properties	6	(91,414,436)	(48,050,206)
Term deposits (placed)/released		(141,500)	10,000,000
Investment in debt securities	7	(52,252,704)	-
Interest received on fixed deposits	25	141,169	410,782
Interest received from investments in debt securities	25	7,970,161	-
Interest received on other financial instruments	25	7,594,245	793,706
Net cash used in investing activities		(150,753,186)	(53,029,652)
Cash flows from financing activities			
Proceeds from bank borrowings	14	249,696,503	61,073,000
Proceeds from Sukuk Instruments	15	183,550,000	1,101,300,000
Proceeds from derivatives settlement	26	-	5,506,500
Repayment of bank borrowings		-	(940,856,225)
Finance cost paid		(246,508,643)	(147,690,998)
Net cash generated from financing activities		186,737,860	79,332,277

The notes on pages 12 to 65 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows (continued)

	Note	Year ended 31 December 2023 AED	2022 AED
Net increase in cash and cash equivalents (net of bank overdrafts)		44,214,795	59,427,950
Cash and cash equivalents at beginning of the year (net of bank overdrafts)		65,343,547	5,915,597
Cash and cash equivalents at end of the year (net of bank overdrafts)	9	109,558,342	65,343,547
Non-cash transactions			
Transfer of Property and equipment to Investment properties	5,6	35,000,000	-
Settlement of bank borrowings	14	1,273,357,000	-

1 General information

Private Department of Skh Mohamed Bin Khalid Al Nahyan LLC (the "Department") is a limited liability company incorporated in the United Arab Emirates under the UAE Federal Law No. (32) of 2021 and operates under a commercial license number CN-1020235 dated 5 May 1998 issued by Department of Economic Development.

Private Department of Skh Mohamed Bin Khalid Al Nahyan LLC (the "Department") and its subsidiaries (together referred to as the "Group") operates mainly in the fields of hospitality and real estate lease.

The registered address of the Department is PO Box 305, Corniche Street, Abu Dhabi, UAE.

The details of the Group's subsidiaries is as follows:

Name of subsidiaries	Principal activity	Year of incorporation	Country of incorporation	% interest held	
				2023	2022
Khalidia Real Estate Management L.L.C.	Real estate management	2016	UAE	99.99%	99.99%
PD Sukuk Ltd*	Special Purpose Vehicle (SPV)	2021	Cayman Islands	-	-

During the years ended 31 December 2023 and 2022, the subsidiary ("Khalidia Real Estate Management L.L.C") is dormant and no transaction occurred during the year.

* PD Sukuk Limited, as trustee for and on behalf of the Certificateholders and as issuer of the Certificates, an exempted company with limited liability incorporated on 6 April 2021 under, formed and registered in the Cayman Islands with company registration number 373981 with its registered office at c/o MaplesFS Limited, P.O. Box 1093, Queensgate House, Grand Cayman KY1-1102, Cayman Islands. The Trustee has been incorporated solely for the purpose of participating in the issuance of Sukuk Certificates (Note 15).

The Group has not made any investment in shares or any social contributions during the year ended 31 December 2023.

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, unless otherwise stated.

2 Material accounting policies (continued)

2.1 Basis of preparation

2.1.1 Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with IFRS Accounting Standards. IFRS Accounting Standards comprise the following authoritative literature:

- IFRS Accounting Standards
- IAS Standards

Interpretations developed by the IFRS Interpretations Committee (IFRIC Interpretations) or its predecessor body, the Standing Interpretations Committee (SIC Interpretations)

The consolidated financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB), and applicable requirements of UAE Federal Decree Law No. 32 of 2021. They have been prepared under the historical cost convention except for investment properties and buildings and properties which are classified as property and equipment, these are at fair value and the defined benefit pension plans that have been measured at the present value of future obligations using the projected unit credit method.

The preparation of the 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 accounting policies. The areas involving a higher degree of complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

The consolidated financial statement are prepared in United Arab Emirates Dirhams (AED) which is the functional and reporting currency of the Group.

2.2 Changes in accounting policies

New and revised IFRS accounting standards applied in the preparation of the consolidated financial statements

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2023, have been adopted in these consolidated financial statements. The application of these revised IFRS, except where stated, have not had any material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(a) **IFRS 17, 'Insurance contracts'** – This standard replaced IFRS 4, which permitted a wide variety of practices in accounting for insurance contracts. IFRS 17 fundamentally changes the accounting by all entities that issue insurance contracts.

(b) **Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8** - The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

2 Material accounting policies (continued)

2.2 Changes in accounting policies (continued)

New and revised IFRS accounting standards applied in the preparation of the consolidated financial statements (continued)

(c) **Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction -** These amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

(d) **Amendment to IAS 12 - International tax reform -** These amendments give companies temporary relief from accounting for deferred taxes arising from the Minimum Tax Implementation Handbook international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.

New and revised IFRS accounting standards issued but not yet effective and not early adopted

(a) **Amendment to IFRS 16 – Leases on sale and leaseback (effective 1 January 2024)** – These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

(b) **Amendment to IAS 1 – Non-current liabilities with covenants (effective 1 January 2024)** - These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.

(c) **Amendment to IAS 7 and IFRS 7 – Supplier finance (effective 1 January 2024) –** These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.

(d) **Amendments to IAS 21 - Lack of Exchangeability (effective 1 January 2025)** - An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.

2 Material accounting policies (continued)

2.2 Changes in accounting policies (continued)

New and revised sustainability disclosure standards issued but not yet effective and not early adopted

(a) **IFRS S1, 'General requirements for disclosure of sustainability-related financial information (effective 1 January 2024, subject to endorsement by local jurisdictions) -** This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.

(b) **IFRS S2, 'Climate-related disclosures' (effective 1 January 2024, subject to endorsement by local jurisdictions) -** This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities.

The Group is currently assessing the impact of these standards, and amendments on the future consolidated financial statements of the Group and intends to adopt these, if applicable, when they become effective.

2.3 Basis of consolidation

Subsidiaries

A subsidiary is an entity (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A subsidiary is fully consolidated from the date on which control is transferred to the Group and is deconsolidated from the date the control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Transaction costs attributable to the acquisition are directly expensed. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated statement of comprehensive income.

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.

2 Material accounting policies (continued)

2.4 Property and equipment

Buildings and properties, which mainly consist of Group's hotel properties, are recognised at fair value based on periodic, but at least yearly, valuations by external independent valuers, less subsequent depreciation for buildings and properties.

Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. Buildings and properties category consist of the building and the land which the building is constructed upon.

All other property and equipment are stated at historical cost less depreciation and impairment losses, if any. The historical cost consists of expenses related directly to the acquisition of the asset.

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

Depreciation is calculated so as to write off the cost of property and equipment over the useful lives of these assets as follows:

Years	
Buildings and properties	35
Furniture and fixtures	2 to 5
Office equipment	2 to 5
Motor vehicles	3

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each financial position date. The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of comprehensive income.

The repair and maintenance expenses are included in the consolidated statement of comprehensive income when incurred.

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount 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 an 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 that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2 Material accounting policies (continued)

2.5 Investment properties

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group, are classified as investment properties. Investment properties also includes properties that are being constructed or developed for future use as investment properties.

Investment properties are measured initially at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value.

Investment properties under construction are measured at fair value if the fair value is considered to be reliably determinable. Investment properties under construction for which the fair value cannot be determined reliably, but for which the Group expects that the fair value of the property will be reliably determinable when construction is completed, are measured at cost less impairment until the fair value becomes reliably determinable or construction is completed, whichever is earlier.

Fair value is based on active market prices, adjusted, if necessary, for differences in the nature, location or condition of the specific asset.

If this information is not available, the Group uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections.

Valuations are performed as of the reporting date by independent professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the consolidated financial statements.

Investment properties that are being redeveloped for continuing use as investment properties or for which the market has become less active continues to be measured at fair value.

The fair value of investment property reflects, among other things, operating lease income from current leases and other assumptions market participants would make when pricing the property under current market conditions.

Subsequent expenditures are capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditures will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

Changes in fair values are recognised in the consolidated statement of comprehensive income. Investment properties are derecognised when they have been disposed of.

Where the Group disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the consolidated statement of comprehensive income.

2 Material accounting policies (continued)

2.5 Investment properties (continued)

If an investment property becomes owner-occupied, it is reclassified as property and equipment. Its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

Investment properties under development

Properties acquired or properties being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, are held as development properties and are measured at the lower of cost or net realisable value.

Cost includes:

- Freehold and leasehold rights for land;
- Amounts paid to contractors for construction; and

Borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer fee, construction overheads and other related direct costs.

Cost includes the cost of land, selling transactions cost, infrastructure, construction and other related expenditure such as professional fees and engineering costs attributable to the project, which are capitalised as and when activities that are necessary to get the assets ready for the intended use are in progress.

Direct costs from the start of the project up to completion of the project are capitalised. Completion is defined as the earlier of issuance of a certificate of practical completion, or when management considers the project to be completed. Upon completion, unsold properties, if any are transferred at cost to properties held for sale.

Management reviews the carrying values of the development properties on an annual basis.

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount 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 an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are carried at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.6 Capitalised borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets.

