

**National Corporation for Tourism and Hotels**

**Chairman's report and Consolidated financial statements  
for the year ended 31 December 2023**



**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.

For the year 2023, National Corporation for Tourism and Hotels ("NCTH" or the "Corporation") total revenue was Dhs. 669.20 Million compared to Dhs. 710.60 Million in the past year 2022, showing a decrease of AED 41.39 Million or 5.83%. The Hotel Division performed better this year compared last year increasing their revenue by AED 34.18 Million or 21.25%. Meanwhile, Catering Division revenue decreased by AED 64.24 Million or 12.92%, and Retail Division revenue decreased by AED 11.68 Million or 19.18%.

Net profit for the year 2023 was AED 68.08 Million, which is an improvement of AED 4.11 Million or 6.42% from AED 63.97 Million in 2022. Net Profit after depreciation from Hotel Division grew to AED 27.51 Million from AED 9.77 Million last year, or a 181.49% increase which can be attributed to general improvement in room rate and occupancy percentage, as well as improvement of performance from Jebel Dhanna, Dhafra Beach and Intercontinental Hotels and soft opening of the new "Intercontinental Residences Abu Dhabi".

Retail Division profits in 2023, were down by AED 5.89 million or 46.58% compared to last year. The Corporation remains optimistic that the division will improve and is focused on growing the number of retail outlets and expanding its hotels supply chain.

The profit of the Catering Division for the year 2023 has declined compared to 2022, profits declined by AED 1.98 Million or 3.49% compared to last year.

المؤسسة الوطنية للسياحة والفنادق  
National Corporation for Tourism and Hotels

ص.ب. ٦٩٤٢، أبو ظبي، إ.ع.م.  
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In terms of liquidity, the Corporation has shown a reduction in its cash balance and short-term deposits compared to last year from Dhs. 389.7 Million to Dhs. 358.49 Million this year. The decline can be mainly attributed to increased finance cost payments, project payments, and additional investment in Joint Venture. The Corporation is still maintaining a good level of cash and short-term deposits that contributed to Dhs. 12.58 Million in interest income in 2023, 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 residential apartments in ADNEC has ramped up its leasing activities during the year while the serviced apartments are undergoing pre-opening activities and expected to start accepting guests in the first half of 2024. We are confident of the strength of our country's economy and the newly completed projects will strengthen the Corporation's position in the Abu Dhabi hotel & residential & properties market in the medium and long terms and will provide additional revenues to the Corporation 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,

Tareq Abdulraheem Ahmed Rashed Al Hosani  
Chairman of the Board

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**National Corporation for Tourism and Hotels**

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

# **National Corporation for Tourism and Hotels**

## **Consolidated financial statements for the year ended 31 December 2023**

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# 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 (the "Company" or "NCT&H") and its hotels (together the "Corporation" or the "Group") as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

### What we have audited

The Corporation's consolidated financial statements comprise:

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

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the 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.

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

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   |
|--|--|
| <b>Impairment assessment of properties</b> <p>The Corporation has AED 1.9 billion (2022: AED 1.9 billion) of properties carried in the consolidated statement of financial position representing 69% of total assets.</p> <p>The Corporation performs a detailed impairment assessment of its significant properties whenever there is an indication that a property may be impaired.</p> <p>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.</p> <p>As of 31 December 2023, the Corporation has performed internal impairment assessment. Further, the Corporation engaged with external experts to provide a valuation on the properties as of year end.</p> <p>Impairment of properties is considered a key audit matter due to the fact that it is inherently subjective and requires significant estimates and judgments.</p> <p>Refer to note 4 which explains the critical judgments and estimates used in revaluing the plots of land and note 5 which explains the valuation methodology used by the Corporation.</p> | <p>Our audit procedures performed in relation to impairment assessment of properties:</p> <ul style="list-style-type: none"> <li>On a sample basis, we have tested and discussed with management the reasonableness of the underlying information used in the impairment assessment.</li> <li>We obtained the impairment and valuation working and reports of the underlying properties prepared by management.</li> <li>We involved our internal valuation specialists 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.</li> <li>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.</li> <li>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.</li> <li>We assessed the appropriateness and adequacy of the related disclosures in note 4 and note 5 to these consolidated financial statements.</li> </ul> |



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

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### 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.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards and their preparation in compliance with the applicable provisions of the UAE Federal 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.

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### 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.





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

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

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.

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

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

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



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

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### Report on other legal and regulatory requirements

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

- (i) we have obtained all the information we considered necessary for the purposes of our audit;
- (ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Decree Law No. 32 of 2021;
- (iii) the 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) as disclosed in notes 6 and 7 to the consolidated financial statements the Corporation has purchased and/or invested in equity shares during the financial year ended 31 December 2023;
- (vi) note 17 to the consolidated financial statements discloses material related party transactions, and the terms under which they were conducted; and
- (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 year ended 31 December 2023 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 2023.

PricewaterhouseCoopers Limited Partnership - Abu Dhabi

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Rami Sarhan  
Registered Auditor Number 1152  
Abu Dhabi, United Arab Emirates  
5 March 2024

# National Corporation for Tourism and Hotels

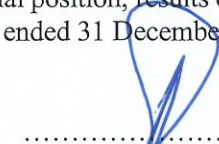
## Consolidated statement of financial position

|   |       | As at 31 December    |                      |
|---|-------|----------------------|----------------------|
|   | Notes | 2023<br>AED          | 2022<br>AED          |
| <b>ASSETS</b>   |       |                      |                      |
| <b>Non-current assets</b>                             |       |                      |                      |
| Property and equipment                                | 5     | 1,981,535,760        | 1,958,562,966        |
| Investment in joint ventures                          | 6     | 288,566,221          | 264,561,838          |
| <b>Total non-current assets</b>                       |       | <u>2,270,101,981</u> | <u>2,223,124,804</u> |
| <b>Current assets</b>                                 |       |                      |                      |
| Financial assets at fair value through profit or loss | 7     | 26,134,090           | 30,559,901           |
| Inventories   | 8     | 22,749,567           | 25,401,331           |
| Trade and other receivables                           | 9     | 170,395,594          | 161,674,437          |
| Short term deposits                                   | 10    | 239,076,349          | 202,578,068          |
| Cash and cash equivalents                             | 10    | 119,416,972          | 187,117,427          |
| <b>Total current assets</b>                           |       | <u>577,772,572</u>   | <u>607,331,164</u>   |
| <b>Total assets</b>                                   |       | <u>2,847,874,553</u> | <u>2,830,455,968</u> |
| <b>EQUITY AND LIABILITIES</b>                         |       |                      |                      |
| <b>EQUITY</b>   |       |                      |                      |
| Share capital   | 11    | 899,026,128          | 817,296,480          |
| Statutory reserve                                     | 12    | 204,052,397          | 197,244,239          |
| General reserve                                       | 12    | 6,493,970            | 15,000,000           |
| Properties revaluation reserve                        | 12    | 1,162,925,000        | 1,155,310,000        |
| (Accumulated losses)/retained earnings                |       | (19,653,182)         | 6,560,845            |
| <b>Net/total equity</b>                               |       | <u>2,252,844,313</u> | <u>2,191,411,564</u> |
| <b>LIABILITIES</b>                                    |       |                      |                      |
| <b>Non-current liabilities</b>                        |       |                      |                      |
| Term loans  | 13    | 350,749,437          | 357,829,311          |
| Provision for employees' end of service benefits      | 14    | 30,720,750           | 38,954,174           |
| Lease liabilities                                     | 15    | 254,424              | 296,485              |
| <b>Total non-current liabilities</b>                  |       | <u>381,724,611</u>   | <u>397,079,970</u>   |
| <b>Current liabilities</b>                            |       |                      |                      |
| Trade and other payables                              | 16    | 177,564,641          | 211,787,446          |
| Term loans  | 13    | 35,679,120           | 30,115,120           |
| Lease liabilities                                     | 15    | 61,868               | 61,868               |
| <b>Total current liabilities</b>                      |       | <u>213,305,629</u>   | <u>241,964,434</u>   |
| <b>Total liabilities</b>                              |       | <u>595,030,240</u>   | <u>639,044,404</u>   |
| <b>Total equity and liabilities</b>                   |       | <u>2,847,874,553</u> | <u>2,830,455,968</u> |

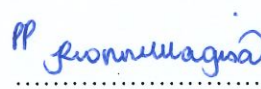
To the best of our knowledge, the consolidated financial statements fairly present, in all material respects, the consolidated financial position, results of operations and consolidated cash flows of the Group as of, and for the year ended 31 December 2023.



