National Corporation for Tourism and Hotels

REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS AND CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2011

National Corporation for Tourism and Hotels

REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

31 DECEMBER 2011

To All Esteemed Shareholders

Dear Sirs,

I have the honor on behalf of my self and my colleagues, members of the board of directors to express deep thanks and appreciation to H.H. Sheikh Khalifa Bin Zayed Al Nahyan, president of the United Arab Emiratis – May Allah preserve him, and to H.H. Lt. Gen. Sheikh Mohamed Bin Zayed Al Nahyan, Crown Prince – May Allah preserve him for their continuous support and back-up to us in all fields as the result of which our country has become an example to the entire world.

The result of our Corporation in 2011 asserted our commitment to achieve success and development and reflected the ability to adapt ourselves with the changes and competition at the market. They also confirmed that the Corporation has a lot of potentials and capabilities that can be utilized and developed without relying on one sector only. The commitment of the board to implement its strategy by mobilizing all the Corporation capabilities and those available with such sectors actually represents our commitment towards the shareholders.

As for the results, total revenues of the Corporation amounted to Dhs. 540 Million compared to Dhs. 534 Million in the past year with an increase of Dhs. 6 Million despite the drop in the revenues of the hotels from Dhs. 345 Million last year to Dhs. 317 Million in 2011 i.e. Dhs. 28 Million, this was a result of opening a number of new hotels in Abu Dhabi during 2011 which consequently led to a drop in room rates. The raise in the total revenues - despite the drop in revenues of the biggest sector of the Corporation – affirmed the Board plans to benefit from and develop all the sectors. It is worth to highlights that despite the drop in the revenues by Dhs. 28 Million, the profits of the sector have increased by Dhs. One Million as a result of the cost cuts from Dhs. 182 Million to Dhs. 155 Million as stated in page 20 of the financial report.

As to the profit, our net profits - after the calculation of the depreciations and the interest on loans - amount to Dhs. 108.5 Million Compared to Dhs. 130 Million. This is directly attributable to the drop in the return from the sale of share in the Portfolio compared to last year which led to a drop in the profits of equity sales by around Dhs. 17 Million as stated in page no. 18 of the financial report.

The Corporation has maintained a good cash liquidity of Dhs. 120.7 Million compared to Dhs. 148.3 Million in the past year in spite of not liquidating any of the share portfolios of the Corporation, in addition to the distribution of Dhs. 88 Million as cash dividends to the shareholders compared to Dhs. 66 Million last year. This was also accompanied by a number of new capital investments at the Central Purchasing Division and other facilities of the Corporation. This asserted that the board of director's strategy focusing on continuous improvement of the cash liquidity sources, control of spending and collection of debts from others has been correct and valid.

In conclusion, and on behalf of my colleagues the members of the board of directors, I would like to thank the shareholders for their support and trust, all the public and private establishments as well as the management and employees at the Corporation for their efforts.

Thank & Regards

Hamdan Bin Mubarak AL Nahyan

Chairman of the Board

P.O. Box: 6942, Abu Dhabi, UAE, T: +971 2 409 9999, F: +971 2 409 9990, E: ncth@emirates.net.ae
ص.ب: ٦٩٤٢، أبوظبي، الإمارات العربية المتحدة هاتف: ٩٩٩٩ ٤٠٩ ٢ ٩٧١+، فاكس: ٩٩٩٠ ٤٠٩ ٢ ٩٧١+
www.ncth.com

National Corporation for Tourism and Hotels

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2011

ERNST & YOUNG

P.O. Box 136
11th Floor - Al Ghaith Tower
Hamdan Street
Abu Dhabi, United Arab Emirates
Tel: +971 2 417 4400
+971 2 627 7522
Fax: +971 2 627 3383
www.ey.com/me

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

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of National Corporation for Tourism and Hotels ("the Corporation") which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the applicable provisions of the articles of association of the Corporation and the UAE Commercial Companies law of 1984 (as amended), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated 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 consolidated financial statements in order to design audit procedures that are appropriate for 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 consolidated financial statements.

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

ERNST & YOUNG

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as of 31 December 2011 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matter

The consolidated financial statements for the year ended 31 December 2010, were audited by another auditor who expressed an unmodified opinion on those statements on 6 March 2011.

Report on other legal and regulatory requirements

We also confirm that, in our opinion, the consolidated financial statements include, in all material respects, the applicable requirements of the UAE Commercial Companies Law of 1984 (as amended) and the articles of association of the Corporation; proper books of account have been kept by the Corporation; an inventory was duly carried out and the contents of the report of the Chairman of the Board of Directors relating to these consolidated financial statements are consistent with the books of account. We have obtained all the information and explanations which we required for the purpose of our audit and, to the best of our knowledge and belief, no violations of the UAE Commercial Companies Law of 1984 (as amended) or of the articles of association of the Corporation have occurred during the year which would have had a material effect on the business of the Corporation or on its financial position.

Ernst & Young

Signed by:
Mohammad Mobin Khan
Partner
Ernst & Young
Registration No. 532

19 March 2012
Abu Dhabi

CONSOLIDATED STATEMENT OF INCOME
Year ended 31 December 2011

	Notes	*2011* *AED*	*2010* *AED*
Operating revenues	7	**540,005,365**	534,529,805
Cost of services	7	**(356,602,984)**	(345,196,897)
Depreciation	7	**(52,861,336)**	(56,777,729)
GROSS PROFIT		**130,541,045**	132,555,179
General and administrative expenses	4	**(15,266,044)**	(15,113,131)
Depreciation	8	**(1,276,129)**	(1,222,521)
Investment and other income, net	3	**10,827,169**	31,260,787
Loss on fair value of derivative financial instruments		**(2,405,935)**	(1,292,628)
Interest income		**6,041,446**	6,721,200
Finance cost		**(19,954,195)**	(22,692,682)
PROFIT FOR THE YEAR	7	**108,507,357**	130,216,204
Basic and diluted earnings per share	6	**0.66**	0.79

The attached notes 1 to 26 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2011

