NATIONAL CORPORATION FOR TOURISM AND HOTELS

Reports and consolidated financial Statements for the year ended 31 December 2020

NATIONAL CORPORATION FOR TOURISM AND HOTELS

Reports and consolidated financial statements
for the year ended 31 December 2020

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To All Esteemed Shareholders

Dear Sirs,

On behalf of the members of the Board of Directors, it is my honor to express my deep thanks and appreciation to H.H. Sheikh Khalifa Bin Zayed Al Nahyan, President of the United Arab Emirates and to H.H. Lt. Gen. Sheikh Mohamed Bin Zayed Al Nahyan, Crowne Prince, for their unlimited support and the utmost care that United Arab Emirates has given to protect us from the COVID-19 pandemic, which made our beloved country a beacon of humanity and an inspiring example for other countries.

As for the performance of National Corporation for Tourism and Hotels ("NCTH" or the "Corporation") for the year 2020, the total revenue of the Corporation is around Dhs. 765.4 Million compared to Dhs. 767.5 Million in the past year 2019, showing a slight decrease of AED 2.1 Million or 0.3%. The Catering Division of the Corporation have reported increase in revenue by AED 63.9 Million from last year or 12.8%. However, this increase was dampened by the decline in total revenue from last year for both Hotel and Retail Division at AED 64.5 Million or 32.7% and AED 4.5 Million or 5.6%, respectively, with the pandemic significantly affecting the hotels & travels sectors.

Net profit for the year 2020 is around AED 114.8 Million, an increase of AED 4.2 Million or 3.8% from AED 110.6 Million in 2019. Profit from Catering Division increased by AED 9.9 million or 13.5% from last year, although this was, however, offset by a decreased profitability in Retail Division by AED 3.6 Million or 19.7%

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compared to last year, and from Hotel Operations by AED 25.6 Million or 114.2% from last year.

With the pandemic hitting the tourism and hospitality sectors considerably due to air travel restrictions and lockdowns among others, the year 2020 has been a very challenging year for the hotels in the UAE and all over the world , and though we hope that the markets will gradually improve, but that will take some time. Moreover, the COVID 19 pandemic has even increased the pressure to hotel operators to maintain occupancy rates, in an already overly competitive market that is characterized by over-supply, leading to lower room rates.

As to the performance of the Retail Division, measures to deal with the COVID-19 pandemic have led to a decline in retail sales and profitability during the year. Also, the strong competition in the Abu Dhabi market for retail sales remained evident, although the Corporation stays committed in increasing its presence in the retail market.

The performance of the Catering Division for the year 2020 has improved compared to last year, however, we think that Catering operations is still far from its market share. The Corporation believes that this sector is a continuously growing industry that is open for opportunities. Hence, the Corporation's direction is to keep on penetrating new markets and continually increase the market share.

Overall, the economy remained in a challenging period in terms of the Corporation's hospitality, hotels and retail business, hence, the Board direction is to continue

المؤسسة الوطنية للسياحة والفنادق
National Corporation for Tourism and Hotels

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pursuing ways to control cost by at every possible level, and to look for other opportunities that will benefit the Corporation in the current market condition. In line with this, during the year the Corporation has reported profits of investing in the financial market, and the profits were amounting to AED 17.7 million.

Despite the challenges of the world economy, the Corporation has continued to maintain good cash liquidity and deposits amounting to Dhs. 502.7 Million compared to Dhs. 455.3 Million of 2019, for which the deposits of the Corporation have contributed to Dhs. 13.3 Million in interest income in 2020. The Corporation's liquidity continues to support its position to achieve its projects' development.

The ongoing Hotel Apartments project under the brand name Grand Marina "Intercontinental" is progressing well with the project expected to be completed by end of 2021, in addition the phase 1 of the refurbishment of Dhafra Beach Hotel has been completed, with the remaining phase 2 expected to be completed within 2021 that will further increase saleable rooms by an additional 74 keys and will allow the hotel to open for business at its full capacity with number of about 300 rooms. The residential & hotel apartment building project in ADNEC is ongoing and is also expected to be completed by 2021. We are confident of the strength of our country's economy and these projects will strengthen the Corporation's position in the Abu Dhabi hotel & residential & properties market in the medium and long terms, and will provide additional revenues to the Corporation and allow the Corporation to remain competitive.

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

Thanks & regards,

Hamdan Bin Mubarak Al Nahyan
Chairman of the Board
11 March 2021

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NATIONAL CORPORATION FOR TOURISM AND HOTELS

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of National Corporation for Tourism and Hotels (together, the "Corporation" or "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We have 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 are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Codes of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Group's consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. We have communicated the key audit matters to the Audit Committee but they are not a comprehensive reflection of all matters that were identified by our audit and that were discussed with the Audit Committee. On the following pages, we have described the key audit matters we identified and have included a summary of the audit procedures we performed to address those matters.

The key audit matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key Audit Matters (continued)

Key audit matter	How the matter was addressed in our audit
Valuation of land included in property and equipment	
The Group's land included in property and equipment amounted to AED 831.8 million as at 31 December 2020 (2019: AED 831.8 million) and the net fair value loss recognized in the consolidated statement of comprehensive income amounted to AED Nil (2019: AED Nil). Land is stated in the consolidated statement of financial position at its revalued amount. The determination of the fair value of Group's land is based on valuations performed by independent valuers using the market comparable approach of valuation. This involves, where available, relevant market information derived from sales of comparable properties. A high degree of judgment may be required from the valuers and management of the Group when observable information is not available or when significant adjustments are made to the observable market information. The valuation of the land is a significant judgement area and is based on a number of assumptions. The existence of significant estimation uncertainty warrants specific audit focus in this area as any bias or error in determining the fair value could lead to a material misstatement in the consolidated financial statements. The COVID-19 pandemic created lower investor confidence, resulting to market activity being impacted in many sectors. This lack of market activity is creating a dearth of comparable transactions that valuers would normally benchmark to, creating a higher estimation uncertainty in the valuation of the real estate market. Therefore, in arriving at fair values estimates of the land as at 31 December 2020, the independent valuers have used their market knowledge and professional judgment. In these circumstances, there is greater degree of uncertainty than which exists in a more active market in estimating fair values of land and the valuers issued valuation reports with "Material Uncertainty" caveat relating to the impact of the Covid-19 pandemic on the fair value of the land. We have identified the valuation of land as a key audit matter as the fair value is determined based on non-observable inputs and requires management to apply significant judgements in determining the fair value of land. Refer to note 4 and 5 for disclosures relating to this matter.	We evaluated the design and implementation of controls in this area. We assessed the skills, competence, independence and integrity of the independent valuers 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 on their work. With the assistance of our internal specialists, we obtained an understanding and reviewed the methodology and assumptions used in the valuation of land. We met with management to understand the valuation process adopted and to identify and challenge the critical judgment areas in the valuation model, including the changes made to the key assumptions arising from the impact of COVID-19. We assessed whether the valuation methodology is in accordance with the appraisal and valuation standards contained within IFRSs and we considered the impact of the "Material Uncertainty" caveat in the valuation report issued by the external valuer on the fair value of the Land together with our internal valuation specialist. We assessed the accuracy of the input data, on a sample basis, used by the independent valuers and challenged the key assumptions used by the independent valuers, including sale prices per square meter. We reperformed the mathematical accuracy of the valuations, where applicable. We agreed the results of the valuations performed by the independent valuers to the amounts reported in the consolidated financial statements. We assessed the adequacy of the disclosures in the consolidated financial statements relating to this area against the requirements of IFRSs.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NATIONAL CORPORATION FOR TOURISM AND HOTELS (continued)

Key Audit Matters (continued)

