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

Contents

Deloitte.

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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.

Deloitte.

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.)

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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**	569,755,754
Direct expenses		**(356,097,888)**	(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

	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.

NATIONAL CORPORATION FOR TOURISM & HOTELS

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
	190,614,858	228,273,587
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)
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)
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
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)
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)	**147,793,218**	145,175,951

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.

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.

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:

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 1 relating to *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*	1 July 2010
Amendments to IFRS 7 *Financial Instruments: Disclosures*, relating to Disclosures on Transfers of Financial Assets	1 July 2011
IFRS 9 *Financial Instruments* (as amended in 2010)	1 January 2013
IAS 24 *Related Party Disclosures* (revised in 2009)	1 January 2011
Amendments to IAS 32 *Financial Instruments: Presentation*, relating to Classification of Rights Issues	1 February 2010
Amendments to IFRIC 14 relating to *Prepayments of a Minimum Funding Requirement*	1 January 2011
IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*	1 July 2010
Improvements to IFRSs issued in 2010 covering amendments to IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34 and IFRIC 13	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
Deferred Tax: Recovery of Underlying Assets – Amendments to IAS 12: Income Taxes	1 January 2012
Amendment to IFRS 1: Removal of Fixed Dates for First-time Adopters	1 July 2011
Amendment to IFRS 1: Severe Hyperinflation	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.

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.

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.

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.

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.

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.

<u>Cash and cash equivalents</u>

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.

<u>Loans and receivables</u>

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.

3 Summary of significant accounting policies (continued)

Financial assets (continued)

Financial assets at FVTPL

Financial assets are classified as at fair value though 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.

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.

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.

3 Summary of significant accounting policies (continued)

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. (2), 2000 for Pension and Social Security. Such contributions are charged to the profit or loss 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.

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 impairment of loans and receivables

Management has estimated the recoverability of loans and receivables and has considered existence of the indicators of impairment of loans and receivables including 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 loans and receivables have been impacted. Management has also estimated the allowance for impairment of 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 2010 is AED Nil (2009: AED 440,648).

Impairment of property, plant and equipment (including capital work in progress)

Property, plant and equipment including capital work in progress for ongoing projects are assessed for impairment based on assessment of cash flows on individual cash generating units when there is indication of impairment. Cash flows are determined based on contractual agreements and estimations over the useful life of the assets and discounted using a range of discounting rates representing the rate of return on such cash generating units. The net present values are compared to the carrying amounts to assess any probable impairment. Impairment on property, plant and equipment at 31 December 2010 is AED Nil (2009: AED Nil).

NATIONAL CORPORATION FOR TOURISM & HOTELS

Notes to the financial statements
for the year ended 31 December 2010 (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 2009	560,829,432	144,034,889	112,599,583	29,358,850	114,517,803	961,340,557
Additions	214,971,937	24,029,740	3,035,295	2,495,600	8,298,165	252,830,737
Transfer from capital work-in-progress	-	8,528,652	-	-	(8,528,652)	-
Disposals	-	(3,877,938)	-	(969,318)	-	(4,847,256)
Write-off	-	-	-	-	(941,405)	(941,405)
At 1 January 2010	775,801,369	172,715,343	115,634,878	30,885,132	113,345,911	1,208,382,633
Additions	376,100	13,786,262	55,593	3,177,850	4,232,974	21,628,779
Transfer from capital work in progress	-	579,955	-	-	(579,955)	-
Disposals	-	-	-	(11,742,900)	-	(11,742,900)
At 31 December 2010	776,177,469	**187,081,560**	**115,690,471**	**22,320,082**	**116,998,930**	**1,218,268,512**
Accumulated depreciation						
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
Eliminated on disposal	-	(3,227,664)	-	(952,905)	-	(4,180,569)
At 1 January 2010	203,017,429	116,061,714	36,263,630	12,026,849	-	367,369,622
Charge for the year	23,342,624	16,855,920	11,580,307	6,221,399	-	58,000,250
Eliminated on disposal	-	-	-	(8,706,347)	-	(8,706,347)
At 31 December 2010	**226,360,053**	**132,917,634**	**47,843,937**	9,541,901	-	**416,663,525**
Carrying value						
At 31 December 2010	**549,817,416**	**54,163,926**	**67,846,534**	**12,778,181**	**116,998,930**	**801,604,987**
At 31 December 2009	572,783,940	56,653,629	79,371,248	18,858,283	113,345,911	841,013,011

5 Property, plant and equipment (continued)

During 2010, depreciation amounting to AED 10,900,991 (2009: AED 11,692,076) 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:

	2010 AED	2009 AED
Total assets	**451,064,432**	348,432,935
Total liabilities	**(451,933,637)**	(348,885,384)
Net assets	**(869,205)**	(452,449)
Corporation's share of associate's net assets	**(434,603)**	(226,225)
Loss for the year	**(416,756)**	(179,236)
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 Corporation's cumulative share of losses in Nareel Island Development Company L.L.C. in prior years has reduced the investment in an associate to zero.

