National Corporation for Tourism and Hotels

FINANCIAL STATEMENTS

31 DECEMBER 2005

AUDITORS' REPORT TO THE SHAREHOLDERS OF

NATIONAL CORPORATION FOR TOURISM AND HOTELS

We have audited the accompanying balance sheet of National Corporation for Tourism and Hotels ("the Corporation") as of 31 December 2005 and the related statements of income, cash flows and changes in equity for the year then ended. These financial statements are the responsibility of the Corporation's management. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Corporation as of 31 December 2005 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Signed by:
Bassam E Hage
Partner
Registration No. 258

21 March 2006
Abu Dhabi

INCOME STATEMENT
Year ended 31 December 2005

	Notes	***2005 AED***	*2004 AED*
Revenues	3	**263,839,655**	227,289,317
Direct expenses	3	**(144,798,086)**	(128,543,553)
GROSS PROFIT	3	**119,041,569**	98,745,764
OTHER INCOME	4	**5,605,256**	3,117,004
General and administrative expenses	5	**(73,176,363)**	(56,263,870)
Depreciation		**(29,531,184)**	(25,456,596)
Management fee and reimbursement of system cost		**(7,336,518)**	(5,770,823)
Board of Directors' remuneration		**(750,000)**	(750,000)
PROFIT FROM OPERATIONS		**13,852,760**	13,621,479
Gain on sale of available-for-sale investment		**2,103,437**	-
Gain from investments carried at fair value through income statement		**60,557,120**	26,640,350
Interest income		**747,130**	1,442,870
Interest on term loan	16	**(7,519,983)**	(6,259,726)
PROFIT FOR THE YEAR		**69,740,464**	35,444,973
Basic earnings per share (AED)	23	**70**	35

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

BALANCE SHEET
At 31 December 2005

	Notes	*2005* *AED*	*2004* *AED*
ASSETS			
Non-current assets			
Property, plant and equipment	6	**351,642,672**	337,023,045
Available-for-sale investments	7	**266,240,648**	120,158,139
		617,883,320	457,181,184
Current assets			
Inventories	9	**5,784,918**	5,280,460
Accounts receivable and prepayments	10	**69,867,253**	90,537,690
Investments carried at fair value through income statement		**123,927,470**	63,370,350
Bank balances and cash	11	**31,913,724**	47,807,458
		231,493,365	206,995,958
TOTAL ASSETS		**849,376,685**	664,177,142
EQUITY AND LIABILITIES			
Equity			
Share capital	12	**100,000,000**	100,000,000
Statutory reserve	13	**18,025,955**	11,051,909
General reserve	14	**75,000,000**	75,000,000
Cumulative changes in fair values of available-for-sale investments		**220,255,982**	74,232,353
Retained earnings		**67,169,170**	24,402,752
Proposed dividends	15	**20,000,000**	20,000,000
Total equity		**500,451,107**	304,687,014
Non-current liabilities			
Term loan	16	**264,159,783**	280,000,000
Obligation under hire purchase agreement	17	**750,000**	1,250,000
Employees' end of service benefits	18	**8,368,494**	7,393,227
		273,278,277	288,643,227
Current liabilities			
Accounts payable and accruals	19	**54,397,301**	52,846,901
Current portion of term loan	16	**20,750,000**	17,500,000
Current portion of obligations under hire purchase agreement	17	**500,000**	500,000
		75,647,301	70,846,901
Total liabilities		**348,925,578**	359,490,128
TOTAL EQUITY AND LIABILITIES		**849,376,685**	664,177,142