	2011 *AED*	*2010* *AED*
Profit for the year	**108,507,357**	130,216,204
Net movement in fair value of available for sale investments	**(37,220,643)**	(66,617,977)
Transfer to consolidated statement of income from sale of available for sale investments	-	(48,185,972)
Directors' remuneration	**(13,021,620)**	(14,918,942)
Other comprehensive loss for the year	**(50,242,263)**	(129,722,891)
Total comprehensive income for the year	**58,265,094**	493,313

The attached notes 1 to 26 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2011

	Notes	2011 AED	2010 AED
ASSETS			
Non-current assets			
Property, plant and equipment	8	**765,584,745**	801,604,987
Available for sale investments	9	**62,841,455**	101,765,245
Loan to a related party	10	**50,000,000**	50,000,000
Accounts receivable and prepayments	13	**10,675,068**	-
Total non-current assets		**889,101,268**	953,370,232
Current assets			
Inventories	11	**9,016,854**	7,112,541
Accounts receivable and prepayments	13	**147,735,893**	130,215,026
Investments carried at fair value through income statement	9	**9,188,117**	10,960,905
Cash and short term deposits	14	**120,751,826**	148,293,218
Total current assets		**286,692,690**	296,581,690
TOTAL ASSETS		**1,175,793,958**	1,249,951,922
EQUITY AND LIABILITIES			
Equity			
Share capital	15	**165,000,000**	110,000,000
Statutory reserve	16	**65,850,736**	55,000,000
General reserve	16	**75,000,000**	75,000,000
Retained earnings		**281,989,936**	340,354,935
Cumulative changes in fair values of available for sale investments		**492,944**	37,713,587
Total equity		**588,333,616**	618,068,522
Non-current liabilities			
Term loans	20	**346,744,978**	421,667,064
Derivative financial instruments	17	**3,698,563**	1,292,628
Employees' end of service benefits	21	**16,878,443**	14,519,378
Total non-current liabilities		**367,321,984**	437,479,070
Current liabilities			
Accounts payable and accruals	22	**121,992,172**	113,143,641
Term loans	20	**97,646,186**	80,760,689
Bank overdraft	14	**500,000**	500,000
Total current liabilities		**220,138,358**	194,404,330
Total liabilities		**587,460,342**	631,883,400
TOTAL EQUITY AND LIABILITIES		**1,175,793,958**	1,249,951,922

CHAIRMAN   CHIEF EXECUTIVE OFFICER   CHIEF FINANCIAL OFFICE

The attached notes 1 to 26 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2011

	Share capital AED	*Statutory reserve AED*	*General reserve AED*	*Retained earnings AED*	*Cumulative changes in fair values of available for sale investments AED*	*Total AED*
Balance at 1 January 2010	110,000,000	51,522,513	75,000,000	294,535,160	152,517,536	683,575,209
Profit for the year	-	-	-	130,216,204	-	130,216,204
Other comprehensive loss for the year	-	-	-	(14,918,942)	(114,803,949)	(129,722,891)
Total comprehensive income (loss) for the year	-	-	-	115,297,262	(114,803,949)	493,313
Dividends paid (note 18)	-	-	-	(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	340,354,935	37,713,587	618,068,522
Profit for the year	-	-	-	108,507,357	-	108,507,357
Other comprehensive loss for the year	-	-	-	(13,021,620)	(37,220,643)	(50,242,263)
Total comprehensive income (loss) for the year	-	-	-	95,485,737	(37,220,643)	58,265,094
Dividends paid (note 18)	-	-	-	(88,000,000)	-	(88,000,000)
Bonus shares issued (Note 15)	55,000,000	-	-	(55,000,000)	-	-
Transfer to statutory reserve	-	10,850,736	-	(10,850,736)	-	-
Balance at 31 December 2011	**165,000,000**	**65,850,736**	**75,000,000**	**281,989,936**	**492,944**	**588,333,616**

The attached notes 1 to 26 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2011

	Notes	2011 AED	2010 AED
OPERATING ACTIVITIES			
Profit for the year		108,507,357	130,216,204
Adjustments for:			
Depreciation of property, plant and equipment	8	54,137,465	58,000,250
Provision for employees' end of service benefits	21	5,133,442	4,796,662
Provision for impairment of accounts receivables	13	187,207	1,391,048
Reversal of provision of impairment of accounts receivable	13	(1,238,030)	-
Write off of property, plant and equipment - cost	8	10,545,552	-
Interest income		(6,041,446)	(6,721,200)
Finance cost		19,954,195	22,692,682
Dividend income	3	(593,750)	(2,436,129)
Loss on investments carried at fair value through income statement	3	1,772,788	609,121
Loss on fair value of derivative financial instrument		2,405,935	1,292,628
Gain on sale of property, plant and equipment	3	(896,557)	(2,197,008)
Gain on sale of available for sale investments	3	(269,843)	(17,029,400)
		193,604,315	190,614,858
Working capital changes:			
Inventories		(1,904,313)	1,393,428
Accounts receivable and prepayments		(28,195,935)	(8,893,455)
Accounts payable and accruals		8,848,531	(6,139,847)
Net cash from operations		172,352,598	176,974,984
Employees' end of service benefits paid	21	(2,774,377)	(2,941,637)
Directors' remuneration paid	19	(13,021,620)	(14,918,942)
Interest paid		(18,426,063)	(23,916,264)
Net cash from operating activities		138,130,538	135,198,141
INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		1,792,008	5,233,561
Proceeds from sale of available for sale investments		1,972,991	27,623,824
Payment for available for sale investments		-	(2,699,100)
Additions to property, plant and equipment	8	(29,558,226)	(21,628,779)
Interest received		2,476,548	2,799,386
Dividend received		593,750	2,686,129
Net cash (used in) from investing activities		(22,722,929)	14,015,021
FINANCING ACTIVITIES			
Dividends paid		(84,912,412)	(63,390,780)
Net movement of term loans		(58,036,589)	(83,205,115)
Net cash used in financing activities		(142,949,001)	(146,595,895)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(27,541,392)	2,617,267
Cash and cash equivalents at 1 January	14	147,793,218	145,175,951
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	14	120,251,826	147,793,218

The attached notes 1 to 26 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

National Corporation for Tourism & Hotels ("the Corporation"), a public shareholding company, was incorporated in Abu Dhabi, United Arab Emirates ("UAE") on 11 December 1996 by Law No. (7) of 1978, to own, manage and invest in hotels and leisure complexes and to undertake other related business. The Corporation's shares are listed on Abu Dhabi Securities Exchange.

