National Corporation for Tourism and Hotels

Chairman's report and consolidated financial statements for the year ended 31 December 2022

To All Esteemed Shareholders

Dear Sirs,

It is my honor, and my colleagues, members of the Board of Directors, to express our thanks and appreciation to H.H. Sheikh Mohamed Bin Zayed Al Nahyan, President of the United Arab Emirates, for the unlimited support and assistance to us in all fields.

The year 2022 was the most challenging year for National Corporation for Tourism and Hotels ("NCTH" or the "Corporation") due to several economic & logistic reasons. Total revenue was Dhs. 710.60 Million compared to Dhs. 759.36 Million in the past year 2021, showing a decrease of AED 48.76 Million or 6.42%. Revenue of our hotels in Abu Dhabi decreased by AED 3.78 Million or 2.3%, Catering Division revenue decreased by AED 36.15 Million or 6.78%, and Retail Division revenue decreased by AED 7.71 Million or 11.23%.

Net profit for the year 2022 was AED 63.98 Million, a decrease of AED 37.52 Million or 36.96% from AED 101.49 Million in 2021. Profit from our hotels in Abu Dhabi declined to AED 9.77 Million from AED 13.43 Million last year, or a 27.21% decrease whilst Catering Division profit decreased by AED 18.88 Million or 24.88% compared to last year. Further, in 2021 the Corporation sold its land in Saadiyat island and

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benefited from the reversal of government fees granted to hotels. Gains recorded in the books amounted to AED 24.88 Million in respect of said transactions during last year.

For the year 2022, the tourism industry has shown stable improvement, as various countries including the UAE have either reduced or completely removed travel restrictions. However, profitability of the hotel division was negatively impacted by rising cost of supplies brought on by unusually high inflation rates being experienced around the world. Nonetheless, the Corporation is optimistic that the performance of its hotels in the emirate of Abu Dhabi will be improved depending on the long-term market's recovery.

As to the performance of the Retail Division in 2022, significant challenges are still being faced as more competitors enter the Abu Dhabi Market. Revenues were down by AED 7.71 million or 11.23% compared to last year, but the Corporation has continued its efforts to improve the profitability of the division. The Corporation remains optimistic that the division will improve and is focused on growing the number of retail outlets and have improved operational procedures and implemented stricter internal controls which is expected to benefit the profitability of the division in the long term.

The performance of the Catering Division for the year 2022 has declined compared to 2021 due to the increased cost from mobilization of new contracts along with decline

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in revenues from cancelled contracts. The division have maintained its efforts to generate more business and have had several new contracts awarded later in the year. The Corporation's direction to keep on penetrating new markets and continually increase its market share remains.

In terms of liquidity, the Corporation has shown a reduction in its cash balance and short-term deposits compared to last year from Dhs. 509.1 Million to Dhs. 389.7 Million this year. Last year, as a one-time transaction, the Corporation has received cash amounting to AED 127.5 million from the sale of the land at Saadiyat island. Also, during the year 2022, the Corporation has made net additional investments in listed shares amounting to AED 19.5 Million and has paid cash dividends amounting to AED 102.2 Million and continued to fund the project payments that contributed to the decrease in cash balance. The Corporation is still maintaining a good level of cash and short-term deposits that contributed to Dhs. 8.55 Million in interest income in 2022, and all this while meeting all the financing obligations of the Corporation during the year. The Corporation's liquidity continues to support its position to achieve its projects' development.

The Hotel Apartments project under the brand name "Intercontinental Residences Abu Dhabi" has been completed and started soft opening in February 2023, in addition, the residential & serviced apartments project in ADNEC with the hotel apartments expected to start accepting guests in the first half of 2023 while the residential apartments have started soft operation since the second half of the year 2022. We are confident of the strength of our country's economy and these projects

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will strengthen the Corporation's position in the Abu Dhabi hotel & residential & properties market in the medium and long terms and will provide additional sources of income and allow the Corporation to remain competitive.

On behalf of my colleagues the members of the Board of Directors, I would like to thank the Shareholders for their support and trust, all the public and private establishments as well as the Management and Employees of the Corporation for their efforts.

Thanks & regards,

Hamdan Bin Mubarak Al Nahyan

Chairman of the Board

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National Corporation for Tourism and Hotels

Consolidated financial statements
for the year ended 31 December 2022

National Corporation for Tourism and Hotels

Consolidated financial statements
for the year ended 31 December 2022

Independent auditor's report to the shareholders of National Corporation for Tourism and Hotels

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 National Corporation for Tourism and Hotels (NCT&H) and its Hotels (together the "Corporation" or the "Group") as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Corporation's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statement of profit and loss for the year then ended
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies 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 Corporation 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 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.

Our audit approach

Overview

Key audit matter	• Impairment assessment of properties

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.

Report on the audit of the consolidated financial statements (continued)

Our audit approach (continued)

Overview (continued)

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 Corporation, the accounting processes and controls, and the industry in which the Corporation operates.

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
Impairment assessment of properties	
The Corporation has AED 1.9 billion (2021: AED 1.8 billion) of properties carried in the consolidated statement of financial position representing 69% of total assets. The Corporation performs a detailed impairment assessment of its significant properties whenever there is an indication that a property may be impaired. The assessment of the carrying value of these properties requires evaluating whether any indicators of impairment exist in the asset base by reference to the expected future profitability of the cash generating units. The valuation models used to assess the carrying value of these properties are based on a number of significant assumptions relating to future cash flows and the relevant discount rates applied. As of 31 December 2022, the Corporation has performed internal impairment assessment for its properties. Impairment of properties is considered a key audit matter due to the fact that it is inherently subjective and requires significant estimates and judgments. *Refer to note 4 which explains the critical judgments and estimates used in impairment assessment of properties and note 5 which explains the valuation methodology used by the Corporation.*	On a sample basis, we have tested and discussed with management the reasonableness of the underlying information used in the impairment assessment. We obtained the impairment and valuation working of the underlying properties prepared by management. We involved our internal valuation specialist, who on a sample basis, reviewed valuation methodologies used in the valuation process. We have considered the overall reasonableness of the assumptions and valuation methodology used and whether they were in line with our expectations. We performed sensitivity analysis on the significant assumptions to evaluate the extent of the impact of changes in the key assumptions to the conclusion reached by management. We have assessed the appropriateness of the valuation approach and reasonableness of the key valuation assumptions and held discussions with the Valuer and the Corporation 's management. *We assessed the appropriateness and adequacy of the related disclosures in note 4 and note 5 to these consolidated financial statements.*

Independent auditor's report to the shareholders of National Corporation for Tourism and Hotels (continued)

Report on the audit of the consolidated financial statements (continued)

Other information

The Directors are responsible for the other information. The other information comprises the Chairman's report but does not include the consolidated financial statements and our auditor's report thereon which we have 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, 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 International Financial Reporting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Decree 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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

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

Independent auditor's report to the shareholders of National Corporation for Tourism and Hotels (continued)

Report on the audit of the consolidated financial statements (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 Corporation'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 Corporation'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 Corporation 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 Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the Corporation audit. We remain solely responsible for our audit opinion.

Independent auditor's report to the shareholders of National Corporation for Tourism and Hotels (continued)

Report on the audit of the consolidated financial statements (continued)

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

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

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

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 for the year ended 31 December 2022:

(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 Corporation has maintained proper books of account;
(iv) the financial information included in the Chairman's report is consistent with the books of account of the Corporation;
(v) notes 6 and 7 to the consolidated financial statements disclose the Corporation's investments in shares during the financial year ended 31 December 2022;
(vi) note 17 to the consolidated financial statements discloses material related party transactions, and the terms under which they were conducted;
(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 Corporation has contravened during the financial year ended 31 December 2022, any of the applicable provisions of the UAE Federal Decree Law No. 32 of 2021, or in respect of the Company, its Articles of Association which would materially affect its activities or its financial position as at 31 December 2022; and
(viii) note 18 to the consolidated financial statements discloses the social contributions made during the financial year ended 31 December 2022.

PricewaterhouseCoopers

15 March 2023

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

National Corporation for Tourism and Hotels

Consolidated statement of financial position

	Notes	As at 31 December 2022 AED	2021 AED (*Restated)
ASSETS			
Non-current assets			
Property and equipment	5	1,958,562,966	1,878,799,437
Investment in joint ventures	6	264,561,838	251,316,445
		2,223,124,804	2,130,115,882
Current assets			
Investments carried at fair value through profit or loss	7	30,559,901	15,631,218
Inventories	8	25,401,331	21,843,470
Trade and other receivables	9	161,674,437	204,376,996
Short term deposits	10	202,578,068	408,886,916
Cash and cash equivalents	10	187,117,427	100,165,710
		607,331,164	750,904,310
Total assets		2,830,455,968	2,881,020,192
EQUITY AND LIABILITIES			
EQUITY			
Share capital	11	817,296,480	785,862,000
Statutory reserve	12	197,244,239	190,846,678
General reserve	12	15,000,000	15,000,000
Properties revaluation reserve	12	1,155,310,000	1,155,310,000
Retained earnings		6,560,845	93,212,717
Total equity		2,191,411,564	2,240,231,395
LIABILITIES			
Non-current liabilities			
Term loans	13	357,829,311	319,017,268
Provision for employees' end of service benefits	14	38,954,174	49,878,861
Lease liabilities	15	296,485	335,982
Total non-current liabilities		397,079,970	369,232,111
Current liabilities			
Trade and other payables	16	211,787,446	241,379,698
Term loans	13	30,115,120	30,115,120
Lease liabilities	15	61,868	61,868
		241,964,434	271,556,686
Total liabilities		639,044,404	640,788,797
Total equity and liabilities		2,830,455,968	2,881,020,192

*Refer to note 25 for details of the restatement of prior year comparatives

To the best of our knowledge, the consolidated financial statements fairly present, in all material respects, the consolidated financial position, results of operations and consolidated cash flows of the Group as of, and for the year ended 31 December 2022.