2 Material accounting policies (continued)

2.6 Capitalised borrowing costs (continued)

The commencement date for capitalisation is when (a) the Group incurs expenditures for the qualifying asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale. Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

The Group capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the Group's average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred on the specific borrowings less any investment income on the temporary investment of these borrowings are capitalised.

2.7 Impairment of non-financial assets

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount 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 an 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 largely independent cash inflows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial instruments

Financial assets and liabilities are recognised on the Group's consolidated statement of financial position when the Group becomes a part of the contractual provision of the instruments.

(a) Financial assets

Classification

The Group classifies its financial assets in accordance with IFRS 9. The Group financial assets consist of trade and other receivables less prepayments, due from related parties, cash and cash equivalents, bank deposits, and investment in debt securities. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Management determines the classification of its financial assets at initial recognition.

2 Material accounting policies (continued)

2.8 Financial instruments (continued)

(a) Financial assets (continued)

Classification (continued)

(i) Trade and other receivables and accrued operating lease income

Trade and other receivables are amounts due from customers and related parties for goods sold or services performed in the ordinary course of business. They are generally due for settlement in one year or less and therefore are all classified as current. If not, they are classified as non-current assets.

(ii) Cash and cash equivalents, and bank deposits

Cash and cash equivalents comprise cash on hand, current accounts and bank deposits with original maturities of three months or less, net of bank overdrafts, if any.

(iii) Investment in debt securities at fair value through profit or loss (FVTPL)

The Group classifies investments in debt securities in the following measurement categories: fair value through profit or loss, fair value through other comprehensive income, and amortised cost.

Initial Recognition and subsequent measurement

Financial assets at amortised cost are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

The Group classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Investments in debt securities at FVTPL are initially recorded at fair value. The classification and subsequent measurement of debt financial assets depends on: (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. All other investments in debt securities are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

2 Material accounting policies (continued)

2.8 Financial instruments (continued)

(a) *Financial assets* (continued)

Impairment of financial assets

(i) Trade and other receivables and accrued operating lease income

The Group applies the IFRS 9 simplified approach to measure expected credit losses, which uses a lifetime expected loss allowance for all trade and other receivables.

To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due. Trade 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, and a failure to make contractual payments per case by case basis.

If, in a subsequent period, the amount of the impaired loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised such as an improvement in the debtor's credit rating. Reversal of the previously recognised impairment loss is recognised in the consolidated statement of financial position.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Trade receivables are amounts due from customers for merchandise sold or services performed 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 noncurrent assets. Trade 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. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

The Group's trade receivables are subject to the expected credit loss model. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

(ii) Cash and cash equivalents, and bank deposits

Cash and bank balances, and bank deposits are also subject to the impairment requirements of IFRS 9.

2 Material accounting policies (continued)

2.8 Financial instruments (continued)

(a) Financial assets (continued)

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

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

(b) Financial liabilities

Financial liabilities mainly comprise borrowings, Sukuk instruments, trade and other payables (excluding unearned rental income) and due to related parties. Financial liabilities are initially measured at fair value net of any transaction costs directly attributable to the issue of the instrument, and subsequently carried at amortised cost using the effective interest method. The Group's financial liabilities are classified as financial liabilities at amortised costs.

Classification as debt

Debt instruments are classified as financial liabilities in accordance with the substance of the contractual arrangement and the definitions of a financial liability.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised costs

After initial recognition, interest bearing loans and borrowings and amounts due to a related party are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of comprehensive income when the liabilities are derecognised as well as through the amortisation process.

Derecognition

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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of comprehensive income.

2 Material accounting policies (continued)

2.8 Financial instruments (continued)

(b) Financial liabilities (continued)

Derecognition (continued)

An exchange between the Group and its original lenders of borrowings with substantially different terms, as well as substantial modifications of the terms and conditions of existing borrowings, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the changes in the type of interest rate, change in loan term, and change in loan covenants are also considered. If an exchange of borrowings or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

2.9 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.10 Cash and cash equivalents, and bank deposits

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks, cash on hand, short-term deposits with a maturity of three months or less and long term deposits with maturity of more than three months which are subject to an insignificant risk of changes in value.

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

2.11 Inventories

Inventories relate to food and beverage, tobacco, and other scrap parts related to the hotel and real estate divisions. Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method and includes all costs incurred in acquiring the inventories and bringing them to their present location and condition. Net realisable value is the estimate of the selling price in the ordinary course of business, less variable selling expenses.

2 Material accounting policies (continued)

2.12 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payable are classified as current liabilities if the payments' due date is within one year or less. If not, they will be classified as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.13 Value added tax

Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the consolidated statement of financial position on a net basis. Where provision has been made for the ECL of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

2.14 Provision for employees' end of service benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations within 'trade and other payables'.

A provision is made for the estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by eligible employees up to the reporting date. The provision relating to annual leave and leave passage is considered as a current liability included within 'trade and other payables'.

(ii) Other long-term employee benefit obligations

In the UAE, the Group also has liabilities for long service end of service benefits that are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. These obligations are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period, using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

2 Material accounting policies (continued)

2.14 Provision for employees' end of benefits (continued)

(ii) Other long-term employee benefit obligations (continued)

The provision for employees' end of service benefits, disclosed as a long-term liability, where their respective labour laws require providing indemnity payments upon termination of relationship with their employees. The provision relating to end of service benefits is disclosed as a non-current liability.

2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried 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 loans using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Modifications of borrowings that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch-up method, with any gain or loss recognised in the consolidated statement of comprehensive income, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

2.16 Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges);
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges); or
- hedges of a net investment in a foreign operation (net investment hedges).

2 Material accounting policies (continued)

2.16 Derivatives (continued)

Cash flow hedges that qualify for hedge accounting

Derivative financial instruments represents four interest rate swap arrangements entered with a counter-party bank for a notional amount that mirrors the draw down and repayment schedule of a term loan held by the Group. However, the Group does not apply hedge accounting in accordance with IFRS 9 and gains or losses on derivatives are recognised in the consolidated statement of comprehensive income in "changes in fair value of derivative financial instruments" at Fair Value through Profit or Loss (FVPL). Please refer to Note 26 for further details.

2.17 Leases

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

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.

2 Material accounting policies (continued)

2.17 Leases (continued)

To determine the incremental borrowing rate, the Group used the rate applicable on their active banking contracts for a loan of equivalent amount.

Lease payments are allocated between principal and finance cost. The finance costs incurred during construction are capitalised in the construction work in progress during the construction period, finance costs incurred after the construction period are charged to the consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis and is charged to the consolidated statement of comprehensive income. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Operating lease income is recognised on a straight-line basis over the term of the relevant lease, except where another systematic basis is more representative of the time pattern in which the economic benefits from the leased assets are derived.

2.18 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding discounts, rebates, customer returns and other sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognised.

The Group recognises revenue from contracts with customers based on a five-step model as set out in IFRS 15:

(i) Identify the contract(s) 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 every contract that must be met.
(ii) Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
(iii) Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

2 Material accounting policies (continued)

2.18 Revenue recognition (continued)

(iv) 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 amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

(v) Recognise revenue when (or as) the entity satisfies a performance obligation at a point in time or over time.

The standards require that revenue be recognised as a Group satisfies a performance obligation by transferring control of a good or service. A performance obligation can be satisfied over time or at a point in time.

Revenue is measured based on the consideration to which the Group expects to be entitled in contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

(i) Operating lease income

Operating lease income is recognised on a straight-line basis over the lease term. When the Group provides incentives to its tenants, the cost of the incentives is recognised over the lease term, on a straight-line basis, as a reduction of operating lease income.

(ii) Income from hotel operations

Income from hotel operations comprises revenue from rooms, food and beverages and other associated services provided, and is recognised at the point when the goods are sold or services are rendered. All revenue pertain to hotel operations (room and F&B revenues) are recorded net of discounts and promotions.

Room revenues

Room revenue pertains to income generated by renting rooms to their customers, and it is recognised over time when the goods services are rendered (over the period of the customer's stay in the hotel).

F&B revenue

F&B (food and beverage) comprises of revenue recognised from sales of F&B from the food outlets and room service in the hotel, and it is recognised at a point in time when the goods are sold.

2 Material accounting policies (continued)

2.19 Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in UAE Dirham, which is the Group's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

2.20 Dividend distribution

Dividend distribution to the Group shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Group's shareholders. A corresponding amount is recognised directly in equity.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk, 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) Foreign exchange risk

The Group has an insignificant exposure to foreign currency risks as the majority of transactions are denominated in UAE dirhams.

(ii) Price risk

The Group is not exposed to price risk in respect of financial instruments as the Group has invested in listed securities. However, the Group is exposed to price risk other than in respect of financial instruments, such as property price risk including property rentals risk. Please see Note 5 for more details.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) *Market risk* (continued)

(iii) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to interest rate risk on its interest-bearing liabilities which carry variable interest rates (bank overdrafts and bank borrowings).

The sensitivity analysis calculates the effect of a reasonably possible movement in the interest rate on the consolidated statement of comprehensive income:

	Impact on the consolidated statement of comprehensive income	
	2023	**2022**
	AED	**AED**
Interest rates – increase by 100 basis points	(28,106,102)	(24,732,654)
Interest rates – decrease by 100 basis points	28,106,102	24,732,654

IBOR transition (Interest rate benchmark reforms)

As at 31 December 2023, for the 3-months USD EIBOR is the applicable interest rate benchmarks in the Group agreement. As a result, the change in the IBOR reform as at 31 December 2023 did not have an impact on the consolidated financial statements.

