

**NATIONAL CORPORATION FOR
TOURISM & HOTELS**

**Report and financial statements for the
year ended 31 December 2009**

NATIONAL CORPORATION FOR TOURISM & HOTELS

Report and financial statements for the year ended 31 December 2009

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders
National Corporation for Tourism & Hotels
Abu Dhabi, UAE

Report on the financial statements

We have audited the accompanying financial statements of National Corporation for Tourism & Hotels (the "Corporation"), which comprise the statement of financial position as at 31 December 2009, and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. The financial statements for the year ended 31 December 2008 were audited by other auditors whose report dated 5 March 2009 expressed an unqualified opinion.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITOR'S REPORT (Continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Corporation as of 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

Also, in our opinion, proper books of account are maintained by the Corporation and a physical inventory count was properly conducted. We have obtained all the information and explanations which we considered necessary for the purpose of our audit. According to the information available to us, there were no contraventions of the UAE Federal Commercial Companies Law No. (8) of 1984 (as amended) or the Articles of Association of the Corporation which might have a material effect on the financial position of the Corporation or on the results of its operations for the year.

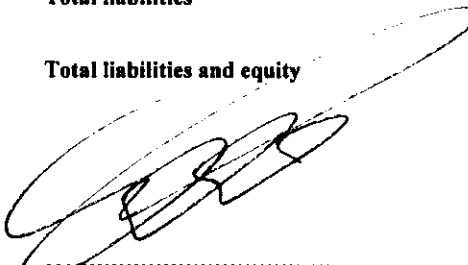
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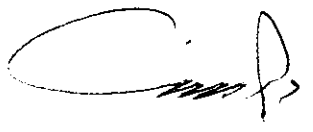


Saba Y. Sindaha
Registration No. 410
3 March 2010

**Statement of financial position
as at 31 December 2009**

	Notes	2009 AED	2008 AED
ASSETS			
Non-current assets			
Property, plant and equipment	5	841,013,011	647,859,627
Investment in an associate	6	-	-
Available-for-sale investments	8	224,464,518	187,237,725
Loan to a related party	12	50,000,000	-
Advances		-	173,521,204
Total non-current assets		1,115,477,529	1,008,618,556
Current assets			
Inventories	9	8,505,969	8,162,261
Trade and other receivables	10	104,442,431	97,167,851
Advances and prepayments	11	14,598,374	14,729,937
Investments at fair value through profit or loss	13	11,570,026	12,610,012
Cash and bank balances	14	145,175,951	58,005,155
Total current assets		284,292,751	190,675,216
Total assets		1,399,770,280	1,199,293,772
EQUITY AND LIABILITIES			
Equity			
Share capital	15	110,000,000	100,000,000
Statutory reserve	16	51,522,513	36,603,571
General reserve	17	75,000,000	75,000,000
Investment revaluation reserve		152,517,536	114,850,095
Retained earnings		294,535,160	189,367,715
Total equity		683,575,209	515,821,381
Non-current liabilities			
Bank borrowings	18	502,427,282	215,123,906
Retention payable		-	4,404,115
Employees' end of service benefits	19	12,664,353	10,187,104
Total non-current liabilities		515,091,635	229,715,125
Current liabilities			
Trade and other payables	20	117,897,850	130,748,468
Bank borrowings	18	83,205,586	323,008,798
Total current liabilities		201,103,436	453,757,266
Total liabilities		716,195,071	683,472,391
Total liabilities and equity		1,399,770,280	1,199,293,772


.....
Chairman


.....
Chief Executive Officer


.....
Chief Financial Officer

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

**Statement of income
for the year ended 31 December 2009**

	Notes	2009 AED	2008 AED
Revenue		566,338,616	502,709,020
Direct expenses		(270,763,420)	(232,622,453)
Gross profit		295,575,196	270,086,567
Other operating income	22	12,579,051	15,347,938
General and administrative expenses	23	(75,089,513)	(73,213,202)
Management fee and reimbursement of system costs		(19,913,303)	(17,744,787)
Depreciation		(46,884,282)	(47,638,380)
Profit from operations		166,267,149	146,838,136
Loss on investments carried at fair value through profit or loss		(1,039,986)	(43,997,535)
Impairment loss on available for sale investments		(440,648)	-
Share of net loss from an associate	6	(75,000)	-
Interest income		3,854,311	534,231
Finance costs		(24,853,972)	(16,572,680)
Dividend income		5,477,563	4,228,152
Net profit for the year	21	149,189,417	91,030,304
Basic and diluted earnings per share	25	1.36	0.83

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

**Statement of comprehensive income
for the year ended 31 December 2009**

	Notes	2009 AED	2008 AED
Net profit for the year		149,189,417	91,030,304
Other comprehensive income/(loss)			
Increase/(decrease) in fair value of available for sale investments	8	37,226,793	(304,765,336)
Impairment loss on available for sale investments		440,648	-
Directors' remuneration	24	(9,103,030)	-
Other comprehensive income/(loss) for the year		28,564,411	(304,765,336)
Total comprehensive income/(loss) for the year		177,753,828	(213,735,032)

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

NATIONAL CORPORATION FOR TOURISM & HOTELS

**Statement of changes in equity
for the year ended 31 December 2009**

	Share capital AED	Statutory reserve AED	General reserve AED	Investment revaluation reserve AED	Retained earnings AED	Total AED
Balance at 1 January 2008	100,000,000	27,500,541	75,000,000	419,615,431	127,440,441	749,556,413
Net profit for the year	-	-	-	-	91,030,304	91,030,304
Other comprehensive loss	-	-	-	(304,765,336)	-	(304,765,336)
Total comprehensive loss for the year	-	-	-	(304,765,336)	91,030,304	(213,735,032)
Dividends paid	-	-	-	-	(20,000,000)	(20,000,000)
Transfer to statutory reserve	-	9,103,030	-	-	(9,103,030)	-
Balance at 1 January 2009	100,000,000	36,603,571	75,000,000	114,850,095	189,367,715	515,821,381
Net profit for the year	-	-	-	-	149,189,417	149,189,417
Other comprehensive income	-	-	-	37,667,441	(9,103,030)	28,564,411
Total comprehensive income for the year	-	-	-	37,667,441	140,086,387	177,753,828
Bonus shares issued	10,000,000	-	-	-	(10,000,000)	-
Dividends paid	-	-	-	-	(10,000,000)	(10,000,000)
Transfer to statutory reserve	-	14,918,942	-	-	(14,918,942)	-
Balance at 31 December 2009	110,000,000	51,522,513	75,000,000	152,517,536	294,535,160	683,575,209

