Abu Dhabi National Hotels Company PJSC

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

Abu Dhabi National Hotels Company PJSC

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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 2023, the world economies achieved a satisfactory growth rate despite the hikes in inflation and interest rates. Moreover, the geopolitical conditions prevailing in several regions across the globe have not been encouraging for investments and business expansions.

UAE economy has witnessed remarkable growth since the start of 2023 driven by the strong performance of several non-oil sectors, which includes travel and tourism, government initiatives, technological advancements and other.

Abu Dhabi National Hotels had a successful year, with total revenue increased by 12% from AED 1,460 million in 2022 to AED 1,631 million in 2023. The group's EBITDA increased by 10% to reach AED 790 million as compared to AED 720 million in 2022. The net profit was AED 422 million, reflecting a 2% increase nevertheless the group invested AED 100 million in the rebranding of five hotels in Dubai and absorbed the hike in net finance cost by AED 52 million.

The hotel sector saw revenue rise from AED 1,213 million in 2022 to AED 1,363 million in 2023, with EBITDA of AED 639 million, reflecting a 20% increase from 2022. The sector's net profit after deducting depreciation and financing costs reached AED 342 million.

Al Ghazal transport saw a rise in revenue from AED 257 million in 2022 to AED 285 million in 2023, with EBITDA of AED 96 million, reflecting an 18% increase from 2022. The sector's net profit after deducting depreciation and financing costs reached AED 24 million.

The group's share of profit from Compass was AED 118 million, a decrease of AED 10 million as compared to AED 128 million in 2022 due to the closure of certain contracts and recording of UAE Corporate Tax provision related to quarter four of 2023 period.

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 value to our stakeholders, maintaining our position as a leading service provider of hospitality, travel, catering, and transport in the region, and creating sustained return for our shareholders.

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

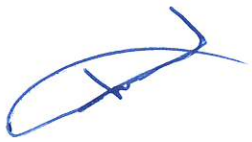
Return to Shareholders

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 240 million and stock dividends of AED 60 million totaling AED 300 million which represents 25% of the Share Capital and 71% of the net profit for the year 2023.

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.



Hamad Salem Mohamed Binlouteya Alameri
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 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated statement of profit 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, comprising material accounting policy information and other explanatory information.

Basis for opinion

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

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

Independence

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

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

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

Our audit approach (continued)

Overview (continued)

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Revaluation of plots of land In the consolidated statement of financial position, the revalued plots of land are carried at AED 6.3 billion as at 31 December 2023 (31 December 2022: AED 4.95 billion) which represents 57% of total assets. During the year the Group recognised a revaluation gain of AED 1.4 billion in the statement of other comprehensive income. 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. During the year ended 31 December 2023, the Group engaged an accredited independent valuer to determine the fair value of the plots of land. The land revaluation reserve amounted to AED 5.4 billion as of 31 December 2023. Valuation of the plots of land is a key audit matter due to its financial significance and judgement involved in the assessment of the fair value of these assets. The judgment relates to the valuation methodologies used and the assumptions included in the valuation models. Refer to note 2.15 which explains the accounting policy, note 5 which explains the valuation methodology used by the Group and note 4.1 which explains the critical judgments and estimates used in revaluing the plots of land.	We performed the following audit procedures over the revaluation of plots of land. We assessed the Valuers' qualifications and expertise and read their terms of engagement with the Group to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work. We carried out testing procedures, on a sample basis, to satisfy ourselves of the accuracy of the property related information supplied to the Valuers by management. We obtained the valuation reports for a sample of plots of land and by involving our own internal valuation expert, we evaluated the adequacy of the work of the valuers by considering the appropriateness of the methodology used, the relevance and reasonableness of the Valuers' findings or conclusions and their consistency with other audit evidence. Our internal valuation experts also assessed if the valuation methods and principles used were in compliance with the Royal Institute of Chartered Surveyor ('RICS') Valuation - Professional Standards and suitable for use in determining the carrying value for the purpose of the consolidated financial statements. We reviewed the appropriateness and adequacy of the related disclosures in note 2.15, note 5 and note 4.1 to these consolidated financial statements.

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

Other information

The Directors are responsible for the other information. The other information comprises the Chairman's report but does not include the consolidated financial statements and our auditor's report thereon which we 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 IFRS Accounting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Decree Law No. 32 of 2021, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

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

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, 9 and 10 to the consolidated financial statements the Group has invested in shares during the financial year ended 31 December 2023;

(vi) note 26 to the consolidated financial statements discloses material related party transactions, and the terms under which they were conducted; and

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

PricewaterhouseCoopers
2 February 2024

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 2023 AED'000	2022 AED'000
ASSETS			
Non-current assets			
Property and equipment	5	9,953,267	8,619,367
Right-of-use assets	6	4,774	18,510
Investment in associates	7	17,288	15,721
Investment in joint ventures	8	359,923	365,332
Financial asset at fair value through other comprehensive income	10	21,179	21,179
Franchise fee		1,072	1,201
		10,357,503	9,041,310
Current assets			
Inventories	11	10,445	12,420
Trade and other receivables	12	222,386	204,712
Financial assets at fair value through profit or loss	9	-	24,801
Cash and cash equivalents	13	377,168	837,091
		609,999	1,079,024
Total assets		10,967,502	10,120,334
EQUITY AND LIABILITIES			
EQUITY			
Share capital	14	1,200,000	1,000,000
Statutory and optional reserves	15	1,000,000	1,000,000
Own shares	16	(83,566)	-
Asset revaluation reserve	17	5,420,257	4,022,923
Foreign currency translation reserve		(289)	(289)
Retained earnings		991,773	874,565
Proposed dividends	14	300,000	400,000
Capital and reserves attributable to shareholders of the Company		8,828,175	7,297,199
Non-controlling interests		2,262	2,163
Total equity		8,830,437	7,299,362
LIABILITIES			
Non-current liabilities			
Bank borrowings	18	1,156,185	1,531,551
Provision for employees' end of service benefits	19	42,443	39,667
Lease liabilities	6	-	1,850
		1,198,628	1,573,068
Current liabilities			
Trade and other payables	20	461,159	482,613
Lease liabilities	6	7,176	20,254
Bank borrowings	18	470,102	745,037
		938,437	1,247,904
Total liabilities		2,137,065	2,820,972
Total equity and liabilities		10,967,502	10,120,334

