

**NATIONAL CORPORATION
FOR TOURISM & HOTELS**

**Report and financial
statements for the year
ended 31 December 2010**

NATIONAL CORPORATION FOR TOURISM & HOTELS

Report and financial statements for the year ended 31 December 2010

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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 2010, 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 information.

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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 National Corporation for Tourism & Hotels as of 31 December 2010, 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.

Deloitte & Touche (M.E.)



Saba Y. Sindaha
Registration No. 410
6 March 2011



Statement of financial position
as at 31 December 2010

	Notes	2010 AED	2009 AED
ASSETS			
Non-current assets			
Property, plant and equipment	5	801,604,987	841,013,011
Available-for-sale financial assets	8	101,765,245	224,464,518
Loan to a related party	9	50,000,000	50,000,000
Total non-current assets		953,370,232	1,115,477,529
Current assets			
Inventories	10	7,112,541	8,505,969
Trade and other receivables	11	113,635,601	104,442,431
Advances and prepayments	12	16,579,425	14,598,374
Financial assets at fair value through profit or loss	14	10,960,905	11,570,026
Cash and bank balances	15	148,293,218	145,175,951
Total current assets		296,581,690	284,292,751
Total assets		1,249,951,922	1,399,770,280
EQUITY AND LIABILITIES			
Equity			
Share capital	16	110,000,000	110,000,000
Statutory reserve	17	55,000,000	51,522,513
General reserve	18	75,000,000	75,000,000
Investment revaluation reserve	8	37,713,587	152,517,536
Retained earnings		340,354,935	294,535,160
Total equity		618,068,522	683,575,209
Non-current liabilities			
Borrowings	19	421,667,064	502,427,282
Derivative financial instrument	20	1,292,628	-
Employees' end of service benefits	21	14,519,378	12,664,353
Total non-current liabilities		437,479,070	515,091,635
Current liabilities			
Trade and other payables	22	113,143,641	117,897,850
Borrowings	19	81,260,689	83,205,586
Total current liabilities		194,404,330	201,103,436
Total liabilities		631,883,400	716,195,071
Total equity and liabilities		1,249,951,922	1,399,770,280

.....
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 2010**

	Notes	2010 AED	2009 AED (Restated)
Revenue		534,529,805	
Direct expenses		(356,097,888)	569,755,754 (351,114,567)
Gross profit		178,431,917	218,641,187
Other operating income	24	12,404,379	9,145,431
General and administrative expenses	25	(15,113,131)	(16,094,953)
Depreciation		(47,099,259)	(46,377,185)
Profit from operations		128,623,906	165,314,480
Loss on financial assets at fair value through profit or loss	14	(609,121)	(1,039,986)
Impairment loss on available-for-sale financial assets		-	(440,648)
Gain on disposal of available-for-sale financial assets		17,029,400	-
Share of net loss from an associate	6	-	(75,000)
Dividend income		2,436,129	5,477,563
Finance income		6,721,200	3,819,464
Finance costs		(22,692,682)	(23,866,456)
Loss on fair value of derivative financial instrument	20	(1,292,628)	-
Profit for the year	23	130,216,204	149,189,417
Basic and diluted earnings per share	27	1.18	1.36

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

**Statement of comprehensive income
for the year ended 31 December 2010**

	Notes	2010 AED	2009 AED
Profit for the year		130,216,204	149,189,417
Other comprehensive (loss)/income			
(Decrease)/increase in fair value of available-for-sale financial assets	8	(66,617,977)	37,226,793
Release on disposal of available-for-sale financial assets	8	(48,185,972)	-
Impairment loss on available-for-sale financial assets		-	440,648
Directors' remuneration	26	(14,918,942)	(9,103,030)
Other comprehensive (loss)/income for the year		(129,722,891)	28,564,411
Total comprehensive income for the year		493,313	177,753,828

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 2010

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	Share capital AED	Statutory reserve AED	General reserve AED	Investment revaluation reserve AED	Retained earnings AED	Total AED
Balance at 1 January 2009	100,000,000	36,603,571	75,000,000	114,850,095	189,367,715	515,821,381
Profit for the year	-	-	-	-	149,189,417	149,189,417
Other comprehensive income/(loss) for the year	-	-	-	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 1 January 2010	110,000,000	51,522,513	75,000,000	152,517,536	294,535,160	683,575,209
Profit for the year	-	-	-	-	130,216,204	130,216,204
Other comprehensive loss for the year	-	-	-	(114,803,949)	(14,918,942)	(129,722,891)
Total comprehensive (loss)/income for the year	-	-	-	(114,803,949)	115,297,262	493,313
Dividends paid (note 26)	-	-	-	-	(66,000,000)	(66,000,000)
Transfer to statutory reserve	-	3,477,487	-	-	(3,477,487)	-
Balance at 31 December 2010	110,000,000	55,000,000	75,000,000	37,713,587	340,354,935	618,068,522