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

**Statement of cash flows
for the year ended 31 December 2009**

	2009 AED	2008 AED
Operating activities		
Net profit for the year	149,189,417	91,030,304
Adjustments for:		
Depreciation of property, plant and equipment	58,069,261	51,437,352
Gain on sale of property, plant and equipment	(333,561)	(1,095,814)
Provision of employees' end of service benefits	4,547,943	3,793,385
Loss on investments carried at fair value through profit or loss.	1,039,986	43,997,535
Impairment loss on available-for-sale investments	440,648	-
Share of net loss from associate	75,000	-
Dividend income	(5,477,563)	(4,228,152)
Interest income	(3,854,311)	(534,231)
Finance costs	24,853,972	16,572,680
	<u>228,550,792</u>	<u>200,973,059</u>
Working capital adjustments:		
Increase in inventories	(343,708)	(3,281,536)
Increase in trade and other receivables	(4,140,514)	(37,969,676)
Decrease/(increase) in advances and prepayments	131,563	(1,276,579)
(Decrease)/increase in trade and other payables	(16,561,113)	21,852,841
(Decrease)/increase in retention payable – non-current	(4,404,115)	4,404,115
	<u>203,232,905</u>	<u>184,702,224</u>
Cash from operations	203,232,905	184,702,224
Employees' end of service benefits paid	(2,070,694)	(2,915,323)
	<u>201,162,211</u>	<u>181,786,901</u>
Net cash from operating activities	<u>201,162,211</u>	<u>181,786,901</u>
Investing activities		
Payments for property, plant and equipment	(79,309,533)	(130,034,717)
Advances for acquisition of land	-	(64,046,691)
Proceeds from sale of property, plant and equipment	1,000,248	3,740,099
Payment for investment in an associate	(75,000)	-
Purchase of available-for-sale investments	-	(1,521,957)
Dividends received	5,227,563	4,228,152
Interest received	970,245	534,231
	<u>(72,186,477)</u>	<u>(187,100,883)</u>
Net cash used in investing activities	<u>(72,186,477)</u>	<u>(187,100,883)</u>
Financing activities		
Proceeds from bank borrowings	370,000,000	6,375,000
Repayment of bank borrowings	(38,784,038)	(920,001)
Loan advanced to a related party	(50,000,000)	-
Dividends paid	(10,000,000)	(20,000,000)
Finance costs paid	(20,202,072)	(11,682,646)
Directors' remuneration	(9,103,030)	-
Obligations under hire purchase agreement	-	(250,000)
	<u>241,910,860</u>	<u>(26,477,647)</u>
Net cash from/(used) in financing activities	<u>241,910,860</u>	<u>(26,477,647)</u>
Net increase/(decrease) in cash and cash equivalents	<u>370,886,594</u>	<u>(31,791,629)</u>
Cash and cash equivalents at the beginning of the year	(225,710,643)	(193,919,014)
Cash and cash equivalents at the end of the year (notes 14 & 31)	<u>145,175,951</u>	<u>(225,710,643)</u>

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

**Notes to the financial statements
for the year ended 31 December 2009****1 General**

National Corporation for Tourism and Hotels (the "Corporation") was formed on 11 December 1996 in accordance with Law No. 7 of 1996 to own, manage and invest in hotels and leisure complexes and related businesses. At the date of its formation, the Corporation acquired from the Government of Abu Dhabi the ownership of Abu Dhabi InterContinental Hotel, Al Ain InterContinental Hotel and Al Dhafra Beach Hotel (the "Hotels"), which are all located in the Emirate of Abu Dhabi, United Arab Emirates (UAE). During the year 2005, the Corporation completed the construction of Danat Resort – Jebel Dhanna. Accordingly, these hotels operate as divisions of the Corporation. In addition, the Corporation manages three hotels and rest houses located in the Emirate of Abu Dhabi, provides catering services and has 50% shareholding interest in a transport company and 50% shareholding in a property development company.

The Corporation's shares are listed in the Abu Dhabi Securities Exchange. The Corporation's registered address is P.O. Box 6942, Abu Dhabi, UAE.

The activities of the hotels, joint venture and associate owned by the Corporation are summarised as follows:

Abu Dhabi InterContinental Hotel

The hotel is managed by the InterContinental Hotels Corporation. The Operating and Management Agreement dated 26 April 2001 is for a period of 10 years from 1 January 2001, renewable for a further period of five years.

Al Ain InterContinental Hotel

The hotel is managed by the InterContinental Hotels Corporation. The Operating and Management Agreement dated 26 April 2001 is for a period of 10 years from 1 January 2001, renewable for a further period of five years.

Al Dhafra Beach Hotel

The hotel is owned and operated by the Corporation.

Danat Resort – Jebel Dhanna

The hotel is owned and operated by the Corporation.

National Transportation Company L.L.C.

The Corporation has a 50% equity shareholding with equal voting power in National Transportation Company L.L.C. (the "Joint Venture"), a joint venture established in Abu Dhabi, UAE as a limited liability company. The Joint Venture is engaged in ownership and operation of a fleet of deluxe taxis and buses.

Nareel Island Development Company L.L.C.

The Corporation has a 50% equity shareholding in Nareel Island Development Company L.L.C. (the "Associate"), a company established in Abu Dhabi, UAE as a limited liability company. The associate is engaged in management and development of a mixed-use residential and resort complex located at Nareel Island, Abu Dhabi.

**Notes to the financial statements
for the year ended 31 December 2009 (continued)**

2 Adoption of new and revised International Financial Reporting Standards (IFRSs)

2.1 Standards affecting presentation and disclosure

The following new and revised Standards have been adopted in the current period in these financial statements. Details of other Standards and Interpretations adopted but that have had no effect on the financial statements are set out in section 2.2.

- IAS 1 (as revised in 2007) *Presentation of Financial Statements*

IAS 1 (2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.
- IFRS 8 *Operating Segments*

IFRS 8 is a disclosure Standard that requires re-designation of the Corporation's reportable segments based on the segments used by the Chief Operating Decision Maker to allocate resources and assess performance. There was no material impact of this Standard on the previous disclosures and reported results or the financial position of the Corporation since the business segments reported earlier as per the requirements of IAS 14 *Segment Reporting* are also used by the Chief Executive Officer to allocate resources to the segments and to assess its performance.
- Improving disclosures about Financial Instruments (Amendments to IFRS 7 *Financial Instruments: Disclosures*)

The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk.

2.2 Standards and Interpretations adopted with no effect on the financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

- Amendments to IFRS 2 *Share-based Payment - Vesting Conditions and Cancellations*

The amendments clarify the definition of vesting conditions for the purposes of IFRS 2, introduce the concept of 'non-vesting' conditions, and clarify the accounting treatment for cancellations.
- IAS 23 (as revised in 2007) *Borrowing Costs*

The principal change to the Standard was to eliminate the option to expense all borrowing costs when incurred. This change has had no impact on these financial statements because it has always been the Corporation's accounting policy to capitalise borrowing costs incurred on qualifying assets.