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

Hamad Salem Mohamed Binlouteya Alameri Chairman of the Board	Sheikh Ahmed Mohammed Sultan Suroor Aldhahiri Vice Chairman of the Board and Managing Director	Khalid Anib Chief Executive Officer	Rami Naim Almuhtaseb Chief Financial Officer

The notes on pages 14 to 63 are an integral part of these consolidated financial statements

Consolidated statement of profit or loss

	Notes	Year ended 31 December 2023 AED'000	2022 AED'000
Revenue from contracts with customers	21	1,631,156	1,459,845
Cost of providing services		(1,151,283)	(1,097,657)
Gross profit		479,873	362,188
General and administrative expenses, net	22	(25,705)	(101,722)
Share of profit from an associate	7	632	1,638
Share of profit from joint ventures	8	135,298	149,557
Net impairment loss of financial assets		(1,649)	-
Termination fees	23	(101,029)	-
Fair value gain on financial assets carried at fair value through profit or loss	9	1,728	9,004
Other income	24	52,439	61,422
Finance income		2,396	6,934
Finance costs	25	(121,464)	(73,924)
Profit for the year		422,519	415,097
Attributable to:			
Equity holders of the parent		422,420	415,403
Non-controlling interests		99	(306)
		422,519	415,097
Basic and diluted earnings per share attributable to ordinary equity holders of the parent (AED)	27	0.035	0.035

Abu Dhabi National Hotels Company PJSC

Consolidated statement of comprehensive income

	Notes	Year ended 31 December 2023 AED'000	2022 AED'000
Profit for the year		422,519	415,097
Other comprehensive income:			
Items that will not be reclassified subsequently to the statement of profit or loss			
Revaluation of land	5,17	1,397,334	-
Total comprehensive income for the year		1,819,853	415,097
Attributable to:			
Equity holders of the parent		1,819,754	415,403
Non-controlling interests		99	(306)
		1,819,853	415,097

Abu Dhabi National Hotels Company PJSC

Consolidated statement of changes in equity

	Capital and reserves attributable to shareholders of the parent company									
	Share capital AED'000	Statutory and operational reserves AED'000	Own shares AED'000	Asset revaluation reserve AED'000	Foreign currency translation reserve AED'000	Retained earnings AED'000	Proposed dividends AED'000	Total AED'000	Non-controlling interests AED'000	Total equity AED'000
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 period	-	-	-	-	-	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 interest on acquisition of a subsidiary	-	-	-	-	-	-	-	-	2,238	2,238
Transactions with non-controlling interests	-	-	-	-	-	-	-	-	231	231
Transactions with shareholders:										
Dividends (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	1,000,000	1,000,000	-	4,022,923	(289)	874,565	400,000	7,297,199	2,163	7,299,362
Balance at 1 January 2023	1,000,000	1,000,000	-	4,022,923	(289)	874,565	400,000	7,297,199	2,163	7,299,362
Profit for the period	-	-	-	-	-	422,420	-	422,420	99	422,519
Adjustments	-	-	-	-	-	(5,212)	-	(5,212)	-	(5,212)
Other comprehensive income for the year	-	-	-	1,397,334	-	-	-	1,397,334	-	1,397,334
Total comprehensive income for the year	-	-	-	1,397,334	-	417,208	-	1,814,542	99	1,814,641
Purchase of own shares (Note 16)	-	-	(83,566)	-	-	-	-	(83,566)	-	(83,566)
Transactions with shareholders:										
Bonus shares (Note 14)	200,000	-	-	-	-	-	(200,000)	-	-	-
Dividends (Note 14)	-	-	-	-	-	-	(200,000)	(200,000)	-	(200,000)
Proposed bonus shares (Note 14)	-	-	-	-	-	(60,000)	60,000	-	-	-
Proposed dividends (Note 14)	-	-	-	-	-	(240,000)	240,000	-	-	-
At 31 December 2023	1,200,000	1,000,000	(83,566)	5,420,257	(289)	991,773	300,000	8,828,175	2,262	8,830,437

Abu Dhabi National Hotels Company PJSC

Consolidated statement of cash flows

	Notes	Year ended 31 December 2023 AED'000	2022 AED'000
Cash flows from operating activities			
Profit for the year		422,519	415,097
Adjustments for:			
Depreciation of property and equipment	5	249,224	238,763
Depreciation of right-of-use assets	6	13,736	16,648
Share of profit from joint ventures and an associate	7,8	(135,930)	(151,195)
Provision for impairment loss of financial assets	12	1,649	420
Provision for employees' end of service benefits	19	11,238	11,465
(Reversal of provision)/ provision for contract termination fees	23	(40,000)	40,000
Gain on disposal of property and equipment	24	(12,896)	(16,062)
Fair value gain on financial assets carried at fair value through profit or loss	9	-	(1,316)
Finance costs	25	121,464	73,924
Finance income		(2,396)	(6,934)
Reversal of accruals	24	(30,757)	-
Amortisation of franchise fee		129	700
Operating cash flows before payment of employees' end of service benefits and changes in working capital		597,980	621,510
Payment of employees' end of service benefits	19	(8,462)	(7,598)
Changes in working capital			
Inventories	11	1,975	(769)
Trade and other receivables	12	(19,323)	(8,627)
Trade and other payables	20	45,737	78,856
Net cash generated from operating activities		617,907	683,372
Cash flows from investing activities			
Purchase of property and equipment	5	(190,485)	(443,352)
Proceeds from sale of property and equipment	5,24	17,591	22,893
Payment of franchise fee		-	(1,287)
Investment in an associate	7	(2,160)	(750)
Dividends received from joint ventures and an associate	7,8	136,720	161,463
Movement in deposits with maturity of more than three months		-	297,572
Purchases of financial assets at fair value through profit and loss	9	-	(33,848)
Proceeds from sale of financial assets at fair value through profit and loss	9	24,801	37,953
Finance income received		2,396	6,934
Net cash (used in)/ generated from investing activities		(11,137)	47,578