Key audit matter	How the matter was addressed in our audit
Impairment assessment of completed hotel properties and hotel properties under constructions classified as property and equipment	
Completed hotel properties and hotel properties under constructions (collectively referred as "hotel properties") classified under property and equipment had a carrying amount of AED 563.3 million as at 31 December 2020 (2019: AED 451.1 million). The Group undertakes a review of indicators of impairment and wherever indicators of impairment exist, an impairment review is carried out by determining the recoverable amount which takes into account the fair value of the property under consideration. Management used independent valuers to determine the fair value of hotel properties and properties under construction when indicators of impairment exist. COVID-19 continues to impact many aspects of daily life and the global economy. Travel, movement and operational restrictions have been implemented by many countries including the United Arab Emirates with the real estate market having experienced significant lower levels of transaction volume and liquidity. For hotel properties specifically, COVID-19 has impacted the operations in the form of government lockdowns, decreased occupancy and lower revenue per available room ("RevPAR'). These are considered to be indicators of impairment relevant to hotel properties. In arriving at the fair value less costs to sell of the hotel properties as at 31 December 2020, the third party valuers have used their market knowledge and professional judgment and have attached less weight to previous market evidence for comparison purposes. In these circumstances, there is a greater degree of uncertainty than which exists in a more active market in estimating the recoverable amounts of hotel properties and the valuers issued valuation reports with "Material Uncertainty" caveat relating to the impact of the Covid-19 pandemic on the fair value of the hotel properties. In the event that the recoverable amount of a hotel property is lower than its carrying amount, the Group will recognise an impairment loss in its consolidated statement of profit or loss. We have identified the impairment assessment of hotel properties classified under property and equipment as a key audit matter as the fair value less costs to sell is determined based on non-observable inputs and requires management to make significant estimates in determining the recoverable amount for hotel properties classified as under property and equipment. Refer to note 4 and 5 for disclosures relating to this matter.	We evaluated the design and implementation of controls in this area. We assessed the skills, competence, independence and integrity of the independent valuers 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 on their work. With the assistance of our internal specialists, we reviewed the methodology and assumptions for a sample of hotel properties valued by external valuers. We met with management to understand the valuation process adopted and to identify and challenge the critical judgment areas in the valuation model, including the changes made to the key assumptions arising on the impact of COVID-19. We assessed whether the valuation methodology is in accordance with the appraisal and valuation standards contained within IFRSs and we considered the impact of the "Material Uncertainty" caveat in the valuation report issued by the external valuer on the fair value of the hotel properties together with our internal valuation specialist.. We assessed the accuracy of the input data, on a sample basis, used by the independent valuers and challenged the key assumptions used by the independent valuers, including occupancy rates, RevPAR, etc. We performed sensitivity analyses on the significant assumptions to evaluate the extent of their impact on the determination of fair values. We reperformed the arithmetical accuracy of the determination of the impairment loss, if any. We assessed the adequacy of the disclosures in the consolidated financial statements, relating to this area, against the requirements of IFRSs.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NATIONAL CORPORATION FOR TOURISM AND HOTELS (continued)

Other Information

The Board of Directors are responsible for the other information. The other information comprises the Report of the Chairman of the Board of Directors, which we obtained prior to the date of this auditor's report, and the Group's Annual Report, which are expected to be made available to us after that date. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will 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 and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.
When we will read the Group's Annual Report, if we conclude that there is a material misstatement therein, we will be required to communicate the matter to those charged with governance and consider whether a reportable irregularity exists in terms of the auditing standards, which must be reported.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and the applicable provisions of the articles of association of the Company and the UAE Federal Law No. (2) of 2015 (as amended), and for such internal control as management determine 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 have no realistic alternative but to do so.

The Board of Directors 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management' 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 auditors' 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; and
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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 auditors' 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.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NATIONAL CORPORATION FOR TOURISM AND HOTELS (continued)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Further, as required by the UAE Federal Law No. (2) of 2015, we report that for the year ended 31 December 2020:

- We have obtained all the information we considered necessary for the purposes of our audit;
- The consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
- The Corporation has maintained proper books of account;
- The financial information included in the Report of the Chairman is consistent with the books of account and records of the Group;
- As disclosed in Note 19, the Corporation has purchased in shares during the financial year ended 31 December 2020;
- Note 16 reflects the disclosures relating to related party transactions and the terms under which they were conducted;
- Note 17 reflects the disclosures relating to social contributions made during the year; and
- Based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Corporation has contravened during the financial year ended 31 December 2020 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 (as amended) or, its Memorandum and Articles of Association which would materially affect its activities or its financial position as at 31 December 2020.

Deloitte & Touche (M.E.)

Obada Alkowatly
Registration Number 1056
11 March 2021
Abu Dhabi
United Arab Emirates

Consolidated statement of financial position
as at 31 December 2020

	Notes	2020 AED	2019 AED
ASSETS			
Non-current assets			
Property and equipment	5	**1,447,804,484**	1,338,923,032
Investment in joint ventures	6	**244,761,576**	244,973,780
Total non-current assets		**1,692,566,060**	1,583,896,812
Current assets			
Inventories	7	**26,961,600**	25,226,991
Trade and other receivables	8	**190,330,441**	185,035,562
Short term deposits	9	**402,190,880**	338,777,682
Cash and cash equivalent	9	**100,548,070**	116,491,313
Total current assets		**720,030,991**	665,531,548
Total assets		**2,412,597,051**	2,249,428,360
EQUITY AND LIABILITIES			
Equity			
Share capital	10	**785,862,000**	785,862,000
Statutory reserve	11	**180,697,586**	169,219,827
General reserve	11	**15,000,000**	15,000,000
Properties revaluation reserve	11	**740,673,589**	740,673,589
Retained earnings		**114,362,932**	21,019,151
Total equity		**1,836,596,107**	1,731,774,567
Non-current liabilities			
Term loans	12	**127,921,285**	102,427,190
Provision for employees' end of service benefits	13	**46,421,402**	42,842,095
Lease liability	14	**373,071**	-
Total non-current liabilities		**174,715,758**	145,269,285
Current liabilities			
Trade and other payables	15	**215,857,994**	195,664,180
Term loans	12	**185,365,324**	176,334,557
Lease liability	14	**61,868**	385,771
Total current liabilities		**401,285,186**	372,384,508
Total liabilities		**576,000,944**	517,653,793
Total equity and liabilities		**2,412,597,051**	2,249,428,360

To the best of our knowledge, the consolidated financial statements present fairly in all material respects the consolidated financial condition, financial performance and cash flows of the Group as of, and for, the periods presented therein.

Chairman | **Chief Executive Officer** | **Finance Director**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss
for the year ended 31 December 2020

	Notes	2020 AED	2019 AED
Revenue	**23**	**765,442,220**	767,479,547
Direct operating expenses	**23**	**(663,902,432)**	(646,912,204)
Gross profit		**101,539,788**	120,567,343
General and administrative expenses	**17**	**(31,726,856)**	(25,674,724)
Share of results of joint ventures	**6**	**1,787,796**	2,780,337
Investment and other income	**18**	**20,428,088**	9,097,388
Gain on disposal of financial assets at FVTPL	**19**	**17,659,685**	-
Interest income		**13,267,807**	14,857,785
Finance costs		**(8,178,715)**	(11,005,316)
Profit for the year		**114,777,593**	110,622,813
Basic and diluted earnings per share	**20**	**0.15**	0.14

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income
for the year ended 31 December 2020

	2020 **AED**	2019 AED
Profit for the year	**114,777,593**	110,622,813
Other comprehensive income	**-**	-
Total comprehensive income for the year	**114,777,593**	110,622,813

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2020

	Share capital AED	Statutory reserve AED	General reserve AED	Properties revaluation reserve AED	Retained earnings AED	Total equity AED
Balance at 1 January 2019	748,440,000	158,157,546	15,000,000	740,673,589	42,769,923	1,705,041,058
Profit for the year	-	-	-	-	110,622,813	110,622,813
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	110,622,813	110,622,813
Cash dividend (note 21)	-	-	-	-	(74,844,000)	(74,844,000)
Bonus shares (note 21)	37,422,000	-	-	-	(37,422,000)	-
Directors' remuneration paid (note 22)	-	-	-	-	(9,045,304)	(9,045,304)
Transfer to statutory reserve	-	11,062,281	-	-	(11,062,281)	-
Balance at 1 January 2020	785,862,000	169,219,827	15,000,000	740,673,589	21,019,151	1,731,774,567
Profit for the year	-	-	-	-	114,777,593	114,777,593
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	114,777,593	114,777,593
Directors' remuneration paid (note 22)	-	-	-	-	(9,956,053)	(9,956,053)
Transfer to statutory reserve	-	11,477,759	-	-	(11,477,759)	-
At 31 December 2020	**785,862,000**	**180,697,586**	**15,000,000**	**740,673,589**	**114,362,932**	**1,836,596,107**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of cash flows
for the year ended 31 December 2020