....	....	....
Chairman	Chief Executive Officer	Finance Director

National Corporation for Tourism and Hotels

Consolidated statement of profit or loss

	Notes	Year ended 31 December 2022 AED	2021 AED (*Restated)
Revenue	23	710,597,888	759,362,202
Direct operating expenses	23	(624,444,418)	(655,637,886)
Gross profit		86,153,470	103,724,316
General and administrative expenses	18	(21,807,596)	(33,940,978)
Share of results of joint ventures	6	(2,512,956)	1,824,869
Investment and other income	19	759,859	25,909,861
Interest income		8,547,252	11,555,966
Finance costs		(7,164,420)	(7,583,114)
Profit for the year		63,975,609	101,490,920
Basic and diluted earnings per share	20	0.08	0.12

*Refer to note 25 for details of the restatement of prior year comparatives

National Corporation for Tourism and Hotels

Consolidated statement of comprehensive income

	Notes	Year ended 31 December 2022 AED	2021 AED (*Restated)
Profit for the year		63,975,609	101,490,920
Other comprehensive loss:			
Items that will not be reclassified subsequently to profit or loss			
Loss on revaluation of land		-	(10,273,589)
Other comprehensive loss for the year		-	(10,273,589)
Total comprehensive income for the year		63,975,609	91,217,331

*Refer to note 25 for details of the restatement of prior year comparatives

National Corporation for Tourism and Hotels

Consolidated statement of changes in equity

	Share capital AED	Statutory reserve AED	General reserve AED	Properties revaluation reserve AED	Retained earnings AED	Total Equity AED
At 1 January 2021	785,862,000	180,697,586	15,000,000	1,165,583,589	114,362,932	2,261,506,107
Profit for the year (as restated)	-	-	-	-	101,490,920	101,490,920
Other comprehensive loss for the year	-	-	-	(10,273,589)	-	(10,273,589)
Total comprehensive income for the year (*as restated)	-	-	-	(10,273,589)	101,490,920	91,217,331
Dividends paid (note 21)	-	-	-	-	(102,162,060)	(102,162,060)
Directors' remuneration paid (note 22)	-	-	-	-	(10,329,983)	(10,329,983)
Transfer to statutory reserve	-	10,149,092	-	-	(10,149,092)	-
At 31 December 2021 (as restated)	785,862,000	190,846,678	15,000,000	1,155,310,000	93,212,717	2,240,231,395
At 1 January 2022	785,862,000	190,846,678	15,000,000	1,155,310,000	93,212,717	2,240,231,395
Profit for the year	-	-	-	-	63,975,609	63,975,609
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	63,975,609	63,975,609
Dividends paid (note 21)	-	-	-	-	(102,162,060)	(102,162,060)
Bonus shares issued (note 21)	31,434,480	-	-	-	(31,434,480)	-
Directors' remuneration paid (note 22)	-	-	-	-	(10,633,380)	(10,633,380)
Transfer to statutory reserve	-	6,397,561	-	-	(6,397,561)	-
At 31 December 2022	817,296,480	197,244,239	15,000,000	1,155,310,000	6,560,845	2,191,411,564

*Refer to note 25 for details of the restatement of prior year comparatives

Consolidated statement of cash flows

	Notes	Year ended 31 December 2022 AED	2021 AED (*Restated)
Cash flows from operating activities			
Profit for the year		63,975,609	101,490,920
Adjustments for:			
Depreciation of property and equipment	5	29,656,258	39,119,004
Interest income		(8,547,252)	(11,555,966)
Provision for employees' end of service benefits	14	8,764,950	9,945,047
Finance costs		7,164,420	7,583,114
Provision for impairment on trade receivables, net	9	(901,444)	(4,794,818)
Share of results from investment in joint ventures	6	2,512,956	(1,824,869)
Loss / (Gain) from changes in fair value of investments carried at fair value through profit or loss	7	4,976,812	(1,547,544)
Gain on disposal of investments carried at fair value through profit or loss	7	(358,902)	-
Gain on disposal of property and equipment	19	(651,270)	(17,417,056)
Dividend income	19	(488,158)	-
Operating cash flows before employees' end of service benefits payment and changes in working capital		106,103,979	120,997,832
Employees' end of service benefits paid	14	(19,689,637)	(6,487,588)
Changes in working capital:			
Trade and other receivables		40,018,476	(14,215,401)
Inventories		(3,557,861)	5,118,130
Trade and other payables		(34,096,393)	3,070,227
Net cash generated from operating activities		88,778,564	108,483,200
Cash flows from investing activities			
Net redemption / (placement) of deposits with original maturity of more than three months		206,308,848	(6,696,036)
Purchase of property and equipment		(103,956,921)	(140,994,139)
Proceeds from disposal of property and equipment		792,082	127,618,390
Purchase of investments carried at fair value through profit or loss		(50,352,006)	(14,083,674)
Proceeds from disposal of investments carried at fair value through profit or loss		30,805,413	-
Interest received		11,216,570	14,908,774
Additional contribution in joint venture		(15,758,349)	(5,730,000)
Dividend received from a joint venture		-	1,000,000
Dividend received		488,158	-
Net cash generated from / (used in) investing activities		79,543,795	(23,976,685)

*Refer to note 25 for details of the restatement of prior year comparatives

Consolidated statement of cash flows (continued)

	Notes	Year ended 31 December 2022 AED	2021 AED (Restated)
Cash flows from financing activities			
Proceeds from term loans	13	65,854,796	88,310,507
Repayments of term loans	13	(27,933,119)	(53,355,094)
Dividends paid	21	(102,162,060)	(102,162,060)
Directors' remuneration paid	22	(10,633,380)	(10,329,983)
Finance costs paid		(6,435,011)	(7,290,377)
Principal element of lease payment		(39,497)	(37,089)
Interest paid on lease liabilities		(22,371)	(24,779)
Net cash used in financing activities		(81,370,642)	(84,888,875)
Net increase / (decrease) in cash and cash equivalents		86,951,717	(382,360)
Cash and cash equivalents at beginning of the year	10	100,165,710	100,548,070
Cash and cash equivalents at end of the year	10	187,117,427	100,165,710
Non-cash transactions:			
Accrual for purchase of property and equipment		5,603,678	24,285,098

*Refer to note 25 for details of the restatement of prior year comparatives

1 General information

National Corporation for Tourism and Hotels (the "Corporation"), a public shareholding company, was incorporated in Abu Dhabi, United Arab Emirates ("UAE") on 11 December 1996 by Law No. (7) of 1996, to own, manage and invest in hotels and leisure complexes and to undertake other related business. The Corporation's shares are listed on Abu Dhabi Securities Exchange.

The Corporation's registered office is P.O. Box 6942, Abu Dhabi, UAE.

The Corporation owns four hotels within the UAE: (a) Abu Dhabi InterContinental Hotel, which is managed by an international hotel operating company; and (b) Danat Al Ain Resort, Al Dhafra Beach Hotel and Danat Jebel Al Dhanna Resort directly operated and managed by the Corporation. In addition, the Corporation provides catering services and retail services and has investments in the following entities

Name	Nature	Country of operation	Principal activity	Ownership Interest 2022	Ownership Interest 2021
National Transportation Company L.L.C ("NTC")	Joint venture	UAE	Transport services	50.00%	50.00%
Velocity Property Development LLC	Joint Venture	UAE	Real Estate	60.12%	60.12%

As at 31 December 2022, the Corporation operates four hotel properties and rest houses through management agreements along with one hotel property through asset management agreement (31 December 2021: the Corporation operates six hotel properties and rest houses through management agreements along with four hotel properties through asset management agreements), all owned by other parties. The Corporation has terminated the remaining agreements with the hotel properties during the year.

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 regime in the UAE.

The Law was previously gazetted on 10 October 2022, becoming law 15 days later. The Corporate Tax regime will become effective for accounting periods beginning on or after 1 June 2023. Generally, UAE businesses will be subject to a 9% corporate tax rate, while a rate of 0% will apply to taxable income not exceeding a particular threshold to be prescribed by way of a Cabinet Decision (expected to be AED 375,000 based on information released by the Ministry of Finance). However, there are a number of significant decisions that are yet to be finalised by way of a Cabinet Decision, including the threshold mentioned above, that are critical for entities to determine their tax status and the amount of tax due. Therefore, pending such important decisions by the Cabinet, the Company has determined that the Law was not practically operational as at 31 December 2022, and so not enacted or substantively enacted from the perspective of IAS 12 – Income Taxes. The Company shall continue to monitor the timing of the issuance of these critical Cabinet Decisions to determine its tax status and the applicability of IAS 12 – Income Taxes.

1 General information (continued)

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

The Company is currently in the process of assessing the possible impact on its financial statements, both from current and deferred tax perspective, once the Law becomes substantively enacted.

The consolidated financial statements for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of Board of Directors on 15 March 2023.

2 Significant accounting policies

The significant accounting policies applied in the preparation of these consolidated financial statements are as set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

On 20 September 2021, the UAE Federal Decree Law No. 32 of 2021 ("Companies Law") was issued and came into effect on 2 January 2022 which is applicable to the Company.

2.1 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for land and certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received on sale of an asset or paid on transfer of a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of a financial asset or liability, the Corporation takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

These consolidated financial statements are presented in UAE Dirhams (AED) which is the functional currency of the Corporation.

2.2 Statement of compliance

The consolidated financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and applicable requirements of laws of the UAE Federal Law No. 32 of 2021.

2 Significant accounting policies (continued)

2.3 Basis of consolidation

These consolidated financial statements incorporate the consolidated financial statements of the Corporation and the entities controlled by the Corporation. Control is achieved where the Corporation has power over the investee; is exposed, or has rights, to variable returns from its involvement; and has the ability to use its power to affect its returns.

The Corporation reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Corporation has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Corporation considers all relevant facts and circumstances in assessing whether or not the Corporation's voting rights in an investee are sufficient to give it power, including:

- the size of the Corporation's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Corporation, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Corporation has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Corporation obtains control over the subsidiary and ceases when the Corporation loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Corporation gains control until the date when the Corporation ceases to control the subsidiary. Profit or loss and each component of other comprehensive income are attributed to the owners of the Corporation and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Corporation and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

When necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

2 Significant accounting policies (continued)

2.4 Application of new and revised international financial reporting standards (IFRS)

The following new and revised IFRSs that are mandatorily effective for accounting periods that begins on or after 1 January 2022 have been adopted by the Corporation. The application of these revised IFRSs has not had any material impact on the disclosures or on the amounts reported for the current and prior periods but may affect the accounting for future transactions or arrangements.

