

Abu Dhabi National Hotels Company PJSC

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

Abu Dhabi National Hotels Company PJSC

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

	Pages
Chairman's report	1 - 2
Independent auditor's report	3 -7
Consolidated statement of financial position	8
Consolidated statement of profit or loss	9
Consolidated statement of comprehensive income	10
Consolidated statement of changes in equity	11
Consolidated statement of cash flows	12 - 13
Notes to the consolidated financial statements	14 – 64



Dear Colleagues and Esteemed Shareholders

On behalf of the Board of Directors of Abu Dhabi National Hotels and all our shareholders, please allow me to express our sincere gratitude to H.H Sheikh Mohammed bin Zayed Al Nahyan, President of the United Arab Emirates, H.H Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the United Arab Emirates and Ruler of Dubai and H.H. Sheikh Mansour Bin Zayed Al Nahyan, Deputy Prime Minister and Minister of Presidential Affairs, for their continuous support and combined guidance.

In 2022, the world saw a gradual recovery from the COVID-19 pandemic, which had a significant impact on the travel and hospitality industry.

Abu Dhabi National Hotels had a successful year, with total revenue increasing 35% from AED 1,082 million in 2021 to AED 1,460 million in 2022. The net profit was AED 415 million, reflecting a 52% increase from the previous year.

The hotel sector saw revenue rise from AED 873 million in 2021 to AED 1,213 million in 2022, with the sector profit after deducting depreciation and financing costs reaching AED 281 million.

Al Ghazal transport saw a rise in revenue from AED 217 million in 2021 to AED 257 million in 2022, with the company's profit after deducting depreciation and financing costs reaching AED 20 million.

The group's share of profit from Compass was AED 128 million, a decrease of AED 17 million from AED 145 million in 2021 due to the closure of certain contracts.

Outlook

At Abu Dhabi National Hotels, we are confident in our ability to continue delivering outstanding results while also being prepared to adapt to potential challenges posed by the global and regional economy.

Our focus is on providing exceptional service to our stakeholders, maintaining our position as a leading service provider of hospitality, travel, catering, and transport in the region, and creating sustained value for our shareholders.

We are dedicated to constantly improving and updating our services to align with the latest industry standards.



Return to Shareholders

After reviewing the dividend policy and cash flows of the company's business units and ensuring that the company fulfills its obligations related to debt services and the interests of the company's shareholders, the Board of Directors submit a recommendation to the General Assembly for a cash dividend distribution of AED 200 million and stock dividends of AED 200 million totaling AED 400 million which represents 40% of the Share Capital and 96% of the net profit for the year 2022.

Appreciation

I would like to extend my sincere thanks and appreciation to our Board of Directors for their dedication, commitment, and contribution. On behalf of our Board and Shareholders, I wish to thank the management and employees for their dedication and efforts.

Thank you all.

Sheikh Saif Bin Mohammed Bin Butti Hamed AlHamed
Chairman of the Board of Directors



Independent auditor's report to the shareholders of Abu Dhabi National Hotels Company PJSC

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 Abu Dhabi National Hotels PJSC (the "Company") and its subsidiaries (together the "Group") as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Group's consolidated financial statements comprise:

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

Basis for opinion

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

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

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and 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.

PricewaterhouseCoopers (Abu Dhabi Branch), License no. 1001301
Al Khatem Tower, Abu Dhabi Global Market, 25th Floor, PO Box 45263, Abu Dhabi - United Arab Emirates
T: +971 (0)2 694 6800, F: +971 (0)2 645 6610, www.pwc.com/me

Jacques Fakhoury, Douglas O'Mahony, Murad Alnsour and Rami Sarhan are registered as practising auditors with the UAE Ministry of Economy

Independent auditor’s report to the shareholders of Abu Dhabi National Hotels Company PJSC (continued)

Report on the audit of the consolidated financial statements

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

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

Key audit matter

Key audit matter	How our audit addressed the key audit matter
<p>Impairment assessment of properties</p> <p>The Group has AED 3.3 billion of properties carried in the consolidated statement of financial position representing 33% of total assets.</p> <p>The Group performs a detailed impairment assessment of its significant properties whenever there is an indication that the property may be impaired.</p> <p>The assessment of the carrying value of these land and buildings 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 land and buildings 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 2022, the Group has performed internal impairment assessment for its properties.</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><i>Refer to note 2.19 which explains the accounting policy, note 5 which explains the valuation methodology used by the Group and note 4 which explains the critical judgments and estimates used in impairment of properties.</i></p>	<p>On a sample basis, we have tested and discussed with management the reasonableness of the underlying information used in the impairment assessment.</p> <p>We obtained the valuation working of the underlying properties prepared by management.</p> <p>We involved our internal valuation specialist, who on a sample basis, reviewed valuation methodologies used in the valuation process. We have considered the overall reasonableness of the assumptions and valuation methodology used and whether they were in line with our expectations.</p> <p>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.</p> <p>We reviewed the appropriateness and adequacy of the related disclosures in note 2.19, note 5 and note 4 to these consolidated financial statements.</p>



Independent auditor's report to the shareholders of Abu Dhabi National Hotels Company PJSC (continued)

Report on the audit of the consolidated financial statements

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 obtain prior to the date of this auditor's report.

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

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Decree Law No. 32 of 2021, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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



Independent auditor's report to the shareholders of Abu Dhabi National Hotels Company PJSC (continued)

Report on the audit of the consolidated financial statements

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

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

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

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

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

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



Independent auditor's report to the shareholders of Abu Dhabi National Hotels Company PJSC (continued)

Report on the audit of the consolidated financial statements

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

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

Report on other legal and regulatory requirements

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

- (i) we have obtained all the information we considered necessary for the purposes of our audit;
- (ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Decree Law No. 32 of 2021;
- (iii) the Group has maintained proper books of account;
- (iv) the financial information included in the Chairman's report is consistent with the books of account of the Group;
- (v) as disclosed in notes 7 and 9 to the consolidated financial statements the Group has invested in shares during the financial year ended 31 December 2022;
- (vi) note 24 to the consolidated financial statements discloses material related party transactions, and the terms under which they were conducted;
- (vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2022, any of the applicable provisions of the UAE Federal Decree Law No. 32 of 2021, or in respect of the Company, its Articles of Association which would materially affect its activities or its financial position as at 31 December 2022; and
- (viii) as disclosed in note 1 to the financial statements, the Group has not made any social contributions during the financial year ended 31 December 2022.

PricewaterhouseCoopers
7 February 2023

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

Abu Dhabi National Hotels Company PJSC

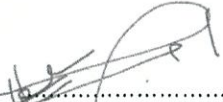
Consolidated statement of financial position

	Notes	As at 31 December	
		2022 AED'000	2021 AED'000
ASSETS			
Non-current assets			
Property and equipment	5	8,619,367	8,415,802
Right-of-use assets	6	18,510	23,724
Investment in an associate	7	15,721	19,525
Investment in joint ventures	8	365,332	376,853
Investments carried at fair value through other comprehensive income	10	21,179	21,179
Franchise fee		1,201	614
		<u>9,041,310</u>	<u>8,857,697</u>
Current assets			
Inventories	11	12,420	11,651
Trade and other receivables	12	204,712	196,505
Investments carried at fair value through profit or loss	9	24,801	27,590
Cash and cash equivalents	13	837,091	735,198
		<u>1,079,024</u>	<u>970,944</u>
Total assets		<u>10,120,334</u>	<u>9,828,641</u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital	14	1,000,000	1,000,000
Statutory and optional reserves	15	1,000,000	1,000,000
Asset revaluation reserve	16	4,022,923	4,022,923
Foreign currency translation reserve		(289)	(289)
Retained earnings		874,565	859,162
Proposed dividends	14	400,000	200,000
Net equity		<u>7,297,199</u>	<u>7,081,796</u>
Non-controlling interests		2,163	-
Total equity		<u>7,299,362</u>	<u>7,081,796</u>
LIABILITIES			
Non-current liabilities			
Term loans	17	1,531,551	1,811,487
Provision for employees' end of service benefits	18	39,667	35,800
Lease liabilities	6	1,850	3,258
		<u>1,573,068</u>	<u>1,850,545</u>
Current liabilities			
Trade and other payables	19	482,613	363,757
Lease liabilities	6	20,254	22,370
Term loans*	17	745,037	510,173
		<u>1,247,904</u>	<u>896,300</u>
Total liabilities		<u>2,820,972</u>	<u>2,746,845</u>
Total equity and liabilities		<u>10,120,334</u>	<u>9,828,641</u>


*Refer to Note 17 for changes to comparatives

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


 Sh. Saif Bin Mohamed Bin
 Butti Bin Hamed Al Hamed
 Chairman of the Board


 Sh. Ahmed Mohamed Sultan
 Suroor Al Dhaheri
 Vice Chairman
 of the Board


 Khalid Anib
 Chief Executive
 Officer


 Rami Naim
 Chief Financial
 Officer

The notes on pages 14 to 64 are an integral part of these consolidated financial statements

