National Corporation for Tourism and Hotels

FINANCIAL STATEMENTS

31 DECEMBER 2006

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 2006 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 2006 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

5 March 2007
Abu Dhabi

INCOME STATEMENT
Year ended 31 December 2006

	Notes	*2006* *AED*	*2005* *AED*
Revenues	3	**212,092,274**	263,839,655
Direct expenses	3	**(137,742,077)**	(144,798,086)
GROSS PROFIT	3	**74,350,197**	119,041,569
OTHER INCOME	3 & 4	**40,997,950**	5,605,256
General and administrative expenses	5	**(49,517,855)**	(73,926,363)
Depreciation		**(24,214,113)**	(29,531,184)
Management fee and reimbursement of system cost	3	**(2,353,449)**	(7,336,518)
PROFIT FROM OPERATIONS		**39,262,730**	13,852,760
Gain on sale of available-for-sale investments		**-**	2,103,437
(Loss) gain on investments carried at fair value through income statement		**(26,804,180)**	60,557,120
Dividend income		**1,592,196**	-
Interest income		**3,571,279**	747,130
Interest on term loan		**(5,745,656)**	(7,519,983)
PROFIT FOR THE YEAR		**11,876,369**	69,740,464
Basic and diluted earnings per share (AED)	23	**0.12**	0.70

The attached notes 1 to 25 form part of these financial statements.

BALANCE SHEET
At 31 December 2006

	Notes	*2006* *AED*	*2005* *AED*
ASSETS			
Non-current assets			
Property, plant and equipment	6	**527,797,865**	351,642,672
Available for sale investments	7	**160,299,935**	266,240,648
		688,097,800	617,883,320
Current assets			
Inventories	9	**4,560,667**	5,784,918
Accounts receivable and prepayments	10	**48,764,840**	69,867,253
Investments carried at fair value through income statement		**35,194,087**	123,927,470
Bank balances and cash	11	**72,842,593**	31,913,724
		161,362,187	231,493,365
TOTAL ASSETS		**849,459,987**	849,376,685
EQUITY AND LIABILITIES			
Equity			
Share capital	12	**100,000,000**	100,000,000
Statutory reserve	13	**19,213,592**	18,025,955
General reserve	14	**75,000,000**	75,000,000
Cumulative changes in fair values of available for sale investments		**114,315,269**	220,255,982
Retained earnings		**52,857,902**	62,169,170
Proposed dividends	15	**20,000,000**	25,000,000
Total equity		**381,386,763**	500,451,107
Non-current liabilities			
Term loans	16	**245,000,000**	264,159,783
Obligations under hire purchase agreement	17	**250,000**	750,000
Employees' end of service benefits	18	**9,102,721**	8,368,494
		254,352,721	273,278,277
Current liabilities			
Accounts payable and accruals	19	**80,004,471**	54,397,301
Bank overdraft	11	**111,653,532**	-
Term loans	16	**21,562,500**	20,750,000
Obligations under hire purchase agreement	17	**500,000**	500,000
		213,720,503	75,647,301
Total liabilities		**468,073,224**	348,925,578
TOTAL EQUITY AND LIABILITIES		**849,459,987**	849,376,685

Nasser Ahmed Al Suwaidi
CHAIRMAN

Abdulla K.M. Al Romaithi
MANAGING DIRECTOR

The attached notes 1 to 25 form part of these financial statements.