(a) New and revised IFRS effective for accounting periods beginning on or after 1 January 2022

1. Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16 (effective 1 January 2022)

The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

2. Reference to the Conceptual Framework – Amendments to IFRS 3 (effective 1 January 2022)

Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and to add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

3. Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37 (effective 1 January 2022)

The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

4. Annual Improvements to IFRS Standards 2018–2020 (effective 1 January 2022)

The following improvements were finalised in May 2020:

- IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
- IFRS 16 Leases – amendment to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

2 Significant accounting policies (continued)

2.4 Application of new and revised international financial reporting standards (IFRS) (continued)

(b) Standards and Interpretations in issue but not yet effective

The Corporation has not early adopted the following new and revised IFRSs that have been issued but are not yet effective:

1. IFRS 17 Insurance Contracts (effective 1 January 2023)

Amendments made in July 2020 aimed to ease the implementation of the standard by reducing implementation costs and making it easier for entities to explain the results from applying IFRS 17 to investors and others. The amendments also deferred the application date of IFRS 17 to 1 January 2023.

Further amendments made in December 2021 added a transition option that permits an entity to apply an optional classification overlay in the comparative period(s) presented on initial application of IFRS 17. The classification overlay applies to all financial assets, including those held in respect of activities not connected to contracts within the scope of IFRS 17. It allows those assets to be classified in the comparative period(s) in a way that aligns with how the entity expects those assets to be classified on initial application of IFRS 9. The classification can be applied on an instrument-by-instrument basis.

2. Classification of Liabilities as Current or Non-current – Amendments to IAS 1 (effective 1 January 2023)

The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

3. Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement (effective 1 January 2023)

The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

2 Significant accounting policies (continued)

2.4 Application of new and revised international financial reporting standards (IFRS) (continued)

(b) Standards and Interpretations in issue but not yet effective (continued)

3. Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement (effective 1 January 2023) (continued)

To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

4. Definition of Accounting Estimates – Amendments to IAS 8 (effective 1 January 2023)

The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

5. Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 (effective 1 January 2023)

The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities.

The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- right-of-use assets and lease liabilities, and
- decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

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

2 Significant accounting policies (continued)

2.5 Business combinations

Business combinations falling within the scope of IFRS 3 are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Corporation elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed in the consolidated statement of profit or loss.

The Corporation determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Corporation acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed an asset or liability will be recognised in accordance with IAS 39 either in consolidated statement of profit or loss. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Corporation reports in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Corporation adjusts the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts recognised as of that date.

The measurement period ends as soon as the Corporation receives the necessary information about the facts and circumstances that existed as of the acquisition date or learns that the information is not obtainable. However, the measurement period cannot exceed one year from the acquisition date.

2 Significant accounting policies (continued)

2.6 Investment in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Corporation's investments in its joint ventures are accounted for using the equity method.

The results and assets and liabilities of associate and joint venture are accounted for using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Corporation's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The consolidated statement of profit or loss reflects the Corporation's share of the results of operations of the joint venture. Any change in other comprehensive income of those investees is presented as part of the Corporation's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the joint venture, the Corporation recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Corporation and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Corporation's share of profit or loss of a joint venture is shown on the face of the consolidated statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

The consolidated financial statements of the joint venture are prepared for the same reporting period as the Corporation. When necessary, adjustments are made to bring the accounting policies in line with those of the Corporation.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Corporation's investment in joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon loss of joint control over the joint venture the Corporation measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in consolidated statement of profit or loss.

2 Significant accounting policies (continued)

2.6 Investment in joint ventures (continued)

When the Corporation contributes a non-monetary asset, not a business, in exchange for an equity interest in the joint venture, it recognises any gain or loss from the transaction to the extent of the unrelated party's interest. The cost of the investment in the joint venture is the cost of the asset contributed plus the recognised portion of the gain or loss plus any transaction costs or contingent consideration.

When the Corporation reduces its ownership interest in a joint venture but the Corporation continues to use the equity method, the Corporation reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When the Corporation transacts with a joint venture of the Corporation, profits and losses resulting from the transactions with the joint venture are recognised in the Corporation's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Corporation.

2.7 Property and equipment

Land is stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation. Revaluations are performed with sufficient regularity such that the carrying amount does not differ significantly from that which would be determined using fair values at the reporting date.

Any revaluation increase arising on the revaluation of such land is credited to the properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in carrying amount arising on the revaluation of such land is charged as an expense to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

All other property and equipment are stated at historical cost less accumulated depreciation and/or accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to profit or loss in the period in which they are incurred.

Assets under construction are stated at cost and are not depreciated. When commissioned, assets under construction are transferred to the appropriate property and equipment asset category and depreciated in accordance with the Corporation's policies.

2 Significant accounting policies (continued)

2.7 Property and equipment (continued)

Land is not depreciated. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	Years
Buildings	10 - 30
Mechanical, electrical and plumbing	7 - 15
Furniture, fixtures and operating equipment	5 - 10
Motor vehicles	4 - 5

The estimated useful lives, residual values and depreciation method are reviewed at each yearend, with the effect of any changes in estimate accounted for on a prospective basis.

Increases in the carrying amount arising on revaluation of land are credited to consolidated statement of other comprehensive income and shown as an properties revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against properties revaluation reserve directly in equity; all other decreases are charged to the consolidated statement of profit or loss.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is included in the consolidated statement of profit or loss when the asset is derecognised.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less cost to sell and their value in use.

2.8 Capital work in progress

Properties or assets in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes all direct costs attributable to the design and construction of the asset including related staff costs, and for qualifying assets, borrowing costs capitalised in accordance with the Corporation’s accounting policy. When the assets are ready for intended use, the capital work in progress is transferred to the appropriate property and equipment or intangible asset category and is depreciated or amortised in accordance with the Corporation’s policies.

2 Significant accounting policies (continued)

2.9 Impairment of non-financial assets

At each reporting date, the Corporation reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.10 Leases

(a) The Corporation as lessor

The Corporation enters into lease agreements as a lessor with respect to some of Corporation's building units.

Leases for which the Corporation is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

2 Significant accounting policies (continued)

2.10 Leases (continued)

(a) The Corporation as lessor (continued)

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Corporation's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Corporation's net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Corporation applies IFRS 15 to allocate consideration under the contract to each component.

(b) The Corporation as lessee

The Corporation assesses whether contract is or contains a lease, at inception of the contract. The Corporation recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Corporation recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Corporation uses its incremental borrowing rate.

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

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line item in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

2 Significant accounting policies (continued)

2.10 Leases (continued)

(b) The Corporation as lessee (continued)

The Corporation remeasures the lease liability and makes a corresponding adjustment to the related right-of-use asset whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revise discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Corporation did not make any such adjustments during the periods presented.

The right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use of asset reflects that the Corporation expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use of assets are presented under the property and equipment in the consolidated statement of financial position.

The Corporation applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for an identified impairment loss as described in the property and equipment policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the lines of 'direct operating expenses' and 'general and administrative expenses' in the consolidated statement of profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement.

2.11 Inventories

Inventories are valued at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items. Costs are those expenses incurred in bringing each product to its present location and condition and are determined on a weighted average cost basis.

2 Significant accounting policies (continued)

2.11 Inventories (continued)

Net realisable value is based on estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

2.12 Provisions

Provisions are recognised when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that the Corporation will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.13 Employees' end of service benefits

An accrual 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.

Provision is also made for the full amount of end of service benefit due to non-UAE national employees in accordance with UAE Labour Law, for their period of service up to the reporting date. With respect to its national employees, the Corporation makes contributions to a UAE Government pension scheme calculated as a percentage of the employees' salaries. The Corporation's obligations are limited to these contributions, which are expensed when due.

The accrual relating to annual leave and leave passage is disclosed as a current liability, while the provision relating to end of service benefit is disclosed as a non-current liability.

2.14 Financial instruments

Financial assets and financial liabilities are recognised when the Corporation becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the consolidated statement of profit or loss.

2 Significant accounting policies (continued)

2.14 Financial instruments (continued)

2.14.1 Classification of financial assets and liabilities

(a) Initial recognition

On initial recognition, a financial asset is classified as measured at: amortised cost or fair value through profit or loss ("fair value through profit or loss").

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss account:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(b) Financial assets at fair value through profit or loss

On initial recognition, the Corporation may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost as fair value through profit or loss, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

All other financial assets are classified as measured at fair value through profit or loss.

(c) Business model assessment

The Corporation makes an assessment of the objective of a business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the frequency, volume and timing of trades of financial assets in prior periods, the reasons for such trades and its expectations about the future trading activity. However, information about trading activity is not considered in isolation, but as part of an overall assessment of how the Corporation's stated objective for managing the financial assets is achieved and how cash flows are realised;
- how the performance of the portfolio is evaluated and reported to the management; and
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at fair value through profit or loss because they are neither held to collect contractual cash flows, nor held both to collect contractual cash flows and to sell financial assets.

2 Significant accounting policies (continued)

2.14 Financial instruments (continued)

2.14.1 Classification of financial assets and liabilities (continued)

(d) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition.

‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the outstanding principal.

In assessing whether the contractual cash flows are solely payments of principal and interest on the outstanding principal, the Corporation considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

(e) Financial liabilities

Financial liabilities are classified as measured at amortised cost or fair value through profit or loss. A financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Financial liabilities, at initial recognition, may be designated at fair value through profit or loss if the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis;
- the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on fair value basis, in accordance with a documented risk management strategy; or
- the financial liability contains an embedded derivative that would otherwise need to be separately recorded.

Financial liabilities at fair value through profit or loss are measured at fair value and net gains and losses, including any interest expense, are recognised in consolidated statement of profit or loss.

2 Significant accounting policies (continued)

2.14 Financial instruments (continued)

2.14.2 Subsequent measurement and gain or losses

(a) Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the consolidated statement of profit or loss and other comprehensive income. Any gain or loss on derecognition is recognised in the consolidated statement of profit or loss and other comprehensive income.

(b) Financial assets at fair value through profit or loss

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the consolidated statement of profit or loss and other comprehensive income.

(c) Financial liabilities at amortised cost

Mainly includes borrowings and trade and other payables. After initial recognition, the aforementioned liabilities are subsequently measured at amortised cost using the effective interest rate ("EIR") method. Gains and losses are recognised in the consolidated statement of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss.

2.14.3 Reclassification

(a) Financial assets

The Corporation only reclassify financial assets if, and only if, the objective of the business model for managing those financial assets is changed. Such changes are expected to be very infrequent as these changes must be significant to the Corporation's operations and demonstrable to external parties.

(b) Financial liabilities

The Corporation determines the classification of financial liabilities on initial recognition. Subsequent reclassification is not permitted.