(8)



Abu Dhabi National Hotels Company PJSC

Consolidated statement of profit or loss

	Notes	Year ended 31 December	
		2022 AED'000	2021 AED'000
Revenue from contracts with customers	20	1,459,845	1,082,011
Cost of providing services		<u>(1,097,657)</u>	<u>(897,534)</u>
Gross profit		362,188	184,477
General and administrative expenses	21	(101,722)	(65,297)
Share of profit from an associate		1,638	-
Share of profit from joint ventures		149,557	158,511
Fair value gain on financial assets carried at fair value through profit or loss	9	9,004	10,424
Other income, net	22	61,422	23,891
Finance income		6,934	6,981
Finance costs	23	<u>(73,924)</u>	<u>(46,275)</u>
Profit for the year		<u>415,097</u>	<u>272,712</u>
Basic and diluted earnings per share (AED)	25	<u>0.42</u>	<u>0.27</u>
Attributable to:			
Equity holders of the parent		415,403	272,712
Non-controlling interests		<u>(306)</u>	<u>-</u>
		<u>415,097</u>	<u>272,712</u>
Basic and diluted earnings per share attributable to ordinary equity holders of the parent (AED)	25	<u>0.42</u>	<u>0.27</u>

Abu Dhabi National Hotels Company PJSC

Consolidated statement of comprehensive income

	Notes	Year ended 31 December	
		2022 AED'000	2021 AED'000
Profit for the year		415,097	272,712
Other comprehensive income:			
<i>Items that will not be reclassified subsequently to the statement of profit or loss</i>			
Other comprehensive income for the year		-	-
Total comprehensive income for the year		<u>415,097</u>	<u>272,712</u>
Attributable to:			
Equity holders of the parent		415,403	272,712
Non-controlling interests		<u>(306)</u>	<u>-</u>
		<u>415,097</u>	<u>272,712</u>
Basic and diluted earnings per share attributable to ordinary equity holders of the parent (AED)	25	<u>0.42</u>	<u>0.27</u>

Abu Dhabi National Hotels Company PJSC

Consolidated statement of changes in equity

	Attributable to equity holders of the parent company							Non-controlling interests AED'000	Net equity AED'000
	Share capital AED'000	Statutory and operational reserves AED'000	Asset revaluation reserve AED'000	Foreign currency translation reserve AED'000	Retained earnings AED'000	Proposed dividends AED'000	Total equity AED'000		
Balance at 1 January 2021	1,000,000	1,000,000	4,022,923	(289)	786,450	70,000	6,879,084	-	6,879,084
Profit for the year	-	-	-	-	272,712	-	272,712	-	272,712
Other comprehensive income for the year	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	272,712	-	272,712	-	272,712
Dividends paid	-	-	-	-	-	(70,000)	(70,000)	-	(70,000)
Proposed dividends (Note 14)	-	-	-	-	(200,000)	200,000	-	-	-
At 30 December 2021	<u>1,000,000</u>	<u>1,000,000</u>	<u>4,022,923</u>	<u>(289)</u>	<u>859,162</u>	<u>200,000</u>	<u>7,081,796</u>	<u>-</u>	<u>7,081,796</u>
Balance at 1 January 2022	1,000,000	1,000,000	4,022,923	(289)	859,162	200,000	7,081,796	-	7,081,796
Profit for the year	-	-	-	-	415,403	-	415,403	(306)	415,097
Other comprehensive income for the year	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	415,403	-	415,403	(306)	415,097
Non-controlling interests on acquisition of subsidiary	-	-	-	-	-	-	-	2,238	2,238
Transactions with non-controlling interest	-	-	-	-	-	-	-	231	231
Transactions with owners:									
Dividends paid (Note 14)	-	-	-	-	-	(200,000)	(200,000)	-	(200,000)
Proposed bonus shares (Note 14)	-	-	-	-	(200,000)	200,000	-	-	-
Proposed dividends (Note 14)	-	-	-	-	(200,000)	200,000	-	-	-
At 31 December 2022	<u>1,000,000</u>	<u>1,000,000</u>	<u>4,022,923</u>	<u>(289)</u>	<u>874,565</u>	<u>400,000</u>	<u>7,297,199</u>	<u>2,163</u>	<u>7,299,362</u>

Abu Dhabi National Hotels Company PJSC

Consolidated statement of cash flows

	Notes	Year ended 31 December	
		2022 AED'000	2021 AED'000
Cash flows from operating activities			
Profit for the year		415,097	272,712
Adjustments for:			
Depreciation of property and equipment	5	238,763	258,421
Depreciation on right-of-use assets	6	16,648	21,377
Provision for employees' end of service benefits		11,465	8,483
Share of profit from joint ventures and an associate	7,8	(151,195)	(158,511)
Gain on disposal of property and equipment	22	(16,062)	(12,530)
Provision for expected credit losses, net	12	420	6,412
Provision for termination fees	21	40,000	-
Fair value gain on financial assets carried at fair value through profit or loss	9	(1,316)	(10,424)
Finance income		(6,934)	(6,981)
Finance costs	23	73,924	46,275
Amortisation of franchise fee		700	168
Operating cash flows before changes in working capital and payment of employees' end of service benefits		621,510	425,402
Payment of employees' end of service benefits	18	(7,598)	(9,412)
Changes in working capital			
Inventories	11	(769)	39
Trade and other receivables	12	(8,627)	178,328
Trade and other payables	19	78,856	8,578
Net cash generated from operating activities		683,372	602,935
Cash flows from investing activities			
Movement in deposits with maturity of more than three months	13	297,572	(60,330)
Purchase of property and equipment, net of transfer to subsidiary	5,7	(443,352)	(281,054)
Dividend and guaranteed income received from a joint venture and associate	8	161,463	81,556
Payment of franchise fee		(1,287)	-
Proceeds from disposals of property and equipment	5,22	22,893	19,501
Investment in an associate	7	(750)	-
Purchase of interest in joint venture	8	-	(8,782)
Interest received		6,934	6,981
Purchase of investments carried at fair value through profit and loss	9	(33,848)	(17,166)
Proceeds from disposal of financial assets at fair value through profit and loss	9	37,953	-
Net cash generated from/ (used in) investing activities		47,578	(259,294)

Abu Dhabi National Hotels Company PJSC

Consolidated statement of cash flows (continued)

	Notes	Year ended 31 December	
		2022 AED'000	2021 AED'000
Cash flows from financing activities			
Loans drawdown during the year	17	774,142	640,196
Loans repaid during the year	17	(819,212)	(761,988)
Interest paid during the year	23	(73,924)	(46,275)
Principal elements of lease liabilities	6	(14,960)	(22,370)
Additional contribution by non-controlling interest		2,469	-
Dividends paid during the year	14	(200,000)	(70,000)
Net cash used in financing activities		(331,485)	(260,437)
Net increase in cash and cash equivalents		399,465	83,204
Cash and cash equivalents at the beginning of the year		437,626	354,422
Cash and cash equivalents at the end of the year	13	837,091	437,626

Abu Dhabi National Hotels Company PJSC

Notes to the consolidated financial statements for the year ended 31 December 2022

1 General information

Abu Dhabi National Hotels Company PJSC (the “Company”), a public shareholding company, was incorporated in Abu Dhabi, United Arab Emirates (“UAE”) on 13 April 1975 by Law No. (3) as amended by Law No. (5) of 1978, to own and manage hotels and to undertake other related business. The Company’s shares are listed on Abu Dhabi Securities Exchange. The address of its registered office is P.O. Box 46806, Abu Dhabi, United Arab Emirates.

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

The Group owns twelve hotels within the UAE (Radisson Blu Abu Dhabi, Radisson Blu Al Ain, Abu Dhabi Sheraton Hotel, Le Meridien Abu Dhabi, Sofitel Dubai, Park Hyatt Abu Dhabi, Ritz Carlton Abu Dhabi Grand Canal, Dubai Mall Hotel LLC, Downtown Boulevard Hotel LLC, MDD Hotel LLC, VDD Hotel LLC and Dubai Marina Hotel LLC) that are managed by international hotel operating companies or operating under a franchise agreement. The Company also has a hotels’ management division, a retail division, a tourism services division, a restaurant division and has investments in the entities detailed below as of 31 December 2022 and 31 December 2021.

On 30 September 2022, the Company’s lease with the property owner of Al Diar Capital Hotel (the “Hotel”) expired and the operations for the Hotel have ceased as of this date. As of 30 September 2022, the Hotel had total revenues amounting to AED 9.5 million, total expenses amounting to AED 7.1 million and net profit amounting to AED 2.4 million which have been reported in the consolidated statement of profit and loss for the year ended 31 December 2022.