	2020	2019
	AED	AED
Cash flows from operating activities		
Profit for the year	**114,777,593**	110,622,813
Adjustments for:		
Depreciation of property and equipment	**36,899,005**	35,907,482
Gain on disposal of financial assets at FVTPL	**(17,659,685)**	-
Gain on claim from a third party	**(15,768,579)**	-
Interest income	**(13,267,807)**	(14,857,785)
Provision for employees' end of service benefits	**9,564,513**	9,967,446
Finance costs	**8,178,715**	11,005,316
Write off other receivable	**4,000,000**	-
Provision for impairment on trade receivables, net	**(1,820,377)**	(191,420)
Share of results from investment in joint ventures	**(1,787,796)**	(2,780,337)
Gain on disposal of property and equipment	**(327,689)**	(1,214,177)
Operating cash flows before movements in working capital	**122,787,893**	148,459,338
Increase in trade and other receivables	**(11,360,449)**	(4,193,163)
Increase in inventories	**(1,734,609)**	(4,294,815)
Increase in trade and other payables	**22,547**	1,042,820
Cash from operations	**109,715,382**	141,014,180
Employees' end of service benefits paid	**(5,985,206)**	(5,185,176)
Net cash generated from operating activities	**103,730,176**	135,829,004
Cash flows from investing activities		
Upliftment of deposits with original maturity of more than three months	**338,777,682**	514,708,500
Placement of deposits with original maturity of more than three months	**(402,190,880)**	(468,928,210)
Purchase of property and equipment	**(109,650,486)**	(97,644,828)
Proceeds from disposal of property and equipment	**341,410**	1,901,303
Purchase of financial assets at FVTPL	**(47,075,662)**	-
Proceeds from disposal of financial assets at FVTPL	**64,735,347**	-
Interest received	**13,671,199**	11,566,892
Third party claim for property replacement	**3,929,891**	-
Dividend received from a Joint Venture	**2,000,000**	2,000,000
Net cash used in investing activities	**(135,461,499)**	(36,396,343)

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of cash flows
for the year ended 31 December 2020 (continued)

	2020 AED	2019 AED
Cash flows from financing activities		
Proceeds from term loans	**58,712,523**	41,908,088
Repayments of term loans	**(25,078,025)**	(40,433,119)
Dividends paid	**-**	(74,844,000)
Directors' remuneration paid	**(9,956,053)**	(9,045,304)
Finance costs paid	**(7,377,830)**	(10,436,330)
Lease principal paid	**(452,999)**	(1,668,496)
Interest paid on lease liabilities	**(59,536)**	(45,104)
Net cash generated from/(used in) financing activities	**15,788,080**	(94,564,265)
Net (decrease)/increase in cash and cash equivalents	**(15,943,243)**	4,868,396
Cash and cash equivalents at beginning of the year	**116,491,313**	111,622,917
Cash and cash equivalents at end of the year (note 9)	**100,548,070**	116,491,313
<u>Non cash transaction:</u>		
Direct payment made by a third party to the contractor for property and equipment replacement	**13,543,760**	**-**

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements
for the year ended 31 December 2020

1 General information

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

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

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

Name	Nature	Country of operation	Principal activity	Ownership Interest	
				2020	2019
National Transportation Company L.L.C ("NTC")	Joint venture	UAE	Transport services	**50%**	50%
Velocity Property Development LLC	Joint Venture	UAE	Real estate	**60.12%**	60.12%

The Corporation operates six hotel properties and rest houses through management agreements along with four hotel properties through asset management agreements, all owned by other parties.

These consolidated financial statements include the performance and financial position of the Corporation (collectively referred to as, the "Group") for the year ended 31 December 2020.

2 Adoption of new and revised Standards

2.1 New and revised IFRSs applied with no material effect on the consolidated financial statements

The following new and revised IFRSs that are mandatorily effective for accounting periods that begins on or after 1 January 2020 have been adopted by the Group. The application of these revised IFRSs has not had any material impact on the disclosures or on the amounts reported for the current and prior periods but may affect the accounting for future transactions or arrangements.

2 Adoption of new and revised Standards (continued)

2.1 New and revised IFRSs applied with no material effect on the consolidated financial statements (continued)

Amendments to *Interest Rate Benchmark Reform in* IFRS 9 and IFRS 7

In September 2019, the IASB issued Interest Rate Benchmark Reform (amendments to IFRS 9, IAS 39 and IFRS 7). These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.

The amendments also introduce new disclosure requirements to IFRS 7 for hedging relationships that are subject to the exceptions introduced by the amendments to IFRS 9.

The amendments are not relevant to the Group given that they have not applied hedge accounting to its benchmark interest rate exposures and therefore do not have any impact on the Group's consolidated financial statements.

Amendments to IFRS 16 *Leases* relating to Covid-19-Related Rent Concessions

In May 2020, the IASB issued Covid-19-Related Rent Concessions (amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
- There is no substantive change to other terms and conditions of the lease.

These amendments do not have any impact on the Group's consolidated financial statements.

Amendments to *Reference to the Conceptual Framework in IFRS Standards*

The amendments include consequential amendments to affected Standards so that they refer to the new Framework. The Standards which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

These amendments do not have any impact on the Group's consolidated financial statements.

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

2 Adoption of new and revised Standards (continued)

2.1 New and revised IFRSs applied with no material effect on the consolidated financial statements (continued)

Amendments to IFRS 3 *Definition of a business*

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired. The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

These amendments do not have any impact on the Group’s consolidated financial statements.

Amendments to IAS 1 and IAS 8 *Definition of material*

The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term ‘material’ to ensure consistency.

These amendments do not have any impact on the Group’s consolidated financial statements.

2 Adoption of new and revised Standards (continued)

2.2 New and revised IFRS in issue but not yet effective

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

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 17 *Insurance Contracts*	1 January 2023

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts. IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policy holders' options and guarantees.

In June 2020, the IASB issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the IASB issued Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023. IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

2 Adoption of new and revised Standards (continued)

2.2 New and revised IFRS in issue but not yet effective (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Effective date not yet decided
The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.	
Amendments to IAS 1 *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current*	1 January 2023
The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively.	

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

2 Adoption of new and revised Standards (continued)

2.2 New and revised IFRS in issue but not yet effective (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 3 *Business Combinations: Reference to the Conceptual Framework*	1 January 2022
The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.	
Amendments to IAS 16 *Property, Plant and Equipment* related to proceeds before intended use	1 January 2022
The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories. The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost. The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.	

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

2 Adoption of new and revised Standards (continued)

2.2 New and revised IFRS in issue but not yet effective (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets related to Onerous Contracts—Cost of Fulfilling a Contract* The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.	1 January 2022
Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) The amendments in Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.	1 January 2021
Annual Improvements to IFRS Standards 2018-2020 cycle amending IFRS 1, IFRS 9, IFRS 16 and IAS 41	The amendments to IFRS 1, IFRS 9 and IAS 41 are effective from 1 January 2022 and the effective date for amendments to IFRS 16 Leases are not yet decided.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments , may have no material impact on the consolidated financial statements of the Group in the period of initial application.

3 Summary of significant accounting policies

Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) and applicable provisions of UAE Federal Law No. (2) of 2015 (as amended). Federal Decree-Law No. 26 of 2020 which amends certain provisions of Federal Law No. 2 of 2015 on Commercial Companies was issued on 27 September 2020 and the amendments came into effect on 2 January 2021. The Corporation is in the process of reviewing the new provisions and will apply the requirements thereof no later than one year from the date on which the amendments came into effect.

Basis of preparation

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

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

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which is described as follows:

- Level 1 input are quoted price (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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

3 Summary of significant accounting policies (continued)

Basis of consolidation

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

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

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

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

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

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

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

Changes in the Corporation's ownership interests in subsidiaries that do not result in the Corporation losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Corporation's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Corporation.