2 Significant accounting policies (continued)

2.14 Financial instruments (continued)

2.14.4 Modifications of financial assets and financial liabilities

(a) Financial assets

If the terms of a financial asset are modified, the Corporation evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Corporation recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the consolidated statement of profit or loss and other comprehensive income.

(b) Financial liabilities

If the terms of a financial liability are modified and the cash flows of the modified liability are substantially different then, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in the consolidated statement of profit or loss.

2.14.5 Derecognition

(a) Financial assets

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; or
- the Corporation retains the right to receive cash flows from the asset, but assumes an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Corporation has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Any interest in transferred financial assets that qualify for derecogniton that is created or retained by the Corporation is recognised as a separate asset or liability.

2 Significant accounting policies (continued)

2.14 Financial instruments (continued)

2.14.5 Derecognition (continued)

(a) Financial assets (continued)

The Corporation enters into transactions whereby it transfers assets recognised on its consolidated statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised.

In transactions in which the Corporation neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Corporation continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

(b) Measured at amortised cost

Any gain or loss on derecognition of financial assets measured at amortised cost is recognised in the consolidated statement of profit or loss.

(c) Financial liabilities

The Corporation derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired.

2.14.6 Impairment of financial assets

IFRS 9 specifies the ‘incurred loss’ model with a forward-looking ‘expected credit losses’ (‘ECL’) model. Assessing how changes in economic factors affect ECL requires considerable judgement. ECL are determined on a probability-weighted basis.

The Corporation recognises loss allowances for ECLs on the following instruments that are not measured at fair value through profit or loss:

- financial assets measured that are debt instruments carried at amortised cost or FVOCI; and
- financial guarantee contracts issued.

The Corporation measures loss allowances either using general or simplified approach as considered appropriate.

Under general approach, loss allowances are measured at an amount equal to 12-month expected credit loss except when there has been a significant increase in credit risk since inception. In such cases, the Corporation measures loss allowances at an amount equal to lifetime expected credit loss.

2 Significant accounting policies (continued)

2.14 Financial instruments (continued)

2.14.6 Impairment of financial assets (continued)

Under simplified approach, loss allowances are always measured at an amount equal to lifetime expected credit loss.

Lifetime ECL: These losses are the ECL that result from all possible default events over the expected life of a financial instrument, if there is significant increase in credit risk or under simplified approach.

12-month ECL: These losses are the portion of ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

(a) Measurement of ECL

ECL are a probability-weighted estimate of credit losses. It is measured as follows:

- financial assets that are not credit-impaired: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Corporation in accordance with the contract and the cash flows that the Corporation expects to receive); and
- financial assets that are credit-impaired: as the difference between the gross carrying amount and the present value of estimated future cash flows.

(b) Definition of default

The Corporation considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Corporation, in full (without taking into account any collateral held by the Corporation).

Irrespective of the above analysis, the Corporation considers that default has occurred when a financial asset is more than 90-300 days past due, depending on the business segment, unless the Corporation has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(c) Reversals of impairment

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written back by reducing the loan impairment allowance account accordingly. The write-back is recognised in the consolidated statement of profit or loss.

2 Significant accounting policies (continued)

2.14 Financial instruments (continued)

2.14.6 Impairment of financial assets (continued)

(d) Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Corporation determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Corporation's procedures for recovery of amounts due.

2.15 Revenue recognition

For contracts determined to be within the scope of revenue recognition, the Corporation is required to apply a five-step model to determine when to recognise revenue, and at what amount. Revenue is measured based on the consideration to which the Corporation expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Corporation recognises revenue when it transfers control of a product or service to a customer.

The Corporation recognises revenue from contracts with customers based on the five step model set out in IFRS 15:

Step 1 Identify 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.

Step 2 Identify 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.

Step 3 Determine the transaction price: The transaction price is the amount of consideration to which the Corporation expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4 Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Corporation allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Corporation expects to be entitled in exchange for satisfying each performance obligation.

Step 5 Recognise revenue when (or as) the Corporation satisfies a performance obligation.

The Corporation satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- The Corporation's performance does not create an asset with an alternate use to the Corporation and the Corporation has as an enforceable right to payment for performance completed to date.
- The Corporation's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

2 Significant accounting policies (continued)

2.15 Revenue recognition (continued)

- The customer simultaneously receives and consumes the benefits provided by the Corporation's performance as the Corporation performs.

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

The stand-alone selling prices are determined based on the observable price at which the Corporation sells the products and services on a standalone basis. For items that are not sold separately the Corporation estimates standalone selling prices using other methods (i.e. adjusted market assessment approach, cost plus margin approach or residual approach).

When the Corporation satisfies a performance obligation by delivering the promised goods or services it creates a contract-based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives rise to a contract liability. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Corporation assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. Revenue is recognised to the extent it is probable that the economic benefits will flow to the Corporation and the revenue and costs, if applicable, can be measured reliably.

The Corporation recognises revenue from the following major sources:

- Hotel revenues
- Retail revenues
- Catering revenues
- Management fee

(a) Hotel revenues

Hotel revenue corresponds to all the revenues received from guests of the hotels. The services rendered (including room rentals, food and beverage sales and other ancillary services) are distinct performance obligations, for which prices invoiced to the guests are representative of their stand-alone selling prices. These obligations are fulfilled over time when they relate to room rentals, that is over the stay within the hotel, and at a point in time for other goods or services, when they have been delivered or rendered.

(b) Retail revenues

For sales of goods to retail customers, revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods at the retail outlet. Payment of the transaction price is due immediately at the point the customer purchases the goods.

2 Significant accounting policies (continued)

2.15 Revenue recognition (continued)

(c) Catering revenues

Revenue is recognised in the period in which food and support services are provided in accordance with the terms of the contractual relationships with third parties. Revenue represents the fair value of the consideration received or receivable for food and support services provided in the normal course of business, excluding, value added tax and similar sales taxes.

(d) Management fee

Management fee is related to the provision of management and asset management services to the managed hotels and is recognised when the services are performed.

2.16 Foreign currencies

For the purpose of these consolidated financial statements, the UAE Dirham (AED) is the functional and presentation currency of the Corporation.

Transactions in currencies other than AED (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

2.17 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3 Financial instruments

3.1 Capital management

The primary objective of the Corporation's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value. The Corporation manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Corporation may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years end 31 December 2022 and 2021.

3 Financial instruments (continued)

3.2 Classes of financial instruments

	2022 AED	2021 AED
Financial assets		
Financial assets at amortised cost:		
Cash and cash equivalent	187,117,427	100,165,710
Short term deposits	202,578,068	408,886,916
Trade and other receivables	133,330,298	179,373,338
Investments carried at fair value through profit or loss	30,559,901	15,631,218
	553,585,694	704,057,182
Financial liabilities		
Trade and other payables	209,488,022	239,964,447
Term loans	387,944,431	349,132,388
Lease liabilities	358,353	397,850
	597,790,806	589,494,685

3.3 Financial risk management objectives

The Corporation is exposed to the following risks related to financial instruments - credit risk, liquidity risk, and price risk. The Corporation has not framed formal risk management policies, however, the risks are monitored by management on a continual basis. The Corporation does not enter into or trade in financial instruments, investment in securities, including derivative financial instruments, for speculative or risk management purposes.

3.4 Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Corporation. Key areas where the Corporation is exposed to credit risk are trade and other receivables and bank and cash balances (liquid assets).

The Corporation has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Corporation attempts to control credit risk by monitoring credit exposures, limiting transactions with specific non-related counterparties, and continually assessing the creditworthiness of such non-related counterparties.

Concentration of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Corporation’s performance to developments affecting a particular industry or geographic location. Management believes that the concentration of credit risk is mitigated by high credit rating and financial stability of its trade customers.

3 Financial instruments (continued)

3.4 Credit risk (continued)

Balances with banks are assessed to have low credit risk of default since these banks are among the major banks operating in the UAE and are highly regulated by the central bank. The amount that best represents maximum credit risk exposure on financial assets at the end of the reporting period, in the event counter parties fail to perform their obligations generally approximates their carrying value.

3.5 Liquidity risk

Liquidity risk is the risk that the Corporation will be unable to meet its funding requirements. The table below summarises the maturity profile of the Corporation's non- derivative financial liabilities. The contractual maturities of the financial liabilities have been determined on the basis of the remaining period at the end of the reporting period to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

3 Financial instruments (continued)

3.5 Liquidity risk (continued)

The maturity profile of the non-derivative financial liabilities at the end of reporting period based on contractual repayment arrangements are as follows:

	On demand	Less than 6 months	6 to 12 months	1 to 5 years	More than 5 years	Total
	AED	AED	AED	AED	AED	AED
At 31 December 2022						
Term loans	-	13,966,560	16,148,560	196,417,012	164,083,402	390,615,534
Trade and other payables	-	174,346,204	35,141,818	-	-	209,488,022
Lease liabilities	-	61,868	-	247,472	49,013	358,353
Total	-	188,374,632	51,290,378	196,664,484	164,132,415	600,461,909
At 31 December 2021						
Term loans	-	13,966,560	16,148,560	215,627,476	106,951,261	352,693,857
Trade and other payables (as restated)	-	211,818,541	28,145,906	-	-	239,964,447
Lease liabilities	-	61,868	-	247,468	88,514	397,850
Total	-	225,846,969	44,294,466	215,874,944	107,039,775	593,056,154

The Corporation does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored by the Corporation's treasury function. All lease obligations are denominated in AED.

3 Financial instruments (continued)

3.6 Interest rate risk management

Interest rate risk arises from the possibility that changes in interest rates will affect the finance income or finance cost of the Corporation. The Corporation is exposed to interest rate risk on its term deposits and bank borrowings that carry both fixed and floating interest rates which are detailed in notes 10 and 13.

(a) Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to variable interest rates mainly arising from bank borrowings, assuming the amount of liability at the end of the reporting period was outstanding for the whole year.

At 31 December 2022, if interest rates on borrowings had been 10 basis points higher/lower with all other variables held constant, profit for the year would have been AED 0.39 million (2021: AED 0.35 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

The Corporation's borrowings are denominated in UAE Dirhams.