Management will continue to monitor the relevant developments and will evaluate the impact on the IBOR amendments on the consolidated financial statements.

(b) *Credit risk*

Credit risk arises from cash, deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. Individual risk limits are based on management's assessment on a case-by-case basis. The utilisation of credit limits is regularly monitored.

Risk management

Credit risk is managed on a Group basis. The Group's policy is to place cash and bank balances with reputable banks and financial institutions.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) *Credit risk* (continued)

Risk management (continued)

The Group trades only with recognised, creditworthy third parties. Receivable balances are monitored on an ongoing basis with the result to minimise the exposure to bad debts. Credit risks are limited to the carrying values of financial assets in the consolidated statement of financial position. The Group earns its revenues from a large number of customers operating from the United Arab Emirates.

The Group has significant concentration of credit risk as explained in Note 8.

Impairment of financial assets

The Group has three types of financial assets that are subject to the expected credit loss model:

- trade receivables; and accrued operating lease income;
- due from related parties; and
- cash and bank balances (including cash and cash equivalents, and bank deposits).

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Trade receivables and accrued operating lease income

The Group structures the levels of credit risk it undertakes by placing limits on the amount of credit risk accepted in relation to a customer. Limits on the level of credit risk are approved regularly by management. Such limits are monitored on a revolving basis and are subject to frequent review. Additionally, on a monthly basis, on a monthly basis, the Group's debt collection department reviews the aging analysis and follows up on all outstanding payments.

As mentioned in Note 2.8, the Group's trade receivables and accrued operating lease income are subject to the expected credit loss model. To measure the expected credit losses, trade receivables and due from related parties have been grouped based on shared credit risk characteristics and the days past due.

The loss allowance for trade receivables and due from related parties is based on assumptions about risk of default and expected loss rates.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Trade receivables and accrued operating lease income (continued)

The expected loss rates are based on the roll rates of receivables over a period of 36 months before 31 December 2023 or 31 December 2022 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and credit rating to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The Group considers information developed internally or obtained from external sources that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group) as constituting as an event of default for internal credit risk management purposes as historical experience indicating that are generally not recoverable.

Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that potential default may occur when a financial asset is more than 365 days after invoice issuance date unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Trade receivables are provided for 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, and a failure to make contractual payments for a period of greater than 365 days past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Due from related parties

While due from related parties are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Cash and cash equivalents, and bank deposits

All banks accounts, derivatives and deposits are held with reputable financial institutions with an appropriate credit rating acceptable to the Group.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) *Credit risk* (continued)

Cash and cash equivalents, and bank deposits (continued)

While cash and bank balances are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial. All banks are investment grade rated ranging from prime 1 to prime 3 categories.

(c) *Liquidity risk*

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group ensures that it has sufficient cash on demand to meet expected operational expenses for a short-term period, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Financing arrangements

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

	2023 AED	2022 AED
Floating rate		
Expiring within one year (bank overdraft)	-	7,325,156
Expiring beyond one year (bank borrowings)	103,163,000	192,909,771
	103,163,000	200,234,927

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. The bank borrowing facilities may be drawn at any time and are subject to annual review.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) *Liquidity risk* (continued)

The following are the contractual principal maturities of financial liabilities presented on an undiscounted basis:

	Carrying value AED	Contractual cash out flows AED	1 year or less AED	Later than 1 year and not later than 5 years AED	Over 5 years AED
31 December 2023					
Trade and other payables	129,847,715	129,847,715	129,847,715	-	-
Due to related parties	34,548,756	34,548,756	34,548,756	-	-
Derivative financial liability	143,538	143,538	143,538	-	-
Bank borrowings	1,575,990,677	2,536,447,550	309,198,547	899,488,233	1,327,760,770
Sukuk Instruments	1,315,350,973	1,462,855,260	93,686,979	1,369,168,281	-
	3,055,881,659	4,163,842,819	567,425,535	2,268,656,514	1,327,760,770
31 December 2022					
Trade and other payables	136,768,099	136,768,099	136,768,099	-	-
Due to related parties	14,901,422	14,901,422	14,901,422	-	-
Bank overdraft	27,674,844	27,674,844	27,674,844	-	-
Bank borrowings	1,344,290,546	1,829,103,146	296,061,999	1,261,139,239	271,901,908
Sukuk Instruments	1,127,264,677	1,390,476,064	122,328,427	1,268,147,637	-
	2,650,899,588	3,398,923,575	597,734,791	2,529,286,876	271,901,908

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for its shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The policies are based on management's assessment of available options, in conjunction with the shareholders.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or issue new shares.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity plus net debt. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position) less cash and bank balances. Total capital is calculated as total equity as shown in the consolidated statement of financial position plus net debt.

3 Financial risk management (continued)

3.2 Capital risk management (continued)

The gearing ratios at 31 December 2023 and 2022 was as follows:

	2023 AED	2022 AED
Bank borrowings	1,575,990,677	1,344,290,546
Sukuk instruments	1,315,350,973	1,127,264,677
Less: cash and bank balances	(109,558,342)	(93,018,391)
Net debt	2,781,783,308	2,378,536,832
Equity	3,467,888,632	3,119,910,815
	6,249,671,940	5,498,447,647
Gearing ratio	45%	43%

Loan covenants

Under the terms of Facility A commitment and Facility B commitment, the Group is required to comply with below financial covenants:

- Loan to Value ("LTV") ratio at no time shall exceed 60% total outstanding facilities.
- Debt Service Coverage Ratio ("DSCR") should not be less than 1.10x on a rolling 12 months look back basis based on actual performance.

For the above covenants, the below related definitions have been outlined in the loan agreements:

(i) Debt service: means, in respect of any relevant period, the aggregate of the finance charges and all payments of principal under the facilities for that relevant period (excluding all mandatory prepayments falling due under this agreement and any voluntary prepayments made under this agreement during that relevant period).

(ii) EBITDA: means in respect to any relevant period, the consolidated operating proft of the borrower before taxation, before deducting any interest, commission, fees, discounts, prepayment fees, premiums or charges and other finance payments whether paid, payable or capitalised by the borrower in respect of that relevant period; not including any accrued interest owing to the borrower; after adding back any amount attritubale to the amortisation, depreciation or impairment of non-current assets of the borrower; before taking into account any exceptional items; before taking into account any unrealised gains or losses on any derivative instrument.

In relation to the Group's major borrowing facilities A and B, the Group also have a cross-default clause, which implies that if any commitment for any financial indebtedness of the borrower is cancelled or suspended by a creditor of the borrower as a result of an event of default, then the full loan balances will be immediately due. Since there was no default as of 31 December 2023 and 2022 in any of the loans, the cross-default clause did not apply.

3 Financial risk management (continued)

3.2 Capital risk management (continued)

Loan covenants (continued)

Under the terms of the Sukuk issuance, the Group is required to comply with the certain financial covenants:

- the ratio of Consolidated EBITDA to Consolidated Net Finance Costs in respect of the immediately preceding Measurement Period is:

a) in respect of any period to and including 31 December 2023, greater than 1.25:1; or
b) in respect of the period from and including 1 January 2022 to and including 31 December 2023, greater than 1.75:1; or

- the ratio of Consolidated Total Indebtedness to Consolidated Total Assets in respect of the immediately preceding Measurement Period is less than 0.60:1,

- Restriction on dividends paid by the Obligor: declare or pay any dividend, in cash or otherwise, or make any other payment or distribution in respect of its Capital Stock;

- limitation on Indebtedness (subsidiaries): provided that any Subsidiary shall be permitted to Incur such Financial Indebtedness if the aggregate amount of such Financial Indebtedness incurred by the Subsidiaries of the Obligor which remains outstanding at such time does not exceed 10 per cent. of the Consolidated Total Assets.

As of 31 December 2023, the Group has not breached any of the above covenants.

3.3 Fair value estimation

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose significance of the inputs is assessed against the fair value measurement in its entirety. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs or any other significant unobservable inputs, that measurement is a Level 3 measurement.

Disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- 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).

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

	Level 1 AED	Level 2 AED	Level 3 AED
At 31 December 2023			
Financial instruments:			
Investment in debt securities	45,999,623	-	3,206,346
Derivative financial liabilities	-	143,538	-
Non-financial assets:			
Investment properties	-	-	5,072,545,455
Buildings and properties	-	-	839,287,878
	45,999,623	143,538	5,915,039,679
At 31 December 2022			
Non-financial assets:			
Investment properties	-	-	4,655,359,092
Buildings and properties	-	-	828,140,908
	-	-	5,483,500,000

The fair value of financial instruments traded in active markets is based on quoted market regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value the instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

The carrying values of financial assets and financial liabilities of the Group approximate their fair values, as they are either short term in nature, or held at amortised cost or fair value. The nominal values less impairment provision of trade and other receivables and payables are assumed to approximate their fair values as they are recoverable within 12 months.