**Notes to the financial statements
for the year ended 31 December 2009 (continued)**

**2 Adoption of new and revised International Financial Reporting Standards (IFRSs)
(continued)**

**2.2 Standards and Interpretations adopted with no effect on the financial statements
(continued)**

- Amendments to IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*

The revisions to IAS 32 amend the criteria for debt/equity classification by permitting certain puttable financial instruments and instruments (or components of instruments) that impose on an entity an obligation to deliver to another party a pro-rata share of the net assets of the entity only on liquidation, to be classified as equity, subject to specified criteria being met.
- IFRIC 13 *Customer Loyalty Programmes*

The Interpretation provides guidance on how entities should account for customer loyalty programmes by allocating revenue on sale to possible future award attached to the sale.
- IFRIC 15 *Agreements for the Construction of Real Estate*

The Interpretation addresses how entities should determine whether an agreement for the construction of real estate is within the scope of IAS 11 *Construction Contracts* or IAS 18 *Revenue* and when revenue from the construction of real estate should be recognised.
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*

The Interpretation provides guidance on the detailed requirements for net investment hedging for certain hedge accounting designations.
- IFRIC 18 *Transfers of Assets from Customers* (adopted in advance of effective date of transfers of assets from customers received on or after 1 July 2009)

The Interpretation addresses the accounting by recipients for transfers of property, plant and equipment from 'customers' and concludes that when the item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognise the asset at its fair value on the date of the transfer, with the credit recognised as revenue in accordance with IAS 18 *Revenue*.
- Improvements to IFRSs (2008)

Amendments to IFRS 5, IAS 1, IAS 16, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 36, IAS 38, IAS 39, IAS 40 and IAS 41 resulting from the May and October 2008 *Annual Improvements to IFRSs* majority of which are effective for annual periods beginning on or after 1 January 2009.

**Notes to the financial statements
for the year ended 31 December 2009 (continued)**

**2 Adoption of new and revised International Financial Reporting Standards (IFRSs)
(continued)**

2.3 Standards and Interpretations in issue not yet effective

At the date of authorisation of these financial statements, the following new and revised Standards and Interpretations were in issue but not yet effective:

New Standards and amendments to Standards:	Effective for annual periods beginning on or after
<ul style="list-style-type: none"> • IFRS 1 (revised) <i>First time Adoption of IFRS</i> and IAS 27 (revised) <i>and Separate Financial Statements</i> – Amendment relating to Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate 	1 July 2009
<ul style="list-style-type: none"> • IFRS 3 (revised) <i>Business Combinations</i> – Comprehensive revision on applying the acquisition method and consequential amendments to IAS 27 (revised) <i>and Separate Financial Statements</i>, IAS 28 (revised) <i>Investments in Associates</i> and IAS 31 (revised) <i>Interests in Joint Ventures</i> 	1 July 2009
<ul style="list-style-type: none"> • IAS 39 (revised) <i>Financial Instruments: Recognition and Measurement</i> – Amendments relating to Eligible Hedged Items (such as hedging Inflation risk and Hedging with options) 	1 July 2009
<ul style="list-style-type: none"> • IFRS 1 (revised) <i>First time Adoption of IFRS</i> – Amendment on additional exemptions for First-time Adopters 	1 January 2010
<ul style="list-style-type: none"> • IFRS 2 (revised) <i>Share-based payment</i> – Amendment relating to Corporation cash-settled Share-based payments 	1 January 2010
<ul style="list-style-type: none"> • IAS 32 (revised) <i>Financial Instruments: Presentation</i> – Amendments relating to classification of Rights Issue 	1 February 2010
<ul style="list-style-type: none"> • IAS 24 <i>Related Party Disclosures</i> – Amendment on disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a Government 	1 January 2011
<ul style="list-style-type: none"> • IFRS 9 <i>Financial Instruments: Classification and Measurement</i> (intended as complete replacement for IAS 39 and IFRS 7) 	1 January 2013
<ul style="list-style-type: none"> • Amendments to IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38 and IAS 39 resulting from April 2009 <i>Annual Improvements to IFRSs</i>. 	Majority effective for annual periods beginning on or after 1 January 2010

**Notes to the financial statements
for the year ended 31 December 2009 (continued)**

**2 Adoption of new and revised International Financial Reporting Standards (IFRSs)
(continued)**

2.3 Standards and Interpretations in issue not yet effective (continued)

New Interpretations and amendments to Interpretations:	Effective for annual periods beginning on or after
• IFRIC 17: <i>Distributions of Non-cash Assets to Owners</i>	1 July 2009
• IFRIC 19: <i>Extinguishing Financial Liabilities with Equity Instruments</i>	1 July 2010
• Amendment to IFRIC 14: <i>IAS 19: The limit on a defined Benefit Asset, Minimum Funding Requirement and their interaction</i>	1 January 2011
• Amendment to IFRIC 16: <i>Hedges of a Net Investment in a Foreign Operation</i>	1 July 2009
• Amendment to IFRIC 9 (revised): <i>Reassessment of Embedded Derivatives</i> relating to assessment of embedded derivatives in case of reclassification of a financial asset out of the 'FVTPL' category	1 July 2009

The Directors have not yet had an opportunity to consider the potential impact of the adoption of these amendments.

3 Summary of significant accounting policies

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

Basis of preparation

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. The principal accounting policies are set out below:

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, including discounts, rebates and sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue from sales of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

**Notes to the financial statements
for the year ended 31 December 2009 (continued)**

3 Summary of significant accounting policies (continued)

Revenue recognition (continued)

Rendering of services

Revenue from rendering of services is recognised when the outcome of the transaction can be estimated reliably, by reference to the stage of completion of the transaction at the end of the reporting period.

Interest income

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

Dividends

Dividend income from investments is recognised when the shareholders' rights to receive payment is established.

Rental income

Rental income is accounted for on a straight line basis over the lease terms on ongoing leases.

Interest in a joint venture

A joint venture is a contractual arrangement whereby the Corporation and other parties undertake an economic activity that is subject to joint control. The Corporation's interests in its joint venture, National Transportation Company L.L.C. is accounted for using the proportionate consolidation method, which involves recognizing a proportionate share of the joint venture's assets, liabilities, income and expenses with similar items in the financial statements on a line by line basis.

The financial statements of the joint venture are prepared for the same reporting period as the parent company. Adjustments are made where necessary to bring the accounting policies in line with those of the Corporation.

Where the Corporation transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Corporation's interest in the joint venture.

Investment in an associate

An associate is an entity over which the Corporation has significant influence that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but has no control or joint control over those policies.

**Notes to the financial statements
for the year ended 31 December 2009 (continued)****3 Summary of significant accounting policies (continued)****Investment in an associate (continued)**

The results and assets and liabilities of the associates are incorporated in these financial statements 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, investments in associates are carried in the statement of financial position at cost as adjusted for post-acquisition changes in the Corporation's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Corporation's interest in that associate (which includes any long-term interests that, in substance, form part of the Corporation's net investment in associate) are recognised only to the extent that the Corporation has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Corporation's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Corporation's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in statement of income.