3.7 Fair value of financial instruments

The Corporation's management considers that the carrying amount of financial assets and financial liabilities approximates their fair value.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 – fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – fair value measurements are those derived from inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

4 Critical accounting judgements and key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

While applying the accounting policies as stated in Note 2, management of the Corporation has made certain judgments, estimates and assumptions that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period of the revision in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4.1 Revaluation of land

The Corporation measures its land at revalued amount. The revalued amount of land is determined by independent real estate valuation experts using market (sales comparison) valuation approach; a suitable method of valuation that is normally used to value lands and is an approach that would be adopted for use in the local market. The revalued amount is determined by comparing the land's characteristics with those of comparable properties which recently have been sold in similar transactions in the market. Adjustments are made to reflect the period of time that has passed between the transaction date and the date of valuation, or the price that is expected to be achieved following a negotiated sale. Data source of market evidence has been obtained from sources such as anecdotal information/evidence obtained from various sources and real estate brokers active in the locality, the expert's internal research/enquiries and personal knowledge of certain sales transactions that have taken place.

Revalued amounts are based on certain assumptions, which are subject to uncertainty, however, management does not expect such assumptions to materially differ from the actual results. The Corporation reported change in the revalued amount of nil as at 31 December 2022 (2021: decrease of AED 10.27 million).

4.2 Impairment of property and equipment

Hotel properties and hotel properties under constructions (collectively referred as "hotel properties") classified under property and equipment are assessed for impairment when there is an indication that those assets have suffered an impairment loss. An impairment review is carried out by determining the recoverable amount which takes into account the fair value of these hotel properties under consideration. The fair values of these hotel properties are determined by an independent real estate valuation expert using Income Capitalisation method.

4 Critical accounting judgements and key sources of estimation uncertainty (continued)

4.2 Impairment of property and equipment (continued)

Cash flows are determined with reference to recent market conditions, prices existing at the end of the reporting period, contractual agreements and estimations over the useful lives of the assets and discounted using a range of discount rates that reflects current market assessment of the time value of money and the risks specific to the asset. The net present values are compared to the carrying amounts to assess any probable impairment. Based on the assessment performed, the management concluded that there is no impairment of hotel properties as of 31 December 2022 and 2021.

4.3 Calculation of loss allowance

The Corporation assesses the impairment of its financial assets based on the expected credit loss ("ECL") model. Under the expected credit loss model, the Corporation accounts for expected credit losses and changes in those expected credit losses at the end of each reporting period to reflect changes in credit risk since initial recognition of the financial assets. The Corporation measures the loss allowance at an amount equal to lifetime ECL for its financial instruments.

When measuring ECL, the Corporation uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

At the reporting date, the Corporation has recognised total allowance for ECL amounted to AED 7,264,755 (31 December 2021: AED 8,166,199). The Corporation's trade receivables are mainly due from Government related entities. Any difference between the amounts actually collected in future periods and the amounts expected to be received will be recognised in the consolidated statement of profit or loss.

If the ECL rates on each past due time bucket had been 0.5% higher (lower) as of December 2022 and 2021, the loss allowance on trade receivables would have been changed as follows:

	2022 AED	2021 AED
Due for 1 to 30 days	120,825	137,652
Due for 31 to 60 days	104,743	103,574
Due for 61 to 90 days	5,744	31,846
Due for 91 to 120 days	4,015	4,138
Due for more than 120 days	32,961	7,031

4 Critical accounting judgements and key sources of estimation uncertainty (continued)

4.4 Useful lives of property and equipment

The useful lives and residual values of the property and equipment are based on management's judgement of the historical pattern of useful lives and the general standards in the industry. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technical obsolete or non-strategic assets that have been abandon or sold.

Effective 1 July 2022, the Corporation revised the useful lives of buildings, fixtures and fittings, mechanical, electrical and plumbing equipment and motor vehicles to reflect more accurate estimates of these assets' useful lives. The changes in estimates have been applied prospectively.

Had the above categories been depreciated on the basis of the original useful lives, the depreciation charge for the year ended 31 December 2022 would have been higher by AED 11.46 million.

4.5 Capitalisation of capital work in progress

In determining the timing to capitalise capital work in progress, management has considered the principles of IAS 16 *Property, Plant and Equipment*. On that basis, management considers the capability of the assets to operate in the manner intended by management, taking into consideration trends and level of production and salability of the products.

4.6 Impairment of investments in joint ventures

Management regularly reviews its investments in joint ventures for indicators of impairment. This determination of whether investments in joint ventures are impaired entail management's evaluation of the specific investee's profitability, liquidity, solvency and ability to generate operating cash flows from the date of acquisition and until the foreseeable future. The difference between the estimated recoverable amount and the carrying value of investment is recognised as an expense in the consolidated statement of profit or loss. Management is satisfied that no impairment provision is necessary on its investments in joint ventures.

5 Property and equipment

	Land at revalued amount	**Buildings at cost**	**Mechanical electrical and plumbing equipment at cost**	**Furniture, fixtures and operating equipment at cost**	**Motor vehicles at cost**	**Capital work in progress at cost**	**Total**
	AED	AED	AED	AED	AED	AED	AED
Cost							
At 1 January 2021	1,256,710,000	639,918,621	166,831,760	299,455,049	23,217,038	255,718,185	2,641,850,653
Additions	-	1,257,000	555,500	7,726,225	1,284,700	154,455,812	165,279,237
Revaluation	(10,273,589)	-	-	-	-	-	(10,273,589)
Disposals	(91,126,411)	-	-	(145,699)	-	(18,675,280)	(109,947,390)
Transfers	-	9,548,820	325,000	2,712,737	-	(12,586,557)	-
At 1 January 2022	1,155,310,000	650,724,441	167,712,260	309,748,312	24,501,738	378,912,160	2,686,908,911
Additions	-	-	350,489	10,232,476	710,302	98,267,332	109,560,599
Disposals	-	-	-	(1,682,559)	(3,523,554)	-	(5,206,113)
Transfers	-	3,147,893	400,000	967,698	-	(4,515,591)	-
At 31 December 2022	1,155,310,000	653,872,334	168,462,749	319,265,927	21,688,486	472,663,901	2,791,263,397

5 Property and equipment (continued)

	Land at revalued amount AED	Buildings at cost AED	Mechanical, electrical and plumbing equipment at cost AED	Furniture, fixtures and operating equipment at cost AED	Motor vehicles at cost AED	Capital work in progress at cost AED	Total AED
Accumulated depreciation							
At 1 January 2021	-	380,142,713	122,610,100	249,276,760	17,106,596	-	769,136,169
Charge for the year	-	13,760,193	6,991,958	16,444,068	1,922,785	-	39,119,004
Disposals	-	-	-	(145,699)	-	-	(145,699)
At 1 January 2022	-	393,902,906	129,602,058	265,575,129	19,029,381	-	808,109,474
Charge for the year	-	11,333,385	4,708,423	11,785,563	1,828,887	-	29,656,258
Disposals	-	-		(1,653,739)	(3,411,562)	-	(5,065,301)
At 31 December 2022	-	405,236,291	134,310,481	275,706,953	17,446,706	-	832,700,431
Carrying amount							
At 31 December 2022	1,155,310,000	248,636,043	34,152,268	43,558,974	4,241,780	472,663,901	1,958,562,966
At 31 December 2021	1,155,310,000	256,821,535	38,110,202	44,173,183	5,472,357	378,912,160	1,878,799,437

As at 31 December 2022, the Corporation has a right to use asset on leased out land with a net carrying value of AED 327,362 (2021: AED 373,196), and the amortisation charge for this right to use asset amounted to AED 45,834 (2021: AED 45,833). This has been classified under the building.

In 2021, management decided to dispose of a plot of land with a carrying value of AED 120.2 million and started actively marketing it for sale. Accordingly, the land was reclassified from property and equipment to an asset held for disposal as the proposed disposal met the requirements of IFRS 5 *Non-current assets held for sale and discontinued operations*. Based on the Board's best estimate at that date of the expected disposal proceeds, management reversed the previously recognised revaluation gain relating to the land of AED 10.3 million through other comprehensive income. In September 2021, the Corporation successfully concluded negotiations for the disposal of the land for a cash consideration of AED 127.5 million and recognised a gain on disposal of AED 17.3 million in the consolidated statement of profit or loss.

5 Property and equipment (continued)

The depreciation charge has been allocated in the consolidated statement of profit or loss as follows:

	2022 AED	2021 AED
Direct operating expenses (note 23)	28,028,813	36,724,857
General and administrative expenses (note 18)	1,627,445	2,394,147
	29,656,258	39,119,004

In 2022, the Corporation carried out a review of recoverable value of its hotel properties and hotel properties under constructions (collectively referred as "hotel properties"). The recoverable value of hotel properties is based on fair value less cost to sell and has been determined by reference to the income capitalisation method using exit yield of 8.00% to 8.75% (2021: 8.00% to 8.75%) and a discount rate of 8.50% (2021: 10.0% to 10.75%). No impairment was recognized on the hotel properties for the year ended 31 December 2022 (2021: Nil).

In estimating the recoverable amounts of the hotel properties, the highest and best use of the properties were considered. The inputs used in the valuation are not based on observable market data, and thus, the valuation techniques were considered to be Level 3 fair value measurement.

5.1 Revaluation of land

Included in property and equipment, land is stated at AED 1.16 billion as at 31 December 2022 (2021: AED 1.16 billion) of revaluation amount.

The revalued amounts of the Corporation's land are arrived at on the basis of a valuation that was carried out by an independent registered third party valuer ("the Valuer") in accordance with the RICS Appraisal and Valuation Standards issued by the Royal Institute of Chartered Surveyors ("RICS") using market (sales comparison) valuation approach.

In estimating the revalued amounts of the land, the highest and best use of the land have been considered.

The valuations were determined by using the market (sales comparison) valuation approach. The approach involves measuring the present value of the business resources based on the flow of prices of these resources on the free market and exchange between willing persons (seller and buyer) on such market. The valuation has been conducted as at 31 December 2021.

The inputs used in the valuation are not based on observable market data, and thus, the valuation techniques were considered to be Level 3 fair value measurement.

5 Property and equipment (continued)

5.1 Revaluation of land (continued)

Significant unobservable inputs used in determining the fair value of the land are as follows:

Net average sales price/sqft for land*	AED 9 – AED 900

*The sales price range pertains to various plots of land located in various locations within Abu Dhabi.

The Corporation conducted sensitivity analysis showing the impact of change in sales price per square foot for its land as of 31 December 2022. Accordingly, an increase in expected sales price per square foot by 5% would result in AED 57.8 million increase in the valuation, whilst a decrease of 5% would result in AED 57.8 million decrease in valuation of the revalued amount of Corporation's plots of land.