CASH FLOW STATEMENT
Year ended 31 December 2006

	2006 *AED*	*2005* *AED*
OPERATING ACTIVITIES		
Profit for the year	**11,876,369**	69,740,464
Adjustments for:		
Gain on sale of available-for-sale investments	**-**	(2,103,437)
Depreciation of property, plant and equipment	**26,965,551**	31,444,758
(Gain) loss on sale of property, plant and equipment	**(2,364,919)**	4,669,412
Provision for employees' end of service benefits	**2,646,566**	2,614,331
Interest income	**(3,571,279)**	(747,130)
Finance costs	**5,745,656**	7,519,983
Dividend income	**(1,592,196)**	-
Loss (gain) on investments carried at fair value through income statement	**26,804,180**	(60,557,120)
	66,509,928	52,581,261
Working capital changes:		
Inventories	**1,224,251**	(504,458)
Accounts receivable and prepayments	**21,102,413**	20,588,525
Accounts payable and accruals	**25,607,170**	1,550,400
Cash from operations	**114,443,762**	74,215,728
Employees' end of service benefits paid	**(1,912,339)**	(1,557,152)
Interest paid	**(5,745,656)**	(7,519,983)
Net cash from operating activities	**106,785,767**	65,138,593
INVESTING ACTIVITIES		
Purchase of property, plant and equipment, net of advances	**(182,404,610)**	(37,064,836)
Reservation deposit on purchase of land	**(22,130,701)**	(13,668,961)
Interest received	**3,571,279**	747,130
Dividends received	**1,592,196**	-
Purchase of available-for-sale investments	**-**	(2,455,443)
Proceeds from sale of property, plant and equipment	**3,779,486**	-
Proceeds from sale of investments carried at fair value through income statement	**61,929,203**	-
Proceeds from sale of available-for-sale investments	**-**	4,500,000
Net cash used in investing activities	**(133,663,147)**	(47,942,110)
FINANCING ACTIVITIES		
Dividends paid	**(25,000,000)**	(20,000,000)
Repayment of term loan	**(19,937,500)**	(17,500,000)
Obligations under hire purchase agreement	**(500,000)**	(500,000)
Term loan received	**1,590,217**	4,909,783
Net cash used in financing activities	**(43,847,283)**	(33,090,217)
DECREASE IN CASH AND CASH EQUIVALENTS	**(70,724,663)**	(15,893,734)
Cash and cash equivalents at 1 January	**31,913,724**	47,807,458
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**(38,810,939)**	31,913,724

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	**(105,940,713)**	146,023,629
Employees' end of service benefits	**-**	(81,912)

The attached notes 1 to 25 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2006

	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 2005	100,000,000	11,051,909	75,000,000	74,232,353	24,402,752	20,000,000	304,687,014
Net movement in fair value of available-for-sale investments	-	-	-	146,023,629	-	-	146,023,629
Total income for the year recognised directly in equity	-	-	-	146,023,629	-	-	146,023,629
Profit for the year 2005	-	-	-	-	69,740,464	-	69,740,464
Total income for the year	-	-	-	146,023,629	69,740,464	-	215,764,093
Proposed dividends	-	-	-	-	(25,000,000)	25,000,000	-
Dividends paid	-	-	-	-	-	(20,000,000)	(20,000,000)
Transfer to statutory reserve	-	6,974,046	-	-	(6,974,046)	-	-
Balance at 31 December 2005	**100,000,000**	**18,025,955**	**75,000,000**	**220,255,982**	**62,169,170**	**25,000,000**	**500,451,107**
Balance at 1 January 2006	100,000,000	18,025,955	75,000,000	220,255,982	62,169,170	25,000,000	500,451,107
Net movement in fair value of available-for-sale investments	-	-	-	(105,940,713)	-	-	(105,940,713)
Total expense for the year recognised directly in equity	-	-	-	(105,940,713)	-	-	(105,940,713)
Profit for the year 2006	-	-	-	-	11,876,369	-	11,876,369
Total (expense) income for the year	-	-	-	(105,940,713)	11,876,369	-	(94,064,344)
Proposed dividends	-	-	-	-	(20,000,000)	20,000,000	-
Dividends paid	-	-	-	-	-	(25,000,000)	(25,000,000)
Transfer to statutory reserve	-	1,187,637	-	-	(1,187,637)	-	-
Balance at 31 December 2006	**100,000,000**	**19,213,592**	**75,000,000**	**114,315,269**	**52,857,902**	**20,000,000**	**381,386,763**

The attached notes 1 to 25 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 Jebel Dhanna Hotel. Accordingly, these hotels operate as divisions of the Corporation. In addition, the Corporation manages on behalf of the Government of Abu Dhabi, four hotels located in 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.