Chairman



Chief Executive Officer



Finance Director

# National Corporation for Tourism and Hotels

## Consolidated statement of profit or loss

|  | Notes | Year ended 31 December |                   |
|--|-------|------------------------|-------------------|
|  |       | 2023<br>AED            | 2022<br>AED       |
| Revenue  | 24    | 669,204,476            | 710,597,888       |
| Direct operating expenses  | 24    | (572,585,578)          | (625,345,862)     |
| <b>Gross profit</b>  |       | <b>96,618,898</b>      | <b>85,252,026</b> |
| General and administrative expenses  | 18    | (24,843,499)           | (21,807,596)      |
| Share of results of joint ventures accounted for using the equity method   | 6     | 4,774,913              | (2,512,956)       |
| Fair value losses on financial assets at fair value through profit or loss | 7     | (6,814,767)            | (4,617,910)       |
| Net reversal of impairment losses on financial assets                      | 9     | 79,352                 | 901,444           |
| Other income   | 19    | 5,657,968              | 5,377,769         |
| <b>Operating profit</b>  |       | <b>75,472,865</b>      | <b>62,592,777</b> |
| Interest income  | 10    | 12,583,078             | 8,547,252         |
| Finance costs  | 20    | (19,974,359)           | (7,164,420)       |
| Finance (costs)/ income - net  |       | (7,391,281)            | 1,382,832         |
| <b>Profit for the year</b>   |       | <b>68,081,584</b>      | <b>63,975,609</b> |
| <b>Basic and diluted earnings per share</b>                                | 21    | <b>0.08</b>            | <b>0.07</b>       |

# National Corporation for Tourism and Hotels

## Consolidated statement of comprehensive income

|  | Notes | Year ended 31 December |                   |
|--|-------|------------------------|-------------------|
|  |       | 2023                   | 2022              |
|  |       | AED                    | AED               |
| Profit for the year  |       | 68,081,584             | 63,975,609        |
| <b>Other comprehensive income:</b>                           |       |                        |                   |
| <i>Items that will not be reclassified to profit or loss</i> |       |                        |                   |
| Revaluation of land  |       | 7,615,000              | -                 |
| <b>Total comprehensive income for the year</b>               |       | <u>75,696,584</u>      | <u>63,975,609</u> |

## National Corporation for Tourism and Hotels

### Consolidated statement of changes in equity

|   | Share<br>capital<br>AED | Statutory<br>reserve<br>AED | General<br>reserve<br>AED | Properties<br>revaluation<br>reserve<br>AED | (Accumulated<br>losses)/<br>retained<br>earnings<br>AED | Net/total<br>equity<br>AED |
|---|-------------------------|-----------------------------|---------------------------|---|---|----------------------------|
| <b>At 1 January 2022</b>                  | 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 22)                  | -                       | -                           | -                         | -   | (102,162,060)   | (102,162,060)              |
| Bonus shares issued (note 22)             | 31,434,480              | -                           | -                         | -   | (31,434,480)  | -                          |
| Directors' remuneration paid (note 23)    | -                       | -                           | -                         | -   | (10,633,380)  | (10,633,380)               |
| Transfer to statutory reserve             | -                       | 6,397,561                   | -                         | -   | (6,397,561)   | -                          |
| <b>At 31 December 2022</b>                | <u>817,296,480</u>      | <u>197,244,239</u>          | <u>15,000,000</u>         | <u>1,155,310,000</u>                        | <u>6,560,845</u>  | <u>2,191,411,564</u>       |
| <b>At 1 January 2023</b>                  | 817,296,480             | 197,244,239                 | 15,000,000                | 1,155,310,000                               | 6,560,845   | 2,191,411,564              |
| Profit for the year                       | -                       | -                           | -                         | -   | 68,081,584  | 68,081,584                 |
| Other comprehensive income for the year   | -                       | -                           | -                         | 7,615,000                                   | -   | 7,615,000                  |
| Total comprehensive income for the year   | -                       | -                           | -                         | 7,615,000                                   | 68,081,584  | 75,696,584                 |
| Bonus shares issued (note 22)             | 81,729,648              | -                           | -                         | -   | (81,729,648)  | -                          |
| Directors' remuneration paid (note 23)    | -                       | -                           | -                         | -   | (5,757,805)   | (5,757,805)                |
| Release of reserve                        | -                       | -                           | (8,506,030)               | -   | 8,506,030   | -                          |
| Transfer of unclaimed dividends (note 16) | -                       | -                           | -                         | -   | (8,506,030)   | (8,506,030)                |
| Transfer to statutory reserve (note 16)   | -                       | 6,808,158                   | -                         | -   | (6,808,158)   | -                          |
| <b>At 31 December 2023</b>                | <u>899,026,128</u>      | <u>204,052,397</u>          | <u>6,493,970</u>          | <u>1,162,925,000</u>                        | <u>(19,653,182)</u>                                     | <u>2,252,844,313</u>       |

# National Corporation for Tourism and Hotels

## Consolidated statement of cash flows

|   | Notes | Year ended 31 December |               |
|---|-------|------------------------|---------------|
|   |       | 2023<br>AED            | 2022<br>AED   |
| <b>Cash flows from operating activities</b>   |       |                        |               |
| Profit for the year   |       | 68,081,584             | 63,975,609    |
| <b>Adjustments for:</b>   |       |                        |               |
| Depreciation of property and equipment  | 5     | 28,176,682             | 29,656,258    |
| Interest income   | 10    | (12,583,078)           | (8,547,252)   |
| Provision for employees' end of service benefits  | 14    | 8,986,601              | 8,764,950     |
| Finance costs   | 20    | 19,974,359             | 7,164,420     |
| Net reversal of impairment losses on financial assets   | 9     | (79,352)               | (901,444)     |
| Share of results of joint ventures  | 6     | (4,774,913)            | 2,512,956     |
| Loss on changes in fair value of financial assets at fair value through profit or loss                          | 7     | 6,814,767              | 4,617,910     |
| Gain on sale of property and equipment  | 19    | (844,848)              | (651,270)     |
| Dividend income   | 19    | (1,701,151)            | (488,158)     |
| <b>Operating cash flows before payment of employees' end of service benefits and changes in working capital</b> |       | 112,050,651            | 106,103,979   |
| Employees' end of service benefits paid   |       | (17,220,025)           | (19,689,637)  |
| <b>Changes in working capital:</b>  |       |                        |               |
| Inventories   |       | 2,651,764              | (3,557,861)   |
| Trade and other receivables   |       | (4,706,394)            | 40,018,476    |
| Trade and other payables  |       | (39,880,303)           | (34,096,393)  |
| <b>Net cash generated from operating activities</b>   |       | 52,895,693             | 88,778,564    |
| <b>Cash flows from investing activities</b>   |       |                        |               |
| Net (placement)/redemption of deposits with original maturity of more than three months                         |       | (36,498,281)           | 206,308,848   |
| Purchase of property and equipment  |       | (41,727,625)           | (103,956,921) |
| Proceeds from sale of property and equipment  |       | 1,191,380              | 792,082       |
| Purchase of financial assets at fair value through profit or loss   | 7     | (2,388,956)            | (50,352,006)  |
| Proceeds from sale of financial assets at fair value through profit or loss                                     |       | -                      | 30,805,413    |
| Interest received   |       | 8,647,667              | 11,216,570    |
| Payments for additional investment in joint venture   | 6     | (19,229,470)           | (15,758,349)  |
| Dividend received   |       | 1,701,151              | 488,158       |
| <b>Net cash (used in)/ generated from investing activities</b>  |       | (88,304,134)           | 79,543,795    |



# National Corporation for Tourism and Hotels

## Consolidated statement of cash flows (continued)

|   |       | Year ended 31 December    |                           |
|---|-------|---------------------------|---------------------------|
|   |       | 2023                      | 2022                      |
|   | Notes | AED                       | AED                       |
| <b>Cash flows from financing activities</b>                 |       |                           |                           |
| Proceeds from term loans                                    |       | 25,526,878                | 65,854,796                |
| Repayment of term loans                                     |       | (27,933,119)              | (27,933,119)              |
| Dividends paid  |       | -                         | (102,162,060)             |
| Directors' remuneration paid                                |       | (5,757,805)               | (10,633,380)              |
| Transfer of unclaimed dividends                             |       | (5,678,755)               | -                         |
| Finance costs paid  |       | (18,387,345)              | (6,435,011)               |
| Principal elements of lease payments                        | 15    | (42,061)                  | (39,497)                  |
| Interest paid on lease liabilities                          | 15    | (19,807)                  | (22,371)                  |
| <b>Net cash used in financing activities</b>                |       | <u>(32,292,014)</u>       | <u>(81,370,642)</u>       |
| <b>Net (decrease)/increase in cash and cash equivalents</b> |       | (67,700,455)              | 86,951,717                |
| Cash and cash equivalents at the beginning of the year      | 10    | <u>187,117,427</u>        | <u>100,165,710</u>        |
| <b>Cash and cash equivalents at the end of the year</b>     | 10    | <u><u>119,416,972</u></u> | <u><u>187,117,427</u></u> |
| <b>Non-cash transactions:</b>                               |       |                           |                           |
| Accrual for purchase of property and equipment              |       | <u>2,153,383</u>          | <u>5,603,678</u>          |
| Bonus shares issued   |       | <u>81,729,648</u>         | <u>31,434,480</u>         |