Consolidated statement of cash flows (continued)

	Notes	Year ended 31 December 2023 AED'000	2022 AED'000
Cash flows from financing activities			
Drawdown of borrowings	18	569,487	774,142
Acquisition of own shares	16	(80,000)	-
Dividends paid	14	(200,000)	(200,000)
Principal elements of lease payments	6	(15,253)	(16,003)
Repayment of borrowings	18	(1,219,788)	(819,212)
Interest paid		(121,139)	(72,881)
Additional contribution by non-controlling interest		-	2,469
Net cash used in financing activities		(1,066,693)	(331,485)
Net (decrease)/increase in cash and cash equivalents		(459,923)	399,465
Cash and cash equivalents at the beginning of the year		837,091	437,626
Cash and cash equivalents at the end of the year	13	377,168	837,091
Non-cash transactions:			
Reversal of accruals	24	30,757	-
Revaluation of land	5,17	1,397,334	-

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 a tourism services division, a restaurant division and has investments in the entities detailed below as of 31 December 2023 and 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.

			Interest (%)	
Name	**Country of operation**	**Principal activity**	**31 December 2023**	**31 December 2022**
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	80.00	80.00
Abu Dhabi National Hotels Compass Middle East LLC ("Joint Venture")	Gulf and the Middle East	Catering 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

1 General information (continued)

Name	Country of operation	Principal activity	Interest (%) 31 December 2023	Interest (%) 31 December 2022
Prime Concept Café & Restaurant LLC ("Associate")	United Arab Emirates	Food and beverage	43.00	35.00
ADRM Restaurants Management – Sole Proprietorship LLC ("Subsidiary")	United Arab Emirates	Restaurants Management	100.00	100.00
ADNM RAK Hotel Management – Sole Proprietorship LLC ("Subsidiary")	United Arab Emirates	Hospitality	100.00	100.00
National Facility Management Company – Sole Proprietorship LLC ("Subsidiary")	United Arab Emirates	Maintenance	100.00	100.00
ADNH General Security Guard Services LLC ("Subsidiary)	United Arab Emirates	Security guard services	100.00	100.00

As of 31 December 2023, 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 UAE Federal Decree-Law no 47 of 2022 (the "Tax Law") was published setting in place a general corporate income tax for the first time. The profit threshold of AED 375,000 at which the 9% tax will apply was set in place by Cabinet Decision No. 116 of 2022 which was published on 16 January 2023 and at this point the Tax Law was considered enacted and substantively enacted for accounting purposes. While current taxes are not payable on profits generated before the Company's financial year commencing on 1 January 2024, the existence of an enacted tax law results in the need to immediately record deferred taxes on assets and liabilities where the carrying amount differs from the tax base. As per the management's assessment, the impact of deferred taxes is not material on the current year consolidated financial statements.

The consolidated financial statements for the year ended 31 December 2023 were authorised for issue in accordance with a resolution of Board of Directors on 1 February 2024.

2 Material accounting policies

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

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 IFRS Accounting Standards 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

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.

2 Material accounting policies (continued)

2.3 Basis of consolidation (continued)

Profit or loss and each component of other comprehensice income ("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 IFRS Accounting Standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2023. The application of these revised IFRS Accounting Standards, except where stated, have not had any material impact on the amounts reported for the current and prior periods.

1. Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 23 (effective 1 January 2023)

The IASB amended IAS 1 Presentation of Financial Statements to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' (being information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements) 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.

2 Material accounting policies (continued)

2.4 Change in accounting policies (continued)

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

2. 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.

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

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

- The cumulative effect of recognising these adjustments is recognised in the opening balance of retained earnings, or another component of equity, as appropriate.

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

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

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

Amendments made to IAS 1 Presentation of Financial Statements in 2020 and 2022 clarified that liabilities are classified as either current or non-current, 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). Covenants of loan arrangements will not affect classification of a liability as current or non-current at the reporting date if the entity must only comply with the covenants after the reporting date.

2 Material accounting policies (continued)

2.4 Change in accounting policies (continued)

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

1. Classification of Liabilities as Current or Non-current – Amendments to IAS 1 Non-current Liabilities with Covenants – Amendments to IAS 1 (effective 1 January 2024) (continued)

However, if the entity must comply with a covenant either before or at the reporting date, this will affect the classification as current or non-current even if the covenant is only tested for compliance after the reporting date. The amendments require disclosures if an entity classifies a liability as non-current and that liability is subject to covenants that the entity must comply with within 12 months of the reporting date. The disclosures include:

- the carrying amount of the liability
- information about the covenants, and
- facts and circumstances, if any, that indicate that the entity may have difficulty complying with the covenants.

The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. Terms of a liability that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instrument can only be ignored for the purpose of classifying the liability as current or non-current if the entity classifies the option as an equity instrument. However, conversion options that are classified as a liability must be considered when determining the current/non-current classification of a convertible note. The amendments must be applied retrospectively

2. Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 (effective 1 January 2024)

In September 2022, the IASB finalised narrow-scope amendments to the requirements for sale and leaseback transactions in IFRS 16 Leases which explain how an entity accounts for a sale and leaseback after the date of the transaction.

The amendments specify that, in measuring the lease liability subsequent to the sale and leaseback, the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use that it retains. This could particularly impact sale and leaseback transactions where the lease payments include variable payments that do not depend on an index or a rate.