The Company and its subsidiaries constitute the Group. The Company also manages and supervises other hotels for the account of other parties.

Name	Country of operation	Principal activity	Interest (%)	
			31 December 2022	31 December 2021
Al Ghazal Transport (“Subsidiary”)	United Arab Emirates	Transport Services	100.00	100.00
Dome Hotels LLC (“Subsidiary”)	United Arab Emirates	Hospitality	100.00	100.00
ADNMC Sole proprietorship LLC (“Subsidiary”)	United Arab Emirates	Hospitality	100.00	100.00
Em Sherif Café West Bay LLC – Subsidiary	United Arab Emirates	Food and beverage Catering	80.00	80.00
Abu Dhabi National Hotels Compass Middle East LLC (“Joint Venture”)	Gulf and the Middle East	and Contract Services	51.00	51.00
High Spirits LLC (“Joint Venture”)	United Arab Emirates	Food and beverage	50.00	50.00
Overseas Tourist Investment Company Limited (“Associate”)	Jersey, Channel Islands	Tourist Complexes	38.46	38.46

Abu Dhabi National Hotels Company PJSC

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

1 General information (continued)

Name	Country of operation	Principal activity	Interest (%)	
			31 December 2022	31 December 2021
Prime Concept Café & Restaurant LLC (“Associate”)	United Arab Emirates	Food and beverage	35.00	35.00
ADNM RAK Hotel Management – Sole Proprietorship LLC (“Subsidiary”)	United Arab Emirates	Hospitality	100.00	-
National Facility Management Company – Sole Proprietorship LLC (“Subsidiary”)	United Arab Emirates	Maintenance	100.00	-
ADNH General Security Guard Services LLC (“Subsidiary”)	United Arab Emirates	Security guard services	100.00	-

As of 31 December 2022, the Group has not made any social contributions during the year.

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

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal corporate tax regime in the UAE.

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

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

The consolidated financial statements for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of Board of Directors on 7 February 2023.

Abu Dhabi National Hotels Company PJSC

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

2 Significant accounting policies

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

2.1 Basis of preparation

The consolidated financial statements have been prepared under the historical cost basis, except for the re-measurement of certain financial instruments at fair value and revaluation of land.

The consolidated financial statements are presented in UAE Dirhams (“AED”), which is the functional currency of the Group and all values are rounded to the nearest thousand (AED ‘000) except when otherwise indicated.

2.2 Statement of compliance

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

2.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company, including its divisions, hotels, and subsidiaries as of 31 December each year.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group’s voting rights and potential voting rights

Abu Dhabi National Hotels Company PJSC

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

2 Significant accounting policies (continued)

2.3 Basis of consolidation (continued)

The Group re-assesses 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. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income, and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

2.4 Change in accounting policies

(a) *New and amended standards adopted by the Group*

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2022, have been adopted in these consolidated financial statements. The application of these revised IFRS, except where stated, have not had any material impact on the amounts reported for the current and prior periods.

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

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

Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

Abu Dhabi National Hotels Company PJSC

Notes to the consolidated financial statements for the year ended 31 December 2022

2 Significant accounting policies (continued)

2.4 Change in accounting policies (continued)

(a) *New and amended standards adopted by the Group* (continued)

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

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

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

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

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

The following improvements were finalised in May 2020:

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

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

The Group has not early adopted new and revised IFRS that have been issued but are not yet effective.

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

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

Abu Dhabi National Hotels Company PJSC

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

2 Significant accounting policies (continued)

2.4 Change in accounting policies (continued)

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

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

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

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

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

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

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

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

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

Abu Dhabi National Hotels Company PJSC

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

2 Significant accounting policies (continued)

2.4 Change in accounting policies (continued)

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

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

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

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

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

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

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

2.5 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

The Group 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.

Abu Dhabi National Hotels Company PJSC

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

2 Significant accounting policies (continued)

2.5 Business combinations and goodwill (continued)

When the Group 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.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date.

If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2.6 Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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 the unanimous consent of the parties sharing control.

Abu Dhabi National Hotels Company PJSC

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

2 Significant accounting policies (continued)

2.6 Investment in associates and joint ventures (continued)

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

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

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

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

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss within 'Share of profit of an associate and a joint venture' in the consolidated statement of profit or loss.

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

Abu Dhabi National Hotels Company PJSC

Notes to the consolidated financial statements for the year ended 31 December 2022

2 Significant accounting policies (continued)

2.7 Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.8 Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property and equipment are not depreciated or amortised once classified as held for sale.

Abu Dhabi National Hotels Company PJSC

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

2 Significant accounting policies (continued)

2.8 Non-current assets held for sale and discontinued operations (continued)

Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of profit or loss.

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method and comprises invoiced cost, freight and other charges incurred in bringing inventory to its present location and condition. Net realisable value represents the estimated selling price less all estimated costs to be incurred in marketing, selling and distribution.

2.10 Franchise fee

Expenditure on franchise fee is capitalised and amortised using the straight-line method over a period of 10 years which reflects the term of the franchise agreements. Franchise fee is reviewed for impairment whenever the events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

2.11 Revenue recognition

For contracts determined to be within the scope of revenue recognition, the Group 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 Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

The Group 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.

Abu Dhabi National Hotels Company PJSC

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

2 Significant accounting policies (continued)

2.11 Revenue recognition (continued)

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 Group 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 Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

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

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

- The Group's performance does not create an asset with an alternate use to the Group and the Group has as an enforceable right to payment for performance completed to date.
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group 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 Group recognises revenue from the following major sources:

- Hotel revenues
- Transport services

(a) Hotel revenues

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

(b) Transport services

Transport services operating revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods supplied or services rendered, stated net of discounts, and returns.

Abu Dhabi National Hotels Company PJSC

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

2 Significant accounting policies (continued)

2.11 Revenue recognition (continued)

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.

2.12 Employees' end of service benefits

An accrual is made for estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by eligible employees up to the end of the reporting period.

Provision is also made for the full amount of end of service benefits due to employees in accordance with the Group's policy, which is at least equal to the benefits payable in accordance with UAE Labour Law, for their period of service up to the end of the reporting period. The accrual relating to annual leave and leave passage is classified as a current liability, while the provision relating to end of service benefits is classified as a non-current liability.

2.13 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction, or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific loans pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period during which they are incurred.

2.14 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Abu Dhabi National Hotels Company PJSC

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

2 Significant accounting policies (continued)

2.14 Provisions (continued)

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.

2.15 Foreign currencies

For the purpose of these consolidated financial statements UAE Dirhams (AED) is the functional and the presentation currency of the Group.

Transactions in currencies other than AED (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, 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.

2.16 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Abu Dhabi National Hotels Company PJSC

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

2 Significant accounting policies (continued)

2.16 Leases (continued)

Group as a lessee (continued)

(ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

(iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of property and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.17 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the asset.

Abu Dhabi National Hotels Company PJSC

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

2 Significant accounting policies (continued)

2.17 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 Group's policies.

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

The land is measured at fair value. Valuations are performed periodically to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is credited to the assets revaluation reserve included in the equity section of the consolidated statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the consolidated statement of profit or loss, in which case the increase is recognised in the consolidated statement of profit or loss. A revaluation deficit is recognised in the consolidated statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation on other property and equipment is calculated using the straight-line method to allocate the assets' cost to their residual values over their estimated useful lives as follows:

Buildings	2.5%-10%
Mechanical, electrical, and plumbing	4%-10%
Furniture, fixtures, and operating equipment	8%-50%
Motor vehicles	17%-33%

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.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Abu Dhabi National Hotels Company PJSC

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

2 Significant accounting policies (continued)

2.18 Interest bearing loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

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

2.19 Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible 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 in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where 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.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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 to the extent that it reverses previously recorded revaluation gains.

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.

Abu Dhabi National Hotels Company PJSC

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

2 Significant accounting policies (continued)

2.20 Financial assets

(a) Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

(b) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- (i) Financial assets at amortised cost (debt instruments, cash and cash equivalents and trade receivables)
- (ii) Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- (iii) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- (iv) Financial assets at fair value through profit or loss

The Group has the following financial assets:

Cash and cash equivalents

Cash and cash equivalents which include cash on hand and deposits held at call with banks with original maturities of three months or less, are classified as financial assets at amortised cost.

(c) Financial assets at amortised cost

The Group measures financial assets at amortised cost if both of the following conditions are met:

- (i) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- (ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Abu Dhabi National Hotels Company PJSC

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

2 Significant accounting policies (continued)

2.20 Financial assets (continued)

(c) *Financial assets at amortised cost* (continued)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified, or impaired.

(d) *Financial assets designated at fair value through OCI (equity instruments)*

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI.

Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at fair value through other comprehensive income are not reported separately from other changes in fair value.

(e) *Impairment of financial assets*

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Abu Dhabi National Hotels Company PJSC

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

2 Significant accounting policies (continued)

2.20 Financial assets (continued)

(e) Impairment of financial assets (continued)

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(f) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset.

