National Corporation for Tourism and Hotels

FINANCIAL STATEMENTS

31 DECEMBER 2008

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF

NATIONAL CORPORATION FOR TOURISM AND HOTELS

We have audited the accompanying financial statements of National Corporation for Tourism and Hotels ("the Corporation"), which comprise the balance sheet as at 31 December 2008 and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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 the applicable provisions of the articles of association of the Corporation. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' 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 auditors' judgement, 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 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 the 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 December 2008 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young

5 March 2009
Abu Dhabi

INCOME STATEMENT
Year ended 31 December 2008

	Notes	*2008* *AED*	*2007* *AED*
Revenues	3	**502,709,020**	274,862,401
Direct expenses		**(232,622,453)**	(157,752,766)
GROSS PROFIT		**270,086,567**	117,109,635
OTHER INCOME	4	**15,347,938**	9,334,798
Management fee and reimbursement of system cost		**(17,744,787)**	(4,782,584)
General and administrative expenses	5	**(73,213,202)**	(63,516,344)
Depreciation		**(47,638,380)**	(31,956,759)
PROFIT FROM OPERATIONS		**146,838,136**	26,188,746
Gain on sale of available-for-sale investments	3, 7	**-**	36,335,103
(Loss) gain on investments carried at fair value through income statement		**(43,997,535)**	21,427,805
Dividend income		**4,228,152**	3,350,192
Interest income		**534,231**	1,032,878
Finance costs		**(16,572,680)**	(5,465,236)
PROFIT FOR THE YEAR	3	**91,030,304**	82,869,488
Basic and diluted earnings per share (AED)	24	**0.91**	0.83

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

BALANCE SHEET
At 31 December 2008

	Notes	2008 AED	2007 AED
ASSETS			
Non-current assets			
Property, plant and equipment	6	**821,380,831**	670,902,062
Available for sale investments	7	**187,246,410**	490,489,789
		1,008,627,241	1,161,391,851
Current assets			
Inventories	9	**8,162,261**	4,880,725
Accounts receivable and prepayments	10	**111,889,103**	72,642,848
Investments carried at fair value through income statement	23	**12,610,012**	56,607,547
Bank balances and cash	11	**58,005,155**	38,096,501
		190,666,531	172,227,621
TOTAL ASSETS		**1,199,293,772**	1,333,619,472
EQUITY AND LIABILITIES			
Equity			
Share capital	12	**100,000,000**	100,000,000
Statutory reserve	13	**36,603,571**	27,500,541
General reserve	14	**75,000,000**	75,000,000
Cumulative changes in fair values of available for sale investments		**114,850,095**	419,615,431
Retained earnings		**169,367,715**	107,440,441
Proposed dividends	15	**20,000,000**	20,000,000
Total equity		**515,821,381**	749,556,413
Non-current liabilities			
Term loans	16	**215,123,906**	228,751,907
Retention payable		**4,404,115**	-
Employees' end of service benefits	18	**10,187,104**	9,309,042
		229,715,125	238,060,949
Current liabilities			
Accounts payable and accruals	19	**130,748,468**	93,526,595
Bank overdraft	11	**283,715,798**	232,015,515
Term loans	16	**39,293,000**	20,210,000
Obligations under hire purchase agreement	17	**-**	250,000
		453,757,266	346,002,110
Total liabilities		**683,472,391**	584,063,059
TOTAL EQUITY AND LIABILITIES		**1,199,293,772**	1,333,619,472

HE Sheikh Hamdan Bin Mubarak Al Nahyan
CHAIRMAN

Sultan Ahmed Ghunoum Al Hameli
MANAGING DIRECTOR

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

National Corporation for Tourism and Hotels

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2008

	Share capital AED	*Statutory reserve AED*	*General reserve AED*	*Cumulative changes in fair values of available-for-sale investments AED*	*Retained earnings AED*	*Proposed dividends AED*	*Total AED*
Balance at 1 January 2008	100,000,000	27,500,541	75,000,000	419,615,431	107,440,441	20,000,000	749,556,413
Net unrealised loss on available-for-sale investments	-	-	-	(304,765,336)	-	-	(304,765,336)
Total expenses for the year recognised directly in equity	-	-	-	(304,765,336)	-	-	(304,765,336)
Profit for the year	-	-	-	-	91,030,304	-	91,030,304
Total loss for the year	-	-	-	(304,765,336)	91,030,304	-	(213,735,032)
Proposed cash dividends	-	-	-	-	(10,000,000)	10,000,000	-
Proposed bonus shares	-	-	-	-	(10,000,000)	10,000,000	-
Dividends paid	-	-	-	-	-	(20,000,000)	(20,000,000)
Transfer to statutory reserve	-	9,103,030	-	-	(9,103,030)	-	-
Balance at 31 December 2008	**100,000,000**	**36,603,571**	**75,000,000**	**114,850,095**	**169,367,715**	**20,000,000**	**515,821,381**
Balance at 1 January 2007	100,000,000	19,213,592	75,000,000	114,315,269	52,857,902	20,000,000	381,386,763
Realised gains on available-for-sale investments	-	-	-	(36,335,103)	-	-	(36,335,103)
Net unrealised gain on available-for-sale investments	-	-	-	341,635,265	-	-	341,635,265
Total income for the year recognised directly in equity	-	-	-	305,300,162	-	-	305,300,162
Profit for the year	-	-	-	-	82,869,488	-	82,869,488
Total income for the year	-	-	-	305,300,162	82,869,488	-	388,169,650
Proposed dividends	-	-	-	-	(20,000,000)	20,000,000	-
Dividends paid	-	-	-	-	-	(20,000,000)	(20,000,000)
Transfer to statutory reserve	-	8,286,949	-	-	(8,286,949)	-	-
Balance at 31 December 2007	100,000,000	27,500,541	75,000,000	419,615,431	107,440,441	20,000,000	749,556,413