The Corporation owns four hotels within the UAE: (a) Abu Dhabi InterContinental Hotel, which is managed by an international hotel operating company; and (b) Danat Al Ain resort, Al Dhafra Beach Hotel and Danat Resort – Jebel Dhanna directly operated by the Corporation. In addition, the Corporation provides catering services and has investments (other than available-for-sale or fair value through profit or loss) in the following entities:

Name	*Country of operation*	*Principal activity*	*Interest*
National Transportation Company L.L.C ("the Joint Venture")	United Arab Emirates	Transport Services	50%
Nareel Island Development Company L.L.C ("the Associate")	United Arab Emirates	Property Development	50%

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

The Corporation also manages three hotels and rest houses located in the Emirate of Abu Dhabi.

The consolidated financial statements for the year ended 31 December 2011 were authorised for issue in accordance with a resolution of the Board of Directors on 19 March 2012.

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Corporation have been prepared on the historical cost basis, except for financial assets carried at fair value through profit or loss, available for sale investments and derivatives that have been measured at fair value.

The consolidated financial statements are presented in UAE Dirhams ("AED"), which is the functional currency of the Corporation and all values are rounded to the nearest dirham (AED) except when otherwise indicated.

Statement of compliance
The consolidated financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and applicable requirements of the UAE Commercial Companies Law of 1984 (as amended).

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Corporation, including divisions, hotels and the Joint Venture , all drawn up to 31 December each year.

2.2 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2011:

- *IAS 24 Related Party Disclosures* (amendment) effective 1 January 2011
- *IAS 32 Financial Instruments: Presentation (amendment)* effective 1 February 2010
- IFRIC 14 Prepayments of a Minimum Funding Requirement (amendment) effective 1 January 2011
- Improvements to IFRSs (May 2010)

2.2 CHANGES IN ACCOUNTING POLICIES continued

The adoption of the standards or interpretations is described below:

***IAS 24 Related Party Transactions* (Amendment)**
The IASB issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Corporation.

***IAS 32 Financial Instruments: Presentation* (Amendment)**
The IASB issued an amendment that alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Corporation.

***IFRIC 14 Prepayments of a Minimum Funding Requirement* (Amendment)**
The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as a pension asset. The Corporation is not subject to minimum funding requirements in UAE, therefore the amendment of the interpretation has no effect on the financial position nor performance of the Corporation.

Improvements to IFRSs
In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but no impact on the financial position or performance of the Corporation.

- IFRS 3 *Business Combinations:* The measurement options available for non-controlling interest (NCI) were amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation should be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value.

- The amendments to IFRS 3 are effective for annual periods beginning on or after 1 July 2011. The Corporation, however, adopted these as of 1 January 2011 and changed its accounting policy accordingly as the amendment was issued to eliminate unintended consequences that may arise from the adoption of IFRS 3.

- IFRS 7 Financial Instruments – Disclosures: The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.

- IAS 1 *Presentation of Financial Statements*: The amendment clarifies that an entity may present an analysis of each component of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES continued

Other amendments resulting from Improvement to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Corporation:

- IFRS 3 Business Combinations (Contingent consideration arising from business combination prior to adoption of IFRS 3 (as revised in 2008))
- IFRS 3 Business Combinations (Un-replaced and voluntarily replaced share-based payment awards)
- IAS 27 Consolidated and Separate Financial Statements
- IAS 34 Interim Financial Statements

The following interpretations and amendments to interpretations did not have any impact on the accounting policies, financial position or performance of the Corporation:

- IFRIC 13 Customer Loyalty Programmes (determining the fair value of award credits)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associate
The Corporation's investment in an associate is accounted for using the equity method of accounting. An associate is an entity in which the Corporation has significant influence.

Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Corporation's share of net assets of the associate.

The income statement reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Corporation recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Corporation and the associate are eliminated to the extent of the interest in the associate.

The Corporation's share of profit of associates is recorded under investment and other income, net. This is the profit attributable to equity holders of the associate and therefore is profit after tax and minority interests in the subsidiaries of the associates.

The financial statements of the associate are prepared for the same reporting period as the parent Corporation. Where necessary, adjustments are made to bring the accounting policies in line with those of the Corporation.
After application of the equity method, the Corporation determines whether it is necessary to recognise an additional impairment loss on the Corporation's investment in its associate. The Corporation determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Corporation calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the income statement. The Corporation's investment in an associate was fully written off during the year ended 31 December 2009.

Upon loss of significant influence over the associate, the Corporation measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Interest in a joint venture
The Corporation has an interest in a joint venture which is a jointly controlled entity, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The Corporation recognises its interest in the joint venture using proportionate consolidation. The Corporation combines its share of each of the assets, liabilities, income and expenses of the joint venture with similar items, line by line, in its consolidated financial statements. Adjustments are made where necessary to bring the accounting policies in line with those of the Corporation.

Adjustments are made in the Corporation's consolidated financial statements to eliminate the Corporation's share of intergroup balances, income and expenses and unrealised gains and losses on transactions between the Corporation and its jointly controlled entity. Losses on transactions are recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss. The joint venture is proportionately consolidated until the date on which the Corporation ceases to have joint control over the joint venture.

Upon loss of joint control, the Corporation measures and recognises its remaining investment at its fair value. Any difference between the carrying amount of the former joint controlled entity upon loss of joint control and the fair value of the remaining investment and proceeds from disposal are recognised in profit or loss. When the remaining investment constitutes significant influence, it is accounted for as investment in an associate.

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 or receivable, net of discounts and rebates.

- Operating revenue represents the sale of hotel rooms, food and beverage, catering and other services, invoiced to customers during the year and is stated net of allowances and rebates.

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

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

The Corporation assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Corporation has concluded that it is acting as a principal in all of its revenue arrangements.