2 Material accounting policies (continued)

2.4 Change in accounting policies (continued)

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

3. Supplier finance arrangements – Amendments to IAS 7 and IFRS 7 (effective 1 January 2024)

The IASB has issued new disclosure requirements about supplier financing arrangements ('SFAs'), after feedback to an IFRS Interpretations Committee agenda decision highlighted that the information required by IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures falls short of meeting user information needs. The objective of the new disclosures is to provide information about SFAs that enables investors to assess the effects on an entity's liabilities, cash flows and the exposure to liquidity risk. The new disclosures include information about the following:

The terms and conditions of SFAs.

- The carrying amounts of financial liabilities that are part of SFAs and the line items in which those liabilities are presented.
- The carrying amount of the financial liabilities in (b) for which suppliers have already received payment from the finance providers.
- The range of payment due dates for both the financial liabilities that are part of SFAs, and comparable trade payables that are not part of such arrangements.
- Non-cash changes in the carrying amounts of financial liabilities in(b).
- Access to SFA facilities and concentration of liquidity risk with financeproviders.The IASB has provided transitional relief by not requiring comparative information in the first year, and also not requiring disclosure of specified opening balances. Further, the required disclosures are only applicable for annual periods during the first year of application. Therefore, the earliest that the new disclosures will have to be provided is in annual financial reports for December 2024 year-ends, unless an entity has a financial year of less than 12 months.

4. Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28 (effective 1 January 2024)

The IASB has made limited scope amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures.

The amendments clarify the accounting treatment for sales or contribution of assets between an investor and their associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations).

2 Material accounting policies (continued)

2.4 Change in accounting policies (continued)

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

4. Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28 (effective 1 January 2024) (continued)

Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments apply prospectively.

5. IFRS S1, 'General requirements for disclosure of sustainability-related financial information and IFRS S2, 'Climate-related disclosures' (effective 1 January 2024)

IFRS S1 includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain. IFRS S2 sets out requirements for entities to disclose information about climate-related risks and opportunities.

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.

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.

2 Material accounting policies (continued)

2.5 Business combinations and goodwill (continued)

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.

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 associates and joint ventures 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.

2 Material accounting policies (continued)

2.6 Investment in associates and joint ventures (continued)

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**.**

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.

2 Material accounting policies (continued)

2.7 Current versus non-current classification (continued)

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 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**.**

2.9 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.

2.10 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.

2 Material accounting policies (continued)

2.10 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.

2 Material accounting policies (continued)

2.10 Revenue recognition (continued)

(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.

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

When the Group satisfies a performance obligation by delivering the promised goods or services it creates a contract-based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives rise to a contract liability. 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 Group 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 Group and the revenue and costs, if applicable, can be measured reliably.

2.11 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.

2.12 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.

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 Material accounting policies (continued)

2.13 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.

2.14 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.

2 Material accounting policies (continued)

2.14 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.

2.15 Property and equipment

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

2 Material accounting policies (continued)

2.15 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	10 - 40
Mechanical, electrical, and plumbing	10 - 25
Furniture, fixtures, and operating equipment	2 - 12.5
Motor vehicles	3 - 6

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.

2.16 Bank borrowings

After initial recognition, bank 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.

2 Material accounting policies (continued)

2.16 Bank borrowings (continued)

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.

2.17 Own shares

Own equity instruments that are reacquired (own shares) are recognised at cost and deducted from equity. No gain or loss is recognised in consolidated statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in the share premium. Such own shares may be acquired and held by the entity or by the other members of the consolidated group. Consideration paid or received shall be recognised directly in equity.

2.18 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.

2 Material accounting policies (continued)

2.19 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

2 Material accounting policies (continued)

2.19 Financial assets (continued)

(c) Financial assets at amortised cost (continued)

(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.

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).

2 Material accounting policies (continued)

2.19 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.

2.20 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.

2 Material accounting policies (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.

2.21 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.

2.22 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.

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 Material accounting policies (continued)

2.23 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**.**

2.24 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.

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

	2023 AED'000	2022 AED'000
Bank borrowings (note 18)	1,626,287	2,276,588
Cash and cash equivalents (note 13)	(377,168)	(837,091)
Net debt	1,249,119	1,439,497
Equity	8,830,437	7,299,362
Capital and net debt	10,079,556	8,738,859
Gearing ratio	12%	16%

3 Financial risk management (continued)

3.2 Financial instruments by category

	2023 AED'000	2022 AED'000
Financial assets		
Financial assets at amortised cost		
Trade and other receivables	166,528	113,810
Cash and cash equivalents	377,168	837,091
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
	564,875	996,881
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables	432,668	482,613
Lease liabilities	7,176	20,254
Bank borrowings	470,102	745,037
	909,946	1,247,904

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.

(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 thorough other comprehensive income.

3 Financial risk management (continued)

3.3 Financial risk management objectives (continued)

(a) Market risk management (continued)

(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 2023, if interest rates on borrowings had been 10 basis points higher/lower with all other variables held constant, profit for the year would have been AED 1.74 million (2022: AED 2.95 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) 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.

(c) 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.

3 Financial risk management (continued)

3.3 Financial risk management objectives (continued)

(c) Liquidity risk management (continued)

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 2023						
Bank borrowings	-	-	470,102	1,156,185	-	1,626,287
Lease liabilities	-	-	7,176	-	-	7,176
Trade and other payables	-	432,580	-	-	-	432,580
Total	-	432,580	477,278	1,156,185	-	2,066,043
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	-	432,668	-	-	-	432,668
Total	-	432,668	765,291	989,401	544,000	2,731,360

3.4 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.

3 Financial risk management (continued)

3.4 Fair value of financial instruments (continued)

- 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 2023				
Investment securities	-	-	21,179	21,179
31 December 2022				
Investment securities	24,801	-	21,179	45,980

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.

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

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) 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 2023, the Group engaged an accredited independent valuer to determine the fair value of the land (note 5).

(c) 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.