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(a) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the unobservable inputs used in recurring level 3 fair value measurements:

Description	Fair value at 2023 AED	Fair value at 2022 AED	Unobservable inputs	Range of inputs (probability-weighted average) 2023	Range of inputs (probability-weighted average) 2022	Relationship of unobservable inputs to fair value
			Discount rate	9.25%	9.5%	The higher the discount rate, the lower the fair value
Buildings, leased residential and commercial buildings	3,892,800,000	3,748,500,000	Expected vacancy rate	5%	7%	The higher the capitalisation rate and expected vacancy rate, the lower the fair value
			Capitalisation rate	7% to 8% (7.5%)	7% to 8% (7.5%)	
Properties under development	1,193,200,000	1,250,000,000	Estimated cost to completion	AED 74,755,000	AED 164,588,608	The higher the estimated costs, the lower the fair value
			Rental growth rate	2%	2.5%	The higher the rental growth rate, the higher the fair value
			Capital expenditures rate	10%	2.7%	The higher the capitalisation rate and expected vacancy rate, the lower the fair value
Hotels	818,000,000	485,000,000	Capitalisation rate	7.50%	7.50%	

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(a) Valuation inputs and relationships to fair value (continued)

A quantitative sensitivity analysis for significant assumptions (which is the discount rate) on the fair value of investment properties as at 31 December 2023 and 31 December 2022 is, as shown below:

	Impact on fair value of investment properties	
	2023 AED	2022 AED
0.5% increase	29,520,000	27,417,500
0.5% decrease	(29,520,000)	(27,417,500)

(b) Valuation techniques used to determine level 3 fair values

The Group obtains independent valuations for its investment properties annually by independent valuers certified by the Royal Institute of Chartered Surveyors. At the end of each reporting period, the management updates their assessment of the fair value of each property, taking into account the most recent independent valuations. The management determines a property's value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available, the Management considers information from a variety of sources including:

- current prices in an active market for properties of a different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences,
- discounted cash flow projections based on reliable estimates of future cash flows,
- capitalised income projections based on a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence.

All resulting fair value estimates for properties are included in level 3.

4 Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the amounts recognised in the consolidated financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

4 Critical accounting estimates and judgements in applying accounting policies (continued)

i) Accounting estimates

(a) Provision for impairment of trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables.

The loss allowance for trade receivables is based on assumptions about risk of default and expected loss rates. Management uses judgement in making these assumptions and selecting the inputs to the impairment calculation which are applied to the exposure at default to arrive at the expected credit losses at the reporting date. Management base their assumptions on the Group's historical data, existing market conditions as well as forward looking estimates.

Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

(b) Impairment of investment properties

The Group assess impairment of its investment properties on a continuous basis by comparing the fair value of its investment properties based on the latest valuation performed by external valuers and internal Management experts. This value will be compared to the carrying amount of investment properties to ascertain any probable impairment in investment properties. Where investment properties are determined to have a significant decline in fair value that could indicate impairment, the Group adjusts the carrying amount of investment properties to its recoverable amount/fair value as of the reporting date. The Management of the Group believes that investment properties are neither impaired nor significantly below their fair value. The Group performs a valuation of its investment properties every year. For details, please refer to Note 6. Please refer to Note 3.3 for the sensitivity analysis.

(c) Fair value of property and equipment

The Group assess impairment of its property and equipment on a continuous basis by comparing the fair value of its property and equipment based on the latest valuation performed by independent external. This value will be compared to the carrying amount of buildings and properties under the property and equipment to ascertain any probable impairment in property and equipment. Please refer to Note 3.3 for the sensitivity analysis.

Where property and equipment are determined to have a significant decline in fair value that could indicate impairment, the Group adjusts the carrying amount of buildings and properties under property and equipment to its recoverable amount/fair value as of the reporting date. The Management of the Group believes that buildings and properties are neither impaired nor significantly below their fair value. The Group performs a valuation of its investment properties every year. For details, please refer to Note 3.

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies (continued)

i) Accounting estimates (continued)

(d) Useful life of the property and equipment

The Group determines the estimated useful lives and related depreciation charges for its property and equipment. This estimate is determined after considering the expected usage of the asset and physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Management believes that no reasonably possible change in the estimated useful lives would cause the carrying value of the unit to materially change from its current carrying value.

ii) Accounting judgements

(a) *Ownership of Khalidiya Center*

Management has recognised an investment property in the consolidated statement of financial position which is in the name of the shareholders on the basis of a nominee agreement. Under the nominee agreement between the Group and the shareholders, the shareholders have assigned the beneficial interest in this property to the Group. The Group will work on transferring the legal title deed of the mentioned property from the Shareholders to the Group during the coming 12 months from the date of the approval of the consolidated financial statements. For more details of the assigned property, please refer to Note 6. Additionally, this property is mortgaged under the Group's Term Loan 1 (Note 14).

(b) *Consolidation of a structured entity under a transaction*

The Group does not hold any voting rights in a fully consolidated subsidiary "PD Sukuk Ltd". The Group has the power and exposure to affect the activities of this subsidiary through a Trustee Arrangement. The Group issued Islamic bonds through a consolidated structured entity incorporated in the Cayman Islands. This entity was consolidated as it was solely set up for the purposes of the issuance of Sukuk certificates, and the Group has exposure to substantially all risks and rewards through the Trustee Agreement of the entity's obligations.

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies (continued)

ii) Accounting judgements (continued)

(c) Modification of borrowings

During the year, the Group renegotiated the terms of certain borrowing facilities with a lender which resulted in the following changes to the terms of the facilities:

- Extension of the maturity date from 2028 to 2032.
- Reduction in interest margin by 25 basis points.
- Relaxation of certain debt covenants
- Amendment to the payment profile of the facilities, the bullet payment payable on maturity increased from 30% to 60%.

Pursuant to the requirements of International Financial Reporting Standard 9, the Group assessed whether the present value of the new cash flows under the new terms is at least 10% different from the present value of the remaining cash flows of the original liability, using the original effective interest rate. Based on this quantitative test the difference is less than 10%, and as such the changes to the terms are not substantially different.

As disclosed in Note 2.14 to the financial statements, the Group has adopted as its accounting policy to perform a qualitative assessment in addition to the quantitative test when the 10% test is passed.

Management has considered the qualitative changes [e.g. extension of term, changes in interest etc.] and judged that those changes are not substantial and do not significantly affect the economic risks of the liability, and as such the changes to the terms are qualitatively and quantitatively insignificant. Management has recalculated the gross carrying amount of the financial liability and recognized a modification loss of AED 634 thousand in the consolidated statement of comprehensive".

If the changes in qualitative factors were considered substantial and a new financial liability recognized, a loss on extinguishment of AED 20.2 million would have been recognized in the consolidated statement of comprehensive income.

5 Property and equipment

	Buildings and properties* AED	Furniture and fixtures AED	Office equipment AED	Motor vehicles AED	Total AED
Cost					
At 1 January 2022	882,502,951	40,990,268	22,080,410	3,694,391	949,268,020
Additions	12,771,373	2,308,728	841,928	261,905	16,183,934
Capitalised borrowing costs	22,525,133	-	-	-	22,525,133
Revaluation**	(9,417,162)	-	-	-	(9,417,162)
At 31 December 2022	908,382,295	43,298,996	22,922,338	3,956,296	978,559,925
Additions	18,996,872	2,975,869	677,380	-	22,650,121
Transfer to investment properties***	(35,000,000)	-	-	-	(35,000,000)
Capitalised borrowing costs	22,763,549	-	-	-	22,763,549
Revaluation**	14,003,066	-	-	-	14,003,066
At 31 December 2023	929,145,783	46,274,865	23,599,718	3,956,296	1,002,976,661
Accumulated depreciation					
At 1 January 2022	63,093,861	38,414,681	21,408,852	3,462,497	126,379,891
Charge for the year	17,147,525	1,602,594	712,787	156,228	19,619,134
At 31 December 2022	80,241,386	40,017,275	22,121,639	3,618,725	145,999,025
Charge for the year	17,449,851	1,702,173	417,456	186,384	19,755,864
Transfers	(7,833,333)	-	-	-	(7,833,333)
At 31 December 2023	89,857,904	41,719,448	22,539,095	3,805,109	157,921,556
Net book value					
At 31 December 2023	839,287,878	4,555,417	1,060,623	151,187	845,055,105
At 31 December 2022	828,140,909	3,281,721	800,699	337,571	832,560,900

5 Property and equipment (continued)

The depreciation charge has been allocated as follows:

	2023 AED	2022 AED
Direct costs (Note 20)	17,449,851	17,147,525
General and administrative expenses (Note 21)	2,306,013	2,471,609
	19,755,864	19,619,134

* The buildings and properties category also consists of one building under development stated at fair value as at 31 December 2023 amounting to AED nil (2022: AED 295,000,000).

Movement of buildings and properties under development stated at fair value is shown below:

	2023 AED	2022 AED
As at 1 January	295,000,000	288,000,000
Additions	35,027,744	33,093,141
Depreciation for the year	(785,780)	-
Revaluation loss	(4,241,964)	(26,093,141)
Transfer	(325,000,000)	-
	-	295,000,000

All buildings and properties valued by an independent valuer in accordance with valuation standards issued by the Royal Institute of Chartered Surveyors and International Valuation Standards as at 31 December 2023 and 2022. The valuation has been arrived at by using an income valuation approach for completed buildings and the residual value method for the buildings and properties under development.