Financial assets
Initial recognition and measurement
Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available for sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Corporation determines the classification of its financial assets at initial recognition.
All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trade) are recognised on the trade date, i.e., the date that the Corporation commits to purchase or sell the asset.

The Corporation's financial assets include cash and short-term deposits, trade and other receivables, available for sale investments and investments carried at fair value through income statement.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Financial assets continued

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. Financial assets at fair value through profit and loss are carried in the consolidated statement of financial position at fair value with changes in fair value recognized in investment and other income, net in the consolidated income statement.

Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the other categories. After initial measurement, available for sale financial assets are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available for sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognized in investment and other income, or determined to be impaired, at which time the cumulative loss is recognized in the consolidated income statement in investment and other income, net and removed from the available for sale reserve.

Derecognition

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

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

When the Corporation has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Corporation's continuing involvement in the asset.

In that case, the Corporation also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Corporation has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Corporation could be required to repay.

Impairment of financial assets

The Corporation assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Impairment of financial assets continued
In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognised directly in the statement of other comprehensive income.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement.

Trade receivables
For receivables carried at amortised cost, the Corporation first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Corporation determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated income statement.

Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Corporation. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the consolidated income statement.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

Financial liabilities
Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Corporation determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, directly attributable transaction costs.

The Corporation's financial liabilities include trade and other payables, bank overdraft, term loans, and derivative financial instruments.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Financial liabilities continued
Subsequent measurement
The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

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

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated income statement.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments
The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For financial instruments where there is no active market, fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

Derivative financial instruments and hedge accounting
The Corporation enters into derivative instruments to economically hedge against interest rate fluctuations. Derivatives are stated at fair value. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The fair value of a derivative is the equivalent of the unrealised gain or loss from marking to market the derivatives using prevailing market rates. Derivatives with positive market values (unrealised gains) are included in other assets and derivatives with negative market values (unrealised losses) are included in other liabilities in the consolidated statement of financial position.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the consolidated income statement, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

For the purposes of hedge accounting, hedges are classified into two categories: (a) fair value hedges which hedge the exposure to changes in the fair value of a recognised asset or liability; and (b) cash flow hedges which hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Derivative financial instruments and hedge accounting continued
In relation to fair value hedges, which meet the conditions for hedge accounting, any gain or loss from remeasuring the hedging instrument to fair value is recognised immediately in the income statement or capitalised with other borrowing costs. Where the adjustment relates to a hedged interest-bearing financial instrument, the adjustment is amortised to the income statement or capitalised with other borrowing costs on a systematic basis such that it is fully amortised by maturity. The capitalisation of gains or losses ceases when substantially all the activities necessary to prepare each part of the plant for its intended use are complete and commissioned.

In relation to cash flow hedges which meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that it determined to be an effective hedge is recognised initially in equity and the ineffective portion is recognised in the income statement. The gains or losses on effective cash flow hedges recognised initially in equity are either transferred to the income statement in the period in which the hedged transaction impacts the income statement or capitalised with other borrowing costs. The capitalisation of gains or losses ceases when substantially all the activities necessary to prepare each part of the plant for its intended use are complete and commissioned.

Amortised cost of financial instruments
Amortised cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

Property, plant and equipment
Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Land is not depreciated.

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

Depreciation is calculated on a straight line basis over the estimated useful lives of the assets as follows:

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

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Inventories
Inventories are valued at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items. Costs are those expenses incurred in bringing each product to its present location and condition and are determined on a weighted average cost basis. Net realisable value is based on estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

Trade receivables
Trade receivables are stated at original invoice amount net of provisions for amounts estimated to be impaired. A provision for doubtful debts is made when collection of the full amount is no longer possible. Bad debts are written off when there is no possibility of recovery.

Cash and short term deposits
Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term-deposits with an original maturity of three month or less.

For the purpose of consolidated statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances, and short-term deposits as defined above, net of outstanding bank overdrafts.

Accounts payable and accruals
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions
Provisions are recognised when the Corporation has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Employees' end of service benefits
The Corporation provides end of service benefits to its expatriate employees. The entitlement to these benefits is usually based upon the employees' final salary and length of service, subject to completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. With respect to its national employees, the Corporation makes contributions to a government scheme calculated as a percentage of the employees' salaries. The Corporation's obligations are limited to these contributions, which are expensed when due.

Operating leases
Leases in which the Corporation does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Foreign currencies
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are taken to the consolidated income statement.

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Judgements
The preparation of the Corporation's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosures of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS continued

Judgements continued

In the process of applying the Corporation's accounting policies, management has made the following judgements, which have the most significant effect in the amounts recognised in the consolidated statement of financial position:

Classification of financial investments

On acquisition of an investment, management decides whether it should be classified as carried at fair value through income statement or available for sale.

Classification of investments as fair value through income statement depends on how management monitors the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of income statement in the management accounts, they are classified as fair value through income statement.

All other investments are classified as available for sale.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment of trade receivables

An estimate of the collectible amount of trade receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

At the reporting date, gross trade receivables were AED 124,160,761 (2010: AED 113,754,436) and the provision for doubtful debts was AED 15,962,976 (2010: AED 17,013,799). Any difference between the amounts actually collected in future periods and the amounts expected to be received will be recognised in the consolidated statement of income.

Impairment of available for sale financial assets

The Corporation classifies certain assets as available for sale and recognises movements in their fair value in the consolidated statement of other comprehensive income. When the fair value declines, management makes assumptions about the decline in value to determine whether it is an impairment that should be recognised in profit or loss. At 31 December 2011 impairment losses of AED nil (2010: AED nil) have been recognised for available for sale investments and the carrying amount of available for sale investments was AED 62,841,454 (2010: AED 101,765,245).

Fair valuation of unquoted equity investments

Fair valuation of unquoted equity investments is normally based on one of the following:

- recent arm's length market transactions;
- current fair value of another instrument that has similar terms and risk characteristics;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- Other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. Investments for which fair value cannot be reliably determined are measured at cost.

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS continued

Estimates and assumptions continued

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

Impairment of property, plant and equipment

Impairment testing requires an estimation of the value in use of the cash generating units. Estimating the value in use requires the Corporation to make an estimate of the expected future cash flows, terminal value of the assets, cost to complete the construction of the assets and choose a suitable discount rate in order to calculate the present value of the cash flows.