5 Property and equipment

	Land and buildings 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 2023	9,719,857	1,086,208	1,614,681	351,365	214,084	12,986,195
Additions	-	345	728	61,178	128,234	190,485
Revaluation surplus	1,397,334	-	-	-	-	1,397,334
Transfers	18,727	12,177	23,370	-	(54,274)	-
Disposals	-	-	(297)	(42,335)	-	(42,632)
At 31 December 2023	11,135,918	1,098,730	1,638,482	370,208	288,044	14,531,382
Accumulated depreciation and impairment						
At 1 January 2023	2,090,494	766,381	1,297,257	175,246	37,450	4,366,828
Charge for the year	101,371	22,124	62,288	63,441	-	249,224
Disposals	-	-	(210)	(37,727)	-	(37,937)
At 31 December 2023	2,191,865	788,505	1,359,335	200,960	37,450	4,578,115
Net book value	8,944,053	310,225	279,147	169,248	250,594	9,953,267

5 Property and equipment (continued)

	Land and buildings 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	9,719,857	1,086,208	1,614,681	351,365	214,084	12,986,195
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	2,090,494	766,381	1,297,257	175,246	37,450	4,366,828
Net book value	7,629,363	319,827	317,424	176,119	176,634	8,619,367

5 Property and equipment (continued)

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

	2023 AED'000	2022 AED'000
Cost of services	248,377	237,867
General and administrative expenses	847	896
	249,224	238,763

Included in land and buildings is land stated at revalued amount of AED 6.3 billion as at 31 December 2023 (2022: AED 4.95 billion). During the year ended 31 December 2023, the Group engaged an accredited independent valuer to determine the fair value of the land. The revaluation resulted in a gain in the value of land amounting to AED 1.397 billion (Note 17).

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 dates of the revaluation were February 2023, May 2023 and June 2023 which was carried out for the period ended 31 December 2023.

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 (2022: AED 710,059 thousand).

During the year ended 31 December 2023, the Group transferred AED 54,274 thousand (2022: AED 149,379 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. Based on management's assessment, no impairment indicators have been noted for the Group's properties during the year ended 31 December 2023, and hence no impairment assessment was required to be performed as at 31 December 2023.

Bank borrowings are secured through hotel properties with a value of AED 5 billion (2022: AED 4.1 billion) (Note 18).

Leased land

The Group leases from the Abu Dhabi Municipality four parcels of land, which are leased at a nominal value. The leases of these parcels of land are 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 2022	23,724
Additions during the year	11,434
Depreciation charge	(16,648)
At 31 December 2022	18,510
Depreciation charge	(13,736)
At 31 December 2023	4,774

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.

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

	2023 AED'000	2022 AED'000
As at 1 January	22,104	25,628
Additions	-	11,434
Accretion of interest (note 25)	325	1,045
Payments	(15,253)	(16,003)
As at 31 December	7,176	22,104

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

	2023 AED'000	2022 AED'000
Current	7,176	20,254
Non-current	-	1,850
	7,176	22,104

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

Group as a lessee (continued)

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

	2023 AED'000	2022 AED'000
Depreciation expense of right-of-use assets	13,736	16,648
Interest expense on lease liability	325	1,045
	14,061	17,693

7 Investment in associates

	2023 AED'000	2022 AED'000
At 1 January	15,721	19,525
Investment in Prime Concept Café & Restaurants LLC	2,160	750
Share of profit from an associate	632	1,638
Dividend received from an associate	(1,225)	(385)
Transfer to property and equipment	-	(5,807)
At 31 December	17,288	15,721

(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. The Group's investment in the entity as at 31 December 2023 amounted to AED 10,743 thousand (31 December 2022: AED 10,743 thousand).

(b) Prime Concept Café & Restaurants LLC

During the year 2021, the Group acquired 35% stake in Prime Concept Café & Restaurant LLC ("Prime Concept"), a limited liability entity incorporated in Dubai. The entity commenced their operations in October 2019. On 1 May 2023, the Group acquired an additional 8% stake in Prime Concept. As a result, the Group's percentage of equity shareholding in Prime Concept as at 31 December 2023 is 43% (31 December 2022: 35%). The Group's investment in the entity as at 31 December 2023 amounted to AED 6,545 thousand (31 December 2022: AED 2,003 thousand).

7 Investment in associates (continued)

(c) Em Sherif Café West Bay LLC

During the year 2021, the Group 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 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.

	2023 AED'000	2022 AED'000
Investment in ADNH Compass Middle East LLC	210,041	216,810
Investment in High Spirits LLC	149,882	148,522
	359,923	365,332

Investment in ADNH Compass Middle East LLC

At 1 January	216,810	229,925
Share of profit for the year	118,438	127,964
Adjustment*	(5,212)	-
Dividend received	(119,995)	(141,079)
At 31 December	210,041	216,810

8 Investment in joint ventures (continued)

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

	2023 AED'000	2022 AED'000
Opening net assets	433,620	459,851
Profit for the year	236,876	255,927
Adjustment*	(10,424)	-
Penalties assumed by Compass Group International B.V.*	(8,069)	-
Dividend	(239,990)	(282,158)
Closing net assets	412,013	433,620
Share of interest in joint venture at 50% (excluding penalties)*	210,041	216,810
Carrying value	210,041	216,810

* The financial statements of one of the entities owned by ADNH Compass Middle East LLC (the "JV") have been restated to correct a material prior period error related to obligations arising from legal, tax and other disputes in connection with the historical interpretation of the entity's constitutional documents. Based on the Board of Director's resolution approved by both the JV's partners it has been agreed that the impact of the tax expense resulting from this adjustment will be shared equally, however the penalty relating to this will only be borne by the other JV partner (Compass Group International B.V.) and will not be passed to the Group. Accordingly, the Group has recorded an adjustment related to the net share for the Group in the consolidated financial statements.