2.21 Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

(a) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

(b) Financial liabilities

Trade and other payables and borrowings of contractual liabilities are classified as 'financial liabilities' and are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis, except for short term liabilities when the recognition of interest is immaterial.

Abu Dhabi National Hotels Company PJSC

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

2 Significant accounting policies (continued)

2.21 Financial liabilities and equity instruments (continued)

(b) *Financial liabilities* (continued)

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

(c) *Derecognition of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

2.22 Offsetting of financial instruments

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

2.23 Fair value measurement

The Group measures financial instruments such as financial assets at fair value through other comprehensive income at fair value at each consolidated statement of financial position date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Abu Dhabi National Hotels Company PJSC

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

2 Significant accounting policies (continued)

2.23 Fair value measurement (continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.24 Other income

Dividends

Dividend income from investments is recognised in the consolidated statement of profit and loss when the shareholders' rights to receive payment is established.

2.25 Finance income

Interest income

Interest income is recognised as the interest accrues using the effective interest method, under which the rate used exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

3 Financial risk management

3.1 Capital risk management

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

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

There were no changes in the Group's approach to capital management during the year.

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 borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

Abu Dhabi National Hotels Company PJSC

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

3 Financial risk management (continued)

3.1 Capital risk management (continued)

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

	2022 AED'000	2021 AED'000
Bank borrowings (note 17)	2,276,588	2,321,660
Cash and cash equivalents (note 13)	(837,091)	(735,198)
Net debt	1,439,497	1,586,462
Equity	7,299,362	7,081,794
Capital and net debt	8,738,859	8,668,256
Gearing ratio	16%	18%

3.2 Financial instruments by category

	2022 AED'000	2021 AED'000
Financial assets		
Financial assets at amortised cost		
Trade and other receivables	113,810	118,844
Cash and cash equivalents	837,091	735,198
Financial assets at fair value through other comprehensive income (FVOCI)	21,179	21,179
Financial assets at fair value through profit or loss (FVPL)	24,801	27,590
	<u>996,881</u>	<u>902,811</u>
Financial liabilities		
Liabilities at amortised cost		
Trade and other payables	276,826	211,262
Lease liabilities	20,254	22,370
Term loans	745,037	510,173
	<u>1,042,117</u>	<u>743,805</u>

3.3 Financial risk management objectives

The Group is exposed to the following risks related to financial instruments – market risk (including foreign exchange risk, price risk and cash flow risk and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of the financial markets and seeks to optimise potential adverse effects on the Group's financial performance.

(a) *Market risk management*

(i) Foreign exchange risk

The Group does not have any significant exposure to currency risk as most of its monetary assets and liabilities are denominated in UAE Dirhams or in US Dollars, the latter being pegged to the UAE Dirham.

Abu Dhabi National Hotels Company PJSC

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

3 Financial risk management (continued)

3.3 Financial risk management objectives (continued)

(a) *Market risk management* (continued)

(ii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated statement of financial position as financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group management.

Other components of equity would increase/decrease as a result of gains/losses on equity securities classified as financial assets at fair value through other comprehensive income.

(iii) Cash flow and fair value interest rate risks

The Group's interest rate risk arises from long-term borrowings (term loans). Term loans issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Term loans issued at fixed rates (if any) expose the Group to fair value interest rate risk. The Group analyses its interest rate exposure on dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing, and hedging.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with floating interest rates and bank deposits. At 31 December 2022, if interest rates on borrowings had been 10 basis points higher/lower with all other variables held constant, profit for the year would have been AED 2.95 million (2021: AED 2.32 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

3.4 Credit risk management

Credit risk is managed on Group basis, except for credit risk relating to trade receivables balances. Each local entity is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. Individual risk limits are based on management's assessment on a case-by-case basis. The utilisation of credit limits is regularly monitored. The Group's policy is to place cash and cash equivalents and short terms deposits with reputable banks and financial institutions.

There are no significant concentrations of credit risk within the Group. There are policies in place to ensure that services are rendered to customers with an appropriate credit history. The Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Abu Dhabi National Hotels Company PJSC

Notes to the consolidated financial statements for the year ended 31 December 2022

3 Financial risk management (continued)

3.5 Liquidity risk management

Liquidity risk is the risk that the Group will be unable to meet its funding requirements. The maturity profile of financial liabilities is monitored by management to ensure adequate liquidity is maintained.

Cash flow forecasting is performed in the operating entities of the Group and aggregated by the Group Finance. The Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debts financing plans, covenant compliance and compliance with internal consolidation statement of financial position targets.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

	On demand AED'000	Less than 3 months AED'000	3 to 12 months AED'000	1 to 5 years AED'000	More than 5 years AED'000	Total AED'000
At 31 December 2022						
Bank borrowings	-	-	745,037	987,551	544,000	2,276,588
Lease liabilities	-	-	20,254	1,850	-	22,104
Trade and other payables	-	480,939	-	-	-	480,939
Total	-	480,939	765,291	989,401	544,000	2,779,631
At 31 December 2021						
Bank borrowings	-	128,000	382,173	1,107,487	704,000	2,321,660
Lease liabilities	-	-	22,370	3,258	-	25,628
Trade and other payables	-	363,757	-	-	-	363,757
Total	-	491,757	404,543	1,110,745	704,000	2,711,045

Abu Dhabi National Hotels Company PJSC

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

3 Financial risk management (continued)

3.6 Fair value of financial instruments

The Group's management considers that the fair values of financial assets and financial liabilities approximates to their carrying amounts as stated in the consolidated financial statements.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value 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 included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – fair value measurement are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). Management has determined the fair value of these unquoted investments by applying an appropriate risk adjusted liquidity discount on the net assets of the investee companies.

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
31 December 2022				
Investment securities	24,801	-	21,179	45,980
31 December 2021				
Investment securities	27,590	-	21,179	48,769

4 Critical accounting judgments and key sources of estimation of 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 Group 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.

Abu Dhabi National Hotels Company PJSC

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

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

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 Key sources of estimation of uncertainty

(a) *Useful lives of property and equipment*

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

(b) *Impairment assessment of property and equipment*

Properties classified under property and equipment are assessed for impairment based on the assessment of cash flows on individual cash-generating units when there is an indication that those assets have suffered an impairment loss. Cash flows are determined with reference to recent market conditions, prices existing at the end of the reporting period, contractual agreements, if any and estimations over the useful lives of the assets and discounted using a range of discounting rates that reflects current market assessments 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. During the year, the Group carried out a review of recoverable amounts of seven of its hotels, determining the basis of their value in use by reference to the discounted cash flow method using yield of 7.9% and discount rate of 9.3%.

(c) *Revaluation of land*

The Group carries its land at fair value less impairment losses recognised after the date of the revaluation. Valuations are performed periodically enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. During the year ended 31 December 2021, the Group engaged an accredited independent valuer to determine the fair value of the land (note 5).

Abu Dhabi National Hotels Company PJSC

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

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

4.1 Key sources of estimation of uncertainty (continued)

(d) *Identifying whether an acquisition is a business or an asset*

For acquisition made by the Group, the Group needs to make significant judgement to assess whether the assets acquired, and liabilities assumed constitutes a business and whether it has acquired control of one or more businesses. Where such an acquisition does not constitute a business, the acquisition is accounted for as an asset acquisition. In making this assessment, the Group applies the definition of business under IFRS 3 which requires that the Group determines whether it has acquired integrated processes which when applied to inputs, have the ability to produce outputs.

(e) *Business combinations*

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

(f) *Provision for expected credit losses of trade receivables*

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating etc.).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

At the reporting date, gross trade receivables were AED 127,458 thousand (2021: AED 122,661 thousand) and the provision for expected credit losses was AED 35,746 (2021: AED 29,763 thousand). 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.

Abu Dhabi National Hotels Company PJSC

Notes to the consolidated financial statements for the year ended 31 December 2022

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

4.1 Key sources of estimation of uncertainty (continued)

(g) *Leases - Estimating the incremental borrowing rate*

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group ‘would have to pay’, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).

4.2 Critical accounting judgments in applying accounting policies

In the process of applying the Group’s accounting policies, which are described in Note 2, management has made the following judgments that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with above).

(a) *Joint arrangement*

The Group holds 50% of the voting rights of its joint arrangement. The Group has joint control over this arrangement as under the contractual agreements, unanimous consent is required from all parties to the agreements for all relevant activities. The Group’s joint arrangement provides the Group and the parties to the agreements with rights to the net assets. Therefore, this arrangement is classified as a joint venture.