3 Summary of significant accounting policies (continued)

Business combination

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

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.

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

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

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

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

Investment in joint ventures

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

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

3 Summary of significant accounting policies (continued)

Investment in joint ventures (continued)

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

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

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

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

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

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

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

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

3 Summary of significant accounting policies (continued)

Investment in joint ventures (continued)

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

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

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 ransfers 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.

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.

3 Summary of significant accounting policies (continued)

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.

The Group recognises revenue from the following major sources:

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

<u>Hospitality revenues</u>

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.

<u>Retail revenues</u>

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

<u>Catering revenues</u>

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

<u>Management fee</u>

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

3 Summary of significant accounting policies (continued)

Foreign currencies

For the purpose of these consolidated financial statements, the UAE Dirham (AED) is functional and 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 each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

Borrowing costs

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

Property and equipment

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

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

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

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

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

3 Summary of significant accounting policies (continued)

Property and equipment (continued)

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

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

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

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

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

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

Capital work in progress

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

Impairment of non-financial assets

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

3 Summary of significant accounting policies (continued)

Impairment of non-financial assets (continued)

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

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

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

Leases

The Group as lessor

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

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

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

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

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

The Group as lessee

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

3 Summary of significant accounting policies (continued)

Leases (continued)

The Group as lessee (continued)

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

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

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

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

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

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

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

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

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

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

3 Summary of significant accounting policies (continued)

Leases (continued)

The Group as lessee (continued)

The Group applies IAS36 to determine whether a right-of-use asset is impaired and accounts for an identified impairment loss as described in the property and equipment policy.

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

As a practical expedient, IFRS16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement.

Inventories

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

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

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.

Employees' end of service benefits

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

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

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

3 Summary of significant accounting policies (continued)

Financial instruments

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

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

Classification of financial assets and liabilities

Initial recognition

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

Financial assets at amortised cost

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

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

Financial assets at FVTPL

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

All other financial assets are classified as measured at FVTPL.

Business model assessment

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

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

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Classification of financial assets and liabilities (continued)

Business model assessment (continued)

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

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

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

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

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

Financial liabilities

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

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

Financial liabilities, at initial recognition, may be designated at FVTPL if the following criteria are met:

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

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

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Subsequent measurement and gain or losses

Financial assets at amortised cost:

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

Financial assets at FVTPL

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

Financial liabilities at amortised cost

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

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

Reclassification

Financial assets

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

Financial liabilities

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

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Modifications of financial assets and financial liabilities

Financial assets

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

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

Financial liabilities

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

Derecognition

Financial assets

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

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

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

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

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

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Modifications of financial assets and financial liabilities (continued)

Derecognition (continued)

Measured at amortised cost

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

Financial liabilities

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

Impairment of financial assets

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

The Group recognises loss allowances for ECLs on the following instruments that are not measured at FVTPL:

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

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

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

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

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

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

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Modifications of financial assets and financial liabilities (continued)

Measurement of ECL

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

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

Definition of default

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

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

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

Reversals of impairment

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

Write-off

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

4 Critical accounting judgements and key sources of estimation uncertainty

While applying the accounting policies as stated in note 3, 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 critical accounting judgment and significant estimates made by management are summarised below:

Revaluation of land

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

Revalued amounts are based on certain assumptions, which are subject to uncertainty, however, management does not expect such assumptions to materially differ from the actual results. There has been no net change in the revalued amount as at 31 December 2020 (2019: AED Nil).

COVID-19 continues to impact many aspects of daily life and the global economy. Travel, movement and operational restrictions have been implemented by many countries including UAE with hospitality industry having experienced lower levels of operations. Therefore, in arriving at revalued amount estimate of the Group's land as at 31 December 2020, the third-party valuers have used their market knowledge and professional judgment. In these circumstances, there is greater degree of uncertainty than which exists in a more active market in estimating revalued amount estimate of the land.

Impairment of property and equipment

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

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

Impairment of property and equipment (continued)

Cash flows are determined with reference to recent market conditions, prices existing at the end of the reporting period, contractual agreements and estimations over the useful lives of the assets and discounted using a range of discount rates that reflects current market assessment of the time value of money and the risks specific to the asset. The net present values are compared to the carrying amounts to assess any probable impairment. Based on the assessment performed, the management concluded that there is no impairment of hotel properties as of 31 December 2020 and 2019.

Calculation of loss allowance

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

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

The ECL model was reassessed for the impact of COVID-19 mainly the operational disruption faced by the customers, volatility in potential economic conditions, incidence of defaults etc. which may likely lead to increase in the ECL allowance for trade receivables in line with the requirements of IFRS 9 *Financial Instruments*. The Group has recognised total allowance for ECL amounted to AED 12,961,017 (31 December 2019: AED 23,421,511). The Group's trade receivables are mainly due from Government related entities. The Group will continue to monitor the situation and its impact on the ECL and make the necessary adjustments as and when required.

If the ECL rates on each past due time bucket had been 0.5% higher (lower) as of December 2020 and 2019, the loss allowance on trade receivables would have been changed as follows:

	2020	2019
	AED	AED
Due for 1 to 30 days	**169,127**	224,208
Due for 31 to 60 days	**108,687**	53,718
Due for 61 to 90 days	**11,207**	23,197
Due for 91 to 120 days	**5,747**	15,114
Due for more than 120 days	**61,286**	102,455

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

<u>Useful lives of property and equipment</u>

The useful lives and residual values of the property and equipment are based on management's judgement of the historical pattern of useful lives and the general standards in the industry. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technical obsolete or non-strategic assets that have been abandon or sold. Management has reviewed the residual values and the estimated useful lives of property and equipment in accordance with IAS 16 *Property, Plant and Equipment* and has determined that these expectations do not significantly differ from previous estimates.

<u>Capitalisation of capital work in progress</u>

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

<u>Impairment of investments in joint ventures</u>

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

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

5 Property and equipment

	Land at revalued amount AED	Buildings at cost AED	Mechanical, electrical and plumbing equipment at cost AED	Furniture, fixtures and operating equipment at cost AED	Motor vehicles at cost AED	Capital work in progress at cost AED	Total AED
Cost							
At 1 January 2019	831,800,000	619,217,023	151,148,555	292,110,241	27,093,243	70,662,449	1,992,031,511
Right-of-use assets recognised	-	2,327,448	-	-	-	-	2,327,448
Additions	-	883,644	33,667	12,551,373	2,558,200	87,113,941	103,140,825
Disposals	-	(650,000)	-	(2,047,194)	(7,719,000)	-	(10,416,194)
Transfers	-	1,244,262	304,935	61,680	-	(1,610,877)	-
At 1 January 2020	831,800,000	623,022,377	151,487,157	302,676,100	21,932,443	156,165,513	2,087,083,590
Right-of-use assets recognised	-	510,821	-	-	-	-	510,821
Additions	-	4,920,006	11,845,672	8,808,541	3,136,345	118,277,865	146,988,429
Disposals	-	(723,649)	(399,916)	(14,666,872)	(1,851,750)	-	(17,642,187)
Transfers	-	12,189,066	3,898,847	2,637,280	-	(18,725,193)	-
At 31 December 2020	**831,800,000**	**639,918,621**	**166,831,760**	**299,455,049**	**23,217,038**	**255,718,185**	**2,216,940,653**

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

5 Property and equipment (continued)

	Land at revalued amount AED	Buildings at cost AED	Mechanical, electrical and plumbing equipment at cost AED	Furniture, fixtures and operating equipment at cost AED	Motor vehicles at cost AED	Capital work in progress at cost AED	Total AED
Accumulated depreciation							
At 1 January 2019	-	352,641,895	111,806,625	235,368,234	22,165,389	-	721,982,143
Charge for the year	-	14,506,377	5,351,127	13,712,690	2,337,288	-	35,907,482
Disposals	-	(346,664)	-	(2,047,194)	(7,335,209)	-	(9,729,067)
At 1 January 2020	-	366,801,608	117,157,752	247,033,730	17,167,468	-	748,160,558
Charge for the year	-	13,705,804	5,844,351	15,557,972	1,790,878	-	36,899,005
Disposals	-	(364,699)	(392,003)	(13,314,942)	(1,851,750)	-	(15,923,394)
At 31 December 2020	**-**	**380,142,713**	**122,610,100**	**249,276,760**	**17,106,596**	**-**	**769,136,169**
Carrying amount							
At 31 December 2020	**831,800,000**	**259,775,908**	**44,221,660**	**50,178,289**	**6,110,442**	**255,718,185**	**1,447,804,484**
At 31 December 2019	831,800,000	256,220,769	34,329,405	55,642,370	4,764,975	156,165,513	1,338,923,032

On application of IFRS 16, the Group recognised a right to use asset on leased out staff accommodation amounted to AED 2,327,448 on 1 January 2019 and had been classified under the buildings. The amortisation charge for this right to use asset amounted to AED 665,471 (2019: AED 1,661,977) and net carrying value as of 31 December 2020 is AED Nil (2019: AED 665,471). During the current year, the Group recognised a right to use asset on leased out land amounted to AED 510,821. The amortisation charge for this right to use asset amounted to AED 91,792 and net carrying value as of 31 December 2020 is AED 419,029. This has been classified under the building. There are no extension or termination options on these leases.