Where the Corporation transacts with an associate, profits and losses are eliminated to the extent of the Corporation interest in the relevant associate.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

The cost of property, plant and equipment is their purchase cost, together with any incidental expense of acquisition.

Depreciation is calculated so as to write off the cost of property, plant and equipment, other than land and properties under construction, over their useful lives using the straight line method on the following basis:

Buildings	10 – 30 years
Fixtures and fittings	5 – 7 years
Mechanical and electrical plant	7 – 10 years
Motor vehicles	4 – 5 years

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

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

**Notes to the financial statements
for the year ended 31 December 2009 (continued)**

3 Summary of significant accounting policies (continued)

Capital work in progress

Capital work in progress is stated at cost. When commissioned, capital work in progress is transferred to the appropriate property, plant and equipment category and is depreciated in accordance with the Corporation's policies.

Inventories

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the statement of income in the period which they are incurred.

Impairment

At the end of each reporting period, the Corporation reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest Corporation of cash generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use.

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 (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.

**Notes to the financial statements
for the year ended 31 December 2009 (continued)**

3 Summary of significant accounting policies (continued)

Impairment (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (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 (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.

Derivative financial instruments

The Corporation enters into derivative financial instruments to manage its exposure, including interest rate swaps. Further details of derivative financial instruments are disclosed in note 27.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in the statement of income immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in statement of income depends on the nature of the hedge relationship. The Corporation designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Corporation documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

a) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of income immediately, together with any changes in the fair value of the hedged item that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line of the statement of income relating to the hedged item.

**Notes to the financial statements
for the year ended 31 December 2009 (continued)**

3 Summary of significant accounting policies (continued)

Derivative financial instruments (continued)

Hedge accounting is discontinued when the Corporation revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

b) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in statement of income, and is included in the “other gains and losses” line of the statement of income.

Amounts deferred in equity are recycled in the statement of income in the periods when the hedged item is recognised in the statement of income, in the same line of the statement of income as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the Corporation revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in the statement of income.

Financial assets

Financial assets are classified into the following specified categories: financial assets ‘at fair value through profit or loss’ (FVTPL), and ‘available-for-sale’ (AFS) and ‘loans and receivables’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The Corporation’s investments which are investments categorised financial assets at FVTPL, AFS and held to maturity are recognised and derecognised on a trade date basis and are initially measured at fair value.

Cash and cash equivalents

Cash and cash equivalents comprise of cash and balances with banks in current accounts and short-term, high liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant changes in value.

**Notes to the financial statements
for the year ended 31 December 2009 (continued)**

3 Summary of significant accounting policies (continued)

Financial assets (continued)

Loans and receivables

Trade and other receivables and loan to a related party that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Financial assets at FVTPL

Financial assets are classified as at fair value through profit and loss (FVTPL) where the financial asset is either held for trading or designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Corporation manage together and has a recent actual pattern of short-term profit taking.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss.

AFS financial assets

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

AFS investments are measured at subsequent reporting dates at fair value unless the latter cannot be reliably measured. Gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gains or losses previously recognised in the statement of changes in equity are included in the net profit or loss for the period. Impairment losses recognised in statement of income for equity investments classified as available-for-sale are not subsequently reversed through statement of income.

Dividends on AFS equity instruments are recognised in profit or loss when the Corporation's right to receive the dividends is established.

**Notes to the financial statements
for the year ended 31 December 2009 (continued)**

3 Summary of significant accounting policies (continued)

Financial assets (continued)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Corporation's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in statement of changes in equity.

Derecognition of financial assets

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

**Notes to the financial statements
for the year ended 31 December 2009 (continued)**

3 Summary of significant accounting policies (continued)

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

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

Financial liabilities

The Corporation's financial liabilities comprise trade payables and other liabilities and borrowings, which are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

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

Derecognition of financial liabilities

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

Foreign currencies

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

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

Exchange differences are recognised in the statement of income in the period in which they arise.

**Notes to the financial statements
for the year ended 31 December 2009 (continued)**

3 Summary of significant accounting policies (continued)

Provisions

Provisions are recognised when the Corporation has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Employee 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 end of the reporting period.

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 end of the reporting period. 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.

Pension contributions are made in respect of UAE national employees to the UAE General Pension and Social Security Authority in accordance with the UAE Federal Law No. (7), 1999 for Pension and Social Security. Such contributions are charged to the statement of income during the employees' period of service.

4 Critical accounting judgements and key sources of estimation uncertainty

Critical accounting judgements

In the application of the Corporation's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities 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. Revisions to accounting estimates are recognised in the period 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.

**Notes to the financial statements
for the year ended 31 December 2009 (continued)**

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

Key sources of estimation uncertainty

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

Allowance for doubtful debt

Management has estimated the recoverability of trade and other receivable balances and has considered the allowance required for doubtful receivables. Management has estimated for the allowance for doubtful receivables on the basis of prior experience and the current economic environment.

Allowance for inventory obsolescence

Management has estimated the recoverability of inventory balances and considered the allowance required for inventory obsolescence based on the current economic environment and past obsolescence history.

Impairment of available-for-sale financial assets

Management regularly reviews indicators of impairment for available-for-sale financial assets and considers whether there has been a significant or prolonged decline in their fair value below cost. This determination of what is significant or prolonged decline requires judgement. In making this judgement and to decide if an impairment loss adjustment is necessary, the Management evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology and operational and financial cash flows and pay out dividend capability of the investee. In assessing the volatility in the share price, the Management also takes into consideration various aspects related to the market, including but not limited to, volume of trading over the past period, whether the listed price is a reflection of a distressed value driven by inactive or illiquid one way market, and the subsequent performance of the market after the end of the reporting period. Management also considers its intent and ability to hold the investment until its market price recovers. Impairment of available-for-sale financial assets at 31 December 2009 is AED 440,648 (2008: AED nil).