5.2 Capital work in progress

At 31 December 2022, the total capital work in progress amounted to AED 472.7 million (2021: AED 378.9 million), out of that AED 471.3 million (2021: AED 374.0 million) relates to a hotel project for which, the work on the project is currently in progress.

During the year, borrowing costs amounting to AED 14.4 million (2021: AED 8.6 million) have been capitalised at an average rate of 3.5% (2021: 3.0% - 3.5%) over 3-months EBOR.

Term loans are secured with mortgage over land and building with carrying value of AED 1.17 billion (2021: AED 1.18 billion) (note 13).

6 Investment in joint ventures

	2022 AED	2021 AED
National Transport Company LLC (a)	21,835,967	18,308,348
Velocity Property Development LLC (b)	242,725,871	233,008,097
	264,561,838	251,316,445

The Corporation holds 50% and 60.12% of the voting rights of its joint arrangements respectively. The Corporation has joint control over these arrangements as under the contractual agreements, unanimous consent is required from all parties to the agreements for all relevant activities. The Corporation's joint arrangements provide the Corporation and the parties to the arrangements with rights to the net assets.

6 Investment in joint ventures (continued)

(a) National Transport Company

Investment in joint ventures includes an investment to National Transport Company LLC of 50%. Movement in the investment in joint venture is as follows:

	2022 AED	2021 AED
At 1 January	18,308,348	17,483,479
Share of results for the year	3,527,619	1,824,869
Dividends received	-	(1,000,000)
At 31 December	21,835,967	18,308,348

Summarised financial information below represents amounts shown in the joint venture's consolidated financial statements prepared in accordance with IFRSs:

	2022 AED	2021 AED
Revenue	36,443,499	28,122,581
Cost of sales	(29,242,749)	(22,101,189)
Administrative expenses	(2,354,059)	(2,331,716)
Other income	2,464,744	82,362
Finance costs	(256,197)	(122,300)
Profit for the year	7,055,238	3,649,738
Corporation’s share of results for the year	3,527,619	1,824,869

Property and equipment	47,960,692	27,857,227
Accounts receivables and prepayments	23,027,471	10,352,317
Cash and bank balances	1,113,186	5,986,350
Accounts payable and accruals	(17,735,622)	(5,823,634)
Employees' end of service benefits	(1,753,155)	(1,550,801)
Term loans	(8,785,398)	-
Value added tax payable	(155,240)	(204,763)
Net assets	43,671,934	36,616,696
Corporation’s share of net assets at 50%	21,835,967	18,308,348

(b) Velocity Property Development LLC

In 2015, the Corporation and a third party company entered into a formal joint venture agreement to establish Velocity Property Development LLC (the “Joint Venture”) with initial share capital contribution of 60.12% and 39.88%, respectively. The Corporation contributed land and existing works to the Joint Venture.

The Joint Venture has been formed for the purpose of developing and managing the plot located at ADNEC area in Abu Dhabi, United Arab Emirates.

6 Investment in joint ventures (continued)

(b) Velocity Property Development LLC (continued)

In 2017, the control over the land and existing works as contributed by the Corporation with a fair value of AED 218.6 million as determined by an external valuer were transferred to the Joint Venture. In addition to the in-kind contribution for the land and works, the Corporation made additional cash contributions to Velocity Property Development LLC ("Velocity"), increasing the effective percentage shareholding of the Corporation. As per the terms of the shareholders' agreement of Velocity, the final percentage ownership of each shareholder is to be recalculated and adjusted upon the occurrence of the Project Completion Date. The Corporation, together with the other shareholder of Velocity, is in discussion to finalize the percentage ownership of each party over Velocity in accordance with the shareholders' agreement. As at 31 December 2022, the effective percentage ownership of the Corporation over Velocity is 63.86% (31 December 2021: 63.86%). As at 31 December 2022, the Corporation has contributed land and existing works with fair value of AED 218.6 million (31 December 2021: AED 218.6 million) and cash contribution of AED 33.5 million (31 December 2021: AED 17.7 million) to Velocity. The development has been substantially completed and the entity is expected to start the operation once the development is finalised. The contribution made during the year amounts to AED 15.7 million. The Corporation's share of expenses of joint venture for the current year amounts to AED 6 million (2021: nil).

7 Investments carried at fair value through profit or loss

	2022 AED	2021 AED
Investments in quoted shares	30,559,901	15,631,218
	30,559,901	15,631,218

Movements of the investments carried at fair value through profit or loss were as follows:

	2022 AED	2021 AED
At 1 January	15,631,218	-
Purchase of quoted shares	50,352,006	14,083,674
(Decrease) / increase in fair value	(4,976,812)	1,547,544
Disposal of quoted shares	(30,446,511)	-
At 31 December	30,559,901	15,631,218

In 2022, the Corporation purchased shares amounting to AED 50.4 million (2021: 14.1 million) in listed equity securities in active market transactions. The Corporation sold a portion of its investment in the listed equity securities and the net gain resulted from these transactions was accounted in the consolidated statement of profit or loss. Based on the business model of the Corporation, the management classified these securities as investments carried at fair value through profit or loss. The inputs used are based on observable market data, and thus, the valuation techniques were considered to be Level 1 fair value measurement.

8 Inventories

	2022 AED	2021 AED (Restated)
Food and beverages	22,298,438	17,452,594
Engineering and operating supplies	3,102,893	4,390,876
	25,401,331	21,843,470

Inventories recognised as an expense during 2022 amounted to AED 257.3 million (2021: AED 282.5 million). These were included in direct operating expenses.

9 Trade and other receivables

	2022 AED	2021 AED
Trade receivables	119,068,542	165,864,069
Less: allowance for impairment	(7,264,755)	(8,166,199)
	111,803,787	157,697,870
Prepayments and advances	28,344,139	25,003,658
Interest receivables	2,113,195	4,782,513
Value-added-tax receivable	2,069,478	3,117,868
Amounts due from a related party (note 17)	3,036,211	7,634
Other receivables	14,307,627	13,767,453
	161,674,437	204,376,996

Prepayments and advances include advance provided to contractor during the year amounting to AED 274.5 thousand (2021: AED 5.2 million) related to construction of Intercontinental Hotel - Grand Marina project (note 5) and nil (2021: AED 78.5 thousand) related to renovation activities of Dhafra Beach Hotel.

The average credit period on sale of goods or services rendered is 30 days. No interest is charged on outstanding trade receivables.

The Corporation measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Corporation writes off a trade and other receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. During the year, the Corporation has not written off trade or other receivables.

9 Trade and other receivables (continued)

The Corporation has adopted a policy of dealing only with creditworthy counterparties. Adequate credit assessment is made before accepting an order for services or sale of goods from any counterparty.

The following table shows the movement in lifetime ECL that has been recognised for trade and other receivables in accordance with the simplified approach set out in IFRS 9.

	2022 AED	2021 AED
At 1 January	8,166,199	12,961,017
Remeasurement of loss allowance, net	(901,444)	(4,794,818)
At 31 December	7,264,755	8,166,199

10 Cash and bank balances

Cash and cash equivalents are comprised of the following:

	2022 AED	2021 AED
Cash at bank and on hand	115,222,950	100,165,710
Short term deposits	274,472,545	408,886,916
	389,695,495	509,052,626
Less: short-term deposits with original maturity of more than three months	(202,578,068)	(408,886,916)
Cash and cash equivalents	187,117,427	100,165,710

Short-term deposits represent deposits held with financial institutions in the UAE and denominated in AED. As at 31 December 2022, these deposits carry an interest rate of 3.30% to 5.75% (31 December 2021: 2.00 % to 3.50%) per annum.

Short-term deposits are made for varying periods of between three months and one year (2021: between six months and one year), depending on the immediate cash requirements of the Corporation and earn interest at the respective short-term deposit rates. The fair values of short-term deposits are equal to carrying amount at year end.

11 Share capital

	2022 AED	2021 AED
Authorised capital		
817,296,480 ordinary shares of AED 1 each (31 December 2021: 785,862,000 ordinary shares of AED 1 each)	817,296,480	785,862,000

11 Share capital (continued)

	2022	2021
	AED	AED
Issued, subscribed and paid up capital		
Opening Balance	785,862,000	785,862,000
31,434,480 bonus shares issued for AED 1 each (31 December 2021 : nil)	31,434,480	-
Closing Balance	817,296,480	785,862,000

In 2022, the Corporation issued 31,434,480 (2021: nil) bonus shares to its existing shareholders on the basis of 4% of ordinary shares held (2021: nil). The bonus shares are ordinary and carry the same rights as other ordinary shares. The legal formalities of the issuance of the 2022 share capital were completed during May 2022.

12 Reserves

(a) Statutory reserve

In line with the provisions of the UAE Federal Decree Law No. 32 of 2021 and the Corporation's Articles of Association, the Corporation is required to transfer annually to a statutory reserve account an amount equivalent to 10% of its profit for the year until such reserve reaches 50% of the share capital of the Corporation. The statutory reserve is not available for distribution.

(b) General reserve

The general reserve has been established to enhance the capital base of the Corporation. Transfers to the general reserve are made upon recommendation of the Board of Directors of the Corporation.

(c) Properties revaluation reserve

Properties revaluation reserve represents the net unrealised gains or losses that are recognised on the revaluation of land.

13 Term loans

	2022 AED	2021 AED
Term loan 1	273,160,402	209,450,220
Term loan 2	95,639,415	117,682,168
Term loan 3	5,000,000	7,000,000
Term loan 4	12,000,000	15,000,000
Term loan 5	2,144,614	-
	387,944,431	349,132,388
Less: Amount due for settlement after 12 months from the end of reporting year (classified under non-current liabilities)	(357,829,311)	(319,017,268)
Amount due for settlement within 12 months from the end of reporting year (classified under current liabilities)	30,115,120	30,115,120

The term loans comprise the following:

Term loan 1

In 2013, the Corporation obtained a loan facility from a local bank amounting to AED 220.0 million. In 2021, the Corporation and the local bank agreed to increase the available facility amount to AED 320.0 million. The loan will be utilised for the construction of a new hotel, Intercontinental Hotel - Grand Marina. Total drawdown as at 31 December 2022 amounted to AED 273.2 million. The loan carries interest at the rate of 3.5% over 3-months EBOR, subject to a minimum interest rate of 5.0% per annum. Interest is paid on a quarterly basis. The loan is to be repaid over 9 years by 36 quarterly installments beginning from December 2023. Additional drawdown of AED 46.8 million is available for this loan as at 31 December 2022.

