National Corporation for Tourism and Hotels

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2004

AUDITORS' REPORT TO THE SHAREHOLDERS OF

NATIONAL CORPORATION FOR TOURISM AND HOTELS

We have audited the accompanying consolidated balance sheet of National Corporation for Tourism and Hotels ("the Corporation") as of 31 December 2004 and the related consolidated statements of income, cash flows and changes in equity for the year then ended. These consolidated 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as of 31 December 2004 and the consolidated 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

8 March 2005
Abu Dhabi

CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2004

	Notes	***2004 AED***	*2003 AED*
Operating revenues	3	**227,289,317**	197,029,839
Direct operating expenses	3	**(128,543,553)**	(101,600,623)
GROSS PROFIT	3	**98,745,764**	95,429,216
OTHER OPERATING INCOME	4	**3,117,004**	3,740,047
		101,862,768	99,169,263
General and a dministration expenses	5	**(56,263,870)**	(41,392,025)
Depreciation		**(25,456,596)**	(23,729,620)
Management fee and reimbursement of system cost		**(5,770,823)**	(5,687,101)
Board of Directors' remuneration		**(750,000)**	(750,000)
PROFIT FROM OPERATIONS		**13,621,479**	27,610,517
Gain from investments -held for trading		**26,640,350**	-
Interest income		**1,442,870**	2,459,922
Interest on term loan	16	**(6,259,726)**	(6,650,000)
NET PROFIT FOR THE YEAR		**35,444,973**	23,420,439
Basic earnings per share	23	**35**	23

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

CONSOLIDATED BALANCE SHEET
At 31 December 2004

	Notes	***2004*** ***AED***	*2003* *AED*
ASSETS			
Non-current assets			
Property, plant and equipment	6	**337,023,045**	305,691,845
Investments-available for sale	7	**120,158,139**	2,396,563
Investment in a joint venture	8	**-**	2,500,000
		457,181,184	310,588,408
Current assets			
Inventories	9	**5,280,460**	5,796,856
Accounts receivable and prepayments	10	**90,537,690**	85,095,047
Investments-held for trading		**63,370,350**	-
Bank balances and cash	11	**47,807,458**	177,743,473
		206,995,958	268,635,376
TOTAL ASSETS		**664,177,142**	579,223,784
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	12	**100,000,000**	100,000,000
Statutory reserve	13	**11,051,909**	7,262,567
General reserve	14	**75,000,000**	50,000,000
Cumulative changes in fair values of available for sale investments		**74,232,353**	-
Retained earnings		**24,402,752**	37,747,121
Proposed dividends	15	**20,000,000**	15,000,000
Total equity		**304,687,014**	210,009,688
Non-current liabilities			
Term loan	16	**280,000,000**	297,500,000
Obligation under hire purchase agreement	17	**1,250,000**	-
Employees' end of service benefits	18	**7,393,227**	6,668,027
		288,643,227	304,168,027
Current liabilities			
Accounts payable and accruals	19	**52,846,901**	47,546,069
Current portion of term loan	16	**17,500,000**	17,500,000
Current portion of obligations under hire purchase agreement	17	**500,000**	-
		70,846,901	65,046,069
TOTAL EQUITY AND LIABILITIES		**664,177,142**	579,223,784

Obaid Seif Al Nasseri
CHAIRMAN

Abdulah K.M. Al Romaithi
MANAGING DIRECTOR

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

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2004

	2004	*2003*
	AED	*AED*
OPERATING ACTIVITIES		
Net profit for the year	**35,444,973**	23,420,439
Adjustments for:		
Depreciation of property, plant and equipment	**26,584,966**	23,729,620
Disposal of property, plant and equipment	**554,682**	391,037
Provision for employees' end of service benefits	**2,074,800**	1,447,420
Interest income	**(1,442,870)**	(2,459,922)
Interest charge	**6,259,726**	6,650,000
Gain from held for trading investments	**(26,640,350)**	-
	42,835,927	53,178,594
Working capital changes:		
Inventories	**516,396**	2,392,057
Accounts receivable and prepayments	**(4,292,643)**	(16,131,840)
Accounts payable and accruals	**7,034,261**	7,797,512
Cash from operations	**46,093,941**	47,236,323
Employees' end of service benefits paid	**(1,733,029)**	(1,822,963)
Interest paid	**(6,259,726)**	(6,650,000)
Net cash from operating activities	**38,101,186**	38,763,360
INVESTING ACTIVITIES		
Purchase of property, plant and equipment net of advances	**(58,470,848)**	(36,239,314)
Interest income	**1,442,870**	2,459,922
Purchase of available for sale investment	**(43,529,223)**	-
Purchase of held for trading investments	**(36,730,000)**	-
Net cash used in investing activities	**(137,287,201)**	(33,779,392)
FINANCING ACTIVITIES		
Dividends paid	**(15,000,000)**	(15,000,000)
Repayment of term loan	**(17,500,000)**	(17,500,000)
Obligation under hire purchase agreement	**1,750,000**	-
Cash used in financing activities	**(30,750,000)**	(32,500,000)
DECREASE IN CASH AND CASH EQUIVALENTS	**(129,936,015)**	(27,516,032)
Cash and cash equivalents at the beginning of the year	**177,743,473**	205,259,505
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**47,807,458**	177,743,473