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

	2023 AED'000	2022 AED'000
Summarised statement of financial position		
Non-current assets	134,765	133,082
Cash and cash equivalents	320,092	315,810
Other current assets (excluding cash)	810,798	960,491
Financial liabilities (excluding trade payables)	(379,593)	(516,238)
Other current liabilities (including trade payables)	(273,549)	(315,788)
Other non-current liabilities	(186,500)	(133,377)
Non-controlling interests	(14,000)	(10,360)
Net assets	412,013	433,620
Summarised statement of profit or loss		
Income	2,133,088	2,395,859
Expenses	(1,761,209)	(1,991,341)
Depreciation	(62,145)	(51,775)
Other expenses	(63,794)	(87,978)
Finance costs, net	30	(2,343)
Income tax expense	(9,094)	(6,495)
Profit for the year	236,876	255,927

8 Investment in joint ventures (continued)

Investment in High Spirits LLC

	2023 AED'000	2022 AED'000
Opening balance	148,522	146,928
Share of profit for the year	16,860	15,066
Dividend received from a joint venture	(15,500)	(13,472)
Closing balance	149,882	148,522

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

	2023 AED'000	2022 AED'000
Opening net assets	297,044	293,856
Profit for the year	33,720	30,132
Dividend	(31,000)	(26,944)
Closing net assets	299,764	297,044
Share of interest in joint venture at 50%	149,882	148,522
Carrying value	149,882	148,522

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

	2023 AED'000	2022 AED'000
Summarised statement of financial position		
Non-current assets	264,725	267,883
Cash and bank balances	48,303	43,600
Other current assets (excluding cash)	30,932	35,248
Financial liabilities (excluding trade payables)	(18,706)	(22,575)
Other current liabilities (including trade payables)	(25,490)	(27,112)
Net assets	299,764	297,044

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

	2023 AED'000	2022 AED'000
Summarised statement of profit or loss		
Income	133,430	141,032
Expenses	(98,729)	(109,775)
Depreciation	(981)	(1,125)
Profit for the year	33,720	30,132

The Group received cash dividends from its joint venture amounting to AED 135.49 million during the year ended 31 December 2023 (2022: AED 154.55 million).

At 31 December 2023, the joint venture had bank guarantees, mostly performance bonds, amounting to AED 160 million (2022: AED 146 million).

9 Financial assets at fair value through profit and loss

	2023 AED'000	2022 AED'000
At 1 January	24,801	27,590
Additions	-	33,848
Disposals	(24,801)	(37,953)
Fair value gain	-	1,316
Total investments carried at fair value through profit and loss	-	24,801

During the year, the Group sold the entirety of its investment in the listed equity securities. The shares sold had a fair value of AED 26,529 thousand (2022: AED 45,641 thousand) at the time of sale and the Group realized a gain of AED 1,728 thousand. The unrealized gain on financial assets through profit and loss from the equity securities amounted to Nil (2022: AED 1,316 thousand).

10 Financial asset at fair value through other comprehensive income

Financial asset at fair value through other comprehensive income was classified in accordance with IFRS 9 as follows:

	2023 AED'000	2022 AED'000
Unquoted equity investment	21,179	21,179

The unquoted equity investment represents the Group's equity interest of 10.224% (31 December 2022: 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.

11 Inventories

	2023 AED'000	2022 AED'000
Finished goods and other inventory items	10,445	12,420

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

	2023 AED'000	2022 AED'000
Trade receivables	130,829	127,458
Less: allowance for expected credit losses	(37,395)	(35,746)
	93,434	91,712
Due from related parties (note 26)	25,409	22,098
Other receivables and prepayments	103,543	90,902
	222,386	204,712

At 31 December 2023, accrued interest receivable of Nil (2022: AED 1.6 million) on bank deposits is included in other receivables. Trade receivables are non-interest bearing and are generally on 30-90 days' terms. During the year, the Group made an advance payment of AED 30 million towards investment in M Five Cleaning Services LLC, which will be a joint venture of the Group effective 1 January 2024, which is included in other receivables and prepayments.

As at 31 December 2023, trade receivables of AED 37.4 million (2022: AED 35.7 million) were impaired. Movements in the allowance for expected credit losses were as follows:

	2023 AED'000	2022 AED'000
At 1 January	35,746	35,326
Provision for the year	2,173	1,951
Reversal during the year	(524)	(1,531)
At 31 December	37,395	35,746

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.

As of 31 December 2023, 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 2023						
Expected credit loss rate		0%	2%	4%	19%	95%
Estimated total gross carrying amount at default	130,829	70,466	10,449	7,084	4,197	38,633
Expected credit loss	37,395	143	182	306	802	35,962

12 Trade and other receivables (continued)

	Total	Current	30-60 days	61-90 days	91-120 days	More than 120 days
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
At 31 December 2022						
Expected credit loss rate		0%	1%	2%	4%	82%
Estimated total gross carrying amount at default	127,458	63,630	10,661	6,643	3,681	42,843
Expected credit loss	35,746	136	156	123	129	35,202

The carrying amounts of the Group's trade receivables are denominated in the UAE Dirham and approximate their fair value as at 31 December 2023 and 2022.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of the receivables mentioned above (Note 3). 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:

	2023 AED'000	2022 AED'000
Cash at bank and on hand	377,168	594,956
Short-term deposits	-	242,135
	377,168	837,091

During the year 2022, bank deposits carried an interest rate ranging from 3% to 6% per annum.

14 Share capital

	2023 AED'000	2022 AED'000
Authorised, issued, and fully paid		
12,000,000,000 ordinary shares of AED 0.1 each** (31 December 2022: 1,000,000,000 ordinary shares of AED 1 each)	1,200,000	1,000,000

14 Share capital (continued)

	2023 AED'000	2022 AED'000
Issued, subscribed and paid-up capital		
Opening balance	1,000,000	1,000,000
Bonus shares issued in 2023 (prior to share split**):		
200,000,000 shares of AED 1 each*	200,000	-
Closing balance	1,200,000	1,000,000

*During the year, the Group issued 200 million bonus shares of AED 1 each (2022: Nil) to its existing shareholders on the basis of 20% ordinary shares held as of 31 December 2022. The bonus shares will be ordinary shares and will carry the same rights as other ordinary shares. The legal formalities of the issuance of the share capital were completed on 27 March 2023.