The loan facility is secured by the following:

(i) Mortgage over the land plots and buildings of Abu Dhabi InterContinental Hotel.
(ii) Assignment of revenues of Abu Dhabi InterContinental Hotel.
(iii) Assignment of revenues up to AED 20 million of Danat Resort – Jebel Dhanna.
(iv) Assignment of entire revenues of the new hotel.
(v) Assignment of insurance in relation to the above property.

13 Term loans (continued)

Term loan 2

During 2015, the Corporation obtained a loan facility from a local bank amounting to AED 600.0 million which are split into two facilities of: (i) Facility A for AED 131.6 million which is utilised to repay two existing loans from the same local bank and (ii) Facility B for AED 468.4 million which will be utilised to repay another existing loan from the same local bank and to meet future investment opportunities. Facility A was fully utilised as at 31 December 2015, while Facility B drawdown amounted to AED 68.4 million. Total drawdown for both facilities as at 31 December 2022 amounted to AED 200.0 million. Total outstanding loan balance for both facilities as at 31 December 2022 amounted to AED 98.3 million. Facility A carries interest at the rate of 3% over 3-months EBOR, subject to a minimum interest rate of 4.25% per annum. Facility B carries interest at the rate of 3.25% over 3-months EBOR, subject to a minimum interest rate of 4.5% per annum. The Facilities A and B are to be repaid in 10 years from the date of the Loan Facility Agreement through semi-annual installments and one final payment on the final repayment date. Interest is to be paid on quarterly basis.

The loan facility is secured by the following:

(i) Mortgage over the land plots and buildings of Abu Dhabi Intercontinental Hotel
(ii) Assignment of insurances of Abu Dhabi Intercontinental Hotel
(iii) Assignment of receivables from Abu Dhabi Intercontinental Hotel, Danat Al Ain Resort, Danat Resort – Jebel Dhanna and Al Dhafra Beach Hotel
(iv) Pledge over bank accounts of the Corporation and its divisions, Abu Dhabi Intercontinental Hotel, Danat Al Ain Resort, Danat Resort – Jebel Dhanna and Al Dhafra Beach Hotel.

In July 2017, the Corporation voluntarily cancelled part of the available facility amounting to AED 400.0 million of the Facility B.

As at 31 December 2022, the Corporation has an unamortised loan arrangement fee of AED 2.7 million (2021: AED 3.6 million) related to the new facility and is netted off from the outstanding loan balance.

In 2020, the Corporation obtained approval to defer the payment of four principal instalments due from May 2020 to January 2021 until for a period from May 2026 to November 2026. The principal instalment payments due after January 2021 remained unchanged.

Term loan 3

During 2019, the Corporation obtained a loan facility from a local bank amounting to AED 10.0 million. The loan was for the renovation activities of Al Dhafra Beach Hotel. As of 31 December 2022, the facility is fully drawdown. The outstanding balance as of reporting date is AED 5.0 million. The loan carries interest at the rate of 3% over 3-months EBOR, subject to a minimum interest rate of 4.25% per annum. Interest is paid on a quarterly basis. The loan is to be repaid over 5 years by semi-annual installments from September 2020.

13 Term loans (continued)

Term loan 3 (continued)

The loan facility is secured by the same security as Term Loan 1 and all other related assignments.

Term loan 4

During 2020, the Corporation obtained a loan facility from a local bank amounting to AED 15.0 million. The loan will be utilised for the renovation activities of Al Dhafra Beach Hotel. As of 31 December 2022, the facility is fully drawdown and the outstanding balance as of the reporting date amounted to AED 12.0 million. Repayment of the loan is due after 18 months from the date of initial utilisation. The loan carries interest at the rate of 3% over 3-months EBOR, subject to a minimum interest rate of 4.25% per annum. Interest is paid on a quarterly basis. The loan is to be repaid over 5 years by semi-annual installments from April 2022.

The loan facility is secured by the same security as Term Loan 1 and all other related assignments.

Term loan 5

During 2022, the Corporation obtained a loan facility from a local bank amounting to AED 6.0 million. The loan will be utilised for the renovation activities of the marina at Abu Dhabi Intercontinental Hotel. The total drawdown as of the reporting date amounted to AED 2.1 million. Repayment of the loan is due after 18 months from the date of initial utilisation. The loan carries interest at the rate of 3% over 3-months EBOR, subject to a minimum interest rate of 4.25% per annum. Interest is paid on a quarterly basis. The loan is to be repaid over 2 years by semi-annual installments. Additional drawdown of AED 3.9 million is available for this loan as at 31 December 2022.

The loan facility is secured by the same security as Term Loan 1 and all other related assignments.

As of 31 December 2022, the Corporation was in noncompliance of one of the covenants of Term loan 2 (2021: Term loan 2), which constituted an event of default as defined in the term facility agreements and the lenders may, by notice to the Corporation, declare that all or part of utilisations and accrued interests be immediately due and payable or payable on demand and enforce all or part of the security provided for the loans. As of the reporting date, the Corporation obtained approval from the lender for waiver of the default in the covenant applicable for 31 December 2022 (2021: the Corporation obtained approval from the lender for waiver of the default in the covenant as of 31 December 2021). Accordingly, there is no impact on classification of non-current term loans as at 31 December 2022 and 31 December 2021.

13 Term loans (continued)

Reconciliation of term loan movement to the cash flows arising from financing activities is as follows:

	2022 AED	2021 AED
At 1 January	349,132,388	313,286,609
Cash flows		
Loans drawdown	65,854,796	88,310,507
Loans repaid	(27,933,119)	(53,355,094)
Other non-cash items		
Amortisation of transaction costs	890,366	890,366
At 31 December	387,944,431	349,132,388

14 Provision for employees' end of service benefits

	2022 AED	2021 AED
At 1 January	49,878,861	46,421,402
Charge for the year	8,764,950	9,945,047
Payments during the year	(19,689,637)	(6,487,588)
At 31 December	38,954,174	49,878,861

15 Lease liabilities

The Corporation leases a land for warehouse purpose and several buildings for staff accommodations. The average remaining lease term is 1-8 years (2021: 1-9 years).

The movement in lease liability is as follows:

	2022 AED	2021 AED
1 January	397,850	434,939
Interest expense	22,371	24,779
Payments	(61,868)	(61,868)
At 31 December	358,353	397,850

15 Lease liabilities (continued)

The current and non-current classification of lease liability as of the reporting date is as follows:

	2022 AED	2021 AED
Current lease liabilities	61,868	61,868
Non-current lease liabilities	296,485	335,982
	358,353	397,850

One of premises lease in which the Corporation is the lessee contain variable lease payment terms that are linked to sales generated from the leased stores. During the year, the Corporation paid AED 542,367 (2021: AED 750,252) as the lease payments for the said premises. Overall, the variable payments are not material to the Corporation's entire lease payments and Corporation expects this to remain constant in future years. The variable payments depend on sales and consequently on the overall economic development over the next few years. Taking into account the development of sales expected over the next 5 years, variable rent expense are expected to continue to present a similar proportion of store sales in future years.

16 Trade and other payables

	2022 AED	2021 AED (Restated)
Trade payables	119,558,190	129,155,779
Other payables	12,051,546	38,735,727
Accrued liabilities	38,370,200	39,246,920
Retentions payable	35,141,818	28,145,906
Value added tax payable	3,023,628	3,787,160
Deferred income	2,299,424	1,415,251
Interest payable	157,262	340,590
Due to a related party (note 17)	1,185,378	552,365
	211,787,446	241,379,698

Trade payables are non-interest bearing and are normally settled on 60-day terms. Other payables are non-interest bearing and have an average term of six months.

Retention payable represents amounts retained by the Corporation from third party contractors of Intercontinental Hotel - Grand Marina project and Al Dhafra Beach Hotel.

17 Related parties

In the ordinary course of business, the Corporation enters into transactions at agreed terms and conditions which are carried out on commercially agreed terms, with other business enterprises or individuals that fall within the definition of a related party contained in International Accounting Standard 24. Related parties comprise shareholders, directors, key management staff and business entities in which they have the ability to control or exercise significant influence in financial and operating decisions.

17 Related parties (continued)

(a) Terms and conditions of transactions with related parties

The sales to and services from related parties are made at normal market prices. Outstanding balances at the year end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2022, the Corporation has not recorded any impairment of receivables relating to amounts owed by related parties (2021: Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which related party operates.

(b) Balances with related parties

Balances with these related parties generally arise from commercial transactions in the normal course of business on arm's length basis. Balances with related parties reflected in the consolidated statement of financial position at the reporting date comprised:

	Related party relationship	2022 AED	2021 AED
Due from a related party (note 9)			
National Transport Company LLC (NTC)	Joint Venture	3,036,211	7,634
Due to a related party (note 16)			
National Transport Company LLC (NTC)	Joint Venture	1,185,378	552,365

(c) Transactions with related parties

Significant transactions with related parties are as follows:

	2022 AED	2021 AED
Directors' remuneration paid (note 22)	10,633,380	10,329,983
Payments made on behalf of a shareholder	622,419	10,320,523
Rental income	24,476	14,396
Other expenses charged by NTC	2,675,690	2,069,638
Payments received from a shareholder	358,321	11,235,374
Management fee income from managed hotels (note 19)	3,538,466	5,449,396
Additional investment in Velocity Property Development LLC	15,758,349	5,730,000

17 Related parties (continued)

(a) Terms and conditions of transactions with related parties (continued)

	2022 AED	2021 AED
Key management personnel compensation		
Short term benefits	6,737,184	9,098,016
Post-employment benefits	506,449	495,961
	7,243,633	9,593,977

There were no loans provided to directors for the year ended 31 December 2022 and 2021.

18 General and administrative expenses

	2022 AED	2021 AED (Restated)
Payroll and employee related costs	15,477,004	18,946,336
Depreciation (note 5)	1,627,445	2,394,147
Other operating expenses	4,703,147	12,600,495
	21,807,596	33,940,978

The Corporation has made social contribution to the following beneficiaries:

	2022 AED	2021 AED
Sheikh Khalifa Specialty Hospital – RAK	23,210	-
Donation for Humanitarian Support	25,000	15,500
Specialist Center for Children with Disabilities	-	34,800
Donations for Ramadan/Eid Adha	-	37,800
	48,210	88,100

The social contributions do not exceed 2% of the average net profit of the Corporation during the two financial year ends preceding the year of contribution.

