

**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		
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		
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		
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		
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.