Useful lives of property, plant and equipment

The Corporation determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on projected product lifecycles. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following IASB Standards and amendments have been issued but are not yet mandatory, and have not yet been adopted by the Corporation:

- IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (Amendment)
- IAS 12 Income Taxes – Recovery of Underlying Assets (Amendment)
- IAS 19 Employee Benefits (Amendment)
- IAS 27 Separate Financial Statements (as revised in 2011)
- IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)
- IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements (Amendment)
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Involvement with Other Entities
- IFRS 13 Fair Value Measurement

The Corporation, however, expects no material impact from the adoption of the above new standards and amendments on its financial position or performance except from the adoption of IFRS 11 Joint Arrangements as it will have a material impact on the financial position of the Corporation. This is due to the cessation of proportionate consolidation of the Joint Venture to equity accounting for the investment.

3 INVESTMENT AND OTHER INCOME, NET

	2011 *AED*	*2010* *AED*
Loss on investments carried at fair value through income statement (note 9)	**(1,772,788)**	(609,121)
Gain on sale of available for sale investments	**269,843**	17,029,400
Gain on sale of property, plant and equipment	**896,557**	2,197,008
Dividend income from investments	**593,750**	2,436,129
Other income, net	**10,839,807**	10,207,371
	10,827,169	31,260,787

4 GENERAL AND ADMINISTRATIVE EXPENSES

	2011 *AED*	*2010* *AED*
Payroll and employee related costs	**13,675,771**	13,568,547
Other operating expenses	**1,590,273**	1,544,584
	15,266,044	15,113,131

5 PROFIT FOR THE YEAR

Profit for the year is stated at after charging/(crediting):

	2011 *AED*	*2010* *AED*
Staff costs	**129,859,769**	131,831,988
Depreciation of property, plant and equipment (note 8)	**54,137,465**	58,000,250
Cost of inventories recognised as an expense	**104,919,532**	92,285,326
(Write back) / impairment of trade receivables (note 13)	**(1,050,823)**	1,391,048

6 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share are calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year, adjusted for the effects of dilutive instruments.

	2011	*2010*
Profit for the year (AED)	**108,507,357**	130,216,204
Weighted average number of ordinary shares outstanding during the year	**165,000,000**	165,000,000
Basic and diluted earnings per share (AED)	**0.66**	0.79

As of 31 December 2011, and 31 December 2010, the Corporation has not issued any instrument which would have a dilutive impact on earnings per share when converted or exercised.

7 OPERATING SEGMENTS

The primary segment reporting format is determined to be operating segments as the Corporation's risks and rates of return are affected predominantly by differences in the products and services produced. The operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic operating unit that offers different products and serves different markets.

7 OPERATING SEGMENTS continued

Operating segments

For management purposes, the Corporation is currently organised into five major operating segments. These segments are the basis on which the Corporation reports its primary segmental information. These are:

- Hotels – Providing room and food and beverages services to customers;
- Retail services – Providing beverage sales services to customers;
- Catering services – Providing catering services on a contract basis;
- Transport services – Operating a fleet of deluxe taxis and buses providing transportation services to the public and customers in Abu Dhabi and Al Ain;
- Holding – Responsible for managing investments held by the Corporation, development of hotels and general coordination of Corporation activities.

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

The following table presents revenue and profit information regarding the Corporation's operating segments for the year ended 31 December 2011 and 31 December 2010, respectively.

	Hotels AED	*Retail Services AED*	*Catering Services AED*	*Transport Services AED*	*Holding AED*	*Total AED*
Year ended 31 December 2011						
Operating revenues	317,106,949	2,010,209	205,550,746	15,337,461	-	540,005,365
Cost of services	(155,285,805)	(5,366,839)	(179,966,360)	(12,491,794)	(3,492,186)	(356,602,984)
Depreciation	(43,167,398)	(39,635)	(7,109,354)	(2,544,949)	-	(52,861,336)
Results	118,653,746	(3,396,265)	18,475,032	300,718	(3,492,186)	130,541,045
Depreciation	-	-	-	-	(1,276,129)	(1,276,129)
Finance income	-	-	-	-	6,041,446	6,041,446
Finance cost	-	-	-	-	(19,954,195)	(19,954,195)
Investment and other income, net	-	-	-	-	12,330,114	12,330,114
General and administrative expenses	-	-	-	-	(15,266,044)	(15,266,044)
Gain on sale of available for sale investments	-	-	-	-	269,843	269,843
Change in fair value of investments carried through income statement	-	-	-	-	(1,772,788)	(1,772,788)
Loss on fair value of derivatives financial instruments	-	-	-	-	(2,405,935)	(2,405,935)
Profit for the year	118,653,746	(3,396,265)	18,475,032	300,718	(25,525,874)	108,507,357
At 31 December 2011						
Total assets	95,693,334	7,513,225	123,467,759	15,505,694	933,613,946	1,175,793,958
Operating liabilities	37,408,187	5,628,150	56,155,855	4,370,098	116,576,068	220,138,358
Year ended 31 December 2010						
Operating revenues	345,580,630	-	164,956,818	23,992,357	-	534,529,805
Cost of services	(181,810,156)	-	(144,004,331)	(19,382,410)	-	(345,196,897)
Depreciation	(45,876,738)	-	(8,027,405)	(2,873,586)	-	(56,777,729)
Results	117,893,736	-	12,925,082	1,736,361	-	132,555,179
Depreciation	-	-	-	-	(1,222,521)	(1,222,521)
Finance income	-	-	-	-	6,721,200	6,721,200
Finance cost	-	-	-	-	(22,692,682)	(22,692,682)
Investment and other income, net	-	-	-	-	14,840,508	14,840,508
General and administrative expenses	-	-	-	-	(15,113,131)	(15,113,131)
Gain on sale of available for sale investments	-	-	-	-	17,029,400	17,029,400
Change in fair value of investments carried through income statement	-	-	-	-	(609,121)	(609,121)
Loss on fair value of derivatives financial instruments	-	-	-	-	(1,292,628)	(1,292,628)
Profit for the year	117,893,736	-	12,925,082	1,736,361	(2,338,975)	130,216,204
31 December 2010						
Total assets	98,746,109	-	85,182,444	16,754,934	1,049,268,435	1,249,951,922
Operating liabilities	46,519,676	-	30,710,921	5,570,474	111,603,259	194,404,330