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

5 Property and equipment (continued)

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

	2020 **AED**	2019 AED
Direct operating expenses	**34,503,793**	33,750,306
General and administrative expenses (note 17)	**2,395,212**	2,157,176
	36,899,005	35,907,482

During the year, the Group carried out a review of recoverable value of its hotel properties and hotel properties under constructions (collectively referred as "hotel properties"). The recoverable value of hotel properties is based on fair value less cost to sell determined by independent valuer and has been determined by reference to the income capitalisation method using exit yield of 8.25% to 9.00% and a discount rate of 10.0% to12.5%. No impairment was recognized on the hotel properties for the year ended 31 December 2020.

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

The valuation was carried out by an independent registered third party valuer ("the Valuer") in accordance with the RICS Appraisal and Valuation Manual issued by the Royal Institute of Chartered Surveyors ("RICS") using an income approaches. The valuer has included a material valuation uncertainty clause, in its report based on the recent guidance issued by RICS as a result of COVID-19. This clause highlights that less certainty, and consequently a higher degree of caution should be attached to the valuation than normal.

During the year, one of the Group's hotel was damaged from the heavy rain and flood. The Group was able to receive a claim from a third party on this damage and AED 13,543,760 of hotel properties were replaced by the third party to the Group.

Revaluation of land

Included in property and equipment, land is stated at AED 831.8 million as at 31 December 2020 (2019: AED 831.8 million) of revaluation amount as per the Group's accounting policy of accounting the land based on revaluation model.

The revalued amounts of the Group's land are arrived at on the basis of a valuation carried out by accredited independent valuers not connected with the Group. The valuers are members of professional valuers' associations and have appropriate qualifications and experience in the valuation of properties at the relevant locations. In estimating the revalued amounts of the land, the highest and best use of the land have been considered.

5 Property and equipment (continued)

Revaluation of land (continued)

The valuations were determined by using the market (sales comparison) valuation approach. The approach involves measuring the present value of the business resources based on the flow of prices of these resources on the free market and exchange between willing persons (seller and buyer) on such market. The valuation has been conducted as at 31 December 2020. There has been no change to the valuation techniques during the year.

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

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

Net average sales price/sqft for land*	AED 8.6-AED 1,050

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

The Group conducted sensitivity analysis showing the impact of change in sales price per square foot for its land as of 31 December 2020. Accordingly, an increase in expected sales price per square foot by 5% would result in AED 63.1 million increase in the valuation, whilst a decrease of 5% would result in AED 63.1 million decrease in valuation of the revalued amount of Group's plots of land.

If land was measured using the cost model, the carrying amount of land would be AED 91.1 million as at 31 December 2020 (2019: AED 91.1 million).

The valuation was carried out by an independent registered third party valuer ("the Valuer") in accordance with the RICS Appraisal and Valuation Manual issued by the Royal Institute of Chartered Surveyors ("RICS") using market approach. The valuer has included a material valuation uncertainty clause, in its report based on the recent guidance issued by RICS as a result of COVID-19. This clause highlights that less certainty, and consequently a higher degree of caution should be attached to the valuation than normal.

Capital work in progress

At 31 December 2020 total capital work in progress is AED 255.7 million (2019: AED 156.2 million), out of that AED 233.2 million (2019: AED 130.9 million) relates to a hotel project for which, the work on the project is currently in progress.

During the year, borrowing costs amounting to AED 6,183,307 (2019: AED 4,545,567) have been capitalised at an average rate of 3% - 3.5% over 3-months EBOR.

Term loans are secured with mortgage over land and building with carrying value of AED 759.2 million (2019: AED 756.7 million) (note 12).

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

6 Investment in joint ventures

	2020 AED	2019 AED
National Transport Company (a)	**17,483,479**	17,695,683
Velocity Property Development LLC (b)	**227,278,097**	227,278,097
	244,761,576	244,973,780

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

(a) National Transport Company

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

	2020 AED	2019 AED
At 1 January	**17,695,683**	16,915,346
Share of results for the year	**1,787,796**	2,780,337
Dividends received	**(2,000,000)**	(2,000,000)
At 31 December	**17,483,479**	17,695,683

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

	2020 AED	2019 AED
Revenue	**27,939,531**	35,527,318
Cost of sales	**(22,655,751)**	(28,935,553)
Administrative expenses	**(2,512,072)**	(2,514,493)
Other income	**1,064,361**	2,009,205
Finance costs	**(260,478)**	(525,804)
Profit for the year	**3,575,591**	5,560,673
Group's share of results for the year	**1,787,796**	2,780,337

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

6 Investment in joint ventures (continued)

(a) National Transport Company (continued)

	2020 **AED**	2019 AED
Property and equipment	**29,280,788**	29,570,619
Accounts receivables and prepayments	**7,261,709**	13,399,677
Cash and bank balances	**6,706,113**	6,066,164
Accounts payable and accruals	**(4,052,602)**	(10,933,495)
Employees' end of service benefits	**(1,462,465)**	(1,555,861)
Term loans	**(2,555,878)**	(1,155,738)
Value added tax payable	**(210,708)**	-
Net assets	**34,966,957**	35,391,366
Group's share of net assets at 50%	**17,483,479**	17,695,683

(b) Velocity Property Development LLC

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

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

In 2017, the control over the land and existing works as contributed by the Group with a fair value of AED 218.6 million as determined by an external valuer were transferred to the Joint Venture.

As at 31 December 2020, the Joint Venture has not yet started its commercial operations.

7 Inventories

	2020 **AED**	2019 AED
Food and beverages	**23,427,220**	23,013,064
Engineering and operating supplies	**3,534,380**	2,213,927
	26,961,600	25,226,991

Inventories recognised as an expense during 2020 amounted to AED 286.79 million (2019: AED 256.20 million). These were included in direct operating expenses.

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

8 Trade and other receivables

	2020	2019
	AED	AED
Trade receivables	**149,150,203**	127,580,588
Less: allowance for impairement	**(12,961,017)**	(23,421,511)
	136,189,186	104,159,077
Prepayments and advances	**35,319,487**	56,949,533
Interest receivables	**8,135,321**	8,538,713
Value-added-tax receivable	**2,378,936**	2,291,431
Amounts due from a related party (note 16)	**1,903**	29,645
Other receivables	**8,305,608**	13,067,163
	190,330,441	185,035,562

Prepayments and advances include advance provided to contractor during the year amounting to AED 14.5 million (2019: AED 27.5 million) related to construction of Intercontinental Hotel - Grand Marina project (note 5) and AED 2.2 million (2019: AED 1.4 million) related to renovation activities of Dhafra Beach Hotel.

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

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

The Group writes off a trade and other receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Accordingly, during the year the Group written off AED 8,640,117 (2019: AED 1,239,840) of trade recievables. The Group had assigned full impairment allowances for these trade receivables in previous years. In addition to that, during the year, Group written off AED 4.0 million of other receivable against the consolidated statement of profit or loss (2019: AED Nil).