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

CASH FLOW STATEMENT

Year ended 31 December 2008

	Notes	*2008* *AED*	*2007* *AED*
OPERATING ACTIVITIES			
Profit for the year		**91,030,304**	82,869,488
Adjustments for:			
Depreciation of property, plant and equipment	6	**51,437,352**	35,018,219
Gain on sale of property, plant and equipment		**(1,095,814)**	(553,984)
Provision for employees' end of service benefits	18	**3,793,385**	3,044,830
Interest income		**(534,231)**	(1,032,878)
Finance costs		**16,572,680**	5,465,236
Dividend income		**(4,228,152)**	(3,350,192)
Gain on sale of available-for-sale investments		-	(36,335,103)
Loss (gain) on investments carried at fair value through income statement		**43,997,535**	(21,427,805)
		200,973,059	63,697,811
Working capital adjustments:			
Inventories		**(3,281,536)**	(320,058)
Accounts receivable and prepayments		**(39,246,255)**	(23,878,008)
Accounts payable and accruals		**26,256,956**	13,954,650
Cash from operations		**184,702,224**	53,454,395
Employees' end of service benefits paid	18	**(2,915,323)**	(2,838,509)
Interest paid		**(11,682,646)**	(5,465,236)
Net cash from operating activities		**170,104,255**	45,150,650
INVESTING ACTIVITIES			
Purchase of property, plant and equipment, net of advances to contractors		**(130,034,717)**	(117,940,251)
Advances and reservation deposits on purchase of lands		**(64,046,691)**	(61,581,050)
Interest received		**534,231**	1,032,878
Dividends received		**4,228,152**	3,350,192
Purchase of available-for-sale investments		**(1,521,957)**	(35,750,000)
Proceeds from sale of property, plant and equipment		**3,740,099**	1,520,343
Proceeds from sale of investments carried at fair value through income statement		-	14,345
Proceeds from sale of available-for-sale investments		-	47,195,411
Net cash used in investing activities		**(187,100,883)**	(162,158,132)
FINANCING ACTIVITIES			
Dividends paid		**(20,000,000)**	(20,000,000)
Repayment of term loans		**(920,001)**	(17,600,593)
Obligations under hire purchase agreement		**(250,000)**	(500,000)
Term loan received		**6,375,000**	-
Net cash used in financing activities		**(14,795,001)**	(38,100,593)
DECREASE IN CASH AND CASH EQUIVALENTS		**(31,791,629)**	(155,108,075)
Cash and cash equivalents at 1 January		**(193,919,014)**	(38,810,939)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	11	**(225,710,643)**	(193,919,014)

Significant non-cash transactions which have been excluded from the cash flow statement are as follows:

Cumulative changes in fair value of available-for-sale investments		**(304,765,336)**	305,300,162
Depreciation charged to capital work in progress		-	4,512,305
Adjustment to project accrual capitalised in prior years (note 6)		-	(432,526)

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

1 ACTIVITIES

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. As stated in the law, as of the date of its formation, the Corporation acquired from the Government of Abu Dhabi the ownership of Abu Dhabi Inter-Continental Hotel, Al Ain Inter-Continental Hotel and Al Dhafra Beach Hotel (the "Hotels"), all located in the Emirate of Abu Dhabi. In addition, 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 located in the Emirate of Abu Dhabi, provides catering services and has a 50% shareholding interest in a transport company. The registered head office of the Corporation is at P O Box 6942, Abu Dhabi, United Arab Emirates ("UAE").

The activities of the Hotels and joint venture owned by the Corporation are summarised as follows:

Abu Dhabi Inter-Continental Hotel
The hotel is managed by the Inter-Continental Hotels Corporation. The Operating and Management Agreement dated 26 April 2001 is for a period of 10 years from 1 January 2001, renewable for a further period of five years. The management fee is calculated on the basis of 10% of the total annual gross operating profit for the year adjusted by the transfer to furniture, fixtures and equipment reserve, reimbursement of system cost, equipment rental and insurance cost for the year, provided the level of priority return amount is met in accordance with Article 4 of the Operating and Management Agreement as amended between the Operator and the Corporation.

Reimbursement of system cost is charged at 1 % (2007: 1%) of gross revenue net of service charges.