# National Corporation for Tourism and Hotels

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

### 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 five hotels within the UAE: (a) Abu Dhabi InterContinental Hotel and InterContinental Residences Abu Dhabi, both of 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 |        |
|--|---------------|----------------------|--------------------|--------------------|--------|
|  |               |                      |                    | 2023               | 2022   |
| Intercontinental Hotel Abu Dhabi – Sole Proprietorship LLC                       | Hotel         | UAE                  | Hospitality        | 100.00%            | -      |
| Danat Al Ain Resort – Sole Proprietorship LLC                                    | Hotel         | UAE                  | Hospitality        | 100.00%            | -      |
| Danat Jabal Al Dhanna Resort – Sole Proprietorship LLC                           | Hotel         | UAE                  | Hospitality        | 100.00%            | -      |
| Al Dhafra Beach Hotel – Sole Proprietorship LLC                                  | Hotel         | UAE                  | Hospitality        | 100.00%            | -      |
| Intercontinental Residences Abu Dhabi Hotel Apartments – Sole Proprietorship LLC | Hotel         | UAE                  | Hospitality        | 100.00%            | -      |
| 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 2023, the Corporation operates four hotel properties and rest houses through management agreements (31 December 2022: the Corporation operates four hotel properties and rest houses through management agreements along with one hotel property through asset management agreements), all owned by other parties. The Corporation has terminated the asset management agreement with the hotel owner during the year.

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

On 9 December 2022 UAE Federal Decree-Law no 47 of 2022 (the “Tax Law”) was published setting in place a general corporate income tax for the first time. The profit threshold of AED 375,000 at which the 9% tax will apply was set in place by Cabinet Decision No. 116 of 2022 which was published on 16 January 2023 and at this point the Tax Law was considered enacted and substantively enacted for accounting purposes.

# **National Corporation for Tourism and Hotels**

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

### **1 General information (continued)**

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

While current taxes are not payable on profits generated before the Group's financial year commencing on 1 January 2024, the existence of an enacted tax law results in the need to immediately record deferred taxes on assets and liabilities where the carrying amount differs from the tax base. As per the management's assessment, the impact of deferred taxes is not material on the current year consolidated financial statements.

### **2 Material accounting policies**

The material 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 Group.

#### **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 IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB") and applicable requirements of laws of the UAE Federal Law No. 32 of 2021.

# **National Corporation for Tourism and Hotels**

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

### **2 Material 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.

# National Corporation for Tourism and Hotels

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

### 2 Material accounting policies (continued)

#### 2.4 Application of new and revised IFRS Accounting Standards

The following new and revised IFRS accounting standards that are mandatorily effective for accounting periods that begins on or after 1 January 2023 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 Accounting Standards effective for accounting periods beginning on or after 1 January 2023*

- **IFRS 17, Insurance Contracts**

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

- **Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8**

The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

- **Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction**

These amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

- **Amendment to IAS 12 - International tax reform**

These amendments give companies temporary relief from accounting for deferred taxes arising from the Minimum Tax Implementation Handbook international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.

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

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

- **Amendment to IFRS 16 – Leases on sale and leaseback**

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

This standard is effective for annual periods beginning on or after 1 January 2024.

# National Corporation for Tourism and Hotels

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

### 2 Material accounting policies (continued)

#### 2.4 Application of new and revised IFRS Accounting Standards (continued)

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

- **Amendment to IAS 1 – Non-current liabilities with covenants**

These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.

This standard is effective for annual periods beginning on or after 1 January 2024.

- **Amendment to IAS 7 and IFRS 7 - Supplier finance**

These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.

This standard is effective for annual periods beginning on or after 1 January 2024 (with transitional reliefs in the first year).

- **Amendments to IAS 21 - Lack of Exchangeability**

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

This standard is effective for annual periods beginning on or after 1 January 2025 (early adoption is available).

#### 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.

# **National Corporation for Tourism and Hotels**

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

### **2 Material accounting policies** (continued)

#### **2.5 Business combinations** (continued)

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.



# National Corporation for Tourism and Hotels

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

### 2 Material 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.

# **National Corporation for Tourism and Hotels**

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

### **2 Material accounting policies** (continued)

#### **2.6 Investment in joint ventures** (continued)

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.

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.

# National Corporation for Tourism and Hotels

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

### 2 Material accounting policies (continued)

#### 2.7 Property and equipment (continued)

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.

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 - 50 |
| 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 year end, 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 a 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.

# National Corporation for Tourism and Hotels

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

### 2 Material 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.

# National Corporation for Tourism and Hotels

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

### 2 Material 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 a 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.

# National Corporation for Tourism and Hotels

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

### 2 Material accounting policies (continued)

#### 2.10 Leases (continued)

##### (b) The Corporation as lessee (continued)

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.

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 revised 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.

# **National Corporation for Tourism and Hotels**

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

### **2 Material accounting policies (continued)**

#### **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.

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 Cash and cash equivalents**

Cash and cash equivalents includes cash on hand and at banks, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### **2.13 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.

#### **2.14 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.



# **National Corporation for Tourism and Hotels**

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

### **2 Material accounting policies (continued)**

#### **2.15 Term loans**

Term loans are recognised initially at fair value, net of transaction costs incurred. Term loans are subsequently stated at amortised cost; any difference between the proceeds and the redemption value is recognised in the consolidated statement of profit or loss over the term of the term loans using the effective interest method. Term loans are classified as non-current liabilities when the Corporation has an unconditional right to defer settlement of the liabilities for more than twelve months after the reporting date.

#### **2.16 Borrowing costs**

Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalised (net of interest income on temporary investment of borrowings) as part of the cost of the asset until the asset is commissioned for use. Borrowing costs in respect of completed assets or not attributable to qualifying assets are expensed in the period in which they are incurred.

#### **2.17 Trade and other payables**

Trade and other payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

#### **2.18 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.

##### **2.18.1 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”).

# National Corporation for Tourism and Hotels

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

### 2 Material accounting policies (continued)

#### 2.18 Financial instruments (continued)

##### 2.18.1 Classification of financial assets and liabilities (continued)

###### (a) Initial recognition (continued)

###### *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.

# National Corporation for Tourism and Hotels

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

### 2 Material accounting policies (continued)

#### 2.18 Financial instruments (continued)

##### 2.18.1 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.

# National Corporation for Tourism and Hotels

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

### 2 Material accounting policies (continued)

#### 2.18 Financial instruments (continued)

##### 2.18.2 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.

##### 2.18.3 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.

# National Corporation for Tourism and Hotels

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

### 2 Material accounting policies (continued)

#### 2.18 Financial instruments (continued)

##### 2.18.4 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.

##### 2.18.5 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 derecognition that is created or retained by the Corporation is recognised as a separate asset or liability.

# National Corporation for Tourism and Hotels

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

### 2 Material accounting policies (continued)

#### 2.18 Financial instruments (continued)

##### 2.18.5 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.

##### 2.18.6 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.

# National Corporation for Tourism and Hotels

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

### 2 Material accounting policies (continued)

#### 2.18 Financial instruments (continued)

##### 2.18.6 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.

# National Corporation for Tourism and Hotels

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

### 2 Material accounting policies (continued)

#### 2.18 Financial instruments (continued)

##### 2.18.6 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.

#### 2.19 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.



# National Corporation for Tourism and Hotels

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

### 2 Material accounting policies (continued)

#### 2.19 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 at a point in time 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.

# National Corporation for Tourism and Hotels

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

### 2 Material accounting policies (continued)

#### 2.19 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.

#### 2.20 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.

#### 2.21 Value added tax ("VAT")

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

### 3 Financial instruments by category

#### 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 ended 31 December 2023 and 2022.

# National Corporation for Tourism and Hotels

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

### 3 Financial instruments by category (continued)

#### 3.1 Capital management (continued)

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total term loans and lease liabilities less cash and cash equivalents and advances to related parties. Total capital is calculated as 'net/total equity' as shown in the consolidated statement of financial position plus net debt.

The gearing ratios at the year-end were as follows:

|   | 2023<br>AED   | 2022<br>AED   |
|---|---------------|---------------|
| Term loans (note 13)                        | 386,428,557   | 387,944,431   |
| Lease liabilities (note 15)                 | 316,292       | 358,353       |
| Less: cash and cash equivalents (note 10)   | (119,416,972) | (187,117,427) |
| Less: advances to related parties (note 17) | (5,000,000)   | -             |
| Net debt                                    | 262,327,877   | 201,185,357   |
| Net/total equity                            | 2,252,844,313 | 2,191,411,564 |
| Capital                                     | 2,515,172,190 | 2,392,596,921 |
| Gearing ratio                               | 10%           | 8%            |

#### 3.2 Classes of financial instruments

|  | 2023<br>AED | 2022<br>AED |
|--|-------------|-------------|
| <b>Financial assets</b>  |             |             |
| Financial assets at amortised cost:                              |             |             |
| Cash and cash equivalent   | 119,416,972 | 187,117,427 |
| Short term deposits  | 239,076,349 | 202,578,068 |
| Trade and other receivables (excluding prepayments and advances) | 135,521,597 | 133,330,298 |
| Financial assets at fair value through profit or loss            | 26,134,090  | 30,559,901  |
|  | 520,149,008 | 553,585,694 |
| <b>Financial liabilities at amortised cost</b>                   |             |             |
| Trade and other payables (excluding deferred income)             | 175,826,152 | 209,488,022 |
| Term loans   | 386,428,557 | 387,944,431 |
| Lease liabilities  | 316,292     | 358,353     |
|  | 562,571,001 | 597,790,806 |

#### 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.

# **National Corporation for Tourism and Hotels**

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

### **3 Financial instruments by category (continued)**

#### **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.

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.