Nasser Ahmed Al Suwaidi
CHAIRMAN

Abdulla K.M. Al Romaithi
MANAGING DIRECTOR

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

STATEMENT OF CASH FLOWS
Year ended 31 December 2005

	2005 *AED*	*2004* *AED*
OPERATING ACTIVITIES		
Profit for the year	**69,740,464**	35,444,973
Adjustments for:		
Gain on sale of available-for-sale investments	**(2,103,437)**	-
Depreciation of property, plant and equipment	**31,444,758**	26,584,966
Disposal and write off of property, plant and equipment	**4,669,412**	554,682
Provision for employees' end of service benefits	**2,614,331**	2,074,800
Interest income	**(747,130)**	(1,442,870)
Interest charge	**7,519,983**	6,259,726
Gain from investments carried at fair value through income statement	**(60,557,120)**	(26,640,350)
	52,581,261	42,835,927
Working capital changes:		
Inventories	**(504,458)**	516,396
Accounts receivable and prepayments	**20,588,525**	(4,292,643)
Accounts payable and accruals	**1,550,400**	7,034,261
Cash from operations	**74,215,728**	46,093,941
Employees' end of service benefits paid	**(1,557,152)**	(1,733,029)
Interest paid	**(7,519,983)**	(6,259,726)
Net cash from operating activities	**65,138,593**	38,101,186
INVESTING ACTIVITIES		
Purchase of property, plant and equipment net of advances	**(37,064,836)**	(58,470,848)
Reservation deposit on purchase of land	**(13,668,961)**	-
Interest income	**747,130**	1,442,870
Purchase of available-for-sale investments	**(2,455,443)**	(43,529,223)
Purchase of investments carried at fair value through income statement	**-**	(36,730,000)
Proceeds from sale of available-for-sale investments	**4,500,000**	-
Net cash used in investing activities	**(47,942,110)**	(137,287,201)
FINANCING ACTIVITIES		
Dividends paid	**(20,000,000)**	(15,000,000)
Repayment of term loan	**(17,500,000)**	(17,500,000)
Obligation under hire purchase agreement	**(500,000)**	1,750,000
Term loan obtained	**4,909,783**	-
Net cash used in financing activities	**(33,090,217)**	(30,750,000)
DECREASE IN CASH AND CASH EQUIVALENTS	**(15,893,734)**	(129,936,015)
Net cash and cash equivalents at 1 January	**47,807,458**	177,743,473
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**31,913,724**	47,807,458

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

Cumulative changes in fair value of available-for-sale investments	**146,023,629**	74,232,353
Employees' end of service benefits	**(81,912)**	383,429

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

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2005

	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 31 December 2003	100,000,000	7,262,567	50,000,000	-	37,747,121	15,000,000	210,009,688
Increase in fair value of available-for-sale investments	-	-	-	74,232,353	-	-	74,232,353
Total income for the year recognised directly in equity	-	-	-	74,232,353	-	-	74,232,353
Profit for the year 2004	-	-	-	-	35,444,973	-	35,444,973
Total income for the year	-	-	-	74,232,353	35,444,973	-	109,677,326
Proposed dividends	-	-	-	-	(20,000,000)	20,000,000	-
Dividends paid	-	-	-	-	-	(15,000,000)	(15,000,000)
Transfer to statutory reserve	-	3,789,342	-	-	(3,789,342)	-	-
Transfer to general reserve	-	-	25,000,000	-	(25,000,000)	-	-
Balance at 31 December 2004	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	-	-	-	-	(20,000,000)	20,000,000	-
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**	**67,169,170**	**20,000,000**	**500,451,107**

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. 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. During the year, the Corporation completed the construction of Jebal Dhanna Hotel. The registered head office of the Corporation is at P O Box 6942, Abu Dhabi, United Arab Emirates.

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 managed by the Corporation.

Jebal Dhanna Hotel
The hotel is managed 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 2005 were authorised for issue in accordance with a resolution of the Board of Directors on 21 March 2006.

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 the currency of United Arab Emirates (AED) which is the functional currency of the Corporation.

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

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 Venture is included from the date on which controls transferred to the Corporation and will cease to be included from the date on which control is transferred out of the Corporation.

Changes in accounting policies
The accounting policies are consistent with those used in the previous year, with the exception of the following policies which have been revised due to the application of standards becoming mandatory for financial years beginning on or after 1 January 2005.

Impairment of available-for-sale investments
In the case of available-for-sale investments, reversal of previously recognised impairment losses are no longer recorded through the income statement but as increases in cumulative changes in fair value. There was no impact on the income statement for the comparative year ended 31 December 2004 or on retained earnings at 1 January 2004 as there were no such reversals in prior years.

2.2 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 carried at fair value through income statement or available-for-sale.

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

All other investments are classified as available-for-sale.

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.

2.2 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

Estimation uncertainty continued
At the balance sheet date, gross trade accounts receivable were AED 107,527,505 (2004: AED 101,780,610) and the provision for doubtful debts was AED 55,319,544 (2004: AED 30,914,626). Any difference between the amounts actually collected in future periods and the amounts expected to be received will be recognised in the income statement.

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 5,784,918 (2004: AED 5,280,460) 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.

2.3 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 revenue 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 revenue is recognised when the right to receive the dividend 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.

Depreciation is calculated on a straight line basis over the estimated useful lives of other 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.