Al Ain Inter-Continental Hotel
The hotel is managed by the Inter-Continental Hotels Corporation. The Operating and Management Agreement dated 26 April 2001 is for a period of 10 years from 1 January 2001, renewable for a further period of five years. The management fee is calculated on the basis of 10% of the total annual gross operating profit for the year adjusted by the transfer to furniture, fixtures and equipment reserve, reimbursement of system cost, equipment rental and insurance cost for the year, provided the level of priority return amount is met in accordance with Article 4 of the Operating and Management Agreement as amended between the Operator and the Corporation.

Reimbursement of system cost is charged at 1 % (2007: 1%) of gross revenue net of service charges.

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 LLC
The Corporation has a 50% equity shareholding with equal voting power in National Transportation Company LLC ("the Joint Venture"), a joint venture established in Abu Dhabi, UAE as a limited liability Company and commenced its commercial activities in July 2003. The Joint Venture is engaged in ownership and operation of a fleet of deluxe taxis and buses.

The financial statements of National Corporation for Tourism and Hotels for the year ended 31 December 2008 were authorised for issue in accordance with a resolution of the Board of Directors on 5 March 2009.

2.1 BASIS OF PREPARATION

The financial statements are prepared under the historical cost convention modified to include the measurement at fair value of available-for-sale investments and investments carried at fair value through income statement.

The financial statements are presented in UAE Dirhams ("AED") which is the functional and presentational currency of the Corporation, Hotels and the Joint Venture.

The financial statements incorporate the financial statements of the Corporation, its divisions and Hotels and its Joint Venture, National Transportation Company LLC, all drawn up to 31 December each year.

Statement of compliance
The financial statements have been prepared in accordance with International Financial Reporting Standards.

The financial statements of the Corporation's divisions, Hotels and its Joint Venture are prepared using consistent accounting policies as those used by the Corporation. Joint Ventures are included from the date on which control is transferred to the Corporation and will cease to be included from the date on which control is transferred out of the Corporation.

2.2 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Corporation has adopted the following new and amended IFRS and IFRIC interpretations as at 1 January 2008. Adoption of these revised standards did not have any effect on the financial performance or position of the Corporation.

- IFRIC 12 — Service Concession Arrangements
- IFRIC 14 IAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- IFRIC 11 IFRS 2 — Group and Treasury Share Transactions
- IAS 39 (Amended) — Financial Instruments: Recognition and Measurement
- IFRS 7 (Amended) — Financial Instruments: Disclosures

2.3 FUNDAMENTAL ACCOUNTING CONCEPT

At 31 December 2008, the Corporation's current liabilities exceeded its current assets by AED 263 million (2007: AED 174 million). However, the Company's total assets exceeded its total liabilities by AED 516 million and, additionally, the management of the Corporation supported by the Board of Directors have expressed confidence in restructuring its current bank facilities and loan from the Government of Abu Dhabi to enable the Corporation to meet its current liability obligations as they fall due in the foreseeable future.

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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 reporting date. 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 the future.

Judgements
In the process of applying the Corporation's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Classification of investments
Financial assets within the scope of IAS 39 are classified as financial assets carried at fair value through income statement or available-for-sale financial assets, as appropriate.

The Corporation determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

Estimation uncertainty
The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet 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 available-for-sale financial assets
The Corporation classifies certain investments as available-for-sale and recognises movements in their fair value in equity. When there is a significant or prolonged decline in value, management makes assumptions about the decline in value to determine whether it is an impairment that should be recognised in the income statement. At 31 December 2008, no impairment losses have been recognised for available-for-sale assets (2007: AED nil). The carrying amount of available-for-sale investments was AED 187,246,410 (2007: AED 490,489,789).

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, excluding discounts, rebates, and sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

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

Rendering of services
Revenue from rendering of services is recognised when the outcome of the transaction can be estimated reliably, by reference to the stage of completion of the transaction at the balance sheet date.

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Financial assets

Initial recognition

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.

When financial assets are recognised initially, they are measured at fair value, being the transaction price plus, in the case of financial assets 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 purchases) 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, quoted and unquoted financial instruments.

Subsequent measurement

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

Investments carried at fair value through income statement

Investments carried at fair value through income statement are recognised and derecognised, on a trade date basis, when the Corporation becomes, or ceases to be, a party to the contractual provisions of the instrument.

Investments are classified as fair value through income statement if the fair value of the investment can be reliably measured. Investments classified as "investments at fair value through income statement" upon initial recognition, are remeasured at fair value with all changes in fair value being recorded in the income statement.

Available-for-sale investments

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 measured at fair value unless this can not be reliably measured. The unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the income statement, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Financial liabilities

Initial recognition

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.

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, obligation under hire purchase agreement and loans.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Financial liabilities

Initial recognition 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 amortisation process.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet 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 balance sheet date. For financial instruments where there is no active market, fair value is determined using 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.

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.

Impairment of financial assets

The Corporation assesses at each balance sheet 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.