The table below analyses the Group's financial liabilities into relevant maturity based on the remaining period at the consolidated statement of financial position to the contractual maturity date. The amounts disclosed in the table equal their carrying balances as the impact of discounting is not significant.

## National Corporation for Tourism and Hotels

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

#### 3 Financial instruments by category (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<br>AED | Less than<br>6 months<br>AED | 6 to 12<br>months<br>AED | 1 to 5<br>years<br>AED | More than<br>5 years<br>AED | Total<br>contractual<br>cash flows<br>AED | Total carrying<br>amount<br>AED |
|---|------------------|------------------------------|--------------------------|------------------------|-----------------------------|---|---------------------------------|
| <b>At 31 December 2023</b>                              |                  |                              |                          |                        |                             |   |                                 |
| Term loans  | -                | 16,748,560                   | 18,930,560               | 185,684,278            | 166,845,894                 | 388,209,292                               | 386,428,557                     |
| Trade and other payables<br>(excluding deferred income) | -                | 175,826,152                  | -                        | -                      | -                           | 175,826,152                               | 175,826,152                     |
| Lease liabilities                                       | -                | 61,868                       | -                        | 247,472                | 6,952                       | 316,292                                   | 316,292                         |
| <b>Total</b>  | -                | 192,636,580                  | 18,930,560               | 185,931,750            | 166,852,846                 | 564,351,736                               | 562,571,001                     |
| <b>At 31 December 2022</b>                              |                  |                              |                          |                        |                             |   |                                 |
| Term loans  | -                | 13,966,560                   | 16,148,560               | 196,417,012            | 164,083,402                 | 390,615,534                               | 387,944,431                     |
| Trade and other payables<br>(excluding deferred income) | -                | 174,346,204                  | 35,141,818               | -                      | -                           | 209,488,022                               | 209,488,022                     |
| Lease liabilities                                       | -                | 61,868                       | -                        | 247,472                | 49,013                      | 358,353                                   | 358,353                         |
| <b>Total</b>  | -                | 188,374,632                  | 51,290,378               | 196,664,484            | 164,132,415                 | 600,461,909                               | 597,790,806                     |

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.

# National Corporation for Tourism and Hotels

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

### 3 Financial instruments by category (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 2023, 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 (2022: AED 0.39 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).

# **National Corporation for Tourism and Hotels**

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

### **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 the 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 increase of AED 7,615,000 as at 31 December 2023 (2022: decrease of nil).

#### **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.

# National Corporation for Tourism and Hotels

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

### 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 2023 and 2022.

#### 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 amounting to AED 7,185,403 (31 December 2022: AED 7,264,755). 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 2023 and 2022, the loss allowance on trade receivables would have been changed as follows:

|                            | 2023<br>AED    | 2022<br>AED    |
|----------------------------|----------------|----------------|
| Due for 1 to 30 days       | 76,551         | 120,825        |
| Due for 31 to 60 days      | 31,888         | 104,743        |
| Due for 61 to 90 days      | 22,294         | 5,744          |
| Due for 91 to 120 days     | 13,863         | 4,015          |
| Due for more than 120 days | 34,712         | 32,961         |
|                            | <u>179,308</u> | <u>268,288</u> |



# **National Corporation for Tourism and Hotels**

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

### **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 abandoned or sold.

#### **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 impaired entail management's evaluation of the specific investee's profitability, liquidity, solvency and ability are 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.

## National Corporation for Tourism and Hotels

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

#### 5 Property and equipment

|                     | Land at<br>revalued<br>amount<br>AED | Buildings at<br>cost<br>AED | Mechanical,<br>electrical and<br>plumbing<br>equipment at<br>cost<br>AED | Furniture,<br>fixtures and<br>operating<br>equipment at<br>cost<br>AED | Motor<br>vehicles<br>at cost<br>AED | Capital work<br>in progress at<br>cost<br>AED | Total<br>AED         |
|---------------------|--------------------------------------|-----------------------------|--|--|-------------------------------------|---|----------------------|
| <b>Cost</b>         |                                      |                             |  |  |                                     |   |                      |
| 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 | <u>1,155,310,000</u>                 | <u>653,872,334</u>          | <u>168,462,749</u>   | <u>319,265,927</u>   | <u>21,688,486</u>                   | <u>472,663,901</u>                            | <u>2,791,263,397</u> |
| At 1 January 2023   | 1,155,310,000                        | 653,872,334                 | 168,462,749  | 319,265,927  | 21,688,486                          | 472,663,901                                   | 2,791,263,397        |
| Additions           | -                                    | -                           | 870,500  | 14,493,187   | 1,108,412                           | 27,408,909                                    | 43,881,008           |
| Revaluation of land | 7,615,000                            | -                           | -  | -  | -                                   | -   | 7,615,000            |
| Disposals           | -                                    | -                           | -  | (3,608,335)  | (2,730,050)                         | -   | (6,338,385)          |
| Transfers           | -                                    | 381,293,126                 | 66,604,262   | 51,162,052   | -                                   | (499,059,440)                                 | -                    |
| At 31 December 2023 | <u>1,162,925,000</u>                 | <u>1,035,165,460</u>        | <u>235,937,511</u>   | <u>381,312,831</u>   | <u>20,066,848</u>                   | <u>1,013,370</u>                              | <u>2,836,421,020</u> |

## National Corporation for Tourism and Hotels

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

#### 5 Property and equipment (continued)

|                                 | Land at<br>revalued<br>amount<br>AED | Buildings at<br>cost<br>AED | Mechanical,<br>electrical<br>and<br>plumbing<br>equipment at<br>cost<br>AED | Furniture,<br>fixtures and<br>operating<br>equipment at<br>cost<br>AED | Motor<br>vehicles at<br>cost<br>AED | Capital<br>work in<br>progress at<br>cost<br>AED | Total<br>AED         |
|---------------------------------|--------------------------------------|-----------------------------|---|--|-------------------------------------|--|----------------------|
| <b>Accumulated depreciation</b> |                                      |                             |   |  |                                     |  |                      |
| 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          |
| At 1 January 2023               | -                                    | 405,236,291                 | 134,310,481   | 275,706,953  | 17,446,706                          | -  | 832,700,431          |
| Charge for the year             | -                                    | 12,411,274                  | 4,585,121   | 9,481,167  | 1,699,120                           | -  | 28,176,682           |
| Disposals                       | -                                    | -                           | -   | (3,373,169)  | (2,618,684)                         | -  | (5,991,853)          |
| At 31 December 2023             | -                                    | 417,647,565                 | 138,895,602   | 281,814,951  | 16,527,142                          | -  | 854,885,260          |
| <b>Carrying amount</b>          |                                      |                             |   |  |                                     |  |                      |
| At 31 December 2023             | <u>1,162,925,000</u>                 | <u>617,517,895</u>          | <u>97,041,909</u>   | <u>99,497,880</u>  | <u>3,539,706</u>                    | <u>1,013,370</u>                                 | <u>1,981,535,760</u> |
| At 31 December 2022             | <u>1,155,310,000</u>                 | <u>248,636,043</u>          | <u>34,152,268</u>   | <u>43,558,974</u>  | <u>4,241,780</u>                    | <u>472,663,901</u>                               | <u>1,958,562,966</u> |

As at 31 December 2023, the Corporation has a right to use asset on leased out land with a net carrying value of AED 281,529 (2022: AED 327,362), and the amortisation charge for this right to use asset amounted to AED 45,833 (2022: AED 45,834). This has been classified under buildings.

Gain on sale of property and equipment during the year amounted to AED 844,848 (2022: AED 651,270) (note 19).

# National Corporation for Tourism and Hotels

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

### 5 Property and equipment (continued)

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

|   | 2023<br>AED       | 2022<br>AED       |
|---|-------------------|-------------------|
| Direct operating expenses (note 24)           | 27,369,896        | 28,028,813        |
| General and administrative expenses (note 18) | 806,786           | 1,627,445         |
|   | <u>28,176,682</u> | <u>29,656,258</u> |

In 2023, the Corporation carried out a review of recoverable value of its 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 6% to 9% (2022: 8% to 8.75%) and a discount rate of 9% to 12% (2022: 8.50%). No impairment was recognised on the hotel properties for the year ended 31 December 2023 (2022: no impairment was recognised).