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:

	2010 AED	2009 AED
Current assets	**11,263,002**	7,544,533
Non-current assets	**5,491,932**	12,664,241
	16,754,934	20,208,774
Current liabilities	**(5,570,474)**	(9,145,183)
Non-current liabilities	**(794,287)**	(2,409,779)
Net assets	**10,390,173**	8,653,812
Revenues	**23,992,358**	27,520,055
Direct costs	**(22,255,997)**	(27,906,534)
Profit/(loss) for the year	**1,736,361**	(386,479)

8 Available-for-sale financial assets

	2010 AED	2009 AED
Investments in quoted securities	**66,015,245**	188,714,518
Investments in unquoted securities	**35,750,000**	35,750,000
	101,765,245	224,464,518

8 Available-for-sale financial assets (continued)

The movement in investment in quoted securities is as follows:

	2010 AED	2009 AED
Fair value at the beginning of the year	**188,714,518**	151,487,725
Purchase of investments	**2,699,100**	-
Initial fair value of disposed investments	**(10,594,424)**	-
Fair value reserve of disposed investments	**(48,185,972)**	-
Net (decrease)/increase in fair value	**(66,617,977)**	37,226,793
Fair value at the end of the year	**66,015,245**	188,714,518

Investment revaluation reserve for quoted securities at the end of the years is as follows:

	2010 AED	2009 AED
Fair value at the end of the year	**66,015,245**	188,714,518
Less: Fair value at the date of purchase less impairment	**(28,301,658)**	(36,196,982)
Investment revaluation reserve at the end of the year	**37,713,587**	152,517,536

9 Loan to a related party

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.

At 31 December 2010, total accrued interest from this loan amounts to AED 6,675,068 (31 December 2009: AED 2,675,068).

10 Inventories

	2010 AED	2009 AED
Food and beverages	**4,764,475**	5,448,199
Engineering and operating supplies	**2,348,066**	3,057,770
	7,112,541	8,505,969

11 Trade and other receivables

	2010 **AED**	2009 AED
Trade receivables	**113,754,436**	110,011,924
Less: allowance for impairment of receivables	**(17,013,799)**	(15,715,837)
	96,740,637	94,296,087
Due from related parties (note 13)	**10,625,551**	4,303,217
Other receivables	**6,269,413**	5,843,127
	113,635,601	104,442,431

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 impairment were identified for customer receivables based on future cash flows estimated at the end of the reporting period.

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 30 million representing 26% of the trade receivables (2009: AED 25 million representing 23% 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 62.9 million (2009: AED 68.9 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:

	2010 **AED**	2009 AED
Not past due	**33,760,472**	25,350,048
Past due but not impaired		
Due for 31 to 60 days	**21,364,011**	33,011,972
Due for 61 to 90 days	**20,189,174**	19,023,647
Due for 91 to 120 days	**9,738,577**	5,487,778
Due for more than 121 days	**11,688,403**	11,422,642
	62,980,165	68,946,039
Impaired receivables		
Due for more than 121 days	**17,013,799**	15,715,837
Total trade receivables	**113,754,436**	110,011,924

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

11 Trade and other receivables (continued)

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 impairment of receivables.

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

	2010 AED	2009 AED
At 1 January	**15,715,837**	15,453,872
Charge for the year	**1,391,048**	1,175,464
Reversal	**-**	(500,000)
Write-off	**(93,086)**	(413,499)
At 31 December	**17,013,799**	15,715,837

12 Advances and prepayments

	2010 AED	2009 AED
Prepaid rent	**7,066,521**	6,006,341
Advance paid to a related party (note 13)	**4,500,000**	-
Prepaid insurance	**2,076,764**	2,657,597
Advances to suppliers	**262,187**	-
Deposits	**255,860**	595,559
Deferred charges	**201,066**	2,802,834
Other prepayments	**2,217,027**	2,536,043
	16,579,425	14,598,374

13 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.