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

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

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

8 Trade and other receivables (continued)

	2020 **AED**	2019 AED
At 1 January	**23,421,511**	23,612,931
Remeasurement of loss allowance, net	**(1,820,377)**	1,048,420
Amounts written off	**(8,640,117)**	(1,239,840)
At 31 December	**12,961,017**	23,421,511

9 Cash and bank balances

Cash and cash equivalents are comprised of the following:

	2020 **AED**	2019 AED
Cash at bank and on hand	**100,548,070**	116,491,313
Short term deposits	**402,190,880**	338,777,682
	502,738,950	455,268,995
Less: short-term deposits with original maturity of more than three months	**(402,190,880)**	(338,777,682)
Cash and cash equivalents	**100,548,070**	116,491,313

Short-term deposits represent deposits held with financial institutions in the UAE and denominated in AED. These deposits carry an interest rate 3.4%-4% (2019: 3.9%-4.2%) per annum.

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

10 Share capital

	2020 **AED**	2019 AED
Authorised capital		
785,862,000 ordinary shares of AED 1 each (2019: 785,862,000 ordinary shares of AED 1 each)	**785,862,000**	785,862,000
Issued, subscribed and paid up capital		
Opening balance	**785,862,000**	748,440,000
Bonus shares issued in 2019 : 37,422,000 shares of AED 1 each	**-**	37,422,000
At 31 December	**785,862,000**	785,862,000

During 2019, the Group issued 37,422,000 bonus shares to its existing shareholders on the basis of 5% of ordinary shares held. The bonus shares are ordinary shares and carry the same rights as other ordinary shares. The legal formalities of the issuance of the share capital was completed during September 2019. There is no bonus shares issued in 2020.

11 Reserves

Statutory reserve

In line with the provisions of the UAE Federal Law No. (2) of 2015 and the Group's Articles of Association, the Group is required to transfer annually to a statutory reserve account an amount equivalent to 10% of its profit for the year until such reserve reaches 50% of the share capital of the Group. The statutory reserve is not available for distribution.

General reserve

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

Properties revaluation reserve

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

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

12 Term loans

	2020 AED	2019 AED
Term loan 1	**35,000,000**	52,500,000
Term loan 2	**129,421,285**	83,534,021
Term loan 3	-	-
Term loan 4	**133,146,896**	138,834,557
Term loan 5	**9,000,000**	3,893,169
Term loan 6	**6,718,428**	-
	313,286,609	278,761,747
Less: Amount due for settlement after 12 months from the end of reporting year (classified under non-current liabilities)	**(127,921,285)**	(102,427,190)
Amount due for settlement within 12 months from the end of reporting year (classified under current liabilities)	**185,365,324**	176,334,557

The term loans comprise the following:

Term loan 1

In accordance with article 4 of Law No. 7 of 1996, dated 11 December 1996, the Government of Abu Dhabi sold three hotels namely Abu Dhabi Intercontinental Hotel, Danat Al Ain resort (formerly Al Ain Intercontinental Hotel) and Al Dhafra Beach Hotel to the Group for an amount of AED 350.0 million. The sale amount of AED 350.0 million has been granted as a long term loan by the Government of Abu Dhabi to the Group and is to be repaid over 20 years following a grace period of 5 years commencing from 11 December 1996 being the date of the loan agreement. The loan carries simple interest at 2% per annum to be charged after a grace period of 3 years.

Term loan 2

During 2013, the Corporation obtained a loan facility from a local bank amounting to AED 220.0 million. The loan will be utilised to for the construction of a new hotel, Intercontinental Hotel - Grand Marina. Total drawdown as at 31 December 2020 amounted to AED 129.4 million. Repayment of the loan is due after 36 months from first installment for main civil works contractor payments. The loan carries interest at the rate of 3.5% over 3-months EBOR, subject to a minimum interest rate of 5% per annum. Interest is paid on a quarterly basis. The loan is to be repaid over 9 years by 36 quarterly installments. Additional drawdown of AED 90.6 million is available for this loan as at 31 December 2020.

The loan facility is secured by the following:

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

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

12 Term loans (continued)

Term loan 3

During 2014, the Corporation obtained a loan facility from a local bank amounting to AED 250.0 million for a new hotel to be constructed on its Plot in Saadiyat Island, Abu Dhabi. No drawdown has been made by the Corporation as at 31 December 2020. Repayment of the loan is due after 3 years from initial drawdown. The loan is to be repaid in 12 years through 24 semi-annual installments. The loan carries interest at the rate of 3.5% over 3-months EBOR, subject to a minimum interest rate of 6.5% per annum. Interest is to be paid on a quarterly basis.

The loan facility is secured by the common security in Term Loan 2, and assignment of entire revenue of the new hotel, and all other related assignments.

Term loan 4

During 2015, the Corporation obtained a loan facility from a local bank amounting to AED 600.0 million which are split into two facilities of: (i) Facility A AED 131.6 million which is utilised to repay two existing loans from the same local bank and (ii) Facility B AED 468.4 million which will be utilised to repay another existing loan from the same local bank and to meet future investment opportunities. Facility A was fully utilised as at 31 December 2015, while Facility B drawdown amounted to AED 68.4 million as at 31 December 2020. Total drawdown for both facilities as at 31 December 2020 amounted to AED 200.0 million. Total outstanding loan balance for both facilities as at 31 December 2020 amounted to AED 137.6 million. Facility A carries interest at the rate of 3% over 3-months EBOR, subject to a minimum interest rate of 4.25% per annum. Facility B carries interest at the rate of 3.25% over 3-months EBOR, subject to a minimum interest rate of 4.5% per annum. The Facilities A and B are to be repaid in 10 years from the date of the Loan Facility Agreement through semi-annual installments and one final payment on the final repayment date. Interest is to be paid on quarterly basis.

The loan facility is secured by the following:

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

In July 2017, the Corporation voluntarily cancelled part of the available facility amounting to AED 400.0 million of the Facility B. In September 2017, the bank has approved the release of mortgage on the land plots of Danat Resort – Jebel Dhanna and Al Dhafra Beach Hotel.

As at 31 December 2020, the Group has an unamortised loan arrangement fee of AED 4.4 million (2019: AED 5.3 million) related to the new facility and is netted off from the outstanding loan balance.

During the year, the Group obtained approval to defer the payment of four principal installments due from May 2020 to January 2021 until for a period from May 2026 to November 2026. The principal installment payments due after January 2021 will remain unchanged.

12 Term loans (continued)

Term loan 5

During 2019, the Corporation obtained a loan facility from a local bank amounting to AED 10 million. The loan will be utilised to for the renovation activities of Dhafra Beach Hotel. As of 31 December 2020, the facility is fully drawdown. The outstanding balance as of reporting date is AED 9.0 million. The loan carries interest at the rate of 3% over 3-months EBOR, subject to a minimum interest rate of 4.25% per annum. Interest is paid on a quarterly basis. The loan is to be repaid over 5 years by semi-annual installments from September 2020.

The loan facility is secured by the same security as term loan 2 and all other related assignments.

Term loan 6

During 2020, the Corporation obtained a loan facility from a local bank amounting to AED 15.0 million. The loan will be utilised to for the renovation activities of Dhafra Beach Hotel. As of 31 December 2020, the total drawdown is AED 6.7 million and remaining undrawdown facility amounted to AED 8.3 million . Repayment of the loan is due after 18 months from the date of initial utilisation. The loan carries interest at the rate of 3% over 3-months EBOR, subject to a minimum interest rate of 4.25% per annum. Interest is paid on a quarterly basis. The loan is to be repaid over 2 years by semi-annual installments.

The loan facility is secured by the same security as term loan 2 and all other related assignments.

As of 31 December 2020 , the Group was in noncompliance of Term loan 4, 5 and 6 of one of the covenants (2019: Term loan 4), which constituted an event of default as defined in the term facility agreements and the lenders may, by notice to the Group, declare that all or part of utilisations and accrued interests be immediately due and payable or payable on demand and enforce all or part of the security provided for the loans. Accordingly, entire outstanding amount on Term loan 4, 5 and 6 (2019: Term loan 4) are classified as current in the consolidated statement of financial position. The lenders did not request accelerated repayment of the facility as of the signing date.