NATIONAL CORPORATION FOR TOURISM & HOTELS

**Notes to the financial statements
for the year ended 31 December 2009 (continued)**

5 Property, plant and equipment

	Land and buildings AED	Fixtures and fittings AED	Mechanical and electrical plant AED	Motor vehicles AED	Capital work in progress AED	Total AED
Cost						
At 1 January 2008	545,397,605	121,488,296	111,996,882	25,645,224	28,244,888	832,772,895
Additions	2,723,525	19,648,939	429,551	9,966,646	102,132,546	134,901,207
Disposals	(62,025)	(18,500)	-	(6,253,020)	-	(6,333,545)
Transfer from capital work in progress	12,770,327	2,916,154	173,150	-	(15,859,631)	-
At 1 January 2009	560,829,432	144,034,889	112,599,583	29,358,850	114,517,803	961,340,557
Additions	41,450,733	24,029,740	3,035,295	2,495,600	8,298,165	79,309,533
Disposals	-	(3,877,938)	-	(969,318)	-	(4,847,256)
Transfer from advances	173,521,204	-	-	-	-	173,521,204
Transfer from capital work in progress	-	8,528,652	-	-	(8,528,652)	-
Write-off	-	-	-	-	(941,405)	(941,405)
At 31 December 2009	775,801,369	172,715,343	115,634,878	30,885,132	113,345,911	1,208,382,633
Accumulated depreciation						
At 1 January 2008	157,061,994	85,667,654	13,676,028	9,327,162	-	265,732,838
Charge for the year	22,573,443	11,894,513	11,294,240	5,675,156	-	51,437,352
Disposals	-	(18,500)	-	(3,670,760)	-	(3,689,260)
At 1 January 2009	179,635,437	97,543,667	24,970,268	11,331,558	-	313,480,930
Charge for the year	23,381,992	21,745,711	11,293,362	1,648,196	-	58,069,261
Disposals	-	(3,227,664)	-	(952,905)	-	(4,180,569)
At 31 December 2009	203,017,429	116,061,714	36,263,630	12,026,849	-	367,369,622
Carrying value						
At 31 December 2009	572,783,940	56,653,629	79,371,248	18,858,283	113,345,911	841,013,011
At 31 December 2008	381,193,995	46,491,222	87,629,315	18,027,292	114,517,803	647,859,627

**Notes to the financial statements
for the year ended 31 December 2009 (continued)**

5 Property, plant and equipment (continued)

During 2009, depreciation amounting to AED 11,184,979 (2008: AED 3,798,972) was charged to direct expenses.

6 Investment in an associate

Investee	Principal activity	Ownership interest	Place of registration
Nareel Island Development Company L.L.C.	Real estate investment and development	50%	Abu Dhabi

Summarised financial information in respect of the Corporation's associate is set out below:

	2009 AED	2008 AED
Total assets	351,351,964	-
Total liabilities	(351,604,646)	-
Net assets	(252,682)	-
Corporation's share of associate's net assets	(126,341)	-
Net loss for the year	(402,681)	-
Corporation's share of associate's loss for the year	(75,000)	-

The associate is in a development phase and did not have any revenue generating activities during the year.

The movement in investment in an associate is as follows:

	2009 AED	2008 AED
Payment for investment	75,000	-
Share of associate's loss for the year	(75,000)	-
	-	-

**Notes to the financial statements
for the year ended 31 December 2009 (continued)**

7 Investment in a joint venture

Investee	Principal activity	Ownership interest	Place of registration
National Transportation Company L.L.C.	Transportation services	50%	Abu Dhabi

The Corporation's share of the assets, liabilities, revenues and expenses of the joint venture, which are included in the Corporation's financial statements are as follows:

	2009 AED	2008 AED
Current assets	7,544,533	8,594,035
Non-current assets	12,664,241	15,780,471
	20,208,774	24,374,506
Current liabilities	(9,145,183)	(9,620,587)
Non-current liabilities	(2,409,779)	(5,477,737)
	8,653,812	9,276,182
Revenues	26,768,272	25,556,187
Direct costs	(25,421,779)	(21,725,374)
General and administrative expenses	(1,903,072)	(1,056,927)
Finance costs, net	(581,683)	(357,220)
Other income	751,783	1,306,513
(Loss)/profit for the year	(386,479)	3,723,179

8 Available-for-sale financial assets

	2009 AED	2008 AED
Investments in quoted securities	188,714,518	151,487,725
Investments in unquoted securities – at cost	35,750,000	35,750,000
	224,464,518	187,237,725

**Notes to the financial statements
for the year ended 31 December 2009 (continued)**

8 Available-for-sale financial assets (continued)

The movement in investment in quoted securities is as follows:

	2009 AED	2008 AED
Fair value at 1 January	151,487,725	456,253,061
Net increase/(decrease) in fair value	37,226,793	(304,765,336)
	<hr/>	<hr/>
Fair value at 31 December	188,714,518	151,487,725
	<hr/>	<hr/>

The Corporation's available-for-sale financial assets represent UAE listed securities.

9 Inventories

	2009 AED	2008 AED
Engineering and operating supplies	5,448,199	5,353,950
Food and beverages	3,057,770	2,808,311
	<hr/>	<hr/>
	8,505,969	8,162,261
	<hr/>	<hr/>

10 Trade and other receivables

	2009 AED	2008 AED
Trade receivables	110,011,924	108,429,657
Less: allowance for doubtful debts	(15,715,837)	(15,453,872)
	<hr/>	<hr/>
	94,296,087	92,975,785
Due from related parties (note 12)	4,303,217	17,693
Other receivables	5,843,127	4,174,373
	<hr/>	<hr/>
	104,442,431	97,167,851
	<hr/>	<hr/>

The average credit period on sale of goods or services rendered is 30 days. No interest is charged and no collateral is taken on trade and other receivables. During the year, additional specific allowances for doubtful debts were identified for customer receivables based on future cash flows estimated at the end of the reporting period.

**Notes to the financial statements
for the year ended 31 December 2009 (continued)**

10 Trade and other receivables (continued)

The Corporation has adopted a policy of dealing with only creditworthy counterparties. Adequate credit assessment is made before accepting an order for services or sale of goods from any counterparty. At the end of the year, an amount of AED 25 million representing 23% of the trade receivables (2008: AED 23 million representing 21% of the trade receivables) is due from four major customers. The Corporation considers these customers to be reputable and creditworthy.

Included in the Corporation's trade receivables are customer balances with a carrying amount of AED 68.9 million (2008: AED 65.2 million) which are past due at the end of the reporting period for which no allowance has been provided for, as there was no significant change in credit quality of these customers and the amounts are still considered recoverable.

Ageing of trade receivables:

	2009	2008
	AED	AED
Not past due	25,350,048	27,761,183
Past due but not impaired		
Due for 31 to 60 days	33,011,972	25,704,206
Due for 61 to 90 days	19,023,647	20,736,415
Due for 91 to 120 days	5,487,778	8,220,627
Due for more than 121 days	11,422,642	10,553,354
Impaired receivables		
Due for more than 121 days	15,715,837	15,453,872
Total trade receivables	110,011,924	108,429,657

The Corporation has provided for certain receivables above 121 days based on estimated irrecoverable amounts, determined after review of specific credit quality of customers and past default experience. In determining the recoverability of a trade receivable, the Corporation considers any change in the credit quality of the customer from the date credit was initially granted up to the end of the reporting period. Accordingly, management believes that there is no further provision required in excess of the allowance for doubtful debts.