The fair value of the buildings and properties as at 31 December 2023 provided by the valuer was AED 839,287,878 (2022: AED 828,140,909) which resulted in an increase in revaluation reserve by AED 23,564,679 (2022: increase by AED 16,675,979). Please refer to Note 13 for more details.

All key assumptions used in the valuation, reflect market conditions as at the date of valuation, using transactional evidence in addition to general market knowledge of such properties in the local market (Note 4).

The carrying value of the buildings and properties at 31 December 2023 under the cost model would have been AED 830,229,603 (2022 AED 872,365,656).

** During the year ended 31 December 2023, a loss of AED 9,561,613 (2022: loss of AED 26,093,141) was charged to the consolidated statement of comprehensive income as the original carrying amount of the asset exceeded its fair value. During the same year, a gain of AED 23,564,679 (2022: gain of AED 16,675,979) was charged on the consolidated statement of other comprehensive income.

5 Property and equipment (continued)

*** As of 31 December 2023, the Group transferred an amount of AED 35,000,000 within property and equipment to investment properties as it is being currently leased to other parties.

For the year ended 31 December 2023, 16% of the Sukuk instruments costs incurred and 22% of Facility A commitment costs incurred have been capitalised in relation to the Group's property under development (Note 14).

At 31 December 2023, property and equipment with carrying value of AED 493,000,000 (2022: AED 485,000,000 are mortgaged in favour of lenders against Facility A commitment (refer to Note 14 for more details on the loans).

6 Investment properties

During the year ended 31 December 2023, the fair value of the investment properties was based on an external independent valuer's report prepared in accordance with the valuation standards issued by the Royal Institute of Chartered Surveyors and International Valuation Standards. The future development costs as per consultants' report and management estimations were assessed and accrued to carrying amount in order to evaluate the change in the fair value. Management estimates that this fair valuation is reliable and has adopted the valuation conclusions which showed a gain in fair value recognised in the consolidated statement of comprehensive income of AED 256,506,530 (2022: loss of AED 636,257).

Movement of total investment properties at fair value:

	2023 AED	2022 AED
As at 1 January	4,655,359,092	4,590,890,910
Additions from property under development	91,414,436	48,050,206
Transferred from property and equipment (Note 5)	35,000,000	-
Capitalised borrowings costs	34,265,397	17,054,233
Revaluation	256,506,530	(636,257)
	5,072,545,455	4,655,359,092

The breakdown of the investment properties at fair value is divided between investment properties in use and investment properties under development as follows:

Investment properties in use at fair value

Movement of investment properties in use at fair value is shown below:

	2023 AED	2022 AED
As at 1 January	3,700,301,592	3,665,833,410
Additions	1,119,344	805,237
Transferred from property and equipment (Note 5)	35,000,000	-
Revaluation	142,867,019	33,662,945
	3,879,287,955	3,700,301,592

6 Investment properties (continued)

Investment properties under development at fair value

Movement of investment properties under development at fair value is shown below:

	2023 AED	2022 AED
As at 1 January	955,057,500	925,057,500
Additions	90,295,092	47,244,969
Capitalised borrowings cost*	34,265,397	17,054,233
Revaluation	113,639,511	(34,299,202)
	1,193,257,500	955,057,500

Investment properties under developments comprise of Waterfront Towers project and Khalidiya Gateway plots "A" and "B". Please refer to Note 29 for capital commitments against these properties under development. As at 31 December 2023, none of these properties under development have been completed and no transfers have been made into completed investment properties.

* As at 31 December 2023, 100% of the interest have been capitalised related to Ijarah Facility 2 (Note 14), which amounted to AED 7,604,400 (2022: AED 17,054,233). In addition, 84% of the interest have been capitalised related to Facility A commitment (Note 14), which amounted to AED 26,660,997 (2022: AED nil).

Borrowing costs capitalised pertain to Facility A commitment and Ijarah Facility 2 (previously) for the construction of the Waterfront project. As of 31 December 2023, interest on this facility have been partially capitalised.

Operating lease income from investment properties for the year amounted to AED 290,236,326 (2022: AED 264,100,061). Related direct expenses amounted to AED 30,820,226 (2022: AED 30,518,916).

The future minimum lease payments receivable under operating leases of investment properties are as follows:

	2023 AED	2022 AED
1 year	282,595,000	277,000,000
2 year	310,003,000	301,000,000
3 year	352,474,000	342,424,000
4 year	362,219,000	353,450,000
5 year	372,256,000	363,000,000
Later than 5 years	379,701,000	372,107,000
Total undiscounted operating lease payments receivable at 31 December	2,059,248,000	2,008,981,000

6 Investment properties (continued)

At 31 December 2023, investment properties with carrying value of AED 3,581,000,000 (2022: AED 2,818,000,000 are mortgaged in favour of lenders against Facility A commitment (refer to Note 14 for more details on the loans).

As per the loan agreements, the Group shall not create or subsist any of its security interest over any of its assets, including its mortgaged properties.

Management has recognised an investment property in the consolidated statement of financial position which is in the name of the shareholders on the basis of a nominee agreement. Under the nominee agreement between the Group and the shareholders, the shareholders have assigned the beneficial interest in this property to the Group. Additionally, this property is mortgaged under Term Loan 1 (Note 14) in the name of the Group.

In relation to the Sukuk Certificates issuance, all rights, title, interests, benefits and entitlements in, of an investment property with carrying value of AED 626,000,000 are transferred to the Trustee with effect from the date of issuance (refer to Note 15 for more details on Sukuk).

The Group has recognised accrued operating lease income related to the rental of the above residential and commercial investment properties:

	2023 AED	2022 AED
Accrued operating lease income (Note 8)	13,111,184	10,293,718
Less: loss allowance	(10,781,623)	(3,773,465)
	2,329,561	6,520,253

The accrued operating lease income primarily relates to the Group's rights to consideration for lease rental services provided but not billed at the reporting date. The amount is transferred to receivables when the rights become unconditional. Accrued operating lease income decreased as the Group provided services that are not yet billed. The Group also recognised a loss allowance for accrued operating lease income in accordance with IFRS 9. See Note 8 for further information.

The Group has recognised the following unearned rental income to the rental of the above residential and commercial investment properties:

	2023 AED	2022 AED
Unearned rental income (Note 17)	78,862,650	79,056,103

The unearned rental income mainly relate to the advances received from customers in accordance with contract terms and conditions.

6 Investment properties (continued)

Investment properties with a carrying value of AED 3,879,287,955 (2022: AED 3,700,301,592) were fully completed and in use at the end of the reporting period. The properties are required to comply with the relevant health and safety and other environmental requirements, subject to ongoing self-certification and periodic inspections from independent oversight bodies, in order to continue in operation. Management considers that the Group's completed properties comply with substantially all the relevant requirements, and based on the Group's historical experience, all properties are expected to continue to be approved for ongoing use.

The properties under development require approval or permits from oversight bodies at various points in the development process, including approval or permits in respect of initial design, zoning, commissioning, compliance with environmental regulations and other matters. Based on the Group's historical experience with similar developments in similar locations, all relevant permits and approvals are expected to be obtained, but the completion date of the development may vary depending on, among other factors, the timeliness of obtaining approvals and any remedial action required by the Group.

The Group manages risks around the assets which it leases out to tenants by ensuring that vacancy rates are kept to a minimum and rentals are negotiated at optimal terms and conditions. The Group manages vacancy rates by adjusting rental rates according to market conditions. In addition, the Group manages the underlying operational condition of the assets to ensure that optimal rates can be obtained. These factors coupled together assist the Group in ensuring that the risks regarding the assets are managed appropriately.

7 Investments in debt securities

On initial recognition, the Group has irrevocably designated its securities at FVTPL.

Debt securities at FVTPL are carried at fair value, which also reflects any credit risk related write-downs and best represents Group's maximum exposure to credit risk. The debt securities at FVTPL are not collateralised.

Movement of total investment in debt securities at fair value through profit and loss:

	2023 AED	2022 AED
As at 1 January	-	-
Investments during the year	109,488,975	-
Revaluation	3,269,232	
Total investment in debt securities	112,758,207	-
Less: Leverage*	(60,505,503)	-
	52,252,704	-

* During the current year, the Group has made investments in debt securities that possess inherent financial leverage. These securities include instruments that amplify the returns and risks associated with the underlying assets.

7 Investments in debt securities (continued)

The table below discloses investments in debt securities at 31 December 2023 by classes:

	Cost		Fair Value	
	2023 AED	**2022** AED	**2023** AED	**2022** AED
Corporate bonds	87,551,909	-	89,995,407	-
Government bonds	21,937,066	-	22,762,799	-
	109,488,975	-	112,758,206	-

8 Trade and other receivables

	2023 AED	2022 AED
Trade receivables	48,872,803	48,592,094
Accrued operating lease income (Note 6)	13,111,184	10,293,718
Less: provision for impairment on trade receivables and accrued operating lease income	(42,163,922)	(35,877,490)
	19,820,065	23,008,322
Prepayments	25,167,455	20,230,763
Refundable deposits	1,824,102	1,864,352
Other receivables*	31,770,331	18,711,899
	78,581,953	63,815,336

* Other receivables primarily consist of VAT receivable balance of AED 22 million (2022: AED 16 million) pertaining to tax receivable on the capital expenditures incurred by the Group.