**At the General Assembly Meeting held on 17 October 2023, the Shareholders of the Group approved a special resolution approving the split of the Group's shares according to a split ratio of one to ten, such that the nominal value of the share becomes AED 0.10 per share instead of AED 1 per share. Accordingly, the Group's issued share capital will be AED 1.2 billion divided into 12 billion shares (31 December 2022: 1 billion shares) of a nominal value of AED 0.10 (31 December 2022: AED 1) each, fully paid. All shares are cash shares of the same class and equal in respect of rights and obligations.

At the Annual General Meeting held on 15 March 2023, the Shareholders approved a cash dividend of AED 0.2 for each of the 1 billion shares as at that date totalling AED 200 million.

On 1 February 2024, the Board of Directors proposed a cash dividend of AED 0.02 per share amounting to AED 240 million. The Board of Directors also proposed bonus shares amounting to AED 60 million to its existing shareholders on the basis of 5% 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 (2022: 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.

15 Statutory and optional reserves (continued)

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 devaluation. 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 (2022: Nil) as the reserve has reached 50% of the Company's issued and fully paid-up capital.

16 Own shares

During the year, the Group engaged a third-party licensed Market Maker on the Abu Dhabi Securities Exchange that offers liquidity provision services, to place buy and sell orders of the Group's shares with the objective of reducing bid/ask spreads as well as reducing price and volume volatility. The shares are purchased for the Group's account by the Market Maker.

The Market Maker trades and operates within the predetermined parameters approved by the Group. The Group monitors the transactions undertaken by the Market Maker on a daily basis. The Group has provided the majority of funding to the Market Maker to trade the Group's shares and it carries all risks and rewards associated with the arrangement. Given the nature and substance of the arrangement, the shares have been classified as "Own Shares" in Equity.

At 31 December 2023, the Market Maker held 91.3 million of the Group's shares on behalf of the Group at par value and the premium paid over and above par value amounted to AED 75.5 million, which is classified under equity as at 31 December 2023. The gain of AED 1.1 million has been netted off against own shares. The Group has paid an amount of AED 80 million to fund the purchase of the shares and the liquidity provider funded AED 3.6 million. The amount funded by the liquidity provider is also classified under equity with a corresponding amount recognised as a liability under Trade and other payables.

17 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. During the year ended 31 December 2023, the Group had engaged an accredited independent valuer to determine the fair value of the land (Note 5).

18 Bank borrowings

	2023 AED'000	2022 AED'000
Borrowings with commercial banks:		
Due in less than one year – current liability	470,102	745,037
Due in more than one year – non-current liability	1,156,185	1,531,551
	1,626,287	2,276,588

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. During the year ended 31 December 2023, the Group settled the loan amounting to AED 240 million. The carrying amount of the loan as at 31 December 2023 was Nil (31 December 2022: AED 240 million).

As at 31 December 2022, the Group has an unamortised prepaid loan arrangement fee of AED 3 million related to this facility that is netted off from the loan balance. As at 31 December 2023, the prepaid loan arrangement fee is fully amortised.

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 2023 was AED 1,216 million (31 December 2022: AED 1,344 million).

The Group paid AED 12 million as loan processing and arrangement fees. As at 31 December 2023, the Group has an amount of AED 9 million (31 December 2022: AED 10 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. This term loan facility was subsequently renewed to AED 105 million. The loan is repayable in 48 equal monthly instalments. Al Ghazal Transport did not draw down the entire facility as at 31 December 2023. The facility carries a variable annual interest rate plus a spread. The carrying amount of the loan as at 31 December 2023 was AED 64 million (31 December 2022: AED 64 million).

18 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. During the year ended 31 December 2023, the Group settled the loan amounting to AED 193 million. The carrying amount of the loan as at 31 December 2023 was Nil (31 December 2022: AED 193 million).

As at 31 December 2022, the Group had an unamortised prepaid loan arrangement fee of AED 708 thousand related to this facility that is netted off from the loan balance. As at 31 December 2023, the prepaid loan arrangement fee is fully amortised.

Term loan 5

On 11 November 2022, a subsidiary of the Company, 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 did not draw down the entire facility as at 31 December 2023. The facility carries a variable annual interest rate plus a spread. The carrying amount of the loan as at 31 December 2023 was AED 57 million (31 December 2022: Nil).

As at 31 December 2023, 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 298 million (31 December 2022: AED 450 million).

Net liability position

As at 31 December 2023, the Group has a net current liability position of AED 329 million (31 December 2022: AED 169 million). The consolidated financial statements have been prepared on a going concern basis. Cash flow forecasts have been prepared by management, based on which they are satisfied that the Group has sufficient cash facilities to meet its obligations for the foreseeable future and for a period of at least one year from the date of approval of these consolidated financial statements.

The carrying amounts of the Group’s borrowings are denominated in UAE Dirhams.

Debt covenants

The Group has received a waiver from the lender before the year end in respect to loan covenants applicable for 31 December 2023 and 31 December 2022, accordingly there is no impact on classification of non-current bank borrowings as at 31 December 2023 and 31 December 2022.

19 Provision for employees' end of service benefits

	2023 AED'000	2022 AED'000
At 1 January	39,667	35,800
Charge for the year	11,238	11,465
Paid during the year	(8,462)	(7,598)
At 31 December	42,443	39,667

20 Trade and other payables

	2023 AED'000	2022 AED'000
Trade payables	227,042	276,826
Due to related parties (note 26)	4,059	2,255
Accrued liabilities	216,058	190,032
Directors' remuneration	14,000	13,500
	461,159	482,613

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 13 million (2022: AED 14 million). The carrying amount of these retention payables approximates their fair value as at reporting date.

21 Revenue from contracts with customers

	2023 AED'000	2022 AED'000
Hotels revenue	1,356,401	1,211,768
Transport revenue	274,755	248,077
	1,631,156	1,459,845

Geographical markets

All revenues are generated from United Arab Emirates.