(b) *Determining the lease term of contracts with renewal options*

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Abu Dhabi National Hotels Company PJSC

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

5 Property and equipment

	Land and building AED'000	Mechanical, electrical and plumbing AED'000	Furniture, fixtures and operating equipment AED'000	Motor vehicles AED'000	Construction in progress AED'000	Total AED'000
Cost						
At 1 January 2022	9,446,009	1,052,105	1,538,922	310,522	244,972	12,592,530
Additions	224,691	2,640	7,000	95,444	119,384	449,159
Transfers	49,157	31,463	68,759	-	(149,379)	-
Disposals	-	-	-	(54,601)	(893)	(55,494)
At 31 December 2022	<u>9,719,857</u>	<u>1,086,208</u>	<u>1,614,681</u>	<u>351,365</u>	<u>214,084</u>	<u>12,986,195</u>
Accumulated depreciation and impairment						
At 1 January 2022	1,990,280	746,039	1,235,679	167,280	37,450	4,176,728
Charge for the year	100,214	20,342	61,578	56,629	-	238,763
Disposal	-	-	-	(48,663)	-	(48,663)
At 31 December 2022	<u>2,090,494</u>	<u>766,381</u>	<u>1,297,257</u>	<u>175,246</u>	<u>37,450</u>	<u>4,366,828</u>
Net book value	<u>7,629,363</u>	<u>319,827</u>	<u>317,424</u>	<u>176,119</u>	<u>176,634</u>	<u>8,619,367</u>

Abu Dhabi National Hotels Company PJSC

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

5 Property and equipment (continued)

	Land and building AED'000	Mechanical, electrical and plumbing AED'000	Furniture, fixtures and operating equipment AED'000	Motor vehicles AED'000	Construction in progress AED'000	Total AED'000
Cost						
At 1 January 2021	9,419,490	1,006,662	1,406,898	280,534	247,191	12,360,775
Additions/ Transfers	26,519	45,443	132,693	76,399	(2,219)	278,835
Disposals	-	-	(669)	(46,411)	-	(47,080)
At 31 December 2021	<u>9,446,009</u>	<u>1,052,105</u>	<u>1,538,922</u>	<u>310,522</u>	<u>244,972</u>	<u>12,592,530</u>
Accumulated depreciation and impairment						
At 1 January 2021	1,891,208	728,253	1,146,007	157,717	37,450	3,960,635
Charge for the year	99,072	17,786	90,341	51,222	-	258,421
Disposal	-	-	(669)	(41,659)	-	(42,328)
At 31 December 2021	<u>1,990,280</u>	<u>746,039</u>	<u>1,235,679</u>	<u>167,280</u>	<u>37,450</u>	<u>4,176,728</u>
Net book value	<u>7,455,729</u>	<u>306,066</u>	<u>303,243</u>	<u>143,242</u>	<u>207,522</u>	<u>8,415,802</u>

Abu Dhabi National Hotels Company PJSC

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

5 Property and equipment (continued)

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

	2022 AED'000	2021 AED'000
Cost of services	237,867	257,216
General and administrative expenses	896	1,205
	<u>238,763</u>	<u>258,421</u>

Included in land and buildings is land stated at revalued amount of AED 4.95 billion at 31 December 2022 (2021: AED 4.72 billion). During the year ended 31 December 2021, the Group engaged an accredited independent valuer to determine the fair value of the land.

Fair value is determined by reference to market-based evidence. This means that valuations performed by the valuer are based on active market comparable prices, adjusted for any difference in the nature, location, or condition of the specific property. The date of the revaluations was February 2021 and December 2021.

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

If land was measured using the cost model, the carrying amounts would be AED 710,059 thousand (2021: AED 485,659 thousand).

During the year ended 31 December 2022, the Group transferred AED 152,095 thousand (2021: AED 2,219 thousand) from construction in progress to various property and equipment categories. Construction in progress mainly represents capital expenditure on the additions and to hotel properties.

The Group undertakes an annual review to determine whether there is an indication that a property may be impaired. For properties with impairment indicators, the Group performs impairment assessments, which involves estimating the properties' recoverable amounts. The Group performed impairment assessments on seven of its hotels. The recoverable amounts of the seven hotels have been determined on the basis of their value in use by reference to the discounted cash flow method at the level of each cash generating unit (Hotel) using yield of 7.9% and a discount rate of 9.3%. Based on management's assessment, no impairment has been determined during the year ended 31 December 2022.

During the year, the Company purchased a plot of land at a purchase price of AED 220 million in Al Marjan Island, Ras Al Khaimah for the purpose of developing it into a Hotel.

Bank borrowings are secured through hotel properties with a value of AED 4.1 billion (2021: AED 3 billion) (Note 17).

Abu Dhabi National Hotels Company PJSC

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

5 Property and equipment (continued)

Leased land

The Group leases from the Abu Dhabi Municipality four parcels of land, two of which have leasehold improvements with an aggregate book value of AED 14.4 million as at 31 December 2022 (2021: AED 14.4 million). ADNHC Compass Middle East LLC, a Joint venture uses two parcels of lands, which has leasehold improvements with an aggregate book value of AED 3.1 million as at 31 December 2022 (2021: AED 3.4 million) and accordingly, bears the annual rental charge. The rental of these parcels of land is renewed on an annual basis.

6 Right-of-use assets and lease liabilities

Group as a lessee

The Group has lease contracts for various items of land and building used in its operations. Lease term ranges between 4 to 5 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	Land and building AED'000
At 1 January 2021	45,101
Depreciation charge	(21,377)
At 31 December 2021	<u>23,724</u>
Additions during the year	11,434
Depreciation charge	(16,648)
At 31 December 2022	<u><u>18,510</u></u>

The Group has several lease contracts that include termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these termination options are reasonably certain to be exercised.

Abu Dhabi National Hotels Company PJSC

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

6 Right-of-use assets and lease liabilities (continued)

Group as a lessee (continued)

Set out below, is the carrying amount of the Group's lease liabilities and the movement during the period:

	2022 AED'000	2021 AED'000
As at 1 January	25,628	46,899
Additions	11,434	-
Accretion of interest (note 23)	1,045	1,099
Payments	(16,003)	(22,370)
As at 31 December	<u>22,104</u>	<u>25,628</u>

Lease liability is analysed in the consolidated statement of financial position as follows:

	2022 AED'000	2021 AED'000
Current	20,254	22,370
Non-current	1,850	3,258
	<u>22,104</u>	<u>25,628</u>

Set out below, are the amounts recognised in the consolidated statement of profit or loss related to leases:

	2022 AED'000	2021 AED'000
Depreciation expense of right-of-use assets	16,648	21,377
Interest expense on lease liability	1,045	1,099
	<u>17,693</u>	<u>22,476</u>

7 Investment in associates

	2022 AED'000	2021 AED'000
At 1 January	19,525	10,743
Investment in Prime Concept Café & Restaurants LLC	750	2,975
Share of profit from an associate	1,638	-
Dividend received from a joint venture	(385)	-
Investment in Em Sherif Café West Bay LLC	-	5,807
Transfer to property, plant and equipment	(5,807)	-
At 31 December	<u>15,721</u>	<u>19,525</u>

Abu Dhabi National Hotels Company PJSC

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

7 Investment in an associate (continued)

(a) *Overseas Tourist Investment Company Limited*

The Group has a 38.46% interest in equity share capital of Overseas Tourist Investment Company Limited (“OTIC”), which is incorporated in Jersey, Channel Island and participates in tourist complexes and operates in Morocco. The Group’s investment in this associate is accounted for using the equity method of accounting. OTIC is a private company and there is no quoted market price available for its shares. There are no contingent liabilities relating to the Group’s interest in the associate.

(b) *Prime Concept Café & Restaurants LLC*

During the year 2021, the Company acquired 35% stake in Prime Concept Café & Restaurant LLC, a limited liability entity incorporated in Dubai. The entity commenced their operations in October 2019. The Group’s investment in the entity as at 31 December 2022 amounted to AED 2,003 thousand (31 December 2021: AED 2,975 thousand) has been classified as investment in associate.

(c) *Em Sherif Café West Bay LLC*

During the year 2021, the Company and another party established a limited liability company (“Em Sherif Abu Dhabi”) in Abu Dhabi to operate a café. The Group owns 80% stake in the established entity amounting to AED 5.8 million which was initially treated as investment in associate as at 31 December 2021 as the entity did not commence operations as at that date. The space for the café was leased from one of the Hotels owned by the Company. As of 31 December 2022, the investment in Em Sherif Abu Dhabi, being a subsidiary, has been transferred to property, plant, and equipment.

8 Investment in joint ventures

The Group has a 51% equity interest with equal voting power in Abu Dhabi National Hotels Compass Middle East LLC (ADNH Compass), a joint arrangement with Compass Group International BV established in Abu Dhabi on 3 October 2000. ADNH Compass provides catering, laundry, housekeeping and facility management and services to third parties.