At 31 December 2023, the Group had a significant concentration of credit risk, with 1 customer representing 9% (2022: 1 customer accounting for 10%) of trade receivables and accrued operating lease income outstanding at that date. Management is confident that this concentration of credit risk will not result in any loss to the Group considering the credit history of this customer.

As of 31 December 2023, trade receivables and accrued operating lease income of AED 19,820,064 (2022: AED 23,008,322) were fully performing which the Group has not provided for, as there has not been a significant change in the credit quality and the amounts are considered recoverable.

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and accrued operating lease income.

8 Trade and other receivables (continued)

To measure the expected credit losses, trade receivables and accrued operating lease income have been grouped based on shared credit risk characteristics and the days past due. The accrued operating lease income relate to renewed contracts but not billed have substantially the same risk characteristics as the trade receivables for the same types 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 accrued operating lease income.

The expected loss rates are based on the payment profiles of sales and services over a period of 12 months before 31 December 2023 or 1 January 2023 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The group has identified the Gross Domestic Product (GDP) and the unemployment rate of the UAE in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at 31 December 2023 was determined as follows for both trade receivables and accrued operating lease income:

		Past due not impaired			
	Total AED	**1 – 90 days** AED	**91 -180 days** AED	**181 -365 days** AED	**More than 365 days** AED
31 December 2023					
Expected credit loss rate		0.12%	12%	45%	89%
Estimated total gross carrying amount at default	61,983,987	10,465,637	1,601,259	5,984,763	43,932,328
Expected credit loss	(42,163,922)	(12,155)	(185,916)	(2,665,595)	(39,300,256)
	19,820,065	10,453,482	1,415,343	3,319,168	4,632,072
31 December 2022					
Expected credit loss rate		0.18%	9%	13%	90%
Estimated total gross carrying amount at default	58,885,812	12,973,694	2,091,260	5,044,599	38,776,259
Expected credit loss	(35,877,490)	(23,779)	(192,061)	(657,572)	(35,004,078)
	23,008,322	12,949,915	1,899,199	4,387,027	3,772,181

Trade receivables and accrued operating lease income are written off where 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, and a failure to make contractual payments for a period of greater than 365 days past due.

8 Trade and other receivables (continued)

Impairment losses on trade receivables and accrued operating lease income are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Movement in the provision for impairment of trade receivable:

	2023 AED	2022 AED
At 1 January	35,877,490	33,740,458
Addition during the year	6,438,584	2,170,358
Reversal during the year	(14,602)	(33,326)
Write off during the year	(137,550)	-
At 31 December	42,163,922	35,877,490

9 Cash and cash equivalents

	2023 AED	2022 AED
Cash on hand	413,892	243,143
Cash at banks	72,644,450	92,775,248
Term deposits with original maturity of less than three months	36,500,000	-
	109,558,342	93,018,391

For the purpose of the consolidated statement of cash flow, cash and cash equivalents comprise of:

	2023 AED	2022 AED
Cash and cash equivalents	109,558,342	93,018,391
Bank overdraft	-	(27,674,844)
Cash and cash equivalents (net of bank overdrafts)	109,558,342	65,343,547

Bank overdraft represents a credit facility with a limit of AED 35 million which was obtained by the Parent Company ("The Private Department of H.E Sheikh Mohammed Bin Khalid Al Nahyan LLC") during the year ended 31 December 2014. The overdraft facility is at an applicable facility commission rate of 3.75% over 3 months EIBOR per annum. As of 31 December 2023, this credit facility was fully settled.

10 Share capital

The share capital of the Group comprises 11,800,000 authorised, issued and fully paid shares of AED 1 each.

The share capital is allocated as follows:	Number of shares	% of ownership	Value AED
Sheikh Khalifa Bin Mohamed Bin Khalid Bin Sultan Alnehayan	1,700,000	15%	1,700,000
Sheikh Sultan Bin Mohd Bin Khalid Alnehayan	1,700,000	15%	1,700,000
Sheikh Hamdan Mohamed Khalid Alnehayan	1,700,000	15%	1,700,000
Sheikha Hamda Mohamed Khalifa Alnehayan	750,000	6%	750,000
Sheikha Shamma Mohammed Khalid Alnahayan	850,000	7%	850,000
Sheikha Rawdha Mohamed Khalid Alnahyan	850,000	7%	850,000
Sheikha Maryam Mohd Khaled Alnahyan	850,000	7%	850,000
Sheikha Salama Mohammed Khalid Alnahyan	850,000	7%	850,000
Sheikha Mouza Mohd K Al Nehayan	850,000	7%	850,000
Sheikha Shaikha Mohamed Khalid Sultan Al Nahyan	850,000	7%	850,000
Sheikha Maytha Mohd Khalid Alnahayan	850,000	7%	850,000
	11,800,000	100%	11,800,000

11 Legal reserve

In accordance with the UAE Federal Law No (32) of 2021, and the Group's Articles of Association, the Group has established a statutory reserve in the consolidated financial statements of the Group by transferring 5% of net profit for each year until the reserve equals 50% of the issued share capital. This reserve is not available for distribution except as stipulated by the Law. This is discontinued since the reserve has accumulated to 50% of the paid-up capital.

12 General reserve

The general reserve represents the value of all asset net of its attached liabilities inherited in prior years by the shareholders from the estates of the late H.E. Sheikh Mohammed Bin Khalid Al Nahyan and the late H.E. Sheikha Mouza Bint Buti Bin Khalifa Al Kubeisi and transferred to the Department. This reserve is not available for distribution.

13 Revaluation reserve

	2023 AED	2022 AED
At 1 January	45,980,313	29,304,334
Revaluation of property and equipment (Note 5)	23,564,679	16,675,979
At 31 December	69,544,992	45,980,313

13 Revaluation reserve (continued)

As at 31 December 2023 and 2022, the above revaluation reserve is not available for distribution to shareholders.

14 Bank borrowings

	2023 AED	2022 AED
At 1 January	1,344,290,546	2,265,065,012
Additions	246,696,503	61,073,000
Loan modification	3,000,000	-
Restructuring fees capitalised	(19,553,293)	-
Interest charged during the year	112,618,919	85,004,113
Repayment during the year	(111,061,998)	(1,066,851,579)
At 31 December	1,575,990,677	1,344,290,546
Current	32,153,226	202,322,773
Non-current	1,543,837,451	1,141,967,773
	1,575,990,677	1,344,290,546

The Group currently has borrowing arrangements with local banks that comprise of:

	Total	**1 year or less** AED	**More than 1 year** AED
At 31 December 2023			
Facility A commitment	1,333,175,918	892,211	1,332,283,707
Facility B commitment	160,132,267	132,267	160,000,000
Term Loan 1	82,682,492	31,128,748	51,553,744
	1,575,990,677	32,153,226	1,543,837,451
At 31 December 2022			
Ijarah Facility 1	850,347,718	110,347,718	740,000,000
Ijarah Facility 2	412,090,229	71,593,054	340,497,175
Term Loan 1	81,852,599	20,382,001	61,470,598
	1,344,290,546	202,322,773	1,141,967,773

During the year, the Group entered into a facility restructuring agreement, which modifies Ijarah Facility I and Ijarah Facility II into Facility A and B commitments. In addition to the modification of repayment due dates for the due borrowings with the first principal payment being on 31 March 2026 and the first interest payment date being 31 March 2023 with the final settlement of the loan being on 31 December 2032.

14 Bank borrowings (continued)

Facility A commitment represents a senior secured term facility amounting to AED 1,455 million which was obtained by the Department during the year ended 31 December 2023 and is repayable over 10 years (including 3 years' moratorium) in quarterly instalments with the first principal payment being on 31 March 2026 and the first interest payment being on 31 March 2023 with the final settlement of the loan being on 31 December 2032. The profit rate is 3M EIBOR plus 2.50% per annum. Investment properties and property and equipment are pledged as collateral for this facility.

Facility B commitment represents a revolving credit facility amounting to AED 160 million which was obtained by the Department during the year ended 31 December 2023 repayable in bullet. The profit rate 3M EIBOR plus 4.50% per annum with annual clean-up of facility or 3M EIBOR plus 2.50% per annum with 6 monthly clean-up of facility with event of default and penal interest of 2%.

An amount of AED 57,028,946 represents interest that have been fully capitalised into investment properties and properties under development in Note 5 and Note 6.

Term loan 1: represents a loan amounting to AED 202 million which was obtained by the Parent Company ("The Private Department of H.E Sheikh Mohammed Bin Khalid Al Nahyan LLC") during the year ended 31 December 2002 and is repayable through annual fixed instalments of AED 11,100,000 inclusive of interest.

There were several financial covenants attached to Facility A and B commitments. Please refer to Note 4 for more details.