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.

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 and started its commercial activities in 2005.

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 2006 were authorised for issue in accordance with a resolution of the Board of Directors on 5 March 2007.

2.1 BASIS OF PREPARATION

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

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 currency of the Corporation.

2.1 BASIS OF PREPARATION continued

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.

All significant inter company balances transactions and profits are eliminated as part of the preparation of the financial statements.

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 are consistent with those used in the previous year except that the Corporation has adopted the following revised standard mandatory for financial years beginning on or after 1 January 2006:

- IAS 39 *Financial Instruments: Recognition and Measurement*

The principal effects of these changes in policies are discussed below:

- IAS 39 *Financial Instruments: Recognition and Measurement*

As of 1 January 2006, the Corporation adopted the amendments to IAS 39. This amendment restricts use of the option to designate any financial asset or any financial liability to be measured at fair value through the income statement. This change had no significant impact on the financial statements as at 31 December 2006 or 31 December 2005.

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

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

Classification of investments

Management decides on acquisition of an investment whether it should be classified as either carried at fair value through income statement or available-for-sale.

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 accounts receivable

An estimate of the collectible amount of trade accounts receivable 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 balance sheet date, gross trade accounts receivable were AED 53,312,241 (2005: AED 107,527,505) and the provision for doubtful debts was AED 19,222,850 (2005: AED 55,319,544). Any difference between the amounts actually collected in future periods and the amounts expected to be received will be recognised in the income statement.

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Impairment of inventories
Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

At the balance sheet date, gross inventories were AED 4,560,667 (2005: AED 5,784,918) with no provisions for old and obsolete inventories. Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the income statement.

Useful lives of property, plant and equipment
The Corporation's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and the future depreciation charge would be adjusted where management believes that the useful lives differ from previous estimates.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition
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.

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 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.

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

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 (ie. 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:

Freehold buildings	10 - 25 years
Fixtures and fittings	5 years
Mechanical and electrical plant	7 years
Motor vehicles	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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Property, plant and equipment continued
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.

Impairment and uncollectability of financial assets
An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the income statement.

Impairment is determined as follows:

(a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the income statement;

(b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

Interest in Joint Venture
The Corporation's interest in its joint venture, namely National Transportation Company LLC, 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.

Available-for-sale investments
Available-for-sale investments 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 designated as available-for-sale investments are initially recorded at cost and subsequently measured at fair value, unless this cannot be reliably measured. Changes in fair value are reported as a separate component of equity. On derecognition or impairment the cumulative gain or loss previously reported in equity is included in the income statement for the period.

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.

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, except for inventories at Al Dhafra Beach Hotel, which are determined on a first-in first-out basis.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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.

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 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.

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”.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Hire purchase contracts
Assets held under hire purchase contracts are initially recorded at cost. Obligations under hire purchase contracts, due within or after one year, are stated net of unamortised interest costs. The latter are amortised over the period of financing using the declining balance method.

Motor vehicles are depreciated in accordance with the Corporation’s policy.

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 UAE national employees, the Corporation makes accruals for contributions payable to the relevant government pension scheme calculated as a percentage of the employees’ salaries.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Financial instruments
Financial instruments comprise of financial assets and financial liabilities.

Financial assets comprise investments, receivables and bank balances and cash. Financial liabilities comprise payables, bank overdraft and term loans.

The fair value of interest bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics. The fair value of investments traded in organised markets, is determined by reference to quoted market bid prices.

For unquoted equity investments, fair value is determined by reference to the market value of a similar investment or is based on the expected discounted cash flows.