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 is land stated at AED 1.16 billion as at 31 December 2023 (2022: 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 2023.

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.

# National Corporation for Tourism and Hotels

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

### 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 12.75 – AED 972.00

\*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 2023. Accordingly, an increase in expected sales price per square foot by 5% would result in AED 58.1 million increase in the valuation, whilst a decrease of 5% would result in AED 58.1 million decrease in valuation of the revalued amount of the Corporation's plots of land.

#### 5.2 Capital work in progress

At 31 December 2023, the total capital work in progress amounted to AED 1.0 million (2022: AED 472.7 million). During the year, the new hotel property InterContinental Residences Abu Dhabi which was previously under construction, was handed over to the Corporation and started its commercial operations, accordingly, the costs of the new hotel property was transferred out of the capital work in progress account.

During the year, borrowing costs amounting to AED 13.4 million (2022: AED 14.4 million) have been capitalised at an average rate of 2.5% - 3.5%% (2022: 3.5%) over 3-months EBOR.

Term loans are secured with mortgage over land and building with carrying value of AED 1.55 billion (2022: AED 1.17 billion) (Note 13).

### 6 Investment in joint ventures

|                                       | 2023<br>AED        | 2022<br>AED        |
|---------------------------------------|--------------------|--------------------|
| National Transport Company LLC (a)    | 25,929,896         | 21,835,967         |
| Velocity Property Development LLC (b) | 262,636,325        | 242,725,871        |
|                                       | <u>288,566,221</u> | <u>264,561,838</u> |

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.

# National Corporation for Tourism and Hotels

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

### 6 Investment in joint ventures (continued)

#### (a) National Transport Company

Investment in joint ventures includes an investment to National Transport Company LLC (“NTC”) of 50%. Movement in the investment in NTC is as follows:

|                               | 2023<br>AED       | 2022<br>AED       |
|-------------------------------|-------------------|-------------------|
| At 1 January                  | 21,835,967        | 18,308,348        |
| Share of results for the year | 4,093,929         | 3,527,619         |
| At 31 December                | <u>25,929,896</u> | <u>21,835,967</u> |

Summarised financial information below represents amounts shown in NTC's consolidated financial statements prepared in accordance with IFRS accounting standards:

|   | 2023<br>AED      | 2022<br>AED      |
|---|------------------|------------------|
| Revenue                                     | 40,829,778       | 36,443,499       |
| Cost of sales                               | (31,740,507)     | (29,242,749)     |
| Administrative expenses                     | (3,160,382)      | (2,354,059)      |
| Other income                                | 3,144,430        | 2,464,744        |
| Finance costs                               | (885,461)        | (256,197)        |
| Profit for the year                         | <u>8,187,858</u> | <u>7,055,238</u> |
| Corporation's share of results for the year | <u>4,093,929</u> | <u>3,527,619</u> |

|  |                   |                   |
|--|-------------------|-------------------|
| Property and equipment                   | 62,282,611        | 47,960,692        |
| Trade receivables and prepayments        | 20,715,589        | 23,027,471        |
| Cash and cash equivalents                | 2,459,063         | 1,113,186         |
| Trade payables and accruals              | (23,339,317)      | (17,735,622)      |
| Employees' end of service benefits       | (2,047,117)       | (1,753,155)       |
| Term loans                               | (8,046,221)       | (8,785,398)       |
| Value added tax payable                  | (164,816)         | (155,240)         |
| Net assets                               | <u>51,859,792</u> | <u>43,671,934</u> |
| Corporation's share of net assets at 50% | <u>25,929,896</u> | <u>21,835,967</u> |

#### (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” or “Velocity”) 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.

# National Corporation for Tourism and Hotels

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

### 6 Investment in joint ventures (continued)

#### (b) Velocity Property Development LLC (continued)

Movement in the investment in Joint Venture is as follows:

|                               | 2023<br>AED        | 2022<br>AED        |
|-------------------------------|--------------------|--------------------|
| At 1 January                  | 242,725,871        | 233,008,097        |
| Additional investment         | 19,229,470         | 15,758,349         |
| Share of results for the year | 680,984            | (6,040,575)        |
| At 31 December                | <u>262,636,325</u> | <u>242,725,871</u> |

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, are in discussion to finalise the percentage ownership of each party over Velocity in accordance with the shareholders’ agreement. As at 31 December 2023, the effective percentage ownership of the Corporation over Velocity is 63.86% (31 December 2022: 63.86%). As at 31 December 2023, the Corporation has contributed land and existing works with fair value of AED 218.6 million (31 December 2022: AED 218.6 million) and cash contribution of AED 52.7 million (31 December 2022: AED 33.5 million) to Velocity. The development has been substantially completed and the entity is expected to start the full operation once the development is finalised. The contributions made during the year amounted to AED 19.2 million. The Corporation’s share of profits of the Joint Venture for the current year amounted to AED 0.7 million (2022: share of losses of AED 6.0 million).

In accordance with the above, for the year 2023, the Corporation recorded its share of results in the net profits of the two joint ventures amounting to AED 4,774,913 (2022: net losses amounting to AED 2,512,956).

### 7 Financial assets at fair value through profit or loss

|                              | 2023<br>AED       | 2022<br>AED       |
|------------------------------|-------------------|-------------------|
| Investments in quoted shares | <u>26,134,090</u> | <u>30,559,901</u> |

# National Corporation for Tourism and Hotels

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

### 7 Financial assets at fair value through profit or loss (continued)

Movements in the financial assets at fair value through profit or loss were as follows:

|                           | 2023<br>AED       | 2022<br>AED       |
|---------------------------|-------------------|-------------------|
| At 1 January              | 30,559,901        | 15,631,218        |
| Purchase of quoted shares | 2,388,956         | 50,352,006        |
| Decrease in fair value    | (6,814,767)       | (4,617,910)       |
| Disposal of quoted shares | -                 | (30,805,413)      |
| At 31 December            | <u>26,134,090</u> | <u>30,559,901</u> |

In 2023, the Corporation purchased shares amounting to AED 2.4 million (2022: 50.4 million) in listed equity securities in active market transactions. In 2022, 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 financial assets 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

|                                    | 2023<br>AED       | 2022<br>AED       |
|------------------------------------|-------------------|-------------------|
| Food and beverages                 | 16,212,030        | 22,298,438        |
| Engineering and operating supplies | <u>6,537,537</u>  | <u>3,102,893</u>  |
|                                    | <u>22,749,567</u> | <u>25,401,331</u> |

Inventories recognised as an expense during 2023 amounted to AED 225.2 million (2022: AED 257.3 million). These were included in direct operating expenses.

### 9 Trade and other receivables

|  | 2023<br>AED        | 2022<br>AED        |
|--|--------------------|--------------------|
| Trade receivables                          | 115,601,358        | 117,734,181        |
| Less: allowance for impairment             | <u>(7,185,403)</u> | <u>(7,264,755)</u> |
|  | 108,415,955        | 110,469,426        |
| Prepayments and advances                   | 34,873,997         | 28,344,139         |
| Interest receivables                       | 6,048,606          | 2,113,195          |
| Amounts due from related parties (note 17) | 9,118,642          | 5,114,330          |
| Other receivables                          | <u>11,938,394</u>  | <u>15,633,347</u>  |
|  | <u>170,395,594</u> | <u>161,674,437</u> |



# National Corporation for Tourism and Hotels

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

### 9 Trade and other receivables (continued)

Prepayments and advances include advance provided to contractor during the year amounting to nil (2022: AED 274.5 thousand) related to construction of Intercontinental Residences Abu Dhabi project (note 5) and AED 422.5 thousand (2022: AED 2.0 million) related to other hotel renovation projects.

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 trade and other receivables 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.