**Notes to the financial statements
for the year ended 31 December 2009 (continued)**

10 Trade and other receivables (continued)

Movement in the allowance for impairment of receivables is as follows:

	2009 AED	2008 AED
At 1 January	15,453,872	19,608,553
Charge for the year	1,175,464	2,710,808
Reversal	(500,000)	(6,865,489)
Write-off	(413,499)	-
	<hr/>	<hr/>
At 31 December	15,715,837	15,453,872
	<hr/>	<hr/>

11 Advances and prepayments

	2009 AED	2008 AED
Prepaid rent	6,006,341	6,162,546
Deferred charges	2,802,834	402,478
Prepaid insurance	2,657,597	2,858,371
Advances to suppliers	-	1,614,803
Deposits	595,559	1,172,850
Other prepayments	2,536,043	2,518,889
	<hr/>	<hr/>
	14,598,374	14,729,937
	<hr/>	<hr/>

12 Related parties

The Corporation, in the ordinary course of business, entered into a variety of transactions at agreed terms and conditions, with companies, entities or individuals that fall within the definition of related party as defined in International Accounting Standard 24: *Related Party Disclosures*. Related parties comprise the Corporation's major shareholders, directors and entities related to them, companies under common ownership and/or common management and control, their partners and key management personnel.

**Notes to the financial statements
for the year ended 31 December 2009 (continued)**

12 Related parties (continued)

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

	2009 AED	2008 AED
Due from:		
Nareel Island Development Company L.L.C.	2,675,068	-
H.H. Sheikh Hamdan Bin Mubarak Al Nahyan	87,000	-
Mr. Abdulla Khalaf Ahmed Al Otaiba	1,500,000	-
Pearl Azure Hotel Management Corporation L.L.C.	41,149	17,693
	<u>4,303,217</u>	<u>17,693</u>

Loan to a related party of AED 50 million

In accordance with the shareholder loan agreement, the Corporation has provided a credit facility of AED 50 million to its associate, Nareel Island Development Company L.L.C. The interest rate on this facility is 8% per annum. In accordance with the terms of the agreement, the associate shall repay the total of all outstanding loans amounts including all outstanding interest when the associate has surplus funds.

Significant transaction with related parties is as follows:

	2009 AED	2008 AED
Key management remuneration	7,122,849	8,650,764
Interest income	<u>2,675,068</u>	<u>-</u>

13 Investments at fair value through profit or loss

	2009 AED	2008 AED
Fair value at 1 January	12,610,012	56,607,547
Net decrease in fair value	<u>(1,039,986)</u>	<u>(43,997,535)</u>
Fair value at 31 December	<u>11,570,026</u>	<u>12,610,012</u>

Investments carried at fair value through statement of income comprise of investments in managed funds held in the UAE.

**Notes to the financial statements
for the year ended 31 December 2009 (continued)**

14 Cash and cash equivalents

	2009	2008
	AED	AED
Cash and current accounts	55,480,369	58,005,155
Term deposits	89,695,582	-
	<hr/>	<hr/>
Cash and bank balances	145,175,951	58,005,155
Bank overdraft	-	(283,715,798)
	<hr/>	<hr/>
Cash and cash equivalents	145,175,951	(225,710,643)
	<hr/> <hr/>	<hr/> <hr/>

Term deposits with banks carry interest rates of 2% to 4% per annum. Total interest income from cash and bank balances amounts to AED 1,179,243. All bank balances are held in the UAE.

15 Share capital

The share capital structure is as follows:

	2009	2008
	AED	AED
Issued and fully paid:		
110,000,000 shares of AED 1 each	110,000,000	100,000,000
	<hr/> <hr/>	<hr/> <hr/>

Bonus shares of AED 10,000,000 were issued during the year (note 24).

16 Statutory reserve

In line with the provisions of the UAE Federal Commercial Companies Law No. (8) of 1984, (as amended) and the Corporation's Articles of Association, the Corporation is required to transfer annually to a statutory reserve account an amount equivalent to 10% of its net profit, until such reserve reaches 50% of the share capital of the Corporation. The statutory reserve is not available for distribution.

17 General reserve

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

**Notes to the financial statements
for the year ended 31 December 2009 (continued)**

18 Bank borrowings

	2009 AED	2008 AED
Term loan 1	370,000,000	-
Term loan 2	210,000,000	245,000,000
Term loan 3	4,250,000	6,375,000
Term loan 4	1,382,868	3,041,906
Bank overdraft	-	283,715,798
	<hr/>	<hr/>
	585,632,868	538,132,704
Less: non-current portion	(502,427,282)	(215,123,906)
	<hr/>	<hr/>
Current portion	83,205,586	323,008,798

Term loan 1:

During the year, the Corporation obtained a loan from a local bank amounting to AED 370 million to finance its short-term obligations and is repayable in 24 quarterly installments commencing on 1 January 2010. The loan carries interest at the rate of 3.5% over 3-months EBOR. Interest rate is paid on a quarterly basis. An arrangement fee of AED 925,000 was charged during the year.

The term loan is secured by the following:

- i) Mortgage over the land and building of Abu Dhabi InterContinental Hotel.
- ii) Assignment of insurance in relation to the above property for not less than AED 370 million.
- iii) Assignment of revenues from Abu Dhabi InterContinental Hotel.

Term loan 2:

In accordance with article 4 of law no. 7 of 1996, dated 11 December 1996, the Government of Abu Dhabi sold the three hotels namely Abu Dhabi InterContinental Hotel, Al Ain InterContinental Hotel and Al Dhafra Beach Hotel to the Corporation for an amount of AED 350 million. The sale amount of AED 350 million has been granted as a long term loan by the Government of Abu Dhabi to the Corporation 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 3:

In 2008, National Transportation Corporation L.L.C., a joint venture obtained a loan from a commercial bank in Abu Dhabi amounting to AED 12.75 million. The loan has been taken to finance the purchase of motor vehicles. The loan is repayable in 12 quarterly installments and carries annual interest at EBOR plus 3%. The loan is guaranteed by the shareholders.

Term loan 4:

In 2006, National Transportation Corporation L.L.C., a joint venture entered into a loan agreement with a commercial bank in Abu Dhabi for a maximum drawdown amount of AED 13 million. The loan has been taken to finance the purchase of the motor vehicles. The loan is repayable in 8 quarterly installments and carries annual interest at EBOR plus 3%. The loan is guaranteed by the shareholders.

**Notes to the financial statements
for the year ended 31 December 2009 (continued)**

19 Provision for end of service benefits

	2009 AED	2008 AED
At 1 January	10,187,104	9,309,042
Charged during the year	4,547,943	3,793,385
Payments made during the year	(2,070,694)	(2,915,323)
	<hr/>	<hr/>
At 31 December	12,664,353	10,187,104
	<hr/>	<hr/>

20 Trade and other payables

	2009 AED	2008 AED
Trade payables	45,735,811	43,584,558
Payable to contractors	12,707,071	14,439,528
Retention payable	9,375,926	9,357,442
Advances to customers	8,674,344	11,768,455
Accrued expenses and other payables	41,404,698	51,598,485
	<hr/>	<hr/>
	117,897,850	130,748,468
	<hr/>	<hr/>

The average credit period for purchases of goods and services is 60 days. The Corporation has risk management policies in place to ensure that all payables are paid within the credit period.