8 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at year end consist of the following:

	Land and buildings AED	*Mechanical, electrical and plumbing AED*	*Furniture, fixtures and operating equipment AED*	*Motor vehicles AED*	*Construction in progress AED*	*Total AED*
2011						
Cost:						
At 1 January 2011	776,177,469	115,690,471	187,081,560	22,320,082	116,998,930	1,218,268,512
Additions	-	658,112	10,377,053	8,803,821	9,719,240	29,558,226
Reversals	(5,428,202)	(5,017,350)	-	-	(100,000)	(10,545,552)
Disposals	-	(4,100)	(1,168,803)	(3,485,125)	-	(4,658,028)
At 31 December 2011	**770,749,267**	**111,327,133**	**196,289,810**	**27,638,778**	**126,618,170**	**1,232,623,158**
Depreciation:						
At 1 January 2011	226,360,053	47,843,937	132,917,634	9,541,901	-	416,663,525
Charge for the year	22,997,090	11,123,338	18,364,061	4,698,251	-	57,182,740
Reversals	(829,309)	(2,215,966)	-	-	-	(3,045,275)
Disposals	-	(698)	(1,168,803)	(2,593,076)	-	(3,762,577)
At 31 December 2011	**248,527,834**	**56,750,611**	**150,112,892**	**11,647,076**	-	**467,038,413**
Net book value:						
At 31 December 2011	**522,221,433**	**54,576,522**	**46,176,918**	**15,991,702**	**126,618,170**	**765,584,745**
2010						
Cost:						
At 1 January 2010	775,801,369	115,634,878	172,715,343	30,885,132	113,345,911	1,208,382,633
Additions	376,100	55,593	13,786,262	3,177,850	4,232,974	21,628,779
Transfers	-	-	579,955	-	(579,955)	-
Disposals	-	-	-	(11,742,900)	-	(11,742,900)
At 31 December 2010	776,177,469	115,690,471	187,081,560	22,320,082	116,998,930	1,218,268,512
Depreciation:						
At 1 January 2010	203,017,429	36,263,630	116,061,714	12,026,849	-	367,369,622
Charge for the year	23,342,624	11,580,307	16,855,920	6,221,399	-	58,000,250
Disposals	-	-	-	(8,706,347)	-	(8,706,347)
At 31 December 2010	226,360,053	47,843,937	132,917,634	9,541,901	-	416,663,525
Net book value:						
At 31 December 2010	549,817,416	67,846,534	54,163,926	12,778,181	116,998,930	801,604,987

The depreciation charge, net of reversals, has been allocated in the consolidated income statement as follows:

	2011 AED	*2010 AED*
Cost of services	**52,861,336**	56,777,729
Depreciation charge	**1,276,129**	1,222,521
	54,137,465	58,000,250

During the year, an amount of AED 10,545,552 and associated accumulated depreciation of AED 3,045,275 was reversed from certain property, plant and equipment items. The reversals pertain to amounts previously capitalized which were subsequently disputed by the Corporation and settled with the supplier, resulting in lower cost being recorded by the Corporation.

9 INVESTMENTS

Available for sale investments

	2011 *AED*	*2010* *AED*
Quoted equity investments		
Fair value at 1 January	**66,015,245**	188,714,518
Additions	**-**	2,699,100
Disposals	**(1,703,148)**	(58,780,396)
Decrease in fair value	**(37,220,643)**	(66,617,977)
Fair value at 31 December	**27,091,454**	66,015,245
Unquoted equity investments	**35,750,000**	35,750,000
Total available for sale investments	**62,841,454**	101,765,245

The investment in unquoted companies represents the Corporation's equity interest of 4.89% (2010: 4.89%) and 10% (2010: 10%) in Saweed Employment L.L.C and Pearl Azure Hotel Management Corporation L.L.C respectively. The investments are carried at cost, due to an absence of an active market for such investments or any recent transactions that could provide evidence of the current fair value.

Investments carried at fair value through income statement

	2011 *AED*	*2010* *AED*
Fair value at 1 January	**10,960,905**	11,570,026
Decrease in fair value	**(1,772,788)**	(609,121)
Fair value at 31 December	**9,188,117**	10,960,905

10 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 2011, total accrued interest from this loan amounted to AED 10,675,068 (31 December 2010: AED 6,675,068) and is recorded under due from related parties.

11 INVENTORIES

	2011 *AED*	*2010* *AED*
Food and beverages	**7,571,846**	4,764,475
Engineering and operating supplies	**1,445,008**	2,348,066
	9,016,854	7,112,541

12 INVESTMENT IN A JOINT VENTURE

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.

The Corporation's share of the assets, liabilities, revenues and expenses of the jointly controlled entity, which are proportionally included in the Corporation's consolidated financial statements are as follows:

	2011 *AED*	*2010* *AED*
Share of joint venture's statement of financial position:		
Current assets	**6,658,081**	11,263,002
Non-current assets	**8,847,613**	5,491,932
	15,505,694	16,754,934
Current liabilities	**(4,370,098)**	(5,570,474)
Non-current liabilities	**(4,829,057)**	(794,287)
Net assets	**6,306,539**	10,390,173
Share of joint venture's profit and expense:		
Income	**15,337,461**	23,992,358
Expense	**(15,036,743)**	(22,255,997)
Profit for the year	**300,718**	1,736,361

13 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2011 *AED*	*2010* *AED*
Trade receivables	**124,160,761**	113,754,436
Less: provision for impaired accounts	**(15,962,976)**	(17,013,799)
Net trade receivables	**108,197,785**	96,740,637
Amounts due from related parties (note 23)	**11,482,919**	10,625,551
Other receivables and prepayments	**28,055,189**	22,848,838
	147,735,893	130,215,026

For terms and conditions relating to related party receivables, refer to note 23.