2.3 SIGNIFICANT ACCOUNTING POLICIES continued

Property, plant and equipment continued
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.

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

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 available-for-sale investments carried at fair value, impairment is the difference between cost and fair value;
(b) For assets carried at cost, impairment is the difference between cost 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 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 Company 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.

2.3 SIGNIFICANT ACCOUNTING POLICIES continued

Accounts receivable
Accounts receivable are stated net of provisions for amounts estimated to be impaired. Bad debts are written off as incurred. Bad debts are written off when there is no possibility of recovery.

Cash and cash equivalents
For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash in hand, bank balances, and short-term deposits with an original maturity of three months or less.

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 loan
The Corporation's term loan is carried on the balance sheet at its principal amount. Interest is charged as an expense as it accrues, with unpaid amounts included in "accounts payable and accruals".

Hire purchase contracts
Motor vehicles 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 unamortized interest costs. The latter are amortised over the period of financing using the declining balance method.

Motor vehicles are depreciated in accordance with the Joint Venture policy.

Employees' end of service benefits
The Corporation provides end of service benefits to its 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.

Financial instruments
Financial instruments include investments, receivables, bank balances and cash, payables and certain other assets and liabilities.

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.

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*	
	2005 AED	*2004 AED*	***2005 AED***	*2004 AED*	***2005 AED***	*2004 AED*	***2005 AED***	*2004 AED*
Operating revenue	**183,245,287**	147,671,961	**71,958,135**	74,048,705	**8,636,233**	5,568,651	**263,839,655**	227,289,317
Direct operating expenses	**(72,922,507)**	(55,463,913)	**(64,532,711)**	(66,393,168)	**(7,342,868)**	(6,686,472)	**(144,798,086)**	(128,543,553)
Gross profit (loss)	**110,322,780**	92,208,048	**7,425,424**	7,655,537	**1,293,365**	(1,117,821)	**119,041,569**	98,745,764
Other operating income	**5,454,376**	3,066,597	**-**	-	**150,880**	50,407	**5,605,256**	3,117,004
General and administration expenses	**(45,149,574)**	(32,395,444)	**-**	-	**(832,451)**	(1,361,089)	**(45,982,025)**	(33,756,533)
Unallocated general and administration expenses	**-**	-	**-**	-	**-**	-	**(27,194,338)**	(22,507,337)
Depreciation	**(23,684,629)**	(20,718,831)	**(2,590,073)**	(2,833,815)	**(48,655)**	(66,853)	**(26,323,357)**	(23,619,499)
Unallocated depreciation expenses	**-**	-	**-**	-	**-**	-	**(3,207,827)**	(1,837,097)
Management fee and reimbursement of system cost	**(7,336,518)**	(5,770,823)	**-**	-	**-**	-	**(7,336,518)**	(5,770,823)
Unallocated board of directors' remuneration	**-**	-	**-**	-	**-**	-	**(750,000)**	(750,000)
Profit from operations							**13,852,760**	13,621,479
Unallocated investment income							**62,660,557**	26,640,350
Unallocated interest income							**747,130**	1,442,870
Unallocated interest on term loan							**(7,519,983)**	(6,259,726)
Profit for the year							**69,740,464**	35,444,973

	Hotels		*Catering services*		*Transport services*		*Total*	
	2005 AED	*2004 AED*	***2005 AED***	*2004 AED*	***2005 AED***	*2004 AED*	***2005 AED***	*2004 AED*
Assets								
Segment assets	**360,640,046**	371,477,940	**29,982,182**	40,697,585	**12,682,898**	5,585,249	**403,305,126**	417,760,774
Unallocated corporate assets							**446,071,559**	246,416,368
Total assets							**849,376,685**	664,177,142
Liabilities								
Segment liabilities	**310,061,252**	326,426,464	**18,005,683**	20,213,141	**9,644,720**	3,080,604	**337,711,655**	349,720,209
Unallocated corporate liabilities							**11,213,923**	9,769,919
Total liabilities							**348,925,578**	359,490,128

Included in direct operating expenses is an amount of AED 41,401,261 (2004: AED 35,791,245) 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

	2005 AED	*2004 AED*
Rental income	**1,639,884**	903,944
Management fees	**3,730,973**	2,014,142
Miscellaneous	**234,399**	198,918
	5,605,256	3,117,004