2.5 IASB STANDARDS ISSUED BUT NOT ADOPTED

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

IFRS 7	*Financial Instruments: Disclosures*
IFRS 8	*Operating Segments*
IAS 1	*Amendment – Presentation of Financial Statements*

IFRS 7 Financial Instruments: Disclosures
The application of IFRS 7, which will be effective for annual periods beginning on or after 1 January 2007, will require disclosures that enable users to evaluate the significance of the Corporation's financial instruments and the nature and extent of risks arising from those financial instruments.

IFRS 8 Operating Segments
The application of IFRS 8, which will be effective for annual periods beginning on or after 1 January 2009, may require changes in the way the Corporation discloses information about its operating segments.

IAS 1 Amendment - Presentation of Financial Statements
The application of amendment to IAS 1, which will be effective for annual periods beginning on or after 1 January 2007, will result in new disclosures to enable users of the financial statements to evaluate the Corporation's objectives, policies and processes for managing capital.

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
- Catering services
- Transport services

	Hotels		*Catering services*		*Transport services*		*Total*	
	2006	*2005*	***2006***	*2005*	***2006***	*2005*	***2006***	*2005*
	AED	*AED*	***AED***	*AED*	***AED***	*AED*	***AED***	*AED*
Revenues	**124,190,985**	183,245,287	**76,025,731**	71,958,135	**11,875,558**	8,636,233	**212,092,274**	263,839,655
Direct expenses	**(58,554,703)**	(72,922,507)	**(69,465,172)**	(64,532,711)	**(9,722,202)**	(7,342,868)	**(137,742,077)**	(144,798,086)
Gross profit	**65,636,282**	110,322,780	**6,560,559**	7,425,424	**2,153,356**	1,293,365	**74,350,197**	119,041,569
Other income	**40,709,094**	5,454,376	**-**	-	**288,856**	150,880	**40,997,950**	5,605,256
General and administrative expenses	**(34,757,509)**	(45,149,574)	**-**	-	**(1,555,791)**	(832,451)	**(36,313,300)**	(45,982,025)
Depreciation	**(18,768,424)**	(23,684,629)	**(3,455,593)**	(2,590,073)	**(50,101)**	(48,655)	**(22,274,118)**	(26,323,357)
Management fee and reimbursement of system cost	**(2,353,449)**	(7,336,518)	**-**	-	**-**	-	**(2,353,449)**	(7,336,518)
Segment result	**50,465,994**	39,606,435	**3,104,966**	4,835,351	**836,320**	563,139	**54,407,280**	45,004,925
General and administrative expenses							**(13,204,555)**	(27,944,338)
Depreciation expenses							**(1,939,995)**	(3,207,827)
Interest and investment income and (loss) gain on investments carried at fair value through income statement							**(21,640,705)**	63,407,687
Finance costs							**(5,745,656)**	(7,519,983)
Profit for the year							**11,876,369**	69,740,464

	Hotels		*Catering services*		*Transport services*		*Total*	
	2006	*2005*	***2006***	*2005*	***2006***	*2005*	***2006***	*2005*
	AED	*AED*	***AED***	*AED*	***AED***	*AED*	***AED***	*AED*
Assets								
Segment assets	**316,168,646**	360,640,046	**46,852,710**	29,982,182	**11,638,363**	12,682,898	**374,659,719**	403,305,126
Unallocated corporate assets							**474,800,268**	446,071,559
Total assets							**849,459,987**	849,376,685
Liabilities								
Segment liabilities	**299,528,411**	310,061,252	**13,331,714**	18,005,683	**7,787,296**	9,644,720	**320,647,421**	337,711,655
Unallocated corporate liabilities							**147,425,803**	11,213,923
Total liabilities							**468,073,224**	348,925,578

Included in direct operating expenses is an amount of AED 39,947,227 (2005: AED 41,401,261) relating to payroll and employee related costs.