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:

	2010 AED	2009 AED
Due from related parties (note 11)		
Nareel Island Development Company L.L.C.	**6,675,068**	2,675,068
Pearl Azure Hotel Management Corporation L.L.C.	**3,774,338**	41,149
Due from Directors	**176,145**	1,587,000
	10,625,551	4,303,217
Advance paid to a related party (note 12)	**4,500,000**	-

During the year, the Corporation entered into an agreement with Pearl Azure Hotel Management Corporation L.L.C. whereby the latter will provide administration services to the Corporation at an annual fee of AED 6 million effective from 1 February 2010. The Corporation paid AED 10 million in advance and a balance of AED 4.5 million is included in advances and prepayment at the end of the reporting period.

Significant transactions with related parties are as follows:

	2010 AED	2009 AED
Interest income	**4,000,000**	2,675,068
Administration fee charged by a related party	**5,500,000**	-
Asset management fee income	**3,424,338**	-
Rental income	**350,000**	-
Key management remuneration	**7,351,789**	7,122,849

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

14 Financial assets at fair value through profit and loss

	2010 AED	2009 AED
Fair value at 1 January	**11,570,026**	12,610,012
Net decrease in fair value	**(609,121)**	(1,039,986)
Fair value at 31 December	**10,960,905**	11,570,026

Financial assets at fair value through profit or loss represents investment in National Bank of Abu Dhabi UAE Growth Fund.

15 Cash and cash equivalents

	2010 AED	2009 AED
Cash and current accounts	**55,697,275**	55,480,369
Term deposits	**92,595,943**	89,695,582
Cash and bank balances	**148,293,218**	145,175,951
Bank overdraft (note 19)	**(500,000)**	-
Cash and cash equivalents	**147,793,218**	145,175,951

Term deposits with banks carry interest rates of 1.97% to 4% per annum. Total interest income from cash and bank balances amounts to AED 2,721,200 (31 December 2009: AED 1,179,243). Cash and cash equivalents are held within the UAE.

16 Share capital

The share capital structure is as follows:

	2010 AED	2009 AED
Authorised, issued and fully paid:		
110,000,000 shares of AED 1 each	**110,000,000**	110,000,000

17 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 Profit, until such reserve reaches 50% of the share capital of the Corporation, which was achieved as of 31 December 2010. The statutory reserve is not available for distribution.

18 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.

19 Borrowings

	2010 AED	2009 AED
Term loan 1	**308,333,532**	370,000,000
Term loan 2	**192,500,000**	210,000,000
Term loan 3	**1,594,221**	4,250,000
Term loan 4	**-**	1,382,868
Bank overdraft	**500,000**	-
	502,927,753	585,632,868
Less: non-current portion	**(421,667,064)**	(502,427,282)
Current portion	**81,260,689**	83,205,586

Term loan 1:

During 2009, 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 of AED 15.4 million 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.

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.

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

19 Borrowings (continued)

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 was fully paid during the year.

20 Derivative financial instruments

The Corporation has entered into an interest rate swap agreement to mitigate the risk of changing interest rates on Term Loan 1 which has an original notional principal amount of AED 370 million and carries interest rate of 3.5% over 3 months EBOR (note 19).

The interest rate swap, which does not meet the definition of a designated hedging instrument, has a maturity date of 1 October 2015. In accordance with the terms of the swap agreement the Corporation receives 3 months EBOR against its payment of:

- 2.65%, if 3 months EBOR fixes below 1.65%.
- 3 months EBOR, if 3 months EBOR fixes at or above 1.65% and below 8.00%.
- 8.00%, if 3 months EBOR fixes at or above 8.00%.

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

21 Provision for end of service benefits

	2010 AED	2009 AED
At 1 January	**12,664,353**	10,187,104
Charge for the year	**4,796,662**	4,547,943
Payments during the year	**(2,941,637)**	(2,070,694)
At 31 December	**14,519,378**	12,664,353

22 Trade and other payables

	2010 AED	2009 AED
Trade payables	**52,030,872**	45,735,811
Payable to contractors	**8,707,071**	12,707,071
Retentions payable	**9,389,621**	9,375,926
Advances from customers	**8,205,638**	8,674,344
Accrued expenses and other payables	**34,810,439**	41,404,698
	113,143,641	117,897,850

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.

23 Profit for the year

Profit for the year is stated after charging:

	2010 AED	2009 AED
Staff costs	**131,831,988**	120,987,608
Depreciation of property, plant and equipment	**58,000,250**	58,069,261

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

24 Other operating income

	2010 AED	2009 AED (Restated)
Management fees	**7,736,897**	4,130,258
Rental income	**3,506,371**	3,133,160
Miscellaneous income	**1,161,111**	1,882,013
	12,404,379	9,145,431

25 General and administrative expenses

	2010 AED	2009 AED (Restated)
Payroll and staff related costs	**13,568,547**	11,903,409
Other costs	**1,544,584**	4,191,544
	15,113,131	16,094,953

26 Dividends and Directors' remuneration

Dividends

During the year, dividends amounting to AED 66 million were declared and approved, of which AED 63.4 million was paid to the shareholders.