High Spirits LLC (High Spirits LLC) is a joint venture between ADNH, and Holiday Marine Services engaged in the trade of liquor and beverages. High Spirits LLC commenced business from 1 January 2021. Prior to the formation of the joint venture, the retail business was a division operated by ADNH. On 31 December 2020, the Company sold 50% of its wholly owned Procurement and Retail Division (High Spirits LLC) to a third party. As a result, the Company lost control over the Division (High Spirits LLC) and recorded the 50% interest retained in the business as an investment in joint venture at its fair value at the date of disposal of AED 133,000 thousand.

Abu Dhabi National Hotels Company PJSC

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

8 Investment in joint ventures (continued)

	2022 AED'000	2021 AED'000
Investment in High Spirits LLC	148,522	146,928
Investment in ADNH Compass Middle East LLC	216,810	229,925
	<u>365,332</u>	<u>376,853</u>
Investment in ADNH Compass Middle East LLC		
At 1 January	229,925	166,898
Share of profit for the year	127,964	144,583
Dividend received	(141,079)	(81,556)
At 31 December	<u>216,810</u>	<u>229,925</u>

Reconciliation of the carrying amount of its interest in the joint venture:

	2022 AED'000	2021 AED'000
Opening net assets	459,851	333,796
Profit for the year	255,927	289,167
Dividend	(282,158)	(163,112)
Closing net assets	<u>433,620</u>	<u>459,851</u>
Share of interest in joint venture	<u>216,810</u>	<u>229,925</u>
Carrying value	<u>216,810</u>	<u>229,925</u>

ADNH Compass Middle East LLC, joint venture's summarised financial information is as follows:

	2022 AED'000	2021 AED'000
Statement of financial position		
Non-current assets	133,082	58,076
Cash and cash equivalents	315,810	324,058
Other current assets (excluding cash)	960,491	1,032,672
Financial liabilities (excluding trade payables)	(516,238)	(434,165)
Other current liabilities (including trade payables)	(315,788)	(364,969)
Other non-current liabilities	(133,377)	(143,462)
Non-controlling interests	(10,360)	(12,359)
Net assets	<u>433,620</u>	<u>459,851</u>
Statement of profit or loss		
Income	2,395,859	2,214,726
Expenses	(1,991,341)	(1,799,250)
Depreciation	(51,775)	(37,925)
Other expenses	(87,978)	(79,895)
Finance costs, net	(2,343)	(857)
Income tax expense	(6,495)	(7,632)
Profit for the year	<u>255,927</u>	<u>289,167</u>

Abu Dhabi National Hotels Company PJSC

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

8 Investment in joint ventures (continued)

Investment in High Spirits LLC

	2022 AED'000	2021 AED'000
Opening balance	146,928	133,000
Share of profit for the year	15,066	13,928
Dividend received from a joint venture	(13,472)	-
Closing balance	148,522	146,928

During the year ended 31 December 2022, the Group received a payment of AED 6.5 million from its joint venture partner relating to the shortfall in the minimum annual guaranteed return of AED 20 million for the year ended 31 December 2021.

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interest in the joint venture.

	2022 AED'000	2021 AED'000
Opening net assets	293,856	266,000
Profit for the year	30,132	27,856
Dividend received	(26,944)	-
Closing balance	297,044	293,856
Share of interest in joint venture at 50%	148,522	146,928
Carrying value	148,522	146,928

The joint venture's summarised financial position is as follows:

	2022 AED'000	2021 AED'000
Statement of financial position		
Non-current assets	267,883	256,697
Cash and bank balances	43,600	42,948
Other current assets (excluding cash)	35,248	30,913
Financial liabilities (excluding trade payables)	(22,575)	(12,013)
Other current liabilities (including trade payables)	(27,112)	(24,689)
Net assets	297,044	293,856

The joint venture's summarised financial performance is as follows:

	2022 AED'000	2021 AED'000
Statement of profit or loss		
Income	141,032	115,369
Expenses	(109,775)	(86,856)
Depreciation	(1,125)	(657)
Profit for the year	30,132	27,856

Abu Dhabi National Hotels Company PJSC

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

8 Investment in joint ventures (continued)

The Group received cash dividends from its joint venture amounting to AED 154.55 million during the year ended 31 December 2022 (2021: AED 81.56 million).

At 31 December 2022, the joint venture had bank guarantees, mostly performance bonds, amounting to AED 146 million (2021: AED 156 million).

9 Investments carried at fair value through profit and loss

	2022 AED'000	2021 AED'000
At 1 January	27,590	-
Additions	33,848	40,346
Disposals	(37,953)	(23,180)
Fair value gain	1,316	10,424
Total investments carried at fair value through profit and loss	<u>24,801</u>	<u>27,590</u>

During the year the Group invested AED 33,848 thousand (2021: AED 40,346 thousand) in UAE listed equity securities. The Group sold a portion of its investment in the listed equity securities.

10 Investments carried at fair value through other comprehensive income

Investments carried at fair value through other comprehensive income were classified in accordance with IFRS 9 as follows:

	2022 AED'000	2021 AED'000
Unquoted equity investment	<u>21,179</u>	<u>21,179</u>

The unquoted equity investment represents the Group's equity interest of 10.224% (31 December 2021: 10.224%) in Abu Dhabi Tourism Investment Company ("ADTIC").

ADTIC is registered in Egypt as a private joint stock company. Its objectives are mainly to invest in tourist projects in Egypt. ADTIC owns three hotels in operation under a management agreement with an international hotel operator and holds an equity share in a private shareholding company in Egypt which is engaged in the construction of a tourist resort in Egypt. Investment securities are denominated in UAE Dirhams.

Abu Dhabi National Hotels Company PJSC

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

11 Inventories

	2022 AED'000	2021 AED'000
Finished goods and other inventory items	<u>12,420</u>	<u>11,651</u>

Inventories comprise mainly of beverages and food as well as engineering and operating supplies. The cost of inventories is recognised as an expense when inventory items are consumed.

12 Trade and other receivables

	2022 AED'000	2021 AED'000
Trade receivables	127,458	122,661
Less: allowance for expected credit losses	<u>(35,746)</u>	<u>(35,326)</u>
	91,712	87,335
Due from related parties (note 24)	22,098	31,509
Other receivables and prepayments	<u>90,902</u>	<u>77,661</u>
	<u>204,712</u>	<u>196,505</u>

At 31 December 2022, accrued interest receivable of AED 1.6 million (2021: AED 9.3 million) on bank deposits is included in other receivables. Trade receivables are non-interest bearing and are generally on 30-90 days' terms.

As at 31 December 2022, trade receivables of AED 37.3 million (2021: AED 35.3 million) were impaired. Movements in the allowance for expected credit losses were as follows:

	2022 AED'000	2021 AED'000
At 1 January	35,326	28,914
Provision for the year	1,951	23,527
Reversal during the year	<u>(1,531)</u>	<u>(17,115)</u>
At 31 December	<u>35,746</u>	<u>35,326</u>

The creation and release of the provision for expected credit losses is disclosed in the consolidated statement of profit or loss under 'general and administrative expenses' (note 21). Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash. The other classes within trade and other receivables do not contain impaired assets.

Abu Dhabi National Hotels Company PJSC

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

12 Trade and other receivables (continued)

As of 31 December 2022, the analysis of trade receivables including those that were past due and not impaired is as follows:

	Total AED'000	Current AED'000	30-60 days AED'000	61-90 days AED'000	91-120 days AED'000	More than 120 days AED'000
At 31 December 2022						
Expected credit loss rate		0%	1%	2%	4%	82%
Estimated total gross carrying amount at default	<u>127,458</u>	<u>63,630</u>	<u>10,661</u>	<u>6,643</u>	<u>3,681</u>	<u>42,843</u>
Expected credit loss	<u>35,746</u>	<u>136</u>	<u>156</u>	<u>123</u>	<u>129</u>	<u>35,202</u>
At 31 December 2021						
Expected credit loss rate		2%	10%	15%	20%	78%
Estimated total gross carrying amount at default	<u>122,661</u>	<u>60,281</u>	<u>8,674</u>	<u>9,242</u>	<u>5,206</u>	<u>39,258</u>
Expected credit loss	<u>35,326</u>	<u>1,288</u>	<u>867</u>	<u>1,386</u>	<u>1,041</u>	<u>30,744</u>

The carrying amounts of the Group's trade receivables are denominated in the UAE Dirham and approximate their fair value as at 31 December 2022 and 2021.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of the receivables mentioned above. The Group does not hold any collateral as security.

13 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are comprised of the following:

	2022 AED'000	2021 AED'000
Cash at bank and on hand	594,956	405,716
Short-term deposits	<u>242,135</u>	<u>329,482</u>
	837,091	735,198
Less: term deposits with maturity over three months	<u>-</u>	<u>(297,572)</u>
Cash and cash equivalents	<u>837,091</u>	<u>437,626</u>

Bank deposits carry an interest rate ranging from 3% to 6% per annum (2021: 2% to 3% per annum).