19 Investment and other income

	2022 AED	2021 AED
Management fee income from managed hotels (note 17)	3,538,466	5,449,396
Gain on disposal of property and equipment (note 5)	651,270	17,417,056
Dividend income	488,158	-
Gain on disposal of investments carried at fair value through profit or loss (note 7)	358,902	-
(Loss) / Gain from changes in fair value of investments carried at fair value through profit or loss (note 7)	(4,976,812)	1,547,544
Other income	699,875	1,495,865
	759,859	25,909,861

20 Basic and diluted earnings per share

	2022	2021 (Restated)
Profit for the year (AED)	63,975,609	101,490,920
Weighted average number of shares in issue	817,296,480	817,296,480
Basic and diluted earnings per share (AED)	0.08	0.12

As at 31 December 2022 and 2021, the Corporation has not issued any instrument which would have dilutive impact on earnings per share when converted or exercised and accordingly, diluted earnings per share is equal to basic earnings per share.

21 Dividends and bonus shares

During 2022, cash dividend of AED 0.13 per share amounted to AED 102.16 million were proposed, approved, and paid (2021: cash dividend of AED 0.13 per share amounted to AED 102.16 million were paid).

During 2022, 31.4 million (2021: nil) bonus shares were proposed by the Board of Directors, and issuance of these shares was approved in the Annual General Meeting held on 26 April 2022.

22 Board of Directors remuneration

For the year ended 31 December 2021, the remuneration of the Board of Directors amounting to AED 10.63 million was approved in the Annual General Meeting (AGM) held on 26 April 2022 (2021: remuneration of the Board of Directors for the year ended 31 December 2020 amounting to AED 10.33 million was approved in the AGM held on 26 April 2021).

23 Segment information

(a) Products and services from which reportable segments derive their revenues

Information reported to the Corporation's Chief Executive Officer (the Chief Operating Decision Maker (CODM)) for the purposes of resource allocation and assessment of segment performance is focused on nature of products or services provided. The primary segment reporting format is determined to be operating segments as the Corporation's risks and rates of return are affected predominantly by differences in the products and services provided. The operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic operating unit that offers different products and serves different markets.

(b) Operating segments

For management purposes, the Corporation is currently organised into four major operating segments. These segments are the basis on which the Corporation reports its primary segmental information. These are:

- Hotels – Providing room and food and beverages services to customers;
- Retail services – Providing beverage sales services to customers;
- Catering services – Providing catering services on a contract basis; and
- Holding – responsible for managing investments held by the Corporation, development and management of hotels and general coordination of the Corporation's activities.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocations and performance management. Segment performance is measured based on profit or loss. The Corporation has only one geographical segment – United Arab Emirates.

Information regarding these segments is presented below.

23 Segment information (continued)

31 December 2022	**Hotels** AED	**Retail services** AED	**Catering services** AED	**Holding** AED	**Eliminations** AED	**Total** AED
Revenue*						
Timing of revenue recognition						
At a point in time	73,080,236	60,887,984	497,220,817	-	(8,345,909)	622,843,128
Over time	87,754,760	-	-	-	-	87,754,760
	160,834,996	60,887,984	497,220,817	-	(8,345,909)	710,597,888
Direct operating expenses	(126,735,300)	(47,753,453)	(437,642,507)	-	15,715,655	(596,415,605)
Depreciation	(24,325,388)	(483,936)	(3,219,489)	-	-	(28,028,813)
Gross profit	9,774,308	12,650,595	56,358,821	-	7,369,746	86,153,470
General and administrative expenses	-	-	-	(21,807,596)	-	(21,807,596)
Share of results of joint ventures	-	-	-	(2,512,956)	-	(2,512,956)
Investment and other income**	-	-	651,270	7,478,335	(7,369,746)	759,859
Interest income	-	-	-	8,547,252	-	8,547,252
Finance costs	-	-	-	(7,164,420)	-	(7,164,420)
Profit / (loss) for the year	9,774,308	12,650,595	57,010,091	(15,459,385)	-	63,975,609
At 31 December 2022						
Total assets	1,488,973,433	28,041,132	204,322,391	1,159,683,848	(50,564,836)	2,830,455,968
Total liabilities	39,659,489	30,793,444	136,600,347	485,562,261	(53,571,137)	639,044,404

* The deferred income related to contracts with customers as of 31 December 2022 amounts to AED 2.3 million. (Note 16)
** Investment and other income include management fee income from Owned Hotels amounting to AED 2.7 million, which was eliminated in the consolidation process. Investment and other income from managed hotels amounted to AED 3.5 million.

All the income and expenses relating to operations of the Corporation is generated in UAE and denominated in UAE Dirham.

23 Segment information (continued)

31 December 2021	**Hotels** AED	**Retail services** AED	**Catering services** AED	**Holding** AED	**Eliminations** AED	**Total** AED
Revenue*						
Timing of revenue recognition						
At a point in time (as restated)	72,324,837	68,594,162	533,369,454	-	(7,220,876)	667,067,577
Over time	92,294,625	-	-	-	-	92,294,625
	164,619,462	68,594,162	533,369,454		(7,220,876)	759,362,202
Direct operating expenses (as restated)	(117,751,598)	(62,178,146)	(454,795,393)	-	15,812,108	(618,913,029)
Depreciation	(33,439,708)	(486,747)	(2,798,402)	-	-	(36,724,857)
Gross profit	13,428,156	5,929,269	75,775,659	-	8,591,232	103,724,316
General and administrative expenses (as restated)	-	(8,048,187)	-	(25,892,791)	-	(33,940,978)
Share of results of joint ventures	-	-	-	1,824,869	-	1,824,869
Investment and other income**	-	-	118,390	34,382,703	(8,591,232)	25,909,861
Interest income	-	-	-	11,555,966	-	11,555,966
Finance costs	-	-	-	(7,583,114)	-	(7,583,114)
Profit for the year (restated)	13,428,156	(2,118,918)	75,894,049	14,287,633	-	101,490,920
At 31 December 2021						
Total assets (restated)	1,507,382,548	27,123,764	222,158,938	1,178,239,740	(53,884,798)	2,881,020,192
Total liabilities (restated)	40,597,389	31,627,699	160,846,935	459,758,242	(52,041,468)	640,788,797

* The deferred income related to contracts with customers as of 31 December 2021 amounts to AED 1.4 million. (Note 16)
** Investment and other income include management fee income from Owned Hotels amounting to AED 3.9 million, which was eliminated in the consolidation process. Investment and other income from managed hotels amounted to AED 5.4 million.

All the income and expenses relating to operations of the Corporation is generated in UAE and denominated in UAE Dirham.

24 Contingencies and commitments

Bank guarantees

At 31 December 2022, the Corporation had outstanding contingent liabilities in respect of letters of guarantee of AED 66.2 million (2021: AED 61.3 million).

Capital commitments

At 31 December 2022, the Corporation had estimated commitments for the Grand Marina Hotel and renovation of the marina at Abu Dhabi Intercontinental Hotel of AED 9.8 million (2021: AED 71.3 million).

Operating leases

The Corporation as lessor

The Corporation has leased out certain units of their building premises and accounted for the rent income. These operating leases relate to certain lease agreements with terms that range between one to five years. The lessees do not have an option to purchase the property at the expiry of the lease period. Future lease payments to be received by the Corporation are as follows:

	2022 AED	2021 AED
Within one year	1,912,033	2,247,050
In the second year	1,028,294	1,296,614
In the third to fifth year	596,375	1,895,419
	3,536,702	5,439,083

The Corporation as lessee

The Corporation leases several buildings for staff accommodations and retail shop purpose. The average lease term in current year is 1 year (2021: 1 year).

There are no right of use assets nor lease liability recognised as of the reporting date, given the fact that all the current lease contracts of the Corporation are short-term leases whereas the Corporation does not have the option to renew the lease contract for future period without the consent of the lessor or the Corporation has clearly established that they are not intending to do so. Corporation recognises the lease payments as an operating expense on a straight-line basis over the term of the lease as specified in the accounting policies of the Corporation.

The Corporation disclosed commitments related to the future aggregate minimum lease payments under operating leases as follows:

	2022 AED	2021 AED
No later than 1 year	7,300,534	10,630,425

25 Prior period restatement

During the year ended 31 December 2022, the Corporation has identified discrepancies in its inventory balance. Following a detailed investigation it is noted that the carrying value of inventories was not adjusted for the actual quantities as per the stock count in the prior year. In addition, the Corporation conducted a review of the accounts of its Retail Division and have concluded that applicable fees payable to Government have not been properly accrued for relating to prior year in the consolidated financial statements of the Corporation.

Therefore, management decided to correct these errors in the consolidated financial statements for the year ended 31 December 2022 as prior period restatements.

In accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, the Corporation has restated the consolidated statement of financial position as of 31 December 2021. The impact of these misstatements has been adjusted in the "Retained Earnings" as at 31 December 2021.

A third balance sheet has not been presented as the errors was limited to affected financial statement line items for the prior period only as presented below.

	Balance before restatement AED	**Restatement** AED	**Balance after restatement** AED
<u>Consolidated statement of financial position</u>			
31 December 2021			
Inventories	29,891,657	(8,048,187)	21,843,470
Statutory reserve	192,512,453	(1,665,775)	190,846,678
Retained earnings	108,204,691	(14,991,974)	93,212,717
Trade and other payables	232,770,136	8,609,562	241,379,698
<u>Consolidated statement of profit or loss</u>			
31 December 2021			
Revenue	767,971,764	(8,609,562)	759,362,202
General and administrative expenses	(25,892,791)	(8,048,187)	(33,940,978)
Profit for the year	118,148,669	(16,657,749)	101,490,920
<u>Consolidated statement of cash flows</u>			
31 December 2021			
Profit for the year	118,148,669	(16,657,749)	101,490,920
Changes in working capital – inventories	(2,930,057)	8,048,187	5,118,130
Changes in working capital – trade and other payables	(5,539,335)	8,609,562	3,070,227
Basic and diluted earnings per share (AED)	0.15	(0.03)	0.12

26 Approval of consolidated financial statements

These consolidated financial statements were approved by the Board of Directors and authorised for issue on 15 March 2023.