Trade receivables are non-interest bearing and are generally on 30 days terms.

13 ACCOUNTS RECEIVABLE AND PREPAYMENTS continued

As at 31 December 2011, trade receivables at nominal value of AED 15,962,976 (2010: AED 17,013,799) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	2011 *AED*	*2010* *AED*
At 1 January	**17,013,799**	15,715,837
Charge for the year	**187,207**	1,391,048
Write off	**-**	(93,086)
Reversed during the year	**(1,238,030)**	-
At 31 December	**15,962,976**	17,013,799

As at 31 December, the analysis of trade receivables that were past due but not impaired is as follows:

			Past due but not impaired			
	Total *AED*	*Neither past due nor impaired* *AED*	*31 – 60 days* *AED*	*61 – 90 day* *AED*	*91 – 120 days* *AED*	*>120 days* *AED*
2011	**108,197,785**	**32,484,227**	**24,655,445**	**21,526,545**	**15,789,235**	**13,742,333**
2010	96,740,637	33,760,472	21,364,011	20,189,174	9,738,577	11,688,403

14 CASH AND SHORT TERM DEPOSITS

	2011 *AED*	*2010* *AED*
Cash at bank and on hand	**42,355,228**	55,697,275
Short term deposits	**78,396,598**	92,595,943
	120,751,826	148,293,218

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

Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances and fixed deposits with original maturities of three months or less, net of bank overdraft. Cash and cash equivalents at 31 December comprise:

	2011 *AED*	*2010* *AED*
Bank balances and cash	**120,751,826**	148,293,218
Bank overdraft	**(500,000)**	(500,000)
Cash and cash equivalents	**120,251,826**	147,793,218

15 SHARE CAPITAL

	Authorised, Issued and fully paid	
	2011	*2010*
	AED	*AED*
110,000,000 (2010: 110,000,000) ordinary shares of AED 1 each	**110,000,000**	110,000,000
55,000,000 bonus shares issued of AED 1 each	**55,000,000**	-
165,000,000 ordinary shares of AED 1 each	**165,000,000**	110,000,000

During the year, the Corporation issued 55,000,000 bonus shares to its existing shareholders on the basis of one share for every two ordinary shares held. The bonus shares are ordinary shares and carry the same rights as other ordinary shares. The Board of Directors has proposed, subject to the approval of the shareholders in their forthcoming Annual General Meeting, the issuance of 16,500,000 bonus shares to its existing shareholders on the basis of one share for every ten ordinary shares held.

16 LEGAL AND STATUTORY RESERVES

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 for the year, until such reserve reaches 50% of the share capital of the Corporation, which was not achieved as of 31 December 2011. The statutory reserve is not available for distribution.

Legal reserve

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

17 DERIVATIVE FINANCIAL INSTRUMENTS

	2011	*2010*
	AED	*AED*
Interest rate swaps	**3,698,563**	1,292,628

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 20).

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 payments 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%.
- 8%, if 3 months EBOR fixes at or above 8%.

The movement in the fair value of the interest rate swap of AED 2,405,935 (2010: AED 1,292,628) has been charged to the consolidated statement of income.

18 DIVIDENDS

During the year, dividends amounting to AED 88 million (2010: 66 million) were declared and approved of which AED 84,912,412 (2010: 63,390,780) was paid to shareholders.

The Board of Directors has proposed, subject to the approval of the shareholders in their forthcoming Annual General Meeting, the following:

	2011 *AED*	*2010* *AED*
Cash dividends in respect of 2011:AED 0.50 (2010: AED 0.80)	**82,500,000**	88,000,000

19 DIRECTORS' REMUNERATION

The remuneration of the Board of Directors for the year ended 31 December 2011 was AED 10,850,736 (2010: AED 13,021,620), which is subject to approval by the shareholders in the Annual General Meeting.

20 TERM LOANS

	2011 *AED*	*2010* *AED*
Term loan 1	**246,667,064**	308,333,532
Term loan 2	**192,500,000**	192,500,000
Term loan 3	**-**	1,594,221
Term loan 4	**5,224,100**	-
	444,391,164	502,427,753
Less: non-current portion	**(346,744,978)**	(421,667,064)
Current portion	**97,646,186**	80,760,689

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 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.

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, Danat Al Ain Resort (formerly 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.

20 TERM LOANS continued

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 was taken to finance the purchase of motor vehicles. The loan was repayable in 12 quarterly instalments and carried annual interest at EBOR plus 3%. The loan was guaranteed by the shareholders. The loan was fully paid during the year.

Term loan 4
During the year, National Transportation Corporation L.L.C., a joint venture obtained a loan from a commercial bank in Abu Dhabi for a maximum drawdown amount of AED 10.45 million. The loan has been taken to finance the purchase of motor vehicles. The loan is repayable in 16 quarterly instalments and carries annual interest at EBOR plus 3.5%.

There have been no defaults or breach of loan covenants during the year.

21 EMPLOYEES' END OF SERVICE BENEFITS

The Corporation provides for end of service benefits in accordance with the employees' contracts of employment.

	2011 *AED*	*2010* *AED*
The movement on the provision is as follows:		
Balance at 1 January	**14,519,378**	12,664,353
Provided during the year	**5,133,442**	4,796,662
Paid during the year	**(2,774,377)**	(2,941,637)
Balance at 31 December	**16,878,443**	14,519,378

22 ACCOUNTS PAYABLE AND ACCRUALS

	2011 *AED*	*2010* *AED*
Trade and other payables	**61,413,849**	52,030,872
Accrued liabilities	**47,723,700**	34,810,439
Projects related accruals	**3,159,282**	8,707,071
Retentions payable	**2,493,813**	9,389,621
Advances from customers	**7,201,528**	8,205,638
	121,992,172	113,143,641

Terms and conditions of the above financial liabilities:

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

23 RELATED PARTY TRANSACTIONS

Related parties represent the Joint Venture, the Associate, managed hotels, major shareholders, directors and key management personnel of the Corporation, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Corporation's management.