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 receivables in accordance with the simplified approach set out in IFRS 9.

|                       | 2023<br>AED      | 2022<br>AED      |
|-----------------------|------------------|------------------|
| At 1 January          | 7,264,755        | 8,166,199        |
| Reversal for the year | (79,352)         | (901,444)        |
| At 31 December        | <u>7,185,403</u> | <u>7,264,755</u> |

# National Corporation for Tourism and Hotels

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

### 9 Trade and other receivables (continued)

As of 31 December 2023, the analysis of trade receivables including those that were past due and not impaired is as follows:

|                            | Current           | 31-60 Days       | 61-90 Days       | 91-120 Days      | More than 120 Days | Total              |
|----------------------------|-------------------|------------------|------------------|------------------|--------------------|--------------------|
| <b>At 31 December 2023</b> |                   |                  |                  |                  |                    |                    |
| Gross receivable           | 84,727,633        | 6,447,790        | 4,467,339        | 2,952,121        | 17,006,475         | 115,601,358        |
| Specific provision         | -                 | -                | -                | -                | (5,839,473)        | (5,839,473)        |
| ECL rate                   | 0.4%              | 0.8%             | 1.2%             | 1.2%             | 7.7%               | 1.2%               |
| General provision          | (351,790)         | (50,576)         | (52,000)         | (35,178)         | (856,386)          | (1,345,930)        |
| Net receivable             | <u>84,375,843</u> | <u>6,397,214</u> | <u>4,415,339</u> | <u>2,916,943</u> | <u>10,310,616</u>  | <u>108,415,955</u> |

|                            | Current           | 31-60 Days        | 61-90 Days       | 91-120 Days    | More than 120 Days | Total              |
|----------------------------|-------------------|-------------------|------------------|----------------|--------------------|--------------------|
| <b>At 31 December 2022</b> |                   |                   |                  |                |                    |                    |
| Gross receivable           | 76,879,070        | 21,045,739        | 1,218,489        | 847,334        | 17,743,549         | 117,734,181        |
| Specific provision         | -                 | -                 | -                | -              | (5,918,825)        | (5,918,825)        |
| ECL rate                   | 1.0%              | 0.5%              | 2.1%             | 1.9%           | 3.9%               | 1.2%               |
| General provision          | (740,199)         | (101,934)         | (25,610)         | (15,734)       | (462,453)          | (1,345,930)        |
| Net receivable             | <u>76,138,871</u> | <u>20,943,805</u> | <u>1,192,879</u> | <u>831,600</u> | <u>11,362,271</u>  | <u>110,469,426</u> |

### 10 Cash and bank balances

Cash and cash equivalents are comprised of the following:

|  | 2023<br>AED          | 2022<br>AED          |
|--|----------------------|----------------------|
| Cash at bank and on hand   | 104,416,972          | 115,222,950          |
| Short term deposits  | <u>254,076,349</u>   | <u>274,472,545</u>   |
|  | 358,493,321          | 389,695,495          |
| Less: short-term deposits with original maturity of more than three months | <u>(239,076,349)</u> | <u>(202,578,068)</u> |
| Cash and cash equivalents  | <u>119,416,972</u>   | <u>187,117,427</u>   |

Short-term deposits represent deposits held with financial institutions in the UAE and denominated in AED. As at 31 December 2023, these deposits carry an interest rate of 5.35% to 5.90% (31 December 2022: 3.30% to 5.75%) per annum.

# National Corporation for Tourism and Hotels

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

### 10 Cash and bank balances (continued)

Short-term deposits are made for varying periods of between two months and one year (2022: between three 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 the carrying amount at year end. In 2023, interest income earned on short term deposits amounted to AED 12,583,078 (2022: AED 8,547,252)

### 11 Share capital

|  | 2023<br>AED | 2022<br>AED |
|--|-------------|-------------|
| <b><i>Authorised capital</i></b>   |             |             |
| 899,026,128 ordinary shares of AED 1 each (31 December 2022: 817,296,480 ordinary shares of AED 1 each)            | 899,026,128 | 817,296,480 |
|  | 2023<br>AED | 2022<br>AED |
| <b><i>Issued, subscribed and paid up capital</i></b>   |             |             |
| Opening Balance  | 817,296,480 | 785,862,000 |
| 81,729,648 bonus shares issued for AED 1 each<br>(31 December 2022: 31,434,480 bonus shares issued for AED 1 each) | 81,729,648  | 31,434,480  |
| Closing Balance  | 899,026,128 | 817,296,480 |

In 2023, the Corporation issued 81,729,648 (2022: 31,434,480) bonus shares to its existing shareholders on the basis of 10.0% (2022: 4.0%) of ordinary shares held. The bonus shares are ordinary and carry the same rights as other ordinary shares. The legal formalities of the issuance of the 2023 share capital were completed during April 2023 (31 December 2022: 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.

# National Corporation for Tourism and Hotels

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

### 13 Term loans

|   | 2023<br>AED          | 2022<br>AED          |
|---|----------------------|----------------------|
| Term loan 1   | 294,831,894          | 273,160,402          |
| Term loan 2   | 73,596,663           | 95,639,415           |
| Term loan 3   | 3,000,000            | 5,000,000            |
| Term loan 4   | 9,000,000            | 12,000,000           |
| Term loan 5   | 6,000,000            | 2,144,614            |
|   | <u>386,428,557</u>   | <u>387,944,431</u>   |
| Less: Amount due for settlement after 12 months from the end of reporting year (classified under non-current liabilities) | <u>(350,749,437)</u> | <u>(357,829,311)</u> |
| Amount due for settlement within 12 months from the end of reporting year (classified under current liabilities)          | <u>35,679,120</u>    | <u>30,115,120</u>    |

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 was utilised for the construction of a new hotel, Intercontinental Residences Abu Dhabi. Total drawdown as at 31 December 2023 amounted to AED 294.8 million. The loan carries interest at the rate of 2.5% over 3-months EIBOR (31 December 2022: 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 June 2024. Additional drawdown of AED 25.2 million is available for this loan as at 31 December 2023.

The loan facility is secured by the following:

- (i) Mortgage over the land plots and buildings of Abu Dhabi InterContinental Hotel and InterContinental Residences Abu Dhabi;
- (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; and
- (v) Assignment of insurance in relation to the above properties.

# National Corporation for Tourism and Hotels

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

### 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 2023 amounted to AED 200.0 million. Total outstanding loan balance for both facilities as at 31 December 2023 amounted to AED 75.4 million (31 December 2022: AED 98.3 million). Facilities A and B carry interest at the rate of 2.5% over 3-months EIBOR (31 December 2022: Facility A carries interest at the rate of 3.0% 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 and InterContinental Residences Abu Dhabi;
- (ii) Assignment of insurances of Abu Dhabi Intercontinental Hotel and InterContinental Residences Abu Dhabi;
- (iii) Assignment of receivables from Abu Dhabi Intercontinental Hotel, Danat Al Ain Resort, Danat Resort – Jebel Dhanna, Al Dhafra Beach Hotel and InterContinental Residences Abu Dhabi; and
- (iv) Pledge over bank accounts of the Corporation and its divisions, Abu Dhabi Intercontinental Hotel, Danat Al Ain Resort, Danat Resort – Jebel Dhanna, Al Dhafra Beach Hotel and InterContinental Residences Abu Dhabi.

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 2023, the Corporation has an unamortised loan arrangement fee of AED 1.8 million (2022: AED 2.7 million) related to the loan and is netted off from the outstanding loan balance.

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

# **National Corporation for Tourism and Hotels**

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

### **13 Term loans (continued)**

#### **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 general corporate requirements particularly for the renovation of Al Dhafra Beach Hotel. As of 31 December 2023, the facility is fully drawdown and the outstanding balance as of reporting date amounted to AED 3.0 million. The loan carries interest at the rate of 2.5% over 3-months EIBOR (31 December 2022: 3.0% 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.

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 2023, the facility is fully drawdown and the outstanding balance as of the reporting date amounted to AED 9.0 million. Repayment of the loan is due after 18 months from the date of initial utilisation. The loan carries interest at the rate of 2.5% over 3-months EIBOR (31 December 2022: 3.0% 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 6.0 million. Repayment of the loan is due after 18 months from the date of initial utilisation. The loan carries interest at the rate of 2.5% over 3-months EIBOR (31 December 2022: 3.0% 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 2024.

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

# National Corporation for Tourism and Hotels

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

### 13 Term loans (continued)

As of 31 December 2023, there was no non-compliance of financial covenants. As of 31 December 2022, the Corporation was in non-compliance of one of the covenants of 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. The Corporation obtained approval from the lender for waiver of the default in the covenant applicable for 31 December 2022. Accordingly, there is no impact on classification of non-current term loans as at 31 December 2023 and 31 December 2022.

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

|                                   | 2023<br>AED        | 2022<br>AED        |
|-----------------------------------|--------------------|--------------------|
| At 1 January                      | 387,944,431        | 349,132,388        |
| <i>Cash flows</i>                 |                    |                    |
| Loans drawdown                    | 25,526,878         | 65,854,796         |
| Loans repaid                      | (27,933,119)       | (27,933,119)       |
| <i>Other non-cash items</i>       |                    |                    |
| Amortisation of transaction costs | 890,367            | 890,366            |
| At 31 December                    | <u>386,428,557</u> | <u>387,944,431</u> |

### 14 Provision for employees' end of service benefits

|                          | 2023<br>AED         | 2022<br>AED         |
|--------------------------|---------------------|---------------------|
| At 1 January             | 38,954,174          | 49,878,861          |
| Charge for the year      | 8,986,601           | 8,764,950           |
| Payments during the year | <u>(17,220,025)</u> | <u>(19,689,637)</u> |
| At 31 December           | <u>30,720,750</u>   | <u>38,954,174</u>   |

# National Corporation for Tourism and Hotels

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

### 15 Lease liabilities

The Corporation leases a land for warehouse purpose and several buildings for staff accommodations. The average remaining lease term is 1-7 years (2022: 1-8 years).