Abu Dhabi National Hotels Company PJSC

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

14 Share capital

	2022 AED'000	2021 AED'000
Authorised, issued, and fully paid 1,000,000,000 ordinary shares of AED 1 each	<u>1,000,000</u>	<u>1,000,000</u>

At the Annual General Meeting held on 17 March 2022, the Shareholders approved a cash dividend of AED 0.2 per share totalling AED 200 million.

On 7 February 2023, the Board of Directors proposed a cash dividend of AED 0.2 per share amounting to AED 200 million. The Board of Directors also proposed 200 million bonus shares to its existing shareholders on the basis of 20% ordinary shares held. The bonus shares will be ordinary shares and will carry the same rights as other ordinary shares.

15 Statutory and optional reserves

(a) Statutory reserve

In accordance with the UAE Federal Decree Law No. 32 of 2021, and Article 60 of the Company's Articles of Association, as amended, 10% of the profit for the year is to be transferred to a statutory reserve until such reserve reaches 50% of the Company's issued and fully paid-up capital. This reserve is not available for distribution. No transfers were made in the current year (2021: Nil) as the reserve has reached 50% of the Company's issued and fully paid-up capital.

(b) Optional reserve

In accordance with the Company's previous Articles of Association, 10% of the profit for the year is to be transferred to a legal reserve until such reserve reaches 50% of the Company's issued and fully paid-up capital, or until a resolution is taken by the Ordinary General Assembly of the shareholders to cease transfer to this reserve.

As per Article 59 of the Company's Articles of Association, as amended, a percentage fixed by the Board of Directors shall be deducted from the annual profits in order to amortise the Company's assets or compensate their depreciation. This reserve is to be used at the discretion of the General Assembly of the shareholders. The percentage has been determined to be 10%. No transfers were made in the current year (2021: Nil) as the reserve has reached 50% of the Company's issued and fully paid-up capital.

16 Asset revaluation reserve

The asset revaluation reserve is used to record increases in the fair value of land and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

Abu Dhabi National Hotels Company PJSC

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

17 Bank borrowings

	2022 AED'000	2021 AED'000
<i>Borrowings with commercial banks:</i>		
Due in less than one year – current liability	745,037	510,173
Due in more than one year – non-current liability	<u>1,531,551</u>	<u>1,811,487</u>
	<u>2,276,588</u>	<u>2,321,660</u>

The term loans comprise the following:

Term loan 1

On 2 October 2014, the Group obtained a secured term loan facility from a local bank amounting to AED 1.2 billion to refinance the then existing AED 1.5 billion loan agreement with a consortium of four banks. Consequently, the Group settled its outstanding term loan as well as the associated interest rate swap amounting to AED 750 million and AED 49 million, respectively, in October 2014. The new loan is repayable in 20 equal half yearly instalments of AED 60 million starting from April 2015 and ending in October 2024. Collateral constitutes a mortgage on an hotel property owned by the Company. The facility carries a variable annual interest rate plus a spread. The carrying amount of the loan as at 31 December 2022 was AED 240 million (31 December 2021: AED 360 million).

As at 31 December 2022, the Group has an unamortised prepaid loan arrangement fee of AED 2.6 million (31 December 2021: AED 4.1 million) related to this facility and is netted off from the loan balance.

Term loan 2

On 3 January 2019, the Group obtained a term loan from a local bank amounting to AED 1,600 million to finance its acquisition of Dome Hotels LLC. The facility carries a variable interest rate plus a spread. The loan is repayable in 20 semi-annual instalments commencing after six months from the date of the withdrawal. The collateral constitutes a mortgage of the assets purchased from the loan proceeds. The carrying amount as at 31 December 2022 was AED 1,344 million (31 December 2021 was AED 1,440 million).

The Group paid AED 8 million as loan processing and arrangement fees. As at 31 December 2022, the Group has an amount of AED 10.4 million (31 December 2021: AED 8.7 million) which remains unamortised and is netted off from loan balance.

Term loan 3

On 12 March 2020, Al Ghazal Transport, obtained a term loan facility from a local bank amounting to AED 80 million to refinance the then existing AED 50 million loan facility with another local bank and to finance the purchase of vehicles. The loan is repayable in 48 equal monthly instalments. Al Ghazal Transport did not draw down the entire facility as at 31 December 2022. The facility carries a variable annual interest rate plus a spread. The carrying amount of the loan as at 31 December 2022 was AED 63.8 million (31 December 2021: AED 64.4 million).

Abu Dhabi National Hotels Company PJSC

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

17 Bank borrowings (continued)

Term loan 4

On 29 July 2021, the Group obtained a term loan facility from a local bank amounting to AED 200 million to refinance another term loan. 70% of the principal amount is to be repaid in 20 quarterly instalments starting from 1 October 2022 while the remaining 30% is to be repaid as a bullet payment as the last instalment. The loan is secured by a first-degree mortgage over property and the assignment of insurance policy. The facility carries a variable annual interest rate plus a spread. The carrying amount of the loan as at 31 December 2022 was AED 193 million (31 December 2021: AED 200 million).

As at 31 December 2022, the Group has an unamortised prepaid loan arrangement fee of AED 709 thousand (31 December 2021: AED 866 thousand) related to this facility and is netted off from the loan balance.

Term loan 5

On 11 November 2022, Al Ghazal Transport obtained a term loan facility from a local bank amounting to AED 100 million to finance up to 90% of the purchase value of new vehicles for its operations in the UAE. The loan is repayable in 46 equal monthly instalments. Al Ghazal Transport did not draw down the facility as at 31 December 2022.

As at 31 December 2022, the Company has obtained short term loans from three local banks. The carrying amount of the short term loans as at that date was AED 450 million (31 December 2021: AED 271 million).

As at 31 December 2022, the Company has a net current liability position of AED 169 million, which is primarily due to the short term loan of AED 200 million obtained during the year which relates to purchase of a plot of land (Note 5) which will be settled in 2023. Management is in process of finalising the development plan for the above-mentioned property and will obtain term finance which will resolve the net current position.

The Group has received a waiver from the lender before the year end in respect to loan covenants applicable for 31 December 2022 and 31 December 2021, accordingly there is no impact on classification of non-current bank borrowings as at 31 December 2022 and 31 December 2021. The carrying amounts of the Group's borrowings are denominated in UAE Dirhams.

Term loan reclassification

During the year ended 31 December 2022, management has reclassified non-current loan balance of AED 237.2 million to current thereby decreasing previously reported non-current term loan balance as of 31 December 2021 from AED 2,049 million to AED 1,811 million and increasing current balance of term loans from AED 273 million to AED 510 million, management has made such reclassification of current portion of term loans amounting to AED 237.2 million as they were due within one year from the balance sheet date and had not been classified as current. Therefore, the comparatives were changed in accordance with the requirement of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". The reclassification did not result in any change to the prior year's reported consolidated profits or to the balances reported in the consolidated statement of changes in equity. A third balance sheet has not been presented as the reclassification was limited to affected financial statement line items for the prior period only as presented above.

Abu Dhabi National Hotels Company PJSC

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

18 Provision for employees' end of service benefits

	2022 AED'000	2021 AED'000
At 1 January	35,800	36,729
Charge for the year	11,465	8,483
Paid during the year	(7,598)	(9,412)
At 31 December	<u>39,667</u>	<u>35,800</u>

19 Trade and other payables

	2022 AED'000	2021 AED'000
Trade payables	276,826	211,262
Due to related parties (note 24)	2,255	1,622
Accrued liabilities	190,032	139,373
Directors' remuneration	13,500	11,500
Total	<u>482,613</u>	<u>363,757</u>

Trade payables are non-interest bearing and are normally settled within 60 days of the invoice date. Other payables are non-interest bearing and have an average term of six months with the exception of retentions payable, if any. Trade payables include retentions payable amounting to AED 14.4 million (2021: AED 21.5 million). The carrying amount of these retention payables approximates their fair value as at reporting date.

20 Operating revenues

	2022 AED'000	2021 AED'000
<u>Timing of revenue recognition</u>		
Services transferred at the point in time	1,248,828	893,435
Services transferred over time	211,017	188,576
	<u>1,459,845</u>	<u>1,082,011</u>

Geographical markets

All revenues are generated from United Arab Emirates.

21 General and administrative expenses

	2022 AED'000	2021 AED'000
Staff costs	30,298	28,604
Provision for termination fees*	40,000	-
Provision for expected credit losses	420	6,412
Directors' remuneration	12,940	14,102
Depreciation (note 5)	896	1,205
Other expenses	17,168	14,974
	<u>101,722</u>	<u>65,297</u>

Abu Dhabi National Hotels Company PJSC

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

21 General and administrative expenses (continued)

The remuneration of the Board of Directors for the year ended 31 December 2022 was AED 12.9 million (2021: AED 14 million), which is subject to approval by the Shareholders at the forthcoming Annual General Assembly.