Terms and conditions of transactions with related parties
The sales to and services from related parties are made at normal market prices. Outstanding balances at the year end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2011, the Corporation has not recorded any impairment of receivables relating to amounts owed by related parties (2010: nil).This assessment is undertaken each financial year through examining the financial position of the related party and the market in which related party operates.

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:

	2011 AED	*2010 AED*
Due from related parties (note 10 &13)		
Nareel Island Development Company L.L.C.	**60,675,068**	56,675,068
Pearl Azure Hotel Management Corporation L.L.C.	**8,630,503**	3,774,338
Due from directors	**2,852,416**	176,145
	72,157,987	60,625,551
Advance paid to a related party	**-**	4,500,000

Significant transactions with related parties are as follows:

	2011 AED	*2010 AED*
Interest income	**4,000,000**	4,000,000
Administration fee charged by a related party	**6,000,000**	5,500,000
Asset management fee income	**3,802,449**	3,424,338
Rental income	**460,000**	350,000

Compensation of key management personnel
The remuneration of key management personnel during the year was as follows:

	2011 AED	*2010 AED*
Short-term benefits	**9,070,715**	7,243,001
Employees' end of service benefits	**158,318**	108,788
	9,229,033	7,351,789

24 CONTINGENCIES AND COMMITMENTS

I- Contingencies
Bank guarantees

	2011 *AED*	*2010* *AED*
Bank guarantees	**56,263,497**	40,514,179
Bank guarantees are issued in the normal course of business and mature as follows:		
Within one year	**50,753,472**	39,273,586
Between one year and two years	**5,510,025**	1,240,593
	56,263,497	40,514,179

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

II- Commitments
Capital commitments

At 31 December 2011, the Corporation had estimated commitments for the renovation of Danat Al – Ain Resort and backfilling of Capital Centre of AED 5,119,030 (2010: AED 262,494)

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Objectives and policies
The Corporation's principal financial liabilities comprise term loans and overdrafts and trade payables. The main purpose of these financial liabilities is to raise finance for the Corporation's operations. The Corporation has various financial assets such as trade receivables, cash and short-term deposits, which arise directly from its operations.

The main risks arising from the Corporation's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation entered into interest rate swap arrangements with banks for a notional amount that matches the outstanding term loan 1 (note 20).

The Corporation's exposure to the risk of changes in market interest rates relates primarily to the Corporation's long term debt obligations with floating interest rates and bank deposits.

To manage this, the Corporation enters into interest rate swaps, in which the Corporation agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At 31 December 2011, after taking into account the effect of the interest rate swaps, approximately 98.82% of the Corporation's borrowings are at a fixed rate of interest (2010: 99.68%).

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Credit risk

The Corporation trades only with recognised and creditworthy third parties. It is the Corporation's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Corporation's exposure to credit risk is not significant. The maximum exposure is the carrying amount. There are no significant concentrations of credit risk within the Corporation.

With respect to credit risk arising from other financial assets of the Corporation, which comprise cash and cash equivalents, available for sale financial investments, loan to related parties and investments carried at fair value through income statement, the Corporation's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk

The Corporation monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g. accounts receivables and other financial assets) and projected cash flows from operations.

The table below summarises the maturity profile of the Corporation's financial liabilities at 31 December 2011 based on contractual undiscounted payments.

	On demand AED	*Less than 6 months AED*	*6 to 12 months AED*	*1 to 5 years AED*	*>5 years AED*	*Total AED*
At 31 December 2011						
Term loans	**21,419,085**	**39,112,627**	**58,927,318**	**289,975,412**	**91,000,000**	**500,434,442**
Trade and other payables	**6,317,518**	**67,066,944**	-	-	-	**73,384,462**
Bank overdraft	**500,000**	-	-	-	-	**500,000**
Total	**28,236,603**	**106,179,571**	**58,927,318**	**289,975,412**	**91,000,000**	**574,318,904**
At 31 December 2010						
Term loans	-	41,477,653	61,599,871	363,029,882	110,250,000	576,357,406
Trade and other payables	3,446,931	52,030,872	18,096,692	-	-	73,574,495
Bank overdraft	500,000	-	-	-	-	500,000
Total	3,946,931	93,508,525	79,696,563	363,029,882	110,250,000	650,431,901

Equity price risk

The following table demonstrates the sensitivity of the cumulative changes in fair value to reasonably possible changes in equity prices, with all other variables held constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increases shown.

Market index	*Change in variables*	***31 December 2011 Impact on equity AED***	*31 December 2010 Impact on equity AED*
Abu Dhabi Securities Market Index	5%	**1,346,693**	3,222,685
Dubai Financial Market Index	5%	**7,880**	78,077

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Capital management
The primary objective of the Corporation's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Corporation manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Corporation may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the years end 31 December 2011 and 31 December 2010.

Capital comprises total equity less the cumulative changes in fair values of available for sale investments and derivatives and is measured at AED 587.8 million (2010: AED 580.4 million).

26 FINANCIAL INSTRUMENTS

Fair values
The fair values of the financial assets and liabilities of the Corporation are not materially different from their carrying values at the reporting date.

Fair value hierarchy
As at 31 December 2011, the Corporation held the following financial instruments measured at fair value:

The Corporation uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	31 December 2011 AED	*Level 1 AED*	*Level 2 AED*	*Level 3 AED*	*Cost AED*
Investments carried at fair value through profit or loss					
Investment funds	**9,188,117**	**-**	**9,188,117**	**-**	**-**
Available for sale investments					
Equity shares	**62,841,454**	**27,091,454**	**-**	**-**	**35,750,000**
Derivative financial instruments					
Interest rate swaps	**3,698,563**	**-**	**3,698,563**	**-**	**-**

	31 December 2010 AED	*Level 1 AED*	*Level 2 AED*	*Level 3 AED*	*Cost AED*
Investments carried at fair value through profit or loss					
Investment funds	10,960,905	-	10,960,905	-	-
Available for sale investments					
Equity shares	101,765,245	66,015,245	-	-	35,750,000
Derivative financial instruments					
Interest rate swaps	1,292,628	-	1,292,628	-	-

During the year, there were no transfers between or into Level 1, Level 2 and Level 3 fair value measurements. Certain available for sale investments reported in Level 1 were sold in the year.