5 GENERAL AND ADMINISTRATIVE EXPENSES

	2005 AED	*2004 AED*
Payroll and employee related costs	**19,157,158**	15,284,517
Other expenses	**46,958,614**	36,396,692
Energy costs	**7,060,591**	4,582,661
	73,176,363	56,263,870

6 PROPERTY, PLANT AND EQUIPMENT

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

	2005 AED	*2004 AED*
Property, plant and equipment at net carrying amount	**337,973,711**	335,207,846
Advance to contractors	**-**	1,815,199
Reservation deposit on purchase of land	**13,668,961**	-
	351,642,672	337,023,045

	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 2005	345,639,151	113,733,057	7,729,922	7,781,033	63,449,341	538,332,504
Additions	338,211	9,025,750	2,928,716	11,024,854	15,562,504	38,880,035
Disposals	-	-	-	(2,911,720)	-	(2,911,720)
Write off during the year	-	-	-	-	(3,373,573)	(3,373,573)
Transfer	51,925,435	5,626,955	-	187,600	(57,739,990)	-
At 31 December 2005	**397,902,797**	**128,385,762**	**10,658,638**	**16,081,767**	**17,898,282**	**570,927,246**
Depreciation:						
At 1 January 2004	103,117,132	92,678,731	4,608,791	2,720,004	-	203,124,658
Charge for the year	17,241,535	10,060,596	1,191,890	2,950,737	-	31,444,758
Disposals	-	-	-	(1,615,881)	-	(1,615,881)
At 31 December 2005	**120,358,667**	**102,739,327**	**5,800,681**	**4,054,860**	**-**	**232,953,535**
Net carrying amount						
At 31 December 2005	**277,544,130**	**25,646,435**	**4,857,957**	**12,026,907**	**17,898,282**	**337,973,711**
At 31 December 2004	242,522,019	21,054,326	3,121,131	5,061,029	63,449,341	335,207,846

6 PROPERTY, PLANT AND EQUIPMENT continued

Depreciation expense amounting to AED 1,913,574 is charged to direct operating costs (2004: AED 1,128,370).

7 AVAILABLE-FOR-SALE INVESTMENTS

	2005 *AED*	*2004* *AED*
Quoted investments (UAE companies)		
Fair value at 1 January	**106,901,268**	-
Additions during the year	**2,455,443**	32,668,915
Increase in fair value	**146,023,629**	74,232,353
Fair value at 31 December	**255,380,340**	106,901,268
Unquoted investments (UAE companies)		
Cost at 1 January	**13,256,871**	2,396,563
Sold during the year	**(2,396,563)**	-
Additions during the year	**-**	10,860,308
	10,860,308	13,256,871
Total available-for-sale investments	**266,240,648**	120,158,139

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 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.

ADDAR real estate is registered as a limited liability company in the United Arab Emirates. It is engaged in developing and managing real estate projects. The investment was sold in 2005.

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:

	2005	*2004*
	AED	*AED*
Current assets	**3,444,163**	2,258,274
Non-current assets	**9,238,735**	3,326,975
	12,682,898	5,585,249
Current liabilities	**(7,048,162)**	(1,738,170)
Non-current liabilities	**(2,596,559)**	(1,342,434)
Net assets	**3,038,177**	2,504,645
Revenue	**8,636,233**	5,568,651
Direct cost	**(7,342,868)**	(6,686,472)
Administrative expenses	**(832,451)**	(1,427,942)
Finance costs	**(78,261)**	-
Other income	**150,881**	50,407
Profit (loss)	**533,534**	(2,495,356)

The results of operations of the Joint Venture for 2004 represent the results for the period from inception (10 December 2002) till 31 December 2004.

9 INVENTORIES

	2005	*2004*
	AED	*AED*
Engineering and operating supplies	**2,076,740**	2,407,511
Food and beverage	**3,708,178**	2,872,949
	5,784,918	5,280,460

10 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2005	*2004*
	AED	*AED*
Trade accounts and notes receivable	**107,527,505**	101,780,610
Provision for impairment	**(55,319,544)**	(30,914,626)
Trade accounts and notes receivable, net of provision for impairment	**52,207,961**	70,865,984
Amounts due from related parties (note 22)	**7,931,586**	8,997,576
Other receivables	**1,402,921**	3,211,569
Prepaid expenses	**8,324,785**	7,462,561
	69,867,253	90,537,690

The Corporation sells its services and products to a large number of customers. As amounts receivable are stated net of any required provision and are short term in nature, fair value approximates carrying value.