The Board of Directors proposed cash dividends for 2010 of AED 0.6 per share (60% of par value) amounting to AED 66 million. The Board of Directors will request approval by the shareholders of the cash dividends at the annual general meeting to be held in 2011.

Board of Directors' remuneration

During the year, Board of Directors' remuneration amounting to AED 14,918,942 was proposed, approved and paid.

The Board of Directors proposed Board of Directors' remuneration for 2010 amounting to AED 13,021,620. The Board of Directors will request approval by the shareholders of the remuneration at the annual general meeting to be held in 2011.

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

27 Basic and diluted earnings per share

	2010 AED	2009 AED
Profit for the year	**130,216,204**	149,189,417
Weighted average number of share in issue	**110,000,000**	110,000,000
Basic and diluted earnings per share	**1.18**	1.36

At 31 December 2010, the Corporation has not issued any instruments that have an impact on earnings per share when exercised.

28 Contingent liabilities and commitments

At 31 December 2010, the Corporation had outstanding contingent liabilities in respect of letters of guarantee of AED 40.5 million (2009: AED 42.9 million).

At 31 December 2010, the Corporation had estimated commitments for the acquisition of property, plant and equipment of AED 262,494 (2009: AED 262,494).

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.

29 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 maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Corporation consists of debt, which includes the borrowings disclosed in note 19 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 2009.

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

29 Financial instruments (continued)

Capital risk management (continued)

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

	2010 AED	2009 AED
Debt (note 19) (i)	**502,927,753**	585,632,868
Cash and cash equivalents (note 15)	**(147,793,218)**	(145,175,951)
Net debt	**355,134,535**	440,456,917
Equity (ii)	**618,068,522**	683,575,209
Net debt to equity ratio	**57%**	64%

(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 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 agreement to mitigate the risk of changing interest rates.

29 Financial instruments (continued)

Interest rate risk management (continued)

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.

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 2010 would decrease/increase by AED 1,552,139 (2009: decrease/increase by AED 1,878,164). 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 2,192,181 (2009: increase/decrease by AED 2,314,005) as a result of the Corporation's portfolio classified at fair value through profit and loss.
- The Corporation's other comprehensive income would increase/decrease by AED 13,203,049 (2009: increase/decrease by AED 37,742,904) 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 11. The Corporation defines counterparties as having similar characteristics if they are related entities. Details on concentration of trade receivable balances are disclosed in note 11. 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 2010 (continued)

29 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 contractual maturities of the financial liabilities have been determined on the basis of the remaining period at the end of the reporting date to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is maintained. The maturity profile of the financial liabilities at the end of the reporting date based on contractual repayment arrangements was as follows:

	Interest rates	On demand AED	1 to 6 months AED	6 to 12 months AED	1 to 5 years AED	5 to 10 years AED	Total AED
2010							
Financial liabilities							
Borrowings	2% - EBOR + 3.5%	500,000	31,895,734	48,864,955	334,167,064	87,500,000	502,927,753
Trade and other payables		-	86,841,311	18,096,692	-	-	104,938,003
		500,000	118,737,045	66,961,647	334,167,064	87,500,000	607,865,756
2009							
Financial liabilities							
Borrowings	2% - EBOR + 3.5%	-	30,833,234	52,372,352	397,427,282	105,000,000	585,632,868
Trade and other payables		-	87,140,509	22,082,997	-	-	109,223,506
		-	117,973,743	74,455,349	397,427,282	105,000,000	694,856,374

30 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.

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.

As at 31 December 2010, all of the Corporation's instruments that are measured at fair value consisted of AFS financial assets and derivative financial liability which are grouped in Level 1 and Level 2, respectively. There were no transfers between Level 1 and 2 during the year.

Management considers that the fair values of financial assets and financial liabilities in the financial statements approximates their carrying amounts at the end of the reporting period except for the term loan from the Government of Abu Dhabi (note 19) with fixed interest rate.

The carrying amount and fair value of the term loan from the Government of Abu Dhabi (note 19) at a fixed interest rate are detailed below:

	Carrying amount		Fair value	
	2010	2009	**2010**	2009
	AED	AED	**AED**	AED
Term loan	**192,500,000**	210,000,000	**187,119,395**	181,552,934

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

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

31 Segment information

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.