Staff costs included in the cost of services amounted to AED 261,782 thousand (2021: AED 254,918 thousand).

*On 21 November 2022, the Company sent a notice of termination to The Address Hotels + Resorts LLC and Vida Hotels & Resorts LLC (the “Managers”) with respect to the management agreements relating to Downtown Boulevard Hotel LLC, Dubai Mall Hotel LLC, Dubai Marina Hotel LLC, MDD Hotel LLC and VDD Hotel LLC. The effective date of the termination as per the notice is 1 January 2024. As per the terms of each of the five management agreements, the Company will liable to termination fees.

22 Other income

	2022 AED'000	2021 AED'000
Gain on sale of property and equipment	16,062	12,530
Business interruption claim*	39,272	-
Others	6,088	11,361
	<u>61,422</u>	<u>23,891</u>

* During the year ended 31 December 2022, the Group received a business interruption claim from its insurer of AED 39.3 million for its subsidiaries in light of the COVID-19 pandemic.

23 Finance costs

	2022 AED'000	2021 AED'000
Interest expense on bank loans	72,879	45,176
Interest expense on lease liabilities (note 6)	1,045	1,099
	<u>73,924</u>	<u>46,275</u>

Interest was paid during the year at rates ranging from 3% to 4% (2021: 2% to 3%).

24 Related party transaction and balances

Related parties represent the Joint Ventures, the Associate, managed hotels, directors and key management personnel of the Group, and entities controlled, jointly controlled, or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

Abu Dhabi National Hotels Company PJSC

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

24 Related party transaction and balances (continued)

Terms and conditions of transactions with related parties

The sales to and services from related parties are made at normal market prices. Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

For the year ended 31 December 2022, the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

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

	2022 AED'000	2021 AED'000
Due from related parties (note 12)		
ADNH Compass	20,213	29,788
High Spirit	928	292
Al Diar Mina	258	152
OTIC	226	835
Others	473	442
	<u>22,098</u>	<u>31,509</u>
Due to related parties (note 19)		
ADNH Compass	204	108
High Spirit	1,443	1,495
Prime Concept Café & Restaurants LLC	606	-
Others	2	19
	<u>2,255</u>	<u>1,622</u>

Significant transactions with related parties included in the consolidated statement of profit or loss are as follows:

	2022 AED'000	2021 AED'000
Management fees received	2,964	2,559
Sales of goods and services to ADNH Compass, a Joint Venture	44,958	21,474
Sales of goods and other services to other related parties	240	154
Amounts owed by ADNH Compass, a Joint Venture (included in due from related parties)	23,908	29,788
Amounts owed to ADNH Compass, a Joint Venture (included in due to related parties)	196	107
Associate - Overseas Tourist Investment Company Limited Administration charges and other charges paid on behalf of OTIC	240	462
Amounts owed by the Associate	197	835

Abu Dhabi National Hotels Company PJSC

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

24 Related party transaction and balances (continued)

Terms and conditions of transactions with related parties (continued)

	2022 AED'000	2021 AED'000
Key management compensation		
Short term benefits	21,219	19,046
Employees' end of service benefits	2,437	908
	<u>23,656</u>	<u>19,954</u>
Board remuneration	<u>12,940</u>	<u>14,102</u>

As of 31 December 2022, there were no loans extended to the Directors of the Company (2021: Nil).

25 Basic and diluted earnings per share

Basic earnings per share amounts are calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share are calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year, adjusted for the effects of dilutive instruments.

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

	2022 AED'000	2021 AED'000
Profit attributable to owners of the Company (AED'000)	415,403	272,712
Weighted average number of shares in issue ('000)	<u>1,000,000</u>	<u>1,000,000</u>
Basic and diluted earnings/(loss) per share (AED)	<u>0.42</u>	<u>0.27</u>

The Group has not issued any instruments, which would have an impact on earnings per share when exercised.

26 Segment information

The primary segment reporting format is determined to be operating segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. 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.

Abu Dhabi National Hotels Company PJSC

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

26 Segment information (continued)

Operating segments

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

- Hotels
- Transport services
- Holding - responsible for managing investments held by the Group, development of hotels and general coordination of Group activities

Individual hotels and transportation segments' performance is measured based on profit or loss.

Abu Dhabi National Hotels Company PJSC

Notes to the financial statements for the year ended 31 December 2022 (continued)

26 Segment information (continued)

	Hotels AED'000	Transport services AED'000	Holding company AED'000	Elimination entries AED'000	Total AED'000
Year ended 31 December 2022					
Revenues	1,213,105	257,130	-	(10,390)	1,459,845
Cost of services	(860,290)	(251,709)	-	14,342	(1,097,657)
Gross profit	<u>352,815</u>	<u>5,421</u>	<u>-</u>	<u>3,952</u>	<u>362,188</u>
General and administrative expenses	-	-	(61,302)	-	(61,302)
Share of profit from an associate	-	-	1,638	-	1,638
Share of profit from joint ventures	-	-	149,557	-	149,557
Fair value gain on financial assets carried at fair value through profit or loss	-	-	9,004	-	9,004
Other income, net	-	16,695	48,679	(3,952)	61,422
Provision for termination fees	-	-	(40,000)	-	(40,000)
Provision for expected credit losses	(588)	168	-	-	(420)
Finance income	-	-	6,934	-	6,934
Finance costs	(71,665)	(2,259)	-	-	(73,924)
Profit for the year	<u><u>280,562</u></u>	<u><u>20,025</u></u>	<u><u>114,510</u></u>	<u><u>-</u></u>	<u><u>415,097</u></u>
At 31 December 2022					
Total assets	<u>8,847,275</u>	<u>273,553</u>	<u>997,832</u>	<u>-</u>	<u>10,118,660</u>
Total liabilities	<u>2,534,822</u>	<u>144,067</u>	<u>143,297</u>	<u>(2,888)</u>	<u>2,819,298</u>

Abu Dhabi National Hotels Company PJSC

Notes to the financial statements for the year ended 31 December 2022 (continued)

26 Segment information (continued)

	Hotels AED'000	Transport services AED'000	Holding company AED'000	Elimination entries AED'000	Total AED'000
Year ended 31 December 2021					
Revenues	872,862	217,573	-	(8,424)	1,082,011
Cost of services	(676,549)	(220,985)	-	-	(897,534)
Gross profit/(loss)	<u>196,313</u>	<u>(3,412)</u>	<u>-</u>	<u>(8,424)</u>	<u>184,477</u>
General and administrative expenses	-	-	(74,596)	9,299	(65,297)
Share of profit from joint venture and associate, net	-	-	158,511	-	158,511
Investment and other income, net	5,483	13,212	6,071	(875)	23,891
Change in fair value of financial assets carried at fair value through profit or loss	-	-	10,424	-	10,424
Finance income	-	-	6,981	-	6,981
Finance costs	(45,747)	(528)	-	-	(46,275)
Profit for the year	<u>156,049</u>	<u>9,272</u>	<u>107,391</u>	<u>-</u>	<u>272,712</u>
At 31 December 2021					
Total assets	<u>8,834,198</u>	<u>133,877</u>	<u>858,726</u>	<u>1,840</u>	<u>9,828,641</u>
Total liabilities	<u>2,531,790</u>	<u>112,111</u>	<u>100,417</u>	<u>2,527</u>	<u>2,746,845</u>

The amounts provided by the management with respect to the total assets and liabilities are measured in a manner consistent with that of the consolidated financial statements. Segment assets are allocated based on operations of the segment.

Abu Dhabi National Hotels Company PJSC

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

27 Contingencies and commitments

(a) Bank guarantees

	2022 AED'000	2021 AED'000
Bank guarantees	33,929	156,048
<i>Bank guarantees are issued in the normal course of business and mature as follows:</i>		
Within one year	33,929	156,048

(b) Capital commitments

The estimated capital expenditure contracted for at 31 December 2022 amounts to AED 82.6 million (2021: AED 37.5 million).

28 Reconciliation of liabilities arising from financing activities

	2022 AED'000	2021 AED'000
Cash and bank balances	837,091	735,198
Borrowings – repayable within one year	(745,037)	(510,173)
Borrowings – repayable over one year	(1,531,551)	(1,811,487)
Net debt	(1,439,497)	(1,586,462)

	Other assets/Liabilities from financing activities			
	Cash and cash equivalents AED	Borrowings – repayable within one year AED	Borrowings – not repayable within one year AED	Total AED
Net debt				
As at 31 December 2021	591,664	(496,159)	(1,948,392)	(1,852,887)
Cash flows	143,534	(14,014)	136,905	266,425
As at 31 December 2021	735,198	(510,173)	(1,811,487)	(1,586,462)
Cash flows	101,893	(234,864)	279,936	146,965
As at 31 December 2022	837,091	(745,037)	(1,531,551)	(1,439,497)