15 Sukuk instruments

	2023 AED	2022 AED
At 1 January	1,127,264,677	-
Issuance during the year	183,550,000	1,101,300,000
Interest charged during the year	116,960,671	25,964,677
Repayments of interest during the year	(112,424,375)	-
At 31 December	1,315,350,973	1,127,264,677
Current	30,500,973	25,964,677
Non-current	1,284,850,000	1,101,300,000
	1,315,350,973	1,127,264,677

On 23 September 2022, the Group listed a USD 300 million Islamic bonds sale in London's stock exchange through PD Sukuk Ltd. (a Trustee of the certificates). The Trustee has been incorporated solely for the purpose of participating in the issuance of Certificates up to USD 1,000,000,000 trust certificates held in trust by MaplesFS Ltd. for Private Department of Skh Mohamed Bin Khalid Al Nahyan LLC. The bonds are at a fixed profit rate of 8.75% distributed semi-annually on 23 March and 23 September of each year, with a scheduled dissolution date on 23 September 2025.

15 Sukuk instruments (continued)

On 2 January 2023, the Group issued USD 50 million Trust Certificates through PD Sukuk Ltd.. The bonds are to be consolidated and form a single series with the existing USD 300 million Trust Certificates due 2025 issued on 23 September 2022 under the USD 1,000,000,000 Trust Certificate Issuance Programme.

There were several financial covenants attached to the Sukuk. Please refer to Note 3.2 for more details.

16 Provision for employees' end of service benefits

	2023 AED	2022 AED
At 1 January	8,795,604	9,180,880
Charge for the year (Note 22)	1,438,527	1,222,679
Payments	(991,705)	(1,607,955)
Transfer from related parties	152,455	-
At 31 December	9,394,881	8,795,604

Principal assumptions used in determining benefit obligations for the Group are shown below:

	2023	2022
Discount rate (%)	0.77	0.77
Salary increase rate (%)	4.80	4.80
Normal retirement age (years)	60	60

Management believes that no reasonably possible change in any of the above assumptions would cause a material change in the carrying value.

The sensitivity analysis above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

17 Trade and other payables

	2023 AED	2022 AED
Unearned rental income	78,862,650	79,056,103
Staff payables	14,900,749	11,410,063
Trade payables	14,000,577	25,150,869
Refundable deposits	10,494,081	10,056,404
Advances from clients	4,680,188	4,468,084
Accrued expenses	4,506,551	3,987,323
Other payables	2,402,918	2,639,253
	129,847,714	136,768,099

18 Related party balances and transactions

Related parties represent major shareholders, directors, key management personnel of the Group, and entities owned by the shareholders of the Group. All transactions with related parties are at arm's length.

Balances with related parties included in the consolidated statement of financial position are as follows:

	2023 AED	2022 AED
Due from related parties:		
Advance to shareholders*	235,827,314	133,065,924
KSH Investment LLC**	137,650,147	-
Rotana affiliate companies	66,059	89,873
	373,543,520	133,155,797
Due to related parties – current:		
Square General Contracting Co LLC	22,297,162	13,799,665
Khalidia International Group	11,826,537	-
Shareholders	-	760,618
Rotana Hotel Management Corporation (operator of Al Khalidiya Palace Rayhaan Hotel)***	379,800	290,425
Rotana affiliate hotels		26,262
Al Samadi Sweets	34,707	15,843
Al Khalidia Airconditioning & Refrigeration LLC	6,710	8,609
Mourouj Gloria Hotel Management Co., (operator of Al Khalidiya Palace Dubai Hotel)	3,840	-
	34,548,756	14,901,422

* Advance to shareholders represents the amounts paid to shareholders on the purchase of plot No. 1 (land area: 3,836,636.69 sqm) located in Taweelah area, in Abu Dhabi, UAE. The Island is in the process of being transferred from the name of the shareholders to the Group.

** KSH investments LLC is a limited liability company incorporated in the United Arab Emirates during 2023 and the transactions disclosed relate to advances paid as funding of its operations.

18 Related party balances and transactions (continued)

*** Rotana Hotel Management Corporation ("the Operator") is the managing operator of Al Khalidiya Palace Rayhaan Hotel and the transactions disclosed relate to management fees and other related costs charged from/to the operator.

During the year ended 31 December 2023, a management incentive fee amounting to AED 2,385,308 (2022: AED 1,454,533) was paid to the Operators. In accordance with the terms of the Management Agreement, the Operators are entitled to base and incentive management fees.

Al Khalidiya Palace Rayhaan Hotel is entitled to incentive management fee based on the Gross Operating Profit ("GOPu"):

- 7.5% of GOP if the GOP of the property is below 35% of gross revenues; or
- 8.5% of GOP if the GOP of the property is from 35% but below 45% gross revenues; or
- 9.5% of GOP if the GOP of the property is from and above 45% gross revenues.

Mourouj Gloria Hotel Management Co. is entitled to incentive management fee based on the Gross Operating Profit ("GOP"):

- 6% of GOP if the GOP is below 40% or below AED 20 million AED; or
- 8% of GOP if the GOP is below 45% or below AED 25 million; or
- 9% of GOP if the GOP is from and above 50% or from and above AED 32 million; or
- 10% of GOP if the GOP is from and above 52% or from above AED 35 million.

Compensation of key management personnel

	2023 AED	2022 AED
Salaries and allowances	6,595,318	9,763,686
Other benefits	9,104,638	21,903,891
Number of key management personnel	4	4

19 Revenue from contracts with customers

	2023 AED	2022 AED
Operating lease income	290,236,326	264,100,061
Room revenue	59,134,518	43,284,840
F&B revenue	25,841,970	19,300,081
Recreation revenue	2,340,042	2,430,820
Other revenue	2,146,731	2,328,010
	379,699,587	331,443,812

Disaggregation of revenue from contracts with customers

The Group derives revenue from performance obligations over time except for F&B revenue which is at a point in time.

20 Direct costs

	2023 AED	2022 AED
Depreciation of property and equipment (Note 5)	17,449,851	17,147,525
Utilities expenses	16,817,758	16,882,575
Staff costs (Note 22)	16,218,788	13,305,796
F&B cost	8,863,049	6,368,322
Service costs	4,252,482	3,404,460
Maintenance expenses	2,408,184	3,004,677
Security expenses	2,453,459	6,655
Building works expenses	2,094,576	2,905,210
Cleaning expenses	1,828,543	1,870,420
Insurance expenses	1,460,593	1,453,124
Other expenses	5,348,091	5,447,635
	79,195,375	71,796,399

21 General and administrative expenses

	2023 AED	2022 AED
Staff costs (Note 22)	23,465,827	38,318,692
Professional fees*	10,202,159	22,019,241
Utility expenses	6,106,990	6,080,006
Depreciation of property and equipment (Note 5)	2,306,013	2,471,609
Supplies	2,260,126	1,447,442
Maintenance and repairs	2,043,562	1,988,240
Insurance expenses	1,539,380	1,782,556
IT expenses	1,466,970	1,231,722
Bank charges	1,371,574	1,202,273
Legal expenses	1,237,920	933,703
Credit card commissions	1,006,169	763,546
Government fees	409,061	483,644
Communication expenses	149,093	175,539
Charity and donations	-	92,350
Other	6,025,734	4,913,832
	59,590,578	83,904,395

* Professional fees include audit fees for the year ended 31 December 2023 amounting to AED 500,000 (2022: AED 440,000 thousand).

22 Staff costs

	2023 AED	2022 AED
Salaries and allowances	25,285,508	34,077,878
End of service benefits (Note 16)	1,438,527	1,222,679
Other employees' benefits	14,421,344	17,700,738
	41,145,380	53,001,295

22 Staff costs (continued)

Staff costs are allocated as follows:

	2023 AED	2022 AED
Direct costs (Note 20)	16,218,788	13,305,796
General and administrative expenses (Note 21)	23,465,827	38,318,692
Marketing & selling expenses (Note 23)	1,460,765	1,376,807
	41,145,380	53,001,295

23 Marketing and selling expenses

	2023 AED	2022 AED
Commissions	4,670,840	2,850,644
Staff costs (Note 22)	1,460,765	1,376,807
Franchise fees	970,623	736,160
Representation expenses	721,196	795,084
Loyalty program	566,859	633,491
Media expenses	371,992	191,740
Others	51,303	45,570
	8,813,578	6,629,496

24 Finance costs

	2023 AED	2022 AED
Interest on bank borrowings and sukuk instruments	171,285,866	71,389,424
Early settlement fees	3,504,688	18,900,000
Amortisation of capitalised restructuring fees	634,207	-
Interest on bank overdraft	594,860	2,795,644
	176,019,621	93,085,068

25 Finance income

	2023 AED	2022 AED
Interest received from investments in debt securities	7,970,161	-
Interest from derivative instruments	7,594,245	-
Other	141,169	1,204,488
	15,705,575	1,204,488

26 Derivative financial instruments

Derivative financial instruments consist of an interest rate swap arrangement entered with a counter-party bank for a notional amount that mirrors the draw down and repayment schedule of Facility A commitment (please refer to Note 14). However, the Group does not apply hedge accounting in accordance with IFRS 9 and gains or losses on derivatives are recognised in the consolidated statement of comprehensive income in net change in fair value of financial instruments at FVPL.

The notional amounts outstanding for the derivative contract as at 31 December 2023 was AED 1,276 million (31 December 2022: AED nil).

At 31 December 2023, the fixed interest rate was 3.21% per annum. The floating interest is EIBOR plus spread. The derivative instrument had a negative fair value amounting to AED 143,538 (31 December 2022: AED nil).