21 Net profit for the year

Net profit for the year is stated after charging:

	2009 AED	2008 AED
Staff costs	120,987,608	106,771,596
	<hr/>	<hr/>
Depreciation of property, plant and equipment	58,069,261	51,437,352
	<hr/>	<hr/>

**Notes to the financial statements
for the year ended 31 December 2009 (continued)**

22 Other operating income

	2009 AED	2008 AED
Management fees	5,578,866	4,403,088
Rental income	3,133,160	1,276,155
Reversal of provision for doubtful debts	500,000	6,865,489
Gain on sale of property, plant and equipment	333,561	1,095,814
Miscellaneous income	3,033,464	1,707,392
	12,579,051	15,347,938

23 General and administrative expenses

	2009 AED	2008 AED
Payroll and staff related costs	29,278,190	28,036,135
Energy costs	11,463,116	10,268,626
Property operation and maintenance	12,758,326	13,489,869
Property insurance	2,764,727	1,563,482
Other costs	18,825,154	19,855,090
	75,089,513	73,213,202

24 Dividends and Directors' remuneration

Dividends and Bonus shares

During 2009, dividends amounting to AED 20 million were declared, of which AED 10 million in cash dividends were paid to the shareholders during 2009 and AED 10 million bonus shares were issued during 2009.

The Board of Directors proposed cash dividends for 2009 of AED 0.40 per share (40% of par value) amounting to AED 44 million. The Board of Directors will request approval by the shareholders of the cash dividends at the annual general meeting to be held in 2010.

Board of Directors' remuneration

During 2009, Board of Directors' remuneration amounting to AED 9,103,030 was proposed, approved and paid during the year.

The Board of Directors proposed Board of Directors' remuneration for 2009 amounting to AED 14,918,942. The Board of Directors will request approval by the shareholders of the remuneration at the annual general meeting to be held in 2010.

**Notes to the financial statements
for the year ended 31 December 2009 (continued)**

25 Basic and diluted earnings per share

	2009 AED	2008 AED
Net profit for the year	149,189,417	91,030,304
Weighted average number of share in issue	110,000,000	110,000,000
Basic and diluted earnings per share	1.36	0.83

The weighted average number of share in issue during 2008 is restated for the impact of bonus shares issued during 2009.

At 31 December 2009, the Corporation has not issued any instruments that have an impact on earnings per share when exercised.

26 Contingent liabilities and commitments

At 31 December 2009, the Corporation had outstanding contingent liabilities in respect of letters of guarantee of AED 42,994,902 (2008: AED 34,104,133).

At 31 December 2009, the Corporation had estimated commitments for the acquisition of property, plant and equipment of AED 262,494 (2008: AED 101,329,557).

Legal case

The Corporation is a defendant in a legal proceeding which arose in the normal course of business. The Corporation does not expect that the outcome of such proceeding will have a material effect on the Corporation's operations, cash flows or financial position.

27 Financial instruments

Capital risk management

The Corporation manages its capital to ensure that entities in the Corporation will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Corporation consists of debt, which includes the borrowings disclosed in Note 18 and equity, comprising issued share capital, reserves and retained earnings as disclosed in the statement of changes in equity.

During the year, the Corporation's strategy was to monitor capital on the basis of the gearing ratio. This ratio is calculated as debt divided by total equity, as shown in the statement of financial position. The Corporation's overall strategy remains unchanged from 2008.

**Notes to the financial statements
for the year ended 31 December 2009 (continued)**

27 Financial instruments (continued)

Capital risk management (continued)

The gearing ratio, determined as net debt to equity, at the year end was as follows:

	2009 AED	2008 AED
Debt (i)	585,632,868	254,416,906
Cash and cash equivalents (note 14)	(145,175,951)	225,710,643
	<hr/>	<hr/>
Net debt	440,456,917	480,127,549
	<hr/>	<hr/>
Equity (ii)	683,575,209	515,821,381
	<hr/>	<hr/>
Net debt to equity ratio	64%	93%
	<hr/>	<hr/>

(i) Debt is defined as short term and long term borrowings.

(ii) Equity includes all capital and reserves of the Corporation.

Financial risk management objectives

The Corporation is exposed to the following risks related to financial instruments - equity price risk, credit risk, liquidity risk and fair value interest rate risk.

The Corporation does not use derivative financial instruments to hedge these risk exposures. The Corporation seeks to manage and limit these risks by reviewing the exposure limits on a continuous basis.

The Corporation does not have significant exposure to currency risk as most of its assets are denominated in UAE Dirhams.

Interest rate risk management

The Corporation's exposure to interest rate risk results mainly from its funds borrowed at floating interest rates and short term deposits at fixed interest rates. The Corporation manages the risk by maintaining an appropriate mix between fixed and floating rate borrowings and by use of interest rate swap contract.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year.

**Notes to the financial statements
for the year ended 31 December 2009 (continued)****27 Financial instruments (continued)****Interest rate risk management**Interest rate sensitivity analysis (continued)

A 50 basis point increase or decrease is used to represent management's assessment of the reasonably possible change in interest rates. If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Corporation's profit for the year ended 31 December 2009 would decrease/increase by AED 187,816 (2008: decrease/increase by AED 146,566). This is mainly attributable to the Corporation's exposure to interest rates on its variable rate borrowings.

Equity price risks

The Corporation is exposed to equity price risks arising from equity investments. Equity investments are held for strategic and trading purposes.

Equity price sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 20% higher/lower:

- The Corporation's profit would increase/decrease by AED 2,314,005 (2008: increase/decrease by AED 2,522,002) as a result of the Corporation's portfolio classified at fair value through profit and loss.
- The Corporation's equity reserves would increase/decrease by AED 37,742,904 (2008: increase/decrease by AED 30,299,282) as a result of the Corporation's portfolio classified as available-for-sale financial assets.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Corporation. The Corporation has adopted a policy of only dealing with creditworthy counterparties. Ongoing credit evaluation is performed on the financial condition of accounts receivable. The Corporation's significant credit risk exposure to a single counterparty or any Corporation of counterparties having similar characteristics is provided in note 10. The Corporation defines counterparties as having similar characteristics if they are related entities. Details on concentration of trade receivable balances are disclosed in note 10. Management believes that the concentration of credit risk is mitigated by financial stability of its trade customers. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies or reputable local banks closely monitored by the regulatory body.

The carrying amount of trade and other receivables and cash and cash equivalents represents the Corporation's maximum exposure to credit risk.

**Notes to the financial statements
for the year ended 31 December 2009 (continued)**

27 Financial instruments (continued)

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Corporation's short, medium and long-term funding and liquidity management requirements. The Corporation manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Corporation's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial liabilities including interest that will be earned on those assets except where the Corporation anticipates that the cash flow will occur in a different period.