Available-for-sale financial investments

For available-for-sale financial investments, the Corporation assesses at each balance sheet date whether there is objective evidence that an investment or a group of investments is impaired. 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. 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 equity 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 equity.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Derecognition of financial instruments

Financial assets

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. 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.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Corporation's continuing involvement is the amount of the transferred asset that the Corporation may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Corporation's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

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 income statement.

Interest in joint venture

The Corporation's interest in its joint venture, namely National Transportation Company LLC ("the Joint Venture"), is accounted for by using the proportionate consolidation method, which involves recognising a proportionate share of the joint venture's assets, liabilities, income and expenses with similar items in the financial statements on a line by line basis.

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

Adjustments are made in the Corporation's financial statements to eliminate the Corporation's share of unrealised gains and losses on transaction between the Corporation and its jointly controlled entity. Losses on transaction 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 until the date on which the Corporation ceases to have joint control over the joint venture.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated.

Assets under construction (i.e. capital work in progress) 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	over 10 - 30 years
Fixtures and fittings	over 5 - 7 years
Mechanical and electrical plant	over 7 – 10 years
Motor vehicles	over 4 years

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 values exceed 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.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the income statement as the expense is incurred.

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

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Inventories

Inventories are stated 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.

Accounts receivable

Accounts receivable are stated at original invoice amount net of provisions for amounts estimated to be impaired. An estimate 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.

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.

Term loans

Term loans are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, term loans are subsequently measured at amortised cost using the effective interest method. Interest on term loans is charged as an expense with unpaid amounts included in "accounts payable and accruals".

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Cash and cash equivalents
Cash and cash equivalents consist of cash in hand, bank balances, and short-term deposits with an original maturity of three months or less, net of bank overdraft.

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.

Borrowing costs
Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalised (net of interest income on temporary investment of borrowings) as part of the cost of the asset until the asset is commissioned for use. Borrowing costs in respect of completed assets or not attributable to qualifying assets are expensed in the period in which they are incurred.

Employees' end of service benefits
The Corporation provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the 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 the relevant UAE Government pension scheme calculated as a percentage of the employees' salaries. The obligations under these schemes are limited to these contributions, which are expensed when due.

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 balance sheet date. All differences are taken to the income statement.

2.6 FUTURE CHANGES IN ACCOUNTING POLICIES - STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards and interpretations issued but not yet effective and not applied by the Corporation

Effective for financial period beginning on or after 1 January 2009.

- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements
- IFRS 3R Business Combinations and IAS 27R Consolidated and Separate Financial Statements
- IFRS 8 Operating segment
- IAS 1 Revised Presentation of Financial Statements
- IFRS 2 Share Based Payments (Revised)
- IAS 23 Borrowing Cost (Revised)
- IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation
- IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items
- IFRIC 13 Customer loyalty programme
- IFRIC 15 Agreement for the Construction of Real Estate
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation
- IFRIC 17 Distributions of Non-Cash Assets to Owners
- Improvements to IFRSs (2007 Project)

The Corporation has concluded that the adoption of the above standards and interpretations will have no impact on the financial position or performance of the Corporation.

3 SEGMENTAL INFORMATION

Primary segment information

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

- Hotels – providing room and food and beverages 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 to customers in Abu Dhabi and Al Ain.

	Hotels		*Catering services*		*Transport services*		*Total*	
	2008 AED	*2007 AED*	***2008 AED***	*2007 AED*	***2008 AED***	*2007 AED*	***2008 AED***	*2007 AED*
Revenues	**365,006,873**	183,525,864	**112,145,950**	75,024,038	**25,556,197**	16,312,499	**502,709,020**	274,862,401
Segment result	**152,440,706**	34,804,904	**5,564,489**	4,560,708	**3,723,189**	1,466,036	**161,728,384**	40,831,648
Unallocated general and administrative expenses							**(13,499,737)**	(12,903,882)
Unallocated depreciation expenses							**(1,390,511)**	(1,739,020)
Gain on sale of available for sale investments							**-**	36,335,103
Interest and dividend income and gain (loss) on investments carried at fair value through income statement							**(39,235,152)**	25,810,875
Finance costs							**(16,572,680)**	(5,465,236)
Profit for the year							**91,030,304**	82,869,488

	Hotels		*Catering services*		*Transport services*		*Total*	
	2008 AED	*2007 AED*	***2008 AED***	*2007 AED*	***2008 AED***	*2007 AED*	***2008 AED***	***2007** AED*
Assets								
Segment assets	**850,186,159**	683,768,957	**62,493,349**	48,111,551	**24,374,506**	20,415,425	**937,054,014**	752,295,933
Unallocated corporate assets							**262,239,758**	581,323,539
Total assets							**1,199,293,772**	1,333,619,472
Liabilities								
Segment liabilities	**88,588,902**	66,412,678	**28,864,874**	17,383,453	**15,334,216**	15,098,324	**132,787,992**	98,894,455
Unallocated corporate liabilities							**550,684,399**	485,168,604
Total liabilities							**683,472,391**	584,063,059
Depreciation charge								
Segment depreciation	**41,315,943**	27,711,285	**4,710,135**	2,442,485	**4,020,763**	3,125,429	**50,046,841**	33,279,199
Unallocated depreciation expenses							**1,390,511**	1,739,020
							51,437,352	35,018,219
Capital expenditure								
Segment capital expenditure	**116,884,058**	110,654,063	**8,219,078**	8,039,493	**9,047,251**	9,571,856	**134,150,387**	128,265,412
Unallocated capital expenditure							**750,820**	930,600
							134,901,207	129,196,012