The movement in derivative financial instruments is as follows:

	2023 AED	2022 AED
At 1 January	-	(32,699,640)
(Loss)/gain recognised during the year	(143,538)	38,206,140
Terminated during the year	-	(5,506,500)
At 31 December	(143,538)	-

27 Basic earnings per share

Basic earnings per share for the year are calculated by dividing profit for the year by the number of ordinary shares during the year.

The following reflects the income and share data used in the earnings per share computations:

	2023	2022
Profit for the year attributable to the ordinary equity holders of the Group (AED)	324,413,138	85,196,363
Weighted average number of ordinary shares in issue	11,800,000	11,800,000
Basic earnings per share (AED)	27.49	7.22

28 Segmental information

Management has determined the operating segments based on the reports reviewed by the Board of Directors (Chief Operating Decision Makers) in making strategic decisions.

28 Segmental information (continued)

The Board of Directors consider the business based on the following operating segments:

- UAE - Real estate: includes management of real estate, land purchase, sale and rental housing units.
- UAE - Hospitality: includes basic hotel services.

The operating segments derive their revenue primarily from operating lease income from lessees. All of the Group's business activities and operating segments are reported within the above segments.

Management monitors the operating results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on gross profit.

The segment information provided to the Board of Directors for the operating segments, (which also represent the reportable segments) for the years ended 31 December 2023 and 2022 is as follows:

Year ended 31 December 2023	**UAE – Real Estate** AED	**UAE – Hospitality** AED	**Total** AED
Revenue*	281,633,517	98,066,070	379,699,587
Direct costs	(31,112,955)	(48,082,420)	(79,195,375)
Gross profit	250,520,562	49,983,650	300,504,212
General and administrative expenses	(36,898,936)	(22,691,642)	(59,590,578)
Marketing and selling expenses	-	(8,813,578)	(8,813,578)
Management incentive fee	-	(2,385,308)	(2,385,308)
Net impairment loss on financial assets	(6,413,128)	(10,854)	(6,423,982)
Unrealised gain on revaluation of investment properties	256,506,530	-	256,506,530
Unrealised loss on revaluation of property and equipment	(9,561,613)	-	(9,561,613)
Other income	11,365,807	-	11,365,807
Operating profit	465,519,222	16,082,268	481,601,490
Finance cost	(176,019,621)	-	(176,019,621)
Finance income	15,705,575	-	15,705,575
Loss from changes in fair values of derivative financial instruments	(143,538)	-	(143,538)
Unrealised gain from changes in fair values of investment in debt instruments	3,269,232	-	3,269,232
Profit for the year	308,330,870	16,082,268	324,413,138

28 Segmental information (continued)

Year ended 31 December 2023	UAE – Real Estate AED	UAE – Hospitality AED	Total AED
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation of property and equipment	23,564,679	-	23,564,679
Total comprehensive income for the year	331,895,548	16,082,268	347,977,817

* Total revenue includes revenue from contracts with customers and rental income.

Year ended 31 December 2022	UAE – Real Estate AED	UAE – Hospitality AED	Total AED
Revenue*	257,827,849	73,615,963	331,443,812
Direct costs	(31,955,072)	(39,841,327)	(71,796,399)
Gross profit	225,872,777	33,774,636	259,647,413
General and administrative expenses	(63,360,273)	(20,544,122)	(83,904,395)
Marketing and selling expenses	-	(6,629,496)	(6,629,496)
Management incentive fee	-	(1,454,533)	(1,454,533)
Net impairment loss on financial assets	(2,163,068)	26,036	(2,137,032)
Unrealised loss on revaluation of investment properties	(636,257)	-	(636,257)
Unrealised loss on revaluation of property and equipment	(26,093,141)	-	(26,093,141)
Other income	78,244	-	78,244
Operating profit	133,698,282	5,172,521	138,870,803
Finance cost	(93,085,068)	-	(93,085,068)
Finance income	1,204,488	-	1,204,488
Gain from changes in fair values of derivative financial instruments	38,206,140	-	38,206,140
Profit for the year	80,023,842	5,172,521	85,196,363
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation of property and equipment	16,675,979	-	16,675,979
Total comprehensive income for the year	96,699,821	5,172,521	101,872,342

* Total revenue includes revenue from contracts with customers and rental income.

28 Segmental information (continued)

The segment assets and liabilities were as follows:

	UAE – Real Estate AED	UAE – Hospitality AED	Elimination AED	Total AED
Year ended 31 December 2023				
Non-current assets	5,099,600,560	818,000,000	-	5,917,600,560
Current assets	589,906,045	74,753,048	(49,094,482)	615,564,611
	5,689,506,605	892,753,048	(49,094,482)	6,533,165,171
Liabilities	3,039,617,974	25,836,695	(178,129)	3,065,276,540
Year ended 31 December 2022				
Non-current assets	5,002,919,992	485,000,000	-	5,487,919,992
Current assets	273,289,137	26,177,301	(7,780,423)	291,686,015
	5,276,209,129	511,177,301	(7,780,423)	5,779,606,007
Liabilities	2,641,298,314	28,316,109	(9,919,231)	2,659,695,192

The Group operates from its base in the United Arab Emirates and accordingly no further geographical analysis of revenues, profit, fair value gains, assets and liabilities is given.

29 Contingencies and commitments

	2023 AED	2022 AED
Letters of guarantee	11,800,000	11,800,000

As at 31 December 2023, the Group has capital commitments of AED 103 million (2022: AED 193 million) towards construction of investment properties (Note 6), in addition to a commitment to the shareholders for the purchase of Al Taweelah Island for a remaining consideration of AED 364,172,685.

30 Financial instruments by category

	2023 AED	2022 AED
Financial assets at amortised cost		
Due from related parties	373,543,520	133,155,797
Trade and other receivables*	53,414,498	43,584,573
Cash and bank balances	109,558,342	93,018,391
	536,516,360	269,758,761
Financial liabilities at amortised cost		
Borrowings	1,575,990,677	1,344,290,546
Sukuk Instruments	1,315,350,973	1,127,264,677
Due to related parties	34,548,756	14,901,422
Trade and other payables*	50,985,065	57,711,996
	2,976,875,471	2,544,168,641
Derivative financial instruments:		
Derivative financial liabilities	143,538	-
	2,977,019,009	2,544,168,641

* For the purpose of financial instruments disclosure, non-financial assets amounting to AED 25,167,455 (2022: AED 20,230,763) have been excluded from trade and other receivables and non-financial liabilities amounting to AED 78,862,650 (2022: AED 79,056,103) have been excluded from trade and other payables.

31 Net debt reconciliation

The sections set out an analysis of net debt and the movements in net debt for the year ended 31 December 2023 and 2022:

	2023 AED	2022 AED
Cash and cash equivalents, and bank deposits	109,558,342	93,018,391
Bank borrowings	(1,575,990,677)	(1,344,290,546)
Sukuk Instruments	(1,315,350,973)	(1,127,264,677)
Net debt	(2,781,783,308)	(2,378,536,832)
Cash and cash equivalents, and bank deposits	109,558,342	93,018,391
Gross debt – variable interest rates	(1,493,308,185)	(1,262,437,947)
Gross debt – fixed interest rates	(1,398,033,465)	(1,209,117,276)
Net debt	(2,781,783,308)	(2,378,536,832)

31 Net debt reconciliation (continued)

	Cash and cash equivalents, and bank deposits	Bank borrowings	Sukuk instruments	Total
	AED	AED	AED	AED
Net debt as at 1 January 2022	45,024,563	(2,265,065,012)	-	(2,220,040,449)
Additions/interest	-	(61,073,000)	(1,127,264,677)	(1,188,337,677)
Cash flows	47,993,828	981,847,466	-	1,029,841,294
Net debt as at 31 December 2022	93,018,391	(1,344,290,546)	(1,127,264,677)	(2,378,536,832)
Additions/interest	-	(366,146,137)	(300,510,671)	(666,658,808)
Cash flows	16,539,951	114,258,506	112,424,375	243,222,832
Other movements	-	20,187,500	-	20,187,500
Net debt as at 31 December 2023	109,558,342	(1,575,990,677)	(1,315,350,973)	(2,781,783,308)

32 Income tax

Implementation of UAE Corporation Tax Law and application of IAS 12 Income Taxes

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal Corporate Tax ("CT") regime in the UAE. The CT regime is effective for annual periods beginning on 1 June 2023 and accordingly, it has an income tax related impact on the consolidated financial statements for the Group starting 1 January 2024.

The Cabinet of Ministers Decision No. 116 of 2022 specifies the threshold of income over which the 9% CT rate would apply and accordingly, the Law is now considered to be substantively enacted from the perspective of IAS 12 – Income Taxes. A rate of 9% will apply to taxable income exceeding AED 375,000, a rate of 0% will apply to taxable income not exceeding AED 375,000, and a rate of 0% will apply on qualifying income of qualifying free zone entities.

Based on the information available to date, the Group assessed the deferred tax implications and concluded that it is not expected to be significant as of and for the year ended 31 December 2023. As certain other cabinet decisions are pending as on the date of the consolidated financial statements for the year ended 31 December 2023, the Group will continue to assess the impact of these pending cabinet decisions on deferred taxes as and when finalised and published. Impact if any, will be accordingly reflected in the Group's consolidated financial statements when such additional information will be substantively issued.