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

	2020 **AED**	2019 AED
At 1 January	**278,761,747**	276,396,412
Cash flows		
Loans drawdown	**58,712,523**	41,908,088
Loans repaid	**(25,078,025)**	(40,433,119)
Other non-cash items		
Amortisation of transaction costs	**890,364**	890,366
At 31 December	**313,286,609**	278,761,747

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

13 Provision for employees' end of service benefits

	2020 AED	2019 AED
At 1 January	**42,842,095**	38,059,825
Charge for the year	**9,564,513**	9,967,446
Payments during the year	**(5,985,206)**	(5,185,176)
At 31 December	**46,421,402**	42,842,095

14 Lease liability

The Group leases a land for warehouse purpose and several buildings for staff accommodations. The average lease term is 1-30 years (2019: 1-5 years).

The movement in lease liability is as follows:

	2020 AED	2019 AED
1 January	**385,771**	2,030,681
Additions	**502,167**	-
Interest expense	**59,536**	68,690
Payments	**(512,535)**	(1,713,600)
At 31 December 2020	**434,939**	385,771

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

	2020 AED	2019 AED
Current lease liabilities	**61,868**	385,771
Non-current lease liabilities	**373,071**	-
	434,939	385,771

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

14 Lease liability (continued)

One of premises lease in which the Group is the lessee contain variable lease payment terms that are linked to sales generated from the leased stores. During the year, the Group paid AED 755,830 (2019: AED 560,000) as the lease payments for the said premises. Overall, the variable payments are not material to the Group's entire lease payments and Group expects this remain constant in future years. The variable payments depend on sales and consequently on the overall economic development over the next few years. Taking into account the development of sales expected over the next 5 years, variable rent expense are expected to continue to present a similar proportion of store sales in future years.

15 Trade and other payables

	2020 AED	2019 AED
Trade and other payables	**153,164,590**	146,662,925
Accrued liabilities	**39,634,968**	34,429,832
Retentions payable	**16,093,611**	6,488,014
Value added tax payable	**3,576,170**	3,617,081
Deferred income	**2,037,688**	2,813,979
Interest payable	**962,998**	1,112,013
Due to a related pary (note 16)	**387,969**	540,336
	215,857,994	195,664,180

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

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

16 Related parties

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

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 2020, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2019: Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which related party operates.

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

16 Related parties (continued)

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

	Related party relationship	**2020 AED**	2019 AED
Due from a related party (note 8)			
National Transportation Company LLC (NTC)	Joint Venture	**1,903**	29,645
Due to a related party (note 15)			
National Transportation Company LLC (NTC)	Joint Venture	**387,969**	540,336

Significant transactions with related parties are as follows:

	2020 AED	2019 AED
Directors' remuneration paid (note 22)	**9,956,053**	9,045,304
Payments made on behalf of a shareholder	**4,977,877**	596,906
Rental income	**17,785**	164,584
Other expenses charged to NTC	**2,200,855**	2,947,629
Payments received from a shareholder	**4,328,000**	727,469
Management fee income from managed hotels	**3,772,641**	6,723,758
Amounts settled to Velocity Property Development LLC	**-**	12,000,000
Key management personnel compensation		
Short term benefits	**8,535,550**	7,182,001
Post-employment benefits	**422,402**	380,684
	8,957,952	7,562,685

There were no loans provided to directors for the year ended 31 December 2020 and 2019.

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

17 General and administrative expenses

	2020 AED	2019 AED
Payroll and employee related costs	**18,095,521**	17,954,935
Write off other receivable	**4,000,000**	-
Depreciation (note 5)	**2,395,212**	2,157,176
Other operating expenses	**7,236,123**	5,562,613
	31,726,856	25,674,724

The Group has made social contribution to the following beneficiaries:

	2020 AED	2019 AED
Donation for the Winter Program	**50,000**	50,000
Rashid Center for People of Determination	**34,000**	47,500
Specialist Center for Children with Disabilities	**17,000**	20,000
Donations for Eid Adha	**37,000**	-
Emirates Women Police	-	15,000
Emirates Association of the Visually Impaired	-	10,000
	138,000	142,500

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

18 Investment and other income

	2020 AED	2019 AED
Gain on third party claim received for property replacement	**15,768,579**	-
Management fees	**3,772,641**	6,723,758
Gain on sale of property and equipment	**327,689**	1,214,177
Other income	**559,179**	1,159,453
	20,428,088	9,097,388

During the year, the Corporation has made claims from a third party for property and equipment replacement due to damages to Group's hotel properties caused by heavy rain and flood, and the resulted gain from these claims was AED 15,768,579, recorded under the investment and other income in the consolidated statement of profit of loss.

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

19 Gain on disposal of financial assets at FVTPL

During the year, the Corporation purchased shares in a listed equity security for a cash consideration of AED 47.1 million, in an active market transaction. These securities were disposed by the Corporation during the year for consideration of AED 64.7 million, in an active market transaction. The net gain resulted from this transaction was AED 17.7 million; accounted in the consolidated statement of profit or loss. Based on the business model of the Corporation, the management classified these securities as financial assets at fair value through profit or loss.

20 Basic and diluted earnings per share

	2020	2019
Profit for the year (AED)	**114,777,593**	110,622,813
Weighted average number of share in issue	**785,862,000**	785,862,000
Basic and diluted earnings per share (AED)	**0.15**	0.14

As at 31 December 2020 and 2019, the Corporation has not issued any instrument which would have dilutive impact on earnings per share when converted or exercised and accordingly, diluted earnings per share is equal to basic earnings per share.

21 Dividends and bonus shares

During 2019, interim cash dividend of AED 0.10 per share amounted to AED 74.8 million were proposed, approved and paid. Also, during 2019, 37.4 million of bonus shares were approved and issued to the shareholders. There are no cash dividend or bonus shared proposed, approved and paid to the shareholders in 2020.

22 Board of Directors remuneration

For the year ended 31 December 2019, the remuneration of the Board of Directors amounting to AED 9.96 million was approved in the Annual General Meeting (AGM) held on 28 April 2020 (2019: remuneration of the Board of Directors for the year ended 31 December 2018 amounting to AED 9.05 million was approved in the AGM held on 28 April 2019).

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

23 Segment information

Products and services from which reportable segments derive their revenues

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

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

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

Information regarding these segments is presented below.

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

23 Segment information (continued)

31 December 2020	Hotels AED	Retail services AED	Catering services AED	Holding AED	Eliminations AED	Total AED
Revenue						
Timing of revenue recognition						
At a point in time	62,394,163	76,138,904	562,779,886	-	(6,360,557)	694,952,396
Overt time	70,489,824	-	-	-	-	70,489,824
	132,883,987	76,138,904	562,779,886	-	(6,360,557)	765,442,220
Direct operating expenses	(105,844,067)	(61,019,659)	(476,239,586)	-	13,704,673	(629,398,639)
Depreciation	(30,229,979)	(559,339)	(3,714,475)	-	-	(34,503,793)
Gross profit	(3,190,059)	14,559,906	82,825,825	-	7,344,116	101,539,788
General and administrative expenses	-	-	-	(31,726,856)	-	(31,726,856)
Share of results of joint ventures	-	-	-	1,787,796	-	1,787,796
Investment and other income*	-	43,100	284,587	27,444,517	(7,344,116)	20,428,088
Gain on disposal of financial assets at FVTPL	-	-	-	17,659,685	-	17,659,685
Interest income	-	-	-	13,267,807	-	13,267,807
Finance costs	-	-	(3,029)	(8,175,686)	-	(8,178,715)
Profit for the year	(3,190,059)	14,603,006	83,107,383	20,257,263	-	114,777,593
At 31 December 2020						
Total assets	1,086,866,787	32,538,831	209,003,362	1,207,225,711	(123,037,640)	2,412,597,051
Total liabilities	39,657,871	22,786,874	149,793,791	413,448,657	(49,686,249)	576,000,944

* Investment and other income include management fee income from Owned Hotels amounting to AED 2.8 million, which was eliminated in the consolidation process. Investment and other income from managed hotels amounted to AED 3.8 million.