The movement in lease liabilities is as follows:

|                            | 2023<br>AED    | 2022<br>AED    |
|----------------------------|----------------|----------------|
| 1 January                  | 358,353        | 397,850        |
| Interest expense (note 20) | 19,807         | 22,371         |
| Repayments                 | (61,868)       | (61,868)       |
| At 31 December             | <u>316,292</u> | <u>358,353</u> |

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

|                               | 2023<br>AED    | 2022<br>AED    |
|-------------------------------|----------------|----------------|
| Current lease liabilities     | 61,868         | 61,868         |
| Non-current lease liabilities | <u>254,424</u> | <u>296,485</u> |
|                               | <u>316,292</u> | <u>358,353</u> |

Amounts recognised in the consolidated statement of cash flows during the year is as follows:

|                                      | 2023<br>AED   | 2022<br>AED   |
|--------------------------------------|---------------|---------------|
| Principal elements of lease payments | 42,061        | 39,497        |
| Interest paid on lease liabilities   | <u>19,807</u> | <u>22,371</u> |
|                                      | <u>61,868</u> | <u>61,868</u> |

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 459,333 (2022: AED 542,367) as lease payments for the said premises. Overall, the variable payments are not material to the Corporation's entire lease payments and the 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.



# National Corporation for Tourism and Hotels

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

### 16 Trade and other payables

|                                  | 2023<br>AED        | 2022<br>AED        |
|----------------------------------|--------------------|--------------------|
| Trade payables                   | 100,118,362        | 119,546,753        |
| Accrued liabilities              | 25,879,432         | 29,760,638         |
| Retentions payable               | 19,074,816         | 35,141,818         |
| Retail fees payable*             | 8,609,562          | 8,609,562          |
| Dividend payable                 | 2,827,275          | -                  |
| Due to related parties (note 17) | 1,977,205          | 1,196,815          |
| Deferred income                  | 1,738,489          | 2,299,424          |
| Interest payable                 | 834,102            | 157,262            |
| Other payables                   | 16,505,398         | 15,075,174         |
|                                  | <u>177,564,641</u> | <u>211,787,446</u> |

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.

Retentions payable represent amounts retained by the Corporation from third party contractors of Intercontinental Residences Abu Dhabi project and Al Dhafra Beach Hotel.

\* Retail fees payable represent amounts accrued by the Corporation for fees payable to the Department of Culture and Tourism on sales within the Retail services division. The Corporation is currently in discussion with the relevant government authority to conclude on the due amounts.

During the year, following a directive from the Securities and Commodities Authority (“SCA”), the Corporation has paid an amount of AED 5.7 million to SCA for the unclaimed dividends of the Corporation’s shareholders as of a cutoff date as notified by the SCA. Since the Corporation has reversed all previous year’s unclaimed dividends in the books, the Board of Directors of the Corporation have decided to charge the “Accumulated losses” for the amount of AED 5.7 million, which has been paid to SCA, in addition to the remaining unclaimed dividends amounting to AED 2.8 million, hence the total charges made against the accumulated losses amounted to AED 8.5 million. The remaining unclaimed dividends amounting to AED 2.8 million was recorded under “Trade and other payables” in the consolidated statement of financial position. In addition, based on the approval of the Board of Directors of the Corporation, the “General Reserve” has been released to Accumulated losses to cover the unclaimed dividends totalling to AED 8.5 million.

### 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.

# National Corporation for Tourism and Hotels

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

### 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 2023, the Corporation has not recorded any impairment of receivables relating to amounts owed by related parties (2022: 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<br>relationship | 2023<br>AED      | 2022<br>AED      |
|---|-------------------------------|------------------|------------------|
| <b>Due from related parties (note 9)</b>  |                               |                  |                  |
| Velocity Property Development LLC         | Joint Venture                 | 2,319,899        | -                |
| National Transport Company LLC<br>("NTC") | Joint Venture                 | 29,394           | 3,036,211        |
| Others                                    | Managed Hotels                | 1,769,349        | 2,078,119        |
|   |                               | <u>4,118,642</u> | <u>5,114,330</u> |
| <i>Loan to related parties*</i>           |                               |                  |                  |
| National Transport Company LLC<br>("NTC") | Joint Venture                 | 5,000,000        | -                |
|   |                               | <u>9,118,642</u> | <u>5,114,330</u> |
| <b>Due to related parties (note 16)</b>   |                               |                  |                  |
| National Transport Company LLC<br>("NTC") | Joint Venture                 | 1,825,355        | 1,185,378        |
| Others                                    | Managed Hotels                | 151,850          | 11,437           |
|   |                               | <u>1,977,205</u> | <u>1,196,815</u> |

\* The loan to NTC amounting to AED 5 million was provided by the Corporation to support the mobilisation of projects of NTC, the loan is short term and interest free. The other shareholder of NTC has also provided NTC with a similar amount.

# National Corporation for Tourism and Hotels

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

### 17 Related parties (continued)

#### (c) Transactions with related parties

Significant transactions with related parties are as follows:

|  | 2023<br>AED       | 2022<br>AED       |
|--|-------------------|-------------------|
| Directors' remuneration paid (note 23)                     | <u>5,757,805</u>  | <u>10,633,380</u> |
| Payments made on behalf of a shareholder                   | <u>-</u>          | <u>622,419</u>    |
| Rental income  | <u>48,000</u>     | <u>24,476</u>     |
| Other expenses charged by NTC                              | <u>6,171,819</u>  | <u>2,675,690</u>  |
| Payments received from a shareholder                       | <u>-</u>          | <u>358,321</u>    |
| Management fee income from managed hotels                  | <u>2,977,558</u>  | <u>3,538,466</u>  |
| Additional investment in Velocity Property Development LLC | <u>19,229,470</u> | <u>15,758,349</u> |
| Loans provided to related parties                          | <u>5,000,000</u>  | <u>-</u>          |
|  | 2023<br>AED       | 2022<br>AED       |
| <b>Key management personnel compensation</b>               |                   |                   |
| Short term benefits  | 6,213,237         | 6,737,184         |
| Post-employment benefits                                   | <u>509,380</u>    | <u>506,449</u>    |
|  | <u>6,722,617</u>  | <u>7,243,633</u>  |
| Number of key management personnel                         | <u>6</u>          | <u>6</u>          |

There were no loans provided to directors for the year ended 31 December 2023 and 2022.

# National Corporation for Tourism and Hotels

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

### 18 General and administrative expenses

|                                     | 2023<br>AED       | 2022<br>AED       |
|-------------------------------------|-------------------|-------------------|
| Payroll and employee related costs* | 16,225,209        | 15,477,004        |
| Depreciation (note 5)               | 806,786           | 1,627,445         |
| Other operating expenses            | 7,811,504         | 4,703,147         |
|                                     | <u>24,843,499</u> | <u>21,807,596</u> |

\* Payroll and employee related costs included under “Direct operating expenses” for the year 2023 amounted to AED 233.8 million (2022: AED 262.5 million).

The fees charged by the auditor during 2023 amounted to AED 841,144 (2022: AED 422,000), broken down to audit and non audit services as follows:

|                     | 2023<br>AED    | 2022<br>AED    |
|---------------------|----------------|----------------|
| Audit services      | 506,000        | 422,000        |
| Non audit services* | 335,144        | -              |
|                     | <u>841,144</u> | <u>422,000</u> |

\* Non audit services include tax and other regulatory requirements services.

The Corporation has made social contribution to the following beneficiaries:

|   | 2023<br>AED | 2022<br>AED   |
|---|-------------|---------------|
| Sheikh Khalifa Specialty Hospital – RAK | -           | 23,210        |
| Donation for Humanitarian Support       | -           | 25,000        |
|   | <u>-</u>    | <u>48,210</u> |

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 Other income

|   | 2023<br>AED      | 2022<br>AED      |
|---|------------------|------------------|
| Management fees                                     | 2,977,558        | 3,538,466        |
| Dividend income                                     | 1,701,151        | 488,158          |
| Gain on disposal of property and equipment (note 5) | 844,848          | 651,270          |
| Other income  | 134,411          | 699,875          |
|   | <u>5,657,968</u> | <u>5,377,769</u> |

# National Corporation for Tourism and Hotels

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

### 20 Finance costs

|                                       | 2023<br>AED       | 2022<br>AED      |
|---------------------------------------|-------------------|------------------|
| Interest expense on term loans        | 19,954,552        | 7,142,049        |
| Interest expense on lease liabilities | 19,807            | 22,371           |
|                                       | <u>19,974,359</u> | <u>7,164,420</u> |

Interest was paid during the year at rates ranging from 2.5% to 3.5% (2022: 3% to 3.5%) over 3-months EIBOR.

### 21 Basic and diluted earnings per share

|  | 2023               | 2022               |
|--|--------------------|--------------------|
| Profit for the year (AED)                  | <u>68,081,584</u>  | <u>63,975,609</u>  |
| Weighted average number of shares in issue | <u>899,026,128</u> | <u>899,026,128</u> |
| Basic and diluted earnings per share (AED) | <u>0.08</u>        | <u>0.07</u>        |

As at 31 December 2023 and 2022, 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.