Profit for the year is stated after charging:

	2008 AED	*2007 AED*
• Staff cost	**74,518,205**	70,574,473
• Inventory recognised as an expense	**134,800,665**	70,745,227

Secondary segment information

For operational and management reporting purposes, the Corporation is organised as one geographical segment. Accordingly, no secondary segment information is required to be provided.

4 OTHER INCOME

	2008 *AED*	*2007* *AED*
Rental income	**1,276,155**	1,851,667
Management fees	**4,403,088**	2,031,608
Reversal of provision for doubtful debts (note 10)	**6,865,489**	2,000,000
Gain on sale of property, plant and equipment	**1,095,814**	553,984
Miscellaneous income	**1,707,392**	2,897,539
	15,347,938	9,334,798

5 GENERAL AND ADMINISTRATIVE EXPENSES

	2008 *AED*	*2007* *AED*
Payroll and employee related costs	**28,036,135**	21,109,323
Other expenses	**34,908,441**	34,288,371
Energy costs	**10,268,626**	8,118,650
	73,213,202	63,516,344

6 PROPERTY, PLANT AND EQUIPMENT

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

	2008 *AED*	*2007* *AED*
Property, plant and equipment at net carrying amount	**647,859,627**	567,040,057
Advances to contractors	**1,614,803**	6,481,293
Advances and reservation deposits on purchase of lands	**171,906,401**	97,380,712
	821,380,831	670,902,062

6 PROPERTY, PLANT AND EQUIPMENT continued

	Land and buildings AED	*Fixtures and fittings AED*	*Mechanical and electrical plant AED*	*Motor vehicles AED*	*Capital work in progress AED*	*Total AED*
2008						
Cost:						
At 1 January 2008	545,397,605	121,488,296	111,996,882	25,645,224	28,244,888	832,772,895
Additions	2,723,525	19,648,939	429,551	9,966,646	102,132,546	134,901,207
Disposals	(62,025)	(18,500)	-	(6,253,020)	-	(6,333,545)
Transfer from capital work in progress	12,770,327	2,916,154	173,150	-	(15,859,631)	-
At 31 December 2008	560,829,432	144,034,889	112,599,583	29,358,850	114,517,803	961,340,557
Depreciation:						
At 1 January 2008	157,061,994	85,667,654	13,676,028	9,327,162	-	265,732,838
Depreciation charge for the year	22,573,443	11,894,513	11,294,240	5,675,156	-	51,437,352
Disposals	-	(18,500)	-	(3,670,760)	-	(3,689,260)
At 31 December 2008	179,635,437	97,543,667	24,970,268	11,331,558	-	313,480,930
Net carrying amount						
At 31 December 2008	**381,193,995**	**46,491,222**	**87,629,315**	**18,027,292**	**114,517,803**	**647,859,627**
2007						
Cost:						
At 1 January 2007	401,046,797	96,875,461	14,013,925	16,789,254	178,082,046	706,807,483
Additions	700,000	9,681,590	133,905	11,654,044	107,026,473	129,196,012
Disposals	-	-	-	(2,798,074)	-	(2,798,074)
Adjustments to project capitalised in prior year	(432,526)	-	-	-	-	(432,526)
Transfer from capital work in progress	144,083,334	14,931,245	97,849,052	-	(256,863,631)	-
At 31 December 2007	545,397,605	121,488,296	111,996,882	25,645,224	28,244,888	832,772,895
Depreciation:						
At 1 January 2007	137,431,246	76,403,829	7,403,749	6,795,205	-	228,034,029
Depreciation charge for the year	19,630,748	9,263,825	6,272,279	4,363,672	-	39,530,524
Disposals	-	-	-	(1,831,715)	-	(1,831,715)
At 31 December 2007	157,061,994	85,667,654	13,676,028	9,327,162	-	265,732,838
Net carrying amount						
At 31 December 2007	388,335,611	35,820,642	98,320,854	16,318,062	28,244,888	567,040,057

Depreciation expense amounting to AED 3,798,972 (2007: AED 3,061,460) and AED nil (2007: AED 4,512,305) is charged to direct expenses and capital work in progress respectively.

During the year, the Corporation has not capitalised any finance costs relating to property, plant and equipment (2007: AED 11,340,252).

The advances and reservation deposits amounting to AED 171,906,401 (2007: AED 97,380,712) have been accounted for purchase of two lands, in Saadiyat Island and Abu Dhabi.