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

	2006 *AED*	*2005* *AED*
Rental income	**1,859,459**	1,639,884
Management fees	**1,956,671**	3,730,973
Reversal of provision for doubtful debts, net	**33,950,724**	-
Gain on sale of property, plant and equipment	**2,364,919**	-
Miscellaneous income	**866,177**	234,399
	40,997,950	5,605,256

5 GENERAL AND ADMINISTRATIVE EXPENSES

	2006 *AED*	*2005* *AED*
Payroll and employee related costs	**17,372,670**	19,157,158
Other expenses	**26,480,860**	47,708,614
Energy costs	**5,664,325**	7,060,591
	49,517,855	73,926,363

6 PROPERTY, PLANT AND EQUIPMENT

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

	2006 *AED*	*2005* *AED*
Property, plant and equipment at net carrying amount	**478,773,454**	337,973,711
Advances to contractors	**13,224,749**	-
Reservation deposit on purchase of land	**35,799,662**	13,668,961
	527,797,865	351,642,672

	Land and buildings AED	*Fixtures and fittings AED*	*Mechanical and electrical plant AED*	*Motor vehicles AED*	*Capital work in progress AED*	*Total AED*
Cost:						
At 1 January 2006	397,902,797	128,385,762	10,658,638	16,081,767	17,898,282	570,927,246
Additions	66,695	5,011,273	1,150,987	2,310,724	165,998,692	174,538,371
Disposals	(533,323)	(36,521,574)	-	(1,603,237)	-	(38,658,134)
Transfers	3,610,628	-	2,204,300	-	(5,814,928)	-
At 31 December 2006	**401,046,797**	**96,875,461**	**14,013,925**	**16,789,254**	**178,082,046**	**706,807,483**
Depreciation:						
At 1 January 2006	120,358,667	102,739,327	5,800,681	4,054,860	-	232,953,535
Charge for the year	17,072,579	9,711,282	1,603,068	3,937,132	-	32,324,061
Disposals	-	(36,046,780)	-	(1,196,787)	-	(37,243,567)
At 31 December 2006	**137,431,246**	**76,403,829**	**7,403,749**	**6,795,205**	**-**	**228,034,029**
Net carrying amount						
At 31 December 2006	**263,615,551**	**20,471,632**	**6,610,176**	**9,994,049**	**178,082,046**	**478,773,454**
At 31 December 2005	277,544,130	25,646,435	4,857,957	12,026,907	17,898,282	337,973,711

6 PROPERTY, PLANT AND EQUIPMENT continued

Depreciation expense amounting to AED 2,751,438 (2005: AED 1,913,574) and AED 5,358,510 (2005: AED nil) is charged to direct operating expenses and capital work in progress respectively.

7 AVAILABLE-FOR-SALE INVESTMENTS

	2006 AED	*2005 AED*
Quoted investments (UAE companies)		
Fair value at 1 January	**255,380,340**	106,901,268
Additions during the year	**-**	2,455,443
(Decrease) increase in fair value	**(105,940,713)**	146,023,629
Fair value at 31 December	**149,439,627**	255,380,340
Unquoted investments (UAE companies)		
Cost at 1 January	**10,860,308**	13,256,871
Sold during the year	**-**	(2,396,563)
	10,860,308	10,860,308
Total available-for-sale investments	**160,299,935**	266,240,648

The investment in the unquoted company at year end represents the Corporation's equity interest of 15% in Daewoo Rabat. Daewoo Rabat is a corporation registered in Morocco. It is engaged in management and operation of hotels. This investment is carried at cost, as there is no practical means of estimating the fair value of this investment due to the unpredictable nature of future cash flows. In the Board of Directors' opinion the investment 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:

	2006 AED	*2005 AED*
Current assets	**3,993,373**	3,444,163
Non-current assets	**7,644,990**	9,238,735
	11,638,363	12,682,898
Current liabilities	**(7,248,666)**	(7,048,162)
Non-current liabilities	**(538,630)**	(2,596,559)
Net assets	**3,851,067**	3,038,177
Revenues	**11,875,558**	8,636,233
Direct costs	**(9,722,202)**	(7,342,868)
General and administrative expenses	**(1,455,773)**	(832,451)
Finance costs, net	**(150,119)**	(78,261)
Other income	**288,856**	150,881
Profit for the year	**836,320**	533,534