	Interest rates	On demand AED	Between 6 months and 1 year AED	Between 1 year and 5 years AED	Over 5 years AED	Total AED
2009						
Financial liabilities						
Bank borrowings	2% - EBOR + 3.5%	-	83,205,586	397,427,282	105,000,000	585,632,868
Trade and other payables		-	117,897,850	-	-	117,897,850
		-	201,103,436	397,427,282	105,000,000	703,530,718
2008						
Financial liabilities						
Bank borrowings	2% - EBOR + 3.5%	283,715,798	44,765,711	90,196,271	152,600,000	571,277,780
Trade and other payables		-	130,748,468	-	-	130,748,468
Retention payable		-	-	4,404,115	-	4,404,115
		283,715,798	175,514,179	94,600,386	152,600,000	706,430,363

**Notes to the financial statements
for the year ended 31 December 2009 (continued)****27 Financial instruments (continued)****Interest rate swap contract**

Under interest rate swap contract, the Corporation agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contract enable the Corporation to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt and the cash flow exposures on the issued variable rate debt. The fair value of interest rate swap at the end of the reporting period is determined not to be significant.

28 Fair values of financial instruments**Fair value of financial instruments**

Fair value represents the amount at which an asset can be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Differences can therefore arise between book value under the historical cost method and fair value estimates.

For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months) the carrying amounts approximate to their fair value. This applies to demand deposits, savings accounts without a specific maturity and variable rate financial instruments.

Valuation of all financial instruments, where these are recorded at fair value, is based on quoted market prices. The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Following the amendment to IFRS 7, all financial instruments that are required to be measured at fair value (subsequent to initial recognition) should disclosed in a fair value hierarchy or grouping into 3 levels (Levels 1 to 3) based on the degree to which the fair value is observable.

Level 1 fair values are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 fair value measurements are derived from inputs other than quoted prices, and Level 3 are those that are derived from valuation techniques using unobservable inputs.

**Notes to the financial statements
for the year ended 31 December 2009 (continued)**

28 Fair values of financial instruments (continued)

As at 31 December 2009, all of the Corporation's financial assets that are stated at fair value are grouped in Level 1. There were no transfers between Level 1 and 2 during the year.

The carrying amount and fair value of the term loan from the Government of Abu Dhabi (note 18) at a fixed interest rate are detailed below:

	Carrying amount		Fair value	
	2009	2008	2009	2008
	AED	AED	AED	AED
Term loan	210,000,000	245,000,000	155,269,405	181,552,934

The fair value of the fixed rate term loan has been calculated by discounting the expected future cash flows at estimated market interest.

29 Segment information

The Corporation has adopted IFRS 8 *Operating Segments* with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Corporation that are regularly reviewed by the Chief Operating Decision Maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (IAS 14: Segment Reporting) required an entity to identify two segments (business and geographical), using a risks and rewards approach, with the entity's system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments. This has not resulted in any significant change to the reportable segments presented by the Corporation as the segments reported by the Corporation was consistent with the internal reports provided to the Chief Operating Decision Maker.

Therefore, for operating purposes, the Corporation is organised into three major business segments:

- (i) Hotels – providing room and food and beverages services to customers;
- (ii) Catering – providing catering services on a contract basis; and
- (iii) Transport – operating a fleet of deluxe taxis and buses providing transportation services to the public and to customers in Abu Dhabi and Al Ain.

These segments are the basis on which the Corporation reports its primary segment information. Transactions between segments are conducted at rates determined by management taking into consideration the cost of funds.

NATIONAL CORPORATION FOR TOURISM & HOTELS

Notes to the financial statements for the year ended 31 December 2009 (continued)

29 Segment information (continued)	31 December 2009				31 December 2008			
	Hotels AED	Catering services AED	Transport services AED	Total AED	Hotels AED	Catering services AED	Transport services AED	Total AED
Segment revenue	404,034,166	135,536,178	26,768,272	566,338,616	365,006,873	112,145,950	25,556,197	502,709,020
Segment result	171,703,548	7,313,275	(386,479)	178,630,344	152,440,706	5,564,489	3,723,189	161,728,384
Unallocated general and administrative expenses	-	-	-	(11,055,607)	-	-	-	(13,499,737)
Unallocated depreciation expenses	-	-	-	(1,307,588)	-	-	-	(1,390,511)
Decrease in fair value on financial assets carried at FVTPL	-	-	-	(1,039,986)	-	-	-	(43,997,535)
Impairment loss on permanent decline in fair value of available-for-sale investments	-	-	-	(440,648)	-	-	-	-
Share of net loss from associate	-	-	-	(75,000)	-	-	-	-
Interest income	-	-	-	3,854,311	-	-	-	534,231
Finance cost	-	-	-	(24,853,972)	-	-	-	(16,572,680)
Dividend income	-	-	-	5,477,563	-	-	-	4,228,152
Unallocated income and expenses	-	-	-	(29,440,927)	-	-	-	(70,698,080)
Net profit for the year				149,189,417				91,030,304

NATIONAL CORPORATION FOR TOURISM & HOTELS

Notes to the financial statements for the year ended 31 December 2009 (continued)

29 Segment information (continued)

	31 December 2009			31 December 2008			
	Hotels AED	Catering services AED	Transport services AED	Hotels AED	Catering services AED	Transport services AED	Total AED
Assets							
Segment assets	769,642,052	75,548,478	20,208,774	850,186,159	62,493,349	24,374,506	937,054,014
Unallocated corporate assets	-	-	-	-	-	-	262,239,758
Total assets							<u>1,199,293,772</u>
Liabilities							
Segment liabilities	74,727,990	35,809,422	11,554,962	88,588,902	28,864,874	15,334,216	132,787,992
Unallocated corporate liabilities	-	-	-	-	-	-	550,684,399
Total liabilities							<u>683,472,391</u>
Depreciation charge							
Segment depreciation	45,055,608	5,868,109	5,837,956	41,315,943	4,710,135	4,020,763	50,046,841
Unallocated depreciation expenses	-	-	-	-	-	-	1,390,511
							<u>51,437,352</u>
Capital expenditure							
Segment capital expenditure	29,008,451	6,047,069	3,366,471	116,884,058	8,219,078	9,047,251	134,150,387
Unallocated capital expenditure	-	-	-	-	-	-	750,820
							<u>134,901,207</u>

**Notes to the financial statements
for the year ended 31 December 2009 (continued)****30 Comparative figures**

Certain comparative figures have been reclassified, where necessary, to conform to the current year presentation.

31 Non-cash transactions

	2009 AED	2008 AED
Transfer from advances to property, plant and equipment	173,521,204	-
Property, plant and equipment write off	941,405	-

32 Approval of financial statements

The financial statements were approved by management and authorised for issue on 3 March 2010.