11 CASH AND CASH EQUIVALENTS

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

	2005	*2004*
	AED	*AED*
Demand deposits and cash	**31,913,724**	18,807,458
Fixed deposits	**-**	29,000,000
	31,913,724	47,807,458

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

12 SHARE CAPITAL

	Authorised and fully paid-up 2005 AED	*Authorised and fully paid-up 2004 AED*
Shares of AED 100 each	**100,000,000**	100,000,000

In accordance with Law No. 7 of 1996 and the Corporation's articles of association, the share capital of the Corporation has been set at AED 100 million comprising 1 million shares of AED 100 each.

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 transfer for the year represents 10% of the profit of the Corporation before accounting for the Corporation's share in the results of its Joint Venture plus the Corporation's share in the Joint Venture statutory reserve transferred for the year if any. The Corporation may resolve to discontinue such annual transfers when the reserve totals 50% of the share capital.

Distribution of this reserve is limited to any amounts in excess of 50% of the share capital, which may be required to enable the payment of the dividend proposed by the Board of Directors when the retained earnings are not sufficient for payment of a dividend of that amount.

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 PAID AND PROPOSED

During the year, dividends of AED 20 per share totalling AED 20,000,000 relating to 2004 were paid.

The Board of Directors has proposed a cash dividend of AED 20 per share totalling AED 20,000,000 (2004: AED 20 per share totalling AED 20,000,000) which is subject to the approval of the shareholders at the Annual General Meeting.

The shareholders, at the Annual General Assembly held on 2 April 2006, have approved the distribution of cash dividend of AED 25 per share totalling AED 25,000,000.

16 TERM LOAN

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, the total amount of AED 9,819,866 was draw down by the Joint Venture. The loan is 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.

The portion of the term loan due in less than one year of AED 20,750,000 (2004: AED 17,500,000) is included under current liabilities.

17 OBLIGATIONS UNDER HIRE PURCHASE AGREEMENT

The Joint Venture obtained 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 is as follows:

	2005	*2004*
	AED	*AED*
Balance at 1 January	**7,393,227**	6,668,027
Provided during the year	**2,614,331**	2,074,800
Transferred during the year	**(81,912)**	383,429
Paid during the year	**(1,557,152)**	(1,733,029)
Balance at 31 December	**8,368,494**	7,393,227

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

19 ACCOUNTS PAYABLE AND ACCRUALS

	2005	*2004*
	AED	*AED*
Trade accounts payable	**28,213,780**	27,930,907
Amounts due to related parties (note 22)	**4,578,849**	3,701,639
Accrued expenses and other payables	**15,495,107**	14,108,503
Advance from customers	**3,099,298**	2,025,503
Retentions payable	**3,010,267**	5,080,349
	54,397,301	52,846,901

20 CAPITAL COMMITMENTS

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

	2005	*2004*
	AED	*AED*
Property, plant and equipment	**77,457,448**	1,986,041

21 CONTINGENCIES

The Corporation has given bank guarantees from which it is anticipated that no material liabilities will arise, amounting to AED 17,772,104 (2004: AED 13,303,116) in the normal course of business.

22 RELATED PARTY TRANSACTIONS

These represent transactions with related parties, ie. Shareholders, Joint Venture and the management company managing the Hotels. Pricing policies and terms of these transactions are approved by the Corporation's senior management.

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

	2005	*2004*
	AED	*AED*
Revenue	**9,470,767**	9,559,975
Expenses	**2,447,262**	2,780,140
Management fee	**5,991,712**	4,581,753
Reimbursement of system cost	**1,344,806**	1,189,070
Contribution to advertisement fund	**87,372**	57,851

Amounts due from and to related parties are disclosed in notes 10 and 19 respectively.

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

	2005	*2004*
	AED	*AED*
Short-term benefits	**3,315,997**	2,695,731
Employees' end of service benefits	**226,625**	161,043

23 BASIC 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 as follows:

	2005	*2004*
Profit for the year (AED)	**69,740,464**	35,444,973
Ordinary shares in issue throughout the year	**1,000,000**	1,000,000
Earnings per share (AED)	**70**	35

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 on its interest bearing assets and liabilities (hire purchase agreement and term loan).

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.

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.

Foreign currency risk
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

The fair value of the Corporation's financial assets and liabilities approximates their carrying amounts with the exception of the available-for-sale investments – unquoted investments and the term loan. Information on their principal characteristics is presented in notes 7 and 16 respectively.