9 INVENTORIES

	2006	*2005*
	AED	*AED*
Engineering and operating supplies	**898,153**	2,076,740
Food and beverage	**3,662,514**	3,708,178
	4,560,667	5,784,918

10 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2006	*2005*
	AED	*AED*
Trade accounts and notes receivable	**53,312,241**	107,527,505
Provision for impairment	**(19,222,850)**	(55,319,544)
Trade accounts and notes receivable, net of provision for impairment	**34,089,391**	52,207,961
Amounts due from related parties (note 22)	**2,428,962**	7,931,586
Other receivables	**3,085,755**	1,402,921
Prepaid expenses	**9,160,732**	8,324,785
	48,764,840	69,867,253

11 CASH AND CASH EQUIVALENTS

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

	2006	*2005*
	AED	*AED*
Demand deposits and cash	**32,674,242**	31,913,724
Fixed deposits	**40,168,351**	-
	72,842,593	31,913,724
Bank overdraft	**(111,653,532)**	-
	(38,810,939)	31,913,724

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

Deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Corporation and earn interest at the respective short-term deposit rates.

12 SHARE CAPITAL

	2006 Shares	***2006 AED***
Authorised, issued and fully paid ordinary shares of AED 1 each	**100,000,000**	**100,000,000**
	2005 Shares	*2005 AED*
Authorised, issued and fully paid ordinary shares of AED 100 each	1,000,000	100,000,000

During the year the nominal value of the Corporation's shares was split from AED 100 to AED 1.

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 at the Annual General Meeting.

15 DIVIDENDS AND BOARD OF DIRECTORS' REMUNERATION

During the year, dividends of AED 0.25 per share totalling AED 25,000,000 relating to 2005 were paid.

The Board of Directors has proposed a cash dividend of AED 0.2 per share totalling AED 20,000,000 (2005: AED 0.2 per share (as adjusted for the shares split) totalling AED 20,000,000) which is subject to the approval of the shareholders at an Annual General Meeting. During the year, an additional amount of AED 0.05 per share totalling AED 5,000,000 was approved at the Annual General Meeting held in 2006 in respect of year ended 31 December 2005 and paid during the year.

An amount of AED 750,000 (2005: AED 750,000) has been proposed as remuneration for the members of the Board of Directors for the year ended 31 December 2006. The remuneration will be submitted for approval at the Annual General Meeting in 2007.

16 TERM LOANS

	2006 AED	2005 AED
Term loan 1	**262,500,000**	280,000,000
Term loan 2	**4,062,500**	4,909,783
	266,562,500	284,909,783
Classified as:		
Current liability	**21,562,500**	20,750,000
Non-current liability	**245,000,000**	264,159,783
	266,562,500	284,909,783

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:
The Joint Venture obtained a loan facility from a local bank amounting to AED 13,000,000 to finance the purchase of motor vehicles. As of 31 December 2005, an amount of AED 9,819,566 was drawn down. The remaining AED 3,180,434 was drawn down by the Joint Venture in the current year. The loan is being repaid over 8 quarterly instalments of AED 1,625,000 each starting 31 March 2006. The loan accrues interest at EBOR plus 1% and is guaranteed by the Joint Venture's shareholders.

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.

18 EMPLOYEES' END OF SERVICE BENEFITS

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

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

	2006 AED	2005 AED
Balance at 1 January	**8,368,494**	7,393,227
Provided during the year	**2,646,566**	2,614,331
Transferred during the year	**-**	(81,912)
Paid during the year	**(1,912,339)**	(1,557,152)
Balance at 31 December	**9,102,721**	8,368,494

An actuarial valuation has not been performed as the net impact of discount rates and future increases in benefits is not likely to be material.