7 AVAILABLE FOR SALE INVESTMENTS

	2008 *AED*	*2007* *AED*
Quoted investments (UAE companies)	**151,496,410**	454,739,789
Unquoted investments (UAE companies)		
Cost at 1 January	**35,750,000**	10,860,308
Additions during the year	-	35,750,000
Disposed during the year	-	(10,860,308)
Balance at 31 December	**35,750,000**	35,750,000
Total available for sale investments	**187,246,410**	490,489,789

In 2007, the Corporation invested AED 35.7 million in unquoted companies representing the Corporation's equity interest of 10% in Pearl Azure Hotels and Resorts LLC and 5% in Sawaeed Employment LLC. Pearl Azure Hotels and Resorts LLC commenced its operations on 24 May 2007 and is involved in owning and managing hotels in the United Arab Emirates. Sawaeed Employment LLC was established on 19 December 2006 and is involved in recruitment of skilled and unskilled staff for government and private businesses. These investments are carried at cost, as there is no practical means of estimating the fair value of these investments due to unavailability of the financial information. In the Board of Directors' opinion the investments will be realised in full.

8 JOINT VENTURE

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

	2008 *AED*	*2007* *AED*
Current assets	**8,594,035**	7,232,107
Non-current assets	**15,780,471**	13,183,318
	24,374,506	20,415,425
Current liabilities	**(9,620,587)**	(13,483,356)
Non-current liabilities	**(5,477,737)**	(1,614,968)
Net assets	**9,276,182**	5,317,101
Revenues	**25,556,197**	16,312,499
Direct costs	**(21,725,374)**	(13,515,601)
General and administrative expenses	**(1,056,927)**	(1,501,979)
Finance costs, net	**(357,220)**	(234,680)
Other income	**1,306,513**	405,797
Profit for the year	**3,723,189**	1,466,036

At 31 December 2008, the Joint Venture had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to AED 2,975,298 (2007: AED 1,756,920).

9 INVENTORIES

	2008	*2007*
	AED	*AED*
Engineering and operating supplies	**5,353,950**	1,504,527
Food and beverages	**2,808,311**	3,376,198
	8,162,261	4,880,725

10 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2008	*2007*
	AED	*AED*
Trade accounts and notes receivable, net of provision for doubtful debts	**95,284,552**	57,937,530
Other receivables	**1,874,614**	1,251,960
Prepaid expenses	**14,729,937**	13,453,358
	111,889,103	72,642,848

As at 31 December 2008, trade receivables at nominal value of AED 15,453,872 (2007: AED 19,608,553) were impaired and fully provided for. Movements in the provision for impairment of trade receivables were as follows:

	2008	*2007*
	AED	*AED*
At 1 January	**19,608,553**	19,022,850
Charge for the year	**2,710,808**	2,585,703
Unused amount reversed (note 4)	**(6,865,489)**	(2,000,000)
At 31 December	**15,453,872**	19,608,553

As at 31 December, the ageing of unimpaired trade receivables is as follows:

			Past due but not impaired			
	Total AED	*Neither past due nor impaired AED*	*30 – 60 days AED*	*61 – 90 days AED*	*91 – 120 days AED*	*>121 days AED*
2008	**95,284,552**	**27,761,183**	**28,012,973**	**20,736,415**	**8,220,627**	**10,553,354**
2007	57,937,530	25,314,675	17,040,897	8,301,119	2,186,341	5,094,498

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Corporation to obtain collateral over receivables and the vast majority is, therefore, unsecured.

Trade receivables are non-interest bearing and are generally on 30 – 45 days terms.

11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement include the following balance sheet amounts:

	2008	*2007*
	AED	*AED*
Demand deposits and cash	**58,005,155**	38,096,501
Bank overdraft	**(283,715,798)**	(232,015,515)
	(225,710,643)	(193,919,014)

Bank balances are held with banks operating in the United Arab Emirates.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day to three months, depending on the immediate cash requirements of the Corporation.

The bank overdraft facility is secured against certain of the Corporation's assets and corporate guarantees.

12 SHARE CAPITAL

	2008	*2007*
	AED	*AED*
Authorised, issued and fully paid ordinary shares of AED 1 each	**100,000,000**	100,000,000

13 STATUTORY RESERVE

In accordance with Law No. 7 of 1996 and the Corporation's articles of association, 10% of the profit for the year is to be transferred to statutory reserve. The Corporation may resolve to discontinue such annual transfers when the reserve totals 50% of the share capital.

14 GENERAL RESERVE

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

15 PROPOSED DIVIDENDS AND BOARD OF DIRECTORS' REMUNERATION

During the year, dividends of AED 0.20 per share totalling AED 20,000,000 relating to 2007 were paid.