### 22 Dividends and bonus shares

During 2022, cash dividend of AED 0.13 per share amounted to AED 102.16 million were paid.

During 2023, 81.7 million bonus shares were proposed by the Board of Directors, and issuance of these shares was approved in the Annual General Meeting (“AGM”) held on 17 April 2023 (2022: 31.4 million bonus shares were proposed by the Board of Directors and approved in the AGM held on 26 April 2022).

### 23 Board of Directors remuneration

During 2023, the remuneration of the Board of Directors for the year ended 31 December 2022 amounting to AED 5.76 million was approved in the AGM held on 17 April 2023 (2022: remuneration of the Board of Directors for the year ended 31 December 2021 amounting to AED 10.63 million was approved in the AGM held on 26 April 2022).

# National Corporation for Tourism and Hotels

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

### 24 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.

## National Corporation for Tourism and Hotels

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

#### 24 Segment information (continued)

|  | Hotels<br>AED        | Retail<br>services<br>AED | Catering<br>services<br>AED | Holding<br>AED      | Eliminations<br>AED | Total<br>AED         |
|--|----------------------|---------------------------|-----------------------------|---------------------|---------------------|----------------------|
| <b>31 December 2023</b>  |                      |                           |                             |                     |                     |                      |
| Revenue*   |                      |                           |                             |                     |                     |                      |
| <i>Timing of revenue recognition</i>                                     |                      |                           |                             |                     |                     |                      |
| At a point in time   | 195,013,579          | 49,209,384                | 432,984,713                 | -                   | (8,003,200)         | 669,204,476          |
| Direct operating expenses  | (144,544,078)        | (42,023,907)              | (374,819,947)               | -                   | 16,172,250          | (545,215,682)        |
| Depreciation   | (23,035,347)         | (428,492)                 | (3,906,057)                 | -                   | -                   | (27,369,896)         |
|  | (167,579,425)        | (42,452,399)              | (378,726,004)               | -                   | 16,172,250          | (572,585,578)        |
| <b>Gross profit</b>  | 27,434,154           | 6,756,985                 | 54,258,709                  | -                   | 8,169,050           | 96,618,898           |
| General and administrative expenses                                      | -                    | -                         | -                           | (24,843,499)        | -                   | (24,843,499)         |
| Share of results of joint ventures                                       | -                    | -                         | -                           | 4,774,913           | -                   | 4,774,913            |
| Fair value loss on financial assets at fair value through profit or loss | -                    | -                         | -                           | (6,814,767)         | -                   | (6,814,767)          |
| Net reversal of impairment losses on financial assets                    | 79,352               | -                         | -                           | -                   | -                   | 79,352               |
| Other income**   | -                    | -                         | 750,847                     | 13,076,171          | (8,169,050)         | 5,657,968            |
| Interest income  | -                    | -                         | 11,085                      | 12,571,993          | -                   | 12,583,078           |
| Finance costs  | -                    | -                         | -                           | (19,974,359)        | -                   | (19,974,359)         |
| <b>Profit/(loss) for the year</b>  | <u>27,513,506</u>    | <u>6,756,985</u>          | <u>55,020,641</u>           | <u>(21,209,548)</u> | <u>-</u>            | <u>68,081,584</u>    |
| <b>At 31 December 2023</b>   |                      |                           |                             |                     |                     |                      |
| <b>Total assets</b>  | <u>2,001,291,820</u> | <u>22,171,578</u>         | <u>191,438,892</u>          | <u>711,189,390</u>  | <u>(78,217,127)</u> | <u>2,847,874,553</u> |
| <b>Total liabilities</b>   | <u>53,737,464</u>    | <u>20,666,905</u>         | <u>115,412,299</u>          | <u>467,692,048</u>  | <u>(62,478,476)</u> | <u>595,030,240</u>   |

\* The deferred income related to contracts with customers as of 31 December 2023 amounts to AED 1.7 million (note 16).

\*\* Other income includes management fee income from Owned Hotels amounting to AED 3.2 million, which was eliminated in the consolidation process. Other income from managed hotels amounted to AED 3.0 million (note 19).

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

## National Corporation for Tourism and Hotels

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

#### 24 Segment information (continued)

|  | Hotels<br>AED        | Retail<br>services<br>AED | Catering<br>services<br>AED | Holding<br>AED       | Eliminations<br>AED | Total<br>AED         |
|--|----------------------|---------------------------|-----------------------------|----------------------|---------------------|----------------------|
| <b>31 December 2022</b>  |                      |                           |                             |                      |                     |                      |
| Revenue*   |                      |                           |                             |                      |                     |                      |
| <i>Timing of revenue recognition</i>                                     |                      |                           |                             |                      |                     |                      |
| At a point in time   | 160,834,996          | 60,887,984                | 497,220,817                 | -                    | (8,345,909)         | 710,597,888          |
| Direct operating expenses  | (126,736,744)        | (47,753,453)              | (438,542,507)               | -                    | 15,715,655          | (597,317,049)        |
| Depreciation   | (24,325,388)         | (483,936)                 | (3,219,489)                 | -                    | -                   | (28,028,813)         |
|  | (151,062,132)        | (48,237,389)              | (441,761,996)               | -                    | 15,715,655          | (625,345,862)        |
| <b>Gross profit</b>  | 9,772,864            | 12,650,595                | 55,458,821                  | -                    | 7,369,746           | 85,252,026           |
| General and administrative expenses                                      | -                    | -                         | -                           | (21,807,596)         | -                   | (21,807,596)         |
| Share of results of joint ventures                                       | -                    | -                         | -                           | (2,512,956)          | -                   | (2,512,956)          |
| Fair value loss on financial assets at fair value through profit or loss | -                    | -                         | -                           | (4,617,910)          | -                   | (4,617,910)          |
| Net reversal of impairment losses on financial assets                    | 1,444                | -                         | 900,000                     | -                    | -                   | 901,444              |
| Other income**   | -                    | -                         | 651,270                     | 12,096,245           | (7,369,746)         | 5,377,769            |
| Interest income  | -                    | -                         | -                           | 8,547,252            | -                   | 8,547,252            |
| Finance costs  | -                    | -                         | -                           | (7,164,420)          | -                   | (7,164,420)          |
| <b>Profit/(loss) for the year</b>  | <u>9,774,308</u>     | <u>12,650,595</u>         | <u>57,010,091</u>           | <u>(15,459,385)</u>  | <u>-</u>            | <u>63,975,609</u>    |
| <b>At 31 December 2022</b>   |                      |                           |                             |                      |                     |                      |
| <b>Total assets</b>  | <u>1,488,973,433</u> | <u>28,041,132</u>         | <u>204,322,391</u>          | <u>1,159,683,848</u> | <u>(50,564,836)</u> | <u>2,830,455,968</u> |
| <b>Total liabilities</b>   | <u>39,659,489</u>    | <u>30,793,444</u>         | <u>136,600,347</u>          | <u>485,562,261</u>   | <u>(53,571,137)</u> | <u>639,044,404</u>   |

\* The deferred income related to contracts with customers as of 31 December 2022 amounts to AED 2.3 million (note 16).

\*\* Other income includes management fee income from Owned Hotels amounting to AED 2.7 million, which was eliminated in the consolidation process. Other income from managed hotels amounted to AED 3.5 million (note 19).

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



# National Corporation for Tourism and Hotels

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

### 25 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 remaining terms that range between one to three 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:

|                    | 2023<br>AED      | 2022<br>AED      |
|--------------------|------------------|------------------|
| Within one year    | 2,522,367        | 1,912,033        |
| In the second year | 1,068,875        | 1,028,294        |
| In the third year  | 59,548           | 596,375          |
|                    | <u>3,650,790</u> | <u>3,536,702</u> |

### 26 Contingencies and commitments

#### Bank guarantees

At 31 December 2023, the Corporation had outstanding contingent liabilities in respect of letters of guarantee of AED 51.5 million (2022: AED 66.2 million).

#### Capital commitments

At 31 December 2023, the Corporation had estimated commitments for other hotel renovation of AED 1.5 million (2022: AED 9.8 million).

#### *The Corporation as lessee*

The Corporation leases several buildings for staff accommodations and retail shop purposes. The average lease term in the current year is 1 year (2022: 1 year).

There are no right of use assets nor lease liability recognised as of the reporting date in respect of the above, 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 periods without the consent of the lessor or the Corporation has clearly established that they are not intending to do so. The 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:

|                      | 2023<br>AED      | 2022<br>AED      |
|----------------------|------------------|------------------|
| No later than 1 year | <u>6,975,612</u> | <u>7,300,534</u> |

### 27 Approval of consolidated financial statements

These consolidated financial statements were approved by the Board of Directors and authorised for issue on 5 March 2024