19 ACCOUNTS PAYABLE AND ACCRUALS

	2006	*2005*
	AED	*AED*
Trade accounts payable	**22,281,104**	28,213,780
Amounts due to related parties (note 22)	**1,447,304**	4,578,849
Accrued expenses and other payables	**25,770,590**	15,495,107
Advances from customers	**4,639,041**	3,099,298
Retentions payable	**25,866,432**	3,010,267
	80,004,471	54,397,301

20 CAPITAL COMMITMENTS

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

	2006	*2005*
	AED	*AED*
Property, plant and equipment	**146,731,167**	77,457,448

21 CONTINGENCIES

The Corporation has given bank guarantees from which it is anticipated that no material liabilities will arise, amounting to AED 22,279,654 (2005: AED 17,772,104) 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.

Transactions with related parties included in the income statement are as follows:

	2006		*2005*	
	Revenues AED	***Management fee and reimbursement of system cost AED***	*Revenues AED*	*Management fee and reimbursement of system cost AED*
Other related parties	**8,019,195**	**2,353,449**	9,470,767	7,336,518

Balances with related parties included in the balance sheet are as follows:

	2006		*2005*	
	Receivables AED	***Payables AED***	*Receivables AED*	*Payables AED*
Other related parties	**2,428,962**	**1,447,304**	7,931,586	4,578,849

22 RELATED PARTY TRANSACTIONS continued

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

	2006	*2005*
	AED	*AED*
Short-term benefits	**6,174,009**	3,315,997
Employees' end of service benefits	**317,910**	226,625
	6,491,919	3,542,622

23 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.

	2006	*2005*
Profit for the year (AED)	**11,876,369**	69,740,464
Weighted average number of ordinary shares outstanding during the year (as adjusted for the shares split)	**100,000,000**	100,000,000
Earnings per share (AED)	**0.12**	0.70

The Corporation has not issued any instruments which would have an impact on earnings per share when exercised.

24 RISK MANAGEMENT

Interest rate risk
The Corporation is exposed to interest rate risk on its interest bearing assets and liabilities (bank overdraft, hire purchase agreement and term loans).

Credit risk
Credit risk represents the accounting loss that would be recognised if customers fail to perform as contracted. To reduce the exposure to credit risk, the Corporation performs credit evaluation of its customers but generally does not require collateral. The Corporation places its cash with commercial banks operating in the United Arab Emirates.

The Corporation limits its credit risk with regard to bank deposits by only dealing with reputable banks.

Credit risk is limited to the carrying values of financial assets in the balance sheet.

Liquidity risk
The Corporation limits its liquidity risk by ensuring bank facilities are available. The Corporation's terms of sale require amounts to be paid within 30 days of the date of sale. Trade payables are normally settled within 60 days of the date of purchase.

24 RISK MANAGEMENT continued

Currency risk
Currency risk comprises of transaction and balance sheet risk. Transaction risk relates to the Corporation's cash flow being adversely affected by a change in the exchange rates of foreign currencies against UAE Dirhams. Balance sheet risk relates to the risk of the Corporation's monetary assets and liabilities in foreign currencies acquiring a lower or higher value, when translated into UAE Dirhams, as a result of currency movements.

The management considers that the Corporation is not exposed to significant currency risk. The majority of its transactions and balances are in either UAE Dirhams or US Dollars. As the UAE Dirham is pegged to the US Dollar, balances in US Dollars are not considered to represent significant currency risk.

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 investments in equity securities. 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 stocks and market movements, including analysis of the operational and financial performance of investees.

25 FAIR VALUE OF FINANCIAL INSTRUMENTS

With the exception of the unquoted available-for-sale investment and term loan 1, the fair value of the Corporation's financial assets and liabilities approximates their carrying amounts at the balance sheet date. Information on the principal characteristics of the unquoted available-for-sale investment and term loan 1 is presented in notes 7 and 16 respectively.