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

Cash dividends in respect of 2008: 10 fils per share (2007: 20 fils)	**10,000,000**	20,000,000
Bonus shares: 1 share for every 10 shares held (2007: nil)	**10,000,000**	-
Proposed Board of Directors remuneration	**9,103,030**	750,000

16 TERM LOANS

	2008	*2007*
	AED	*AED*
Term loan 1	**245,000,000**	245,000,000
Term loan 2	**3,041,906**	3,961,907
Term loan 3	**6,375,000**	-
	254,416,906	248,961,907
Classified as:		
Current liability	**39,293,000**	20,210,000
Non-current liability	**215,123,906**	228,751,907
	254,416,906	248,961,907

Term loan 1:
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 Inter-Continental Hotel, Al Ain Inter-Continental Hotel and Al Dhafra Beach Hotel to the Corporation for an amount of AED 350 million. The sale amount of AED 350 million has been granted as a long term loan by the Government of Abu Dhabi to the Corporation and is to be repaid over 20 years following a grace period of 5 years commencing from 11 December 1996 being the date of the loan agreement. The loan carries simple interest at 2% per annum to be charged after a grace period of 3 years.

Term loan 2:
In 2006, the Joint Venture entered into a loan agreement with a commercial bank in Abu Dhabi for a maximum drawdown amount of AED 13 million. The loan has been taken to finance the purchase of the motor vehicles. The bank term loan is repayable in 8 quarterly instalments and accrues annual interest at EBOR plus 3% and it is guaranteed by the shareholders.

Term loan 3
During the year, the Joint Venture entered into a loan agreement with a commercial bank in Abu Dhabi amounting to AED 12.75 million. The loan has been taken to finance the purchase of the motor vehicles. The bank term loan is repayable in 12 quarterly instalments commencing from 31 March 2009 from the date of the final draw down. The loan accrues annual interest at EBOR plus 3% and it is guaranteed by the shareholders.

At 31 December 2008, unutilised loan available to the Joint Venture amounted to AED 7 million (2007: AED 5 million). The Joint Venture term loans are secured by pledges over the motor vehicles in accordance with the facility agreement.

17 OBLIGATIONS UNDER HIRE PURCHASE AGREEMENT

The Joint Venture obtained a financing facility from a local Islamic bank to finance the purchase of vehicles under hire purchase agreements. The facility was fully settled during the year.

18 EMPLOYEES' END OF SERVICE BENEFITS

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

The movement on the provision recognised in the balance sheet is as follows:

	2008	*2007*
	AED	*AED*
Balance at 1 January	**9,309,042**	9,102,721
Provided during the year	**3,793,385**	3,044,830
Employees' end of service benefits paid	**(2,915,323)**	(2,838,509)
Balance at 31 December	**10,187,104**	9,309,042

19 ACCOUNTS PAYABLE AND ACCRUALS

	2008	*2007*
	AED	*AED*
Trade accounts payable	**56,833,459**	34,501,667
Accrued expenses and other payables	**52,789,112**	42,838,079
Advances from customers	**11,768,455**	5,252,126
Retention payable	**9,357,442**	10,934,723
	130,748,468	93,526,595

20 CAPITAL COMMITMENTS

Estimated capital expenditure contracted for at the balance sheet date but not provided for:

	2008	*2007*
	AED	*AED*
Property, plant and equipment	**101,329,557**	135,969,564

21 CONTINGENCIES

The Corporation has given bank guarantees from which it is anticipated that no material liabilities will arise, amounting to AED 34,104,133 (2007: AED 22,977,609) in the normal course of business.

22 RELATED PARTY TRANSACTIONS

Related parties represent associated companies, 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.

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

	2008	*2007*
	AED	*AED*
Short-term benefits	**8,060,511**	7,923,498
Employees' end of service benefits	**590,253**	394,154
	8,650,764	8,317,652

23 INVESTMENTS CARRIED AT FAIR VALUE THROUGH INCOME STATEMENT

Investments carried at fair value through income statement comprise of investments in managed funds. These investments are classified under this category as they are managed and their performance is evaluated on a fair value basis, in accordance with the Corporation's documented risk management strategy.

24 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit for the year by the weighted average number of 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.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2008	*2007*
Profit for the year attributable to ordinary equity holders *(AED)*	**91,030,304**	82,869,488
Weighted average number of ordinary shares issued	**100,000,000**	100,000,000
Basic and diluted earnings per share *(AED)*	**0.91**	0.83

As of 31 December 2008, the Corporation has not issued any instruments which would have a dilutive impact on earnings per share when converted or exercised.

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Corporation's principal financial liabilities comprise term loans, trade payables and bank overdraft. 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 accounts receivables and cash and short-term deposits, which arise directly from its operations as well as available for sale investments and investments carried at fair value through income statement.

The main risks arising from the Corporation's financial instruments are interest rate risk, liquidity risk, foreign currency risk, market 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
The Corporation's exposure to the risk of changes in market interest rates relates primarily to the Corporation's short-term debt obligations with floating interest rates.

The Corporation's policy is to manage its interest cost using long term with fixed interest rates. The Corporation's policy is to keep between 45% and 55% of its borrowing at fixed rates of interest. At 31 December 2008, approximately 46% of the Corporation's borrowings are at a fixed rate of interest (2007: 51%).

Interest rate risk table
The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Corporation's profit for one year relating to floating rate borrowings.