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

31 Segment information (continued)

	31 December 2010				31 December 2009 (restated)			
	Hotels AED	Catering services AED	Transport services AED	Total AED	Hotels AED	Catering services AED	Transport services AED	Total AED
Segment revenue	**345,580,630**	**164,956,818**	**23,992,357**	**534,529,805**	404,457,161	137,763,148	27,535,445	569,755,754
Segment result	**163,770,474**	**12,925,082**	**1,736,361**	178,431,917	211,694,935	7,332,731	(386,479)	218,641,187
Unallocated general and administrative expenses	-	-	-	(15,113,131)	-	-	-	(16,094,953)
Unallocated depreciation expenses	-	-	-	(47,099,259)	-	-	-	(46,377,185)
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)
Gain on disposal of available-for-sale financial assets	-	-	-	17,029,400	-	-	-	-
Other operating income	-	-	-	12,404,379	-	-	-	9,145,431
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 fair value on derivative financial instrument	-	-	-	(1,292,628)	-	-	-	-
Unallocated income and expenses	-	-	-	**(48,215,713)**	-	-	-	(69,451,770)
Profit for the year				**130,216,204**				149,189,417

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

31 Segment information (continued)

	31 December 2010				31 December 2009			
	Hotels AED	Catering services AED	Transport services AED	Total AED	Hotels AED	Catering services AED	Transport services AED	Total AED
Assets								
Segment assets	98,746,109	85,182,444	16,754,934	200,683,487	91,444,650	75,548,478	20,208,774	187,201,902
Unallocated corporate assets	-	-	-	1,049,268,435	-	-	-	1,212,568,378
Total assets				1,249,951,922				1,399,770,280
Liabilities								
Segment liabilities	55,967,209	35,423,082	6,364,762	97,755,053	74,727,990	35,809,422	11,554,962	122,092,374
Unallocated corporate liabilities	-	-	-	534,128,347	-	-	-	594,102,697
Total liabilities				631,883,400				716,195,071
Depreciation charge								
Segment depreciation	-	6,083,251	4,817,740	10,900,991	-	5,868,109	5,823,967	11,692,076
Unallocated depreciation expenses	-	-	-	47,099,259	-	-	-	46,377,185
				58,000,250				58,069,261
Capital expenditure								
Segment capital expenditure	-	4,021,863	499,193	4,521,056	-	6,047,069	3,366,471	9,413,540
Unallocated capital expenditure	-	-	-	17,107,723	-	-	-	243,417,197
				21,628,779				252,830,737

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

32 Restatement of comparative figures

The financial statements for the year ended 31 December 2009 has been restated to present the income elements of operations according to definitions established by management.

	As previously reported AED	Reclassifications AED	As restated AED
Statement of income captions restated			
Revenue	566,338,616	3,417,138	**569,755,754**
Direct expenses	(270,763,420)	(80,351,147)	**(351,114,567)**
Gross profit	295,575,196	(76,934,009)	**218,641,187**
Other operating income	12,579,051	(3,433,620)	**9,145,431**
General and administrative expenses	(75,089,513)	58,994,560	**(16,094,953)**
Management fee and reimbursement of system costs	(19,913,303)	19,913,303	**-**
Depreciation	(46,884,282)	507,097	**(46,377,185)**
Profit from operations	166,267,149	(952,669)	**165,314,480**
Interest income	3,854,311	(34,847)	**3,819,464**
Finance costs	(24,853,972)	987,516	**(23,866,456)**
Loss on financial assets at fair value through profit or loss	(1,039,986)	-	**(1,039,986)**
Impairment loss on available-for-sale financial assets	(440,648)	-	**(440,648)**
Share of net loss from an associate	(75,000)	-	**(75,000)**
Dividend income	5,477,563	-	**5,477,563**
Profit for the year	149,189,417	-	**149,189,417**
Statement of cash flows captions restated			
Allowance for impairment of receivables	-	1,175,464	**1,175,464**
Reversal of allowance for impairment of receivables	-	(500,000)	**(500,000)**
Interest income	(3,854,311)	34,847	**(3,819,464)**
Finance costs	24,853,972	(987,516)	**23,866,456**
Increase in trade and other receivables	(4,140,514)	(710,311)	**(4,850,825)**
Decrease in trade and other payables	(16,561,113)	987,516	**(15,573,597)**

There is no impact on the profit for the year ended 31 December 2009. There is also no impact on the statement of financial position as at 31 December 2009, hence, the comparative information as at that date is not presented.

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

33 Non-cash transactions

	2010 AED	2009 AED
Transfer from advances to property, plant and equipment	-	173,521,204
Property, plant and equipment write off	-	941,405

34 Approval of financial statements

The financial statements were approved by management and authorised for issue on 6 March 2011.