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

**Statement of cash flows
for the year ended 31 December 2010**

	2010 AED	2009 AED (Restated)
Operating activities		
Profit for the year	130,216,204	149,189,417
Adjustments for:		
Depreciation of property, plant and equipment	58,000,250	58,069,261
Gain on disposal of property, plant and equipment	(2,197,008)	(333,561)
Provision of employees' end of service benefits	4,796,662	4,547,943
Allowance for impairment of receivables	1,391,048	1,175,464
Reversal of allowance for impairment of receivables	-	(500,000)
Gain on disposal of available-for-sale financial assets	(17,029,400)	-
Loss on financial assets at fair value through profit or loss	609,121	1,039,986
Impairment loss on available-for-sale financial assets	-	440,648
Share of net loss from associate	-	75,000
Dividend income	(2,436,129)	(5,477,563)
Interest income	(6,721,200)	(3,819,464)
Finance costs	23,985,310	23,866,456
	<u>190,614,858</u>	<u>228,273,587</u>
Working capital adjustments		
Decrease/(increase) in inventories	1,393,428	(343,708)
Increase in trade and other receivables	(6,912,404)	(4,850,825)
(Increase)/decrease in advances and prepayments	(1,981,051)	131,563
Decrease in trade and other payables	(6,139,847)	(15,573,597)
	<u>176,974,984</u>	<u>207,637,020</u>
Cash from operations	176,974,984	207,637,020
Decrease in retention payable – non-current	-	(4,404,115)
Employees' end of service benefits paid	(2,941,637)	(2,070,694)
	<u>174,033,347</u>	<u>201,162,211</u>
Net cash generated by operating activities	174,033,347	201,162,211
Investing activities		
Payments for property, plant and equipment	(21,628,779)	(79,309,533)
Proceeds from disposal of property, plant and equipment	5,233,561	1,000,248
Payment for investment in an associate	-	(75,000)
Payments for available-for-sale financial assets	(2,699,100)	-
Proceeds from disposal of available-for-sale financial assets	27,623,824	-
Loan advanced to a related party	-	(50,000,000)
Dividends received	2,686,129	5,227,563
Interest received	2,799,386	970,245
	<u>14,015,021</u>	<u>(122,186,477)</u>
Net cash from/(used in) investing activities	14,015,021	(122,186,477)
Financing activities		
Proceeds from borrowings	-	370,000,000
Repayment of borrowings	(83,205,115)	(38,784,038)
Dividends paid	(63,390,780)	(10,000,000)
Finance costs paid	(23,916,264)	(20,202,072)
Directors' remuneration	(14,918,942)	(9,103,030)
	<u>(185,431,101)</u>	<u>291,910,860</u>
Net cash (used in)/from financing activities	(185,431,101)	291,910,860
Net increase in cash and cash equivalents	2,617,267	370,886,594
Cash and cash equivalents at the beginning of the year	145,175,951	(225,710,643)
Cash and cash equivalents at the end of the year (notes 15)	<u>147,793,218</u>	<u>145,175,951</u>

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

**Notes to the financial statements
for the year ended 31 December 2010**

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 Group. 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 was managed by the InterContinental Hotels Group under the Operating and Management Agreement dated 26 April 2001 for a period of 10 years from 1 January 2001. The agreement expired on 31 December 2010. As at 1 January 2011, management of the hotel is transferred to Danat Hotels & Resorts under the Hotel Management Agreement dated 31 October 2010, for a period of 15 years. The hotel has changed its trade name to Danat Al Ain Resort on 24 December 2010.

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 2010 (continued)

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

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

The following new and revised IFRSs have been adopted in these financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

New and revised IFRSs

Summary of requirement

Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters*

The amendments provide two exemptions when adopting IFRSs for the first time relating to oil and gas assets, and the determination as to whether an arrangement contains a lease.

Amendments to IFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*

The amendments clarify the scope of IFRS 2, as well as the accounting for group cash-settled share-based payment transactions in the separate (or individual) financial statements of an entity receiving the goods or services when another group entity or shareholder has the obligation to settle the award.