	Effect on profit *AED*
2008	
+10 increase in basis points	**(94,169)**
-10 decrease in basis points	**(94,169)**
2007	
+10 increase in basis points	(42,119)
-10 decrease in basis points	42,119

Credit risk
The Corporation trades only with recognised, 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. The maximum exposure is the carrying amount as disclosed in note 10. The Corporation's three largest customers account for approximately 16% of outstanding trade receivable balance at 31 December 2008 (2007: 3 customers - 15%).

With respect to credit risk arising from other financial assets of the Corporation, which comprise cash and cash equivalents, 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.

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

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 receivable and other financial assets) and projected cash flows from operations.

The Corporation's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdraft and bank loans. The Corporation's policy is that not more than 14% of borrowings should mature in the next 12 month period. 60% of the Corporation's debt will mature in less than one year at 31 December 2008 (2007: 52%) based on the carrying value of borrowings reflected in the financial statements. The Corporation expects to re-structure its short term financing into long term loans.

The table below summarises the maturity profile of the Corporation's financial liabilities at 31 December 2008 based on contractual undiscounted payments and current market interest rates.

	On demand	*Less than 3 months AED*	*3 to 12 months AED*	*1 to 5 years AED*	*> 5 years AED*	*Total AED*
At 31 December 2008						
Term loans	**-**	**-**	**44,765,711**	**90,196,271**	**152,600,000**	**287,561,982**
Retention payable	**-**	**9,357,442**	**-**	**4,404,115**	**-**	**13,761,557**
Trade accounts payable	**-**	**56,833,459**	**-**	**-**	**-**	**56,833,459**
Bank overdraft	**283,715,798**	**-**	**-**	**-**	**-**	**283,715,798**
	283,715,798	**66,190,901**	**44,765,711**	**94,600,386**	**152,600,000**	**641,872,796**
At 31 December 2007						
Term loans	-	581,831	24,105,155	87,930,973	173,250,000	285,867,959
Retention payable	-	10,934,723	-	-	-	10,934,723
Obligations under hire purchase agreement	-	-	253,770	-	-	253,770
Trade accounts payable	-	34,501,667	-	-	-	34,501,667
Bank overdraft	232,015,515	-	-	-	-	232,015,515
	232,015,515	46,018,221	24,358,925	87,930,973	173,250,000	563,573,634

Capital management
The primary objective of the Corporation's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' 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 or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2008 and 31 December 2007.

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Capital management continued
The Corporation monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Corporation's policy is to keep the gearing ratio between 55% and 65%. The Corporation includes within net debt, term loans, obligations under hire purchase agreement, trade accounts payable, retention payable and accruals, and cash and cash equivalents. Capital includes equity less the net unrealised gains reserve.

	2008 ***AED***	*2007* *AED*
Accounts payable and accruals	**130,748,468**	93,526,595
Term loans	**254,416,906**	248,961,907
Obligation under hire purchase agreement	-	250,000
Retention payable	**4,404,115**	
Cash and cash equivalents	**225,710,643**	193,919,014
Net debt	**615,280,132**	536,657,516
Equity	**515,821,381**	749,556,413
Less: Cumulative changes in fair values of available for sale investments	**(114,850,095)**	(419,615,431)
Total capital	**400,971,286**	329,940,982
Capital and net debt	**1,016,251,418**	866,598,498
Gearing ratio	**61%**	62%

Market risk
Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market. The Corporation is exposed to market risk with respect to its available for sale investments and investments carried at fair value through income statement. The Corporation limits market risks by maintaining a diversified portfolio and by continuous monitoring of developments in the market. In addition, the Corporation actively monitors the key factors that affect the market movements, including analysis of the operational and financial performance of investees.

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks. The equity price risk exposure arises from the Corporation's investment portfolio.

The following tables estimate the sensitivity to a possible change in equity markets on the Corporation's income statement and equity, as applicable.

The sensitivity of the income statement is the effect of the assumed change in the reference equity benchmark on the fair value of investments carried at fair value through income statement.

Market index	*Change in variables*	***31 December 2008 Impact on profit AED***	*31 December 2007 Impact on profit AED*
Net asset value of managed funds	5%	**630,501**	2,830,377

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Market risk continued

The effect on equity (as a result of a change in the fair value of equity instruments held as available for sale at 31 December 2008) due to a reasonably possible change in equity indices, with all other variables held constant, is as follows.

Market index	*Change in variables*	***31 December 2008 Impact on equity AED***	*31 December 2007 Impact on equity AED*
Abu Dhabi Securities Market Index	5%	**7,574,821**	22,478,270

26 FINANCIAL INSTRUMENTS

Fair values

The fair values of the Corporation's financial instruments are not materially different from their carrying values at the balance sheet date except for the term loan from the Government of Abu Dhabi (note 16) with fixed interest rate and unquoted available for sale investments carried at cost (note 7). Set out below is a comparison of carrying amounts and fair values of the term loan with fixed interest rate:

	Carrying amount		*Fair value*	
	2008 AED	*2007 AED*	***2008 AED***	*2007 AED*
Term loan	**245,000,000**	245,000,000	**181,552,934**	197,597,003

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