22 General and administrative expenses

	2023 AED'000	2022 AED'000
Staff costs	35,023	30,298
(Reversal of provision)/ provision for contract termination fees	(40,000)	40,000
Directors' remuneration	14,500	12,940
Depreciation (note 5)	847	896
Other expenses	15,335	17,588
	25,705	101,722

22 General and administrative expenses (continued)

The remuneration of the Board of Directors for the year ended 31 December 2023 was AED 14 million (2022: AED 13 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 321,029 thousand (2022: AED 261,782 thousand).

The other expenses include auditors' remuneration of AED 970 thousand.

23 Termination fees

During the year, the Group has recorded termination fees amounting to AED 101 million with respect to the termination of hotel management agreements of 5 Hotels, which was paid subsequent to the year end.

24 Other income

	2023 AED'000	2022 AED'000
Gain on sale of property and equipment	12,896	16,062
Business interruption claim*	-	39,272
Others**	39,543	6,088
	52,439	61,422

* 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.

** During the period ended 31 December 2023, the Group has performed an assessment of the considerations required to settle the current obligations, taking into accounts the risks and uncertainties surrounding the obligations and reversed accruals amounted to AED 30.8 million are no longer needed.

25 Finance costs

	2023 AED'000	2022 AED'000
Interest expense on bank loans	121,139	72,879
Interest expense on lease liabilities (note 6)	325	1,045
	121,464	73,924

Interest was paid during the year at rates ranging from 5% to 7% (2022: 3% to 4%).

26 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.

Terms and conditions of transactions with related parties

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

For the year ended 31 December 2023, the 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:

	2023 AED'000	2022 AED'000
Due from related parties (note 12)		
ADNH Compass	21,300	20,213
High Spirit	2,740	928
OTIC	498	226
Others	871	731
	25,409	22,098
Due to related parties (note 20)		
High Spirit	2,949	1,443
ADNH Compass	1,109	204
Prime Concept Café & Restaurants LLC	1	606
Others	-	2
	4,059	2,255

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

	2023 AED'000	2022 AED'000
Management fees received	2,996	2,964
Sales of goods and services to joint ventures	44,444	57,415
Purchase of goods and services from joint ventures	21,673	12,457
Sales of goods and other services to other related parties	440	240
Associate - Overseas Tourist Investment Company Limited Administration charges and other charges paid on behalf of OTIC	-	240
Amounts owed by the Associate	747	197

26 Related party transaction and balances (continued)

Terms and conditions of transactions with related parties (continued)

	2023 AED'000	2022 AED'000
Key management compensation		
Short term benefits	24,343	21,219
Employees' end of service benefits	3,216	2,437
	27,559	23,656
Board remuneration	14,000	12,940

As of 31 December 2023, there were no loans extended to the Directors of the Company (2022: Nil).

27 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:

	2023 AED'000	2022 AED'000
Profit attributable to owners of the Company (AED'000)	422,420	415,403
Weighted average number of shares in issue ('000)	12,000,000	12,000,000
Basic and diluted earnings per share (AED)	0.035	0.035

The calculation of basic and diluted earnings per share held for previous period has been adjusted retrospectively to reflect the impact of the bonus shares issued and the share split approved during the year (Note 14).

28 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.

28 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.

28 Segment information (continued)

	Hotels	Transport services	Holding company	Elimination entries	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
Year ended 31 December 2023					
Revenues	1,363,168	285,431	-	(17,443)	1,631,156
Cost of services	(904,884)	(267,588)	-	21,189	(1,151,283)
Gross profit	458,284	17,843	-	3,746	479,873
General and administrative expenses	-	-	(25,705)	-	(25,705)
Share of profit from an associate	-	-	632	-	632
Share of profit from joint ventures	-	-	135,298	-	135,298
Provision for impairment of trade receivables	(519)	(1,130)	-	-	(1,649)
Termination fees	-	-	(101,029)	-	(101,029)
Fair value gain on financial assets carried at fair value through profit or loss	-	-	1,728	-	1,728
Other income	-	13,590	42,595	(3,746)	52,439
Finance income	-	-	2,396	-	2,396
Finance costs	(114,902)	(6,562)	-	-	(121,464)
Profit for the year	342,863	23,741	55,915	-	422,519
At 31 December 2023					
Total assets	10,086,242	280,163	601,097	-	10,967,502
Total liabilities	1,795,057	163,259	191,852	(13,103)	2,137,065

28 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	352,815	5,421	-	3,952	362,188
General and administrative expenses	-	-	(101,722)	-	(101,722)
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	-	16,695	48,679	(3,952)	61,422
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	280,562	20,025	114,510	-	415,097
At 31 December 2022					
Total assets	8,848,949	273,553	997,832	-	10,120,334
Total liabilities	2,536,496	144,067	143,297	(2,888)	2,820,972

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.

29 Contingencies and commitments

(a) Bank guarantees

	2023 AED'000	2022 AED'000
Bank guarantees	32,168	33,929

Bank guarantees are issued in the normal course of business and mature within one year.

(b) Capital commitments

The estimated capital expenditure contracted for at 31 December 2023 amounts to AED 63.9 million (2022: AED 82.6 million).

30 Reconciliation of liabilities arising from financing activities

	2023 AED'000	2022 AED'000
Cash and bank balances	377,168	837,091
Borrowings – repayable within one year	(470,102)	(745,037)
Borrowings – repayable over one year	(1,156,185)	(1,531,551)
Net debt	(1,249,119)	(1,439,497)

	Other assets/Liabilities from financing activities			
	Cash and cash equivalents AED'000	**Borrowings – repayable within one year** AED'000	**Borrowings – not repayable within one year** AED'000	**Total** AED'000
Net debt				
As at 31 December 2022	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)
Cash flows	(459,923)	274,935	375,366	190,378
As at 31 December 2023	377,168	(470,102)	(1,156,185)	(1,249,119)