Amendment to IFRS 3 (revised) *Business Combinations* and consequential amendments to IAS 27 (revised) *Consolidated and Separate Financial Statements*, IAS 28 (revised) *Investments in Associates* and IAS 31 (revised) *Interests in Joint Ventures*

Comprehensive revision on applying the acquisition method.

Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* (as part of *Improvements to IFRSs* issued in 2009)

The amendments clarify that all the assets and liabilities of a subsidiary should be classified as held for sale when the Corporation is committed to a sale plan involving loss of control of that subsidiary, regardless of whether the Corporation will retain a non-controlling interest in the subsidiary after the sale.

Amendments to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*

The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options.

IFRIC 17 *Distributions of Non-cash Assets to Owners*

The Interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders.

Notes to the financial statements
for the year ended 31 December 2010 (continued)

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

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

IFRIC 18 Transfers of Assets from Customers

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 being recognised as revenue in accordance with IAS 18 *Revenue*.

Improvements to IFRSs issued in 2009

The application of Improvements to IFRSs issued in 2009 which amended IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9 and IFRIC 16 has not had any material effect on amounts reported in the financial statements.

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

The Corporation has not applied the following new and revised IFRSs that have been issued but are not yet effective:

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
Amendments to IFRS 1 relating to <i>Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters</i>	1 July 2010
Amendments to IFRS 7 <i>Financial Instruments: Disclosures</i> , relating to Disclosures on Transfers of Financial Assets	1 July 2011
IFRS 9 <i>Financial Instruments</i> (as amended in 2010)	1 January 2013
IAS 24 <i>Related Party Disclosures</i> (revised in 2009)	1 January 2011
Amendments to IAS 32 <i>Financial Instruments: Presentation</i> , relating to Classification of Rights Issues	1 February 2010
Amendments to IFRIC 14 relating to <i>Prepayments of a Minimum Funding Requirement</i>	1 January 2011
IFRIC 19 <i>Extinguishing Financial Liabilities with Equity Instruments</i>	1 July 2010
<i>Improvements to IFRSs issued in 2010 covering amendments to IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34 and IFRIC 13</i>	1 January 2011, except IFRS 3 and IAS 27 which are effective 1 July 2010

**Notes to the financial statements
for the year ended 31 December 2010 (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)**

New and revised IFRSs	Effective for annual periods beginning on or after
<i>Deferred Tax: Recovery of Underlying Assets – Amendments to IAS 12: Income Taxes</i>	1 January 2012
<i>Amendment to IFRS 1: Removal of Fixed Dates for First-time Adopters</i>	1 July 2011
<i>Amendment to IFRS 1: Severe Hyperinflation</i>	1 July 2011

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

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.

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.

**Notes to the financial statements
for the year ended 31 December 2010 (continued)**

3 Summary of significant accounting policies (continued)

Revenue recognition (continued)

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 recognising 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.

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.

**Notes to the financial statements
for the year ended 31 December 2010 (continued)**

3 Summary of significant accounting policies (continued)

Investment in an associate (continued)

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 profit or loss.

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 profit or loss.

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.

**Notes to the financial statements
for the year ended 31 December 2010 (continued)**

3 Summary of significant accounting policies (continued)

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 profit or loss in the period which they are incurred.

Impairment of tangible assets

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.

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.

**Notes to the financial statements
for the year ended 31 December 2010 (continued)**

3 Summary of significant accounting policies (continued)

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 20 and 29.

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 profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition 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 profit or loss 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.

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.

**Notes to the financial statements
for the year ended 31 December 2010 (continued)**

3 Summary of significant accounting policies (continued)

Derivative financial instruments (continued)

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 profit or loss, and is included in the "other gains and losses" line of profit or loss.

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised, 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 profit or loss.

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.

Loans and receivables

Trade and other receivables and loan to a related party that have fixed or determinable payments and 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.

**Notes to the financial statements
for the year ended 31 December 2010 (continued)**

3 Summary of significant accounting policies (continued)

Financial assets (continued)

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 financial assets 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 profit or loss for the period. Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss.

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

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.

**Notes to the financial statements
for the year ended 31 December 2010 (continued)**

3 Summary of significant accounting policies (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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 financial assets, 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 financial assets, 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.

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.

**Notes to the financial statements
for the year ended 31 December 2010 (continued)**

3 Summary of significant accounting policies (continued)

Financial liabilities and equity instruments (continued)

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 profit or loss in the period in which they arise.

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.