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

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

23 Segment information (continued)

31 December 2019	Hotels AED	Retail services AED	Catering services AED	Holding AED	Eliminations AED	Total AED
Revenue						
Timing of revenue recognition						
At a point in time	101,040,306	80,672,999	498,923,646	-	(9,496,785)	671,140,166
Overt time	96,339,381	-	-	-	-	96,339,381
	197,379,687	80,672,999	498,923,646	-	(9,496,785)	767,479,547
Direct operating expenses	(146,201,165)	(61,917,737)	(422,446,319)	-	17,403,323	(613,161,898)
Depreciation	(28,756,278)	(565,688)	(4,428,340)	-	-	(33,750,306)
Gross profit	22,422,244	18,189,574	72,048,987	-	7,906,538	120,567,343
General and administrative expenses	-	-	-	(25,674,724)	-	(25,674,724)
Share of results of joint ventures	-	-	-	2,780,337	-	2,780,337
Investment and other income*	-	-	1,155,623	15,848,303	(7,906,538)	9,097,388
Interest income	-	-	-	14,857,785	-	14,857,785
Finance costs	-	-	-	(11,005,316)	-	(11,005,316)
Profit for the year	22,422,244	18,189,574	73,204,610	(3,193,615)	-	110,622,813
At 31 December 2019						
Total assets	1,091,479,103	31,237,981	201,409,859	1,077,774,849	(152,473,432)	2,249,428,360
Total liabilities	49,795,440	16,358,630	148,443,988	377,209,974	(74,154,239)	517,653,793

* Investment and other income include management fee income from Owned Hotels amounting to AED 3.1 million, which was eliminated in the consolidation process. Investment and other income from managed hotels amounted to AED 6.7 million.

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

24 Contingencies and commitments

Contingencies

Bank guarantees

At 31 December 2020, the Group had outstanding contingent liabilities in respect of letters of guarantee of AED 67.0 million (2019: AED 65.92 million).

Capital commitments

At 31 December 2020, the Group had estimated commitments for the Grand Marina Hotel, Saadiyat Hotel, and Al Dhafra Beach Hotel renovation of AED 111.95 million (2019: AED 172.2 million).

Operating leases

The Group as lessor

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

	2020 AED	2019 AED
Within one year	**2,643,712**	5,129,974
In the second year	**1,683,973**	1,208,451
In the third to fifth year	**2,215,400**	-
	6,543,085	6,338,425

The Group as lessee

The Group leases several buildings for staff accommodations and retail shop purpose. The average lease term in current year is 1 year (2019: 1 year).

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

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

24 Contingencies and commitments (continued)

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

	2020 AED	2019 AED
No later than 1 year	**8,712,145**	9,060,349

25 Financial instruments

Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years end 31 December 2020 and 2019.

Classes of financial instruments

	2020 AED	2019 AED
Financial assets		
Cash and cash equivalent	**100,548,070**	116,491,313
Short term deposits	**402,190,880**	338,777,682
Trade and other receivables	**155,010,954**	128,086,029
	657,749,904	583,355,024
Financial liabilities		
Trade and other payables	**213,820,306**	192,850,201
Term loans	**313,286,609**	278,761,747
Lease liability	**434,939**	385,771
	527,541,854	471,997,719

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

25 Financial instruments (continued)

Financial risk management objectives

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

Credit risk

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

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

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

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

Liquidity risk

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

	On demand AED	Less than 6 months AED	6 to 12 months AED	1 to 5 years AED	More than 5 years AED	Total AED
At 31 December 2020						
Term loans	**170,817,159**	**-**	**19,000,000**	**73,500,000**	**54,421,285**	**317,738,444**
Trade and other payables	**-**	**197,726,695**	**16,093,611**	**-**	**-**	**213,820,306**
Lease liability	**-**	**61,868**	**-**	**247,468**	**125,603**	**434,939**
Total	**170,817,159**	**197,788,563**	**35,093,611**	**73,747,468**	**54,546,888**	**531,993,689**

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

25 Financial instruments (continued)

Liquidity risk

	On demand AED	Less than 6 months AED	6 to 12 months AED	1 to 5 years AED	More than 5 years AED	Total AED
At 31 December 2019						
Term loans	161,676,756	-	20,000,000	69,893,169	32,534,021	284,103,946
Trade and other payables	-	186,362,187	6,488,014	-	-	192,850,201
Lease liability	-	385,771	-	-	-	385,771
Total	161,676,756	186,747,958	26,488,014	69,893,169	32,534,021	477,339,918

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored the Group's treasury function.

All lease obligations are denominated in AED.

Interest rate risk management

Interest rate risk arises from the possibility that changes in interest rates will affect the finance income or finance cost of the Group. The Group is exposed to interest rate risk on its term deposits and bank borrowings that carry both fixed and floating interest rates which are detailed in notes 9 and 12.

Interest rate sensitivity analysis

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

At 31 December 2020, if interest rates on borrowings had been 10 basis points higher/lower with all other variables held constant, profit for the year would have been AED 0.31 million (2019: AED 0.23 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

The Group's borrowings are denominated in UAE Dirhams.

Fair value of financial instruments

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

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

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

26 Impact of Covid-19 pandemic

On 11 March 2020, Covid-19 was declared as pandemic by the World Health Organisation and is causing disruptions to businesses and economic activities. Governments around the world, including in the United Arab Emirates, have responded to this outbreak with various temporary restrictions to help contain the spread of the virus and support measures to mitigate the adverse implications on communities and economies.

As it stands, the full impact of the pandemic remains unclear and will be determined by factors that continue to evolve, such as the success of support measures introduced by government and related agencies, the ability of businesses to manage their operations during these times and the timing and manner of the easing of restrictions, including lockdowns, social distancing and travel. Due to the unprecedented adverse effect of the lockdown on the global economy and some success in the efforts to flatten the infection curve, many countries started easing gradually the lock down restrictions starting May and June 2020. However, the lockdowns and travel restrictions is expected to have a continuous impact on the global economy.

The Group is continuously assessing the impact of COVID-19 on its operations and other risk management practices to manage the potential business operations disruption and financial performance in 2020 and beyond that. As the effect of COVID-19 on businesses continues to evolve, there are potential risks and uncertainties on future business impact, the Group continues to monitor and update its plans accordingly.

The Group’s business operations in catering and retail segments remain largely unaffected by the current situation. The operations of hotel segment got affected due to the international travel restrictions and restrictions imposed in the local market.

Based on assessment of the COVID-19 impact on its business, the Group has assessed the impact of COVID-19 on its consolidated financial position and performance including the major judgments, estimates and assumptions, which could result in greater variability in a variety of areas that depend on these estimates and judgments as given in note 4.

In response to this crisis, the Group continues to monitor and respond to all liquidity and funding requirements through its plan reflecting the current economic scenarios. The Group believes that, as at 31 December 2020, liquidity position of the Group remains strong and its existing balances of cash and cash equivalents, along with undrawn borrowings will be sufficient to satisfy its working capital needs, capital expenditures, debt repayments and other liquidity requirements associated with its existing operations.

The impact of COVID-19 continues to evolve, hence there are uncertainties and likely significant risks that may impact the business in future. The Group is taking proactive measures to monitor and manage the situation to the best of its abilities to support the long-term continuity of its business and make the necessary judgements and estimates as may be required.

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

26 Impact of Covid-19 pandemic (continued)

Going concern

The Group has performed an assessment of whether it is a going concern in the light of current economic conditions and all available information about future risks and uncertainties. The projections have been prepared covering the Group's future performance, capital and liquidity. The impact of COVID-19 may continue to evolve, but at the present time the projections show that the Group has sufficient resources to continue in operational existence and its going concern position remains largely unaffected as of the date of issuance of these consolidated financial statements. As a result, these consolidated financial statements have been appropriately prepared on a going concern basis.

The Group will continue to closely monitor the impact of COVID-19 as the situation progresses to manage the potential business disruption COVID-19 outbreak may have on its 'operations and financial performance in 2021.

27 Approval of consolidated financial statements

These consolidated financial statements were approved by the Board of Directors and authorised for issue on 11 March 2021.