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2004

	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 2002	100,000,000	4,920,523	50,000,000	-	31,668,726	15,000,000	201,589,249
Net profit for the year 2003	-	-	-	-	23,420,439	-	23,420,439
Proposed dividends	-	-	-	-	(15,000,000)	15,000,000	-
Dividends paid	-	-	-	-	-	(15,000,000)	(15,000,000)
Transfer to statutory reserve	-	2,342,044	-	-	(2,342,044)	-	-
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
Net profit for the year 2004	-	-	-	-	35,444,973	-	35,444,973
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**

The attached notes 1 to 25 form part of these consolidated 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, AlAin Inter-Continental Hotel and Al Dhafra Beach Hotel, all located in the Emirate of Abu Dhabi. Accordingly, these hotels and a new hotel Jebal Dhanna which was under construction at 31 December 2004 now operate as divisions of the Corporation. In addition, the Corporation manages on behalf of the Government of Abu Dhabi, three 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.

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, 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 Corporation employed 1,845 employees as of 31 December 2004 (2003: 1,554 employees).

The consolidated financial statements of National Corporation for Tourism and Hotels for the year ended 31 December 2004 were authorised for issue in accordance with a resolution of the Board of Directors on 8 March 2005.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation
The consolidated financial statements have been prepared in accordance with Standards issued or adopted by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB.

The consolidated financial statements have been presented in United Arab Emirates Dirhams (AED).

Accounting convention
The consolidated financial statements are prepared under the historical cost convention, as modified for the measurement at fair value of available for sale investments and held for trading investments.

The accounting policies are consistent with those used in the previous year.

2 SIGNIFICANT ACCOUNTING POLICIES continued

Basis of consolidation

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

All significant inter company balances transactions and profits are eliminated on consolidation.

The financial statements of the Corporation's divisions, hotels and its Joint Venture Company are prepared using consistent accounting policies as those used by the Corporation.

Operating revenue

Operating revenue represents the invoiced value of goods and services supplied by the Corporation during the year. Interest revenue is recognised as the interest accrues.

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.

Impairment and uncollectability of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss recognised for the difference between the recoverable amount and the carrying amount. Impairment losses are recognised in the income statement.

Interest in joint venture

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

Investments – available for sale

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investments. After initial recognition, investments are remeasured at fair value with unrealised gains and losses reported as a separate component in equity until the investment is sold or the investment is determined to be impaired. On sale or impairment the cumulative gain or loss previously reported in equity, along with any transition adjustment to retained earnings arising from the adoption of IAS 39 is included in the consolidated income statement for the period.

2 SIGNIFICANT ACCOUNTING POLICIES continued

Held for trading investments
These are initially recorded at cost and subsequently remeasured at fair value. All related realised and unrealised gains or losses are included in the consolidated income statement. Interest earned or dividends received are included in interest income and dividend income respectively.

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.

Accounts receivable
Accounts receivable are stated net of provisions for amounts estimated to be impaired. Bad debts are written off as incurred.

Cash and cash equivalents
For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances and cash.

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 Company 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.

2 SIGNIFICANT ACCOUNTING POLICIES continued

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 flow 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*	
	2004	*2003*	***2004***	*2003*	*2004*	*2003*	***2004***	*2003*
	AED	*AED*	***AED***	*AED*	*AED*	*AED*	***AED***	*AED*
Operating revenue	**147,671,961**	138,770,431	**74,048,705**	58,259,408	**5,568,651**	-	**227,289,317**	197,029,839
Direct operating expenses	**(55,463,913)**	(51,767,066)	**(66,393,168)**	(49,833,557)	**(6,686,472)**	-	**(128,543,553)**	(101,600,623)
Gross profit (loss)	**92,208,048**	87,003,365	**7,655,537**	8,425,851	**(1,117,821)**	-	**98,745,764**	95,429,216
Other operating income	**3,066,597**	3,740,047	**-**	-	**50,407**	-	**3,117,004**	3,740,047
General and administration expenses	**(32,395,444)**	(31,535,079)	**-**	-	**(1,361,089)**	-	**(33,756,533)**	(31,535,079)
Unallocated general and administration expenses							**(22,507,337)**	(9,856,946)
Depreciation	**(20,718,831)**	(20,168,334)	**(2,833,815)**	(1,881,175)	**(66,853)**	-	**(23,619,499)**	(22,049,509)
Unallocated depreciation expenses							**(1,837,097)**	(1,680,111)
Management fee and reimbursement of system cost	**(5,770,823)**	(5,687,101)	**-**	-	**-**	-	**(5,770,823)**	(5,687,101)
Unallocated board of directors' remuneration							**(750,000)**	(750,000)
Profit from operations							**13,621,479**	27,610,517
Unallocated investment income							**26,640,350**	-
Unallocated interest income							**1,442,870**	2,459,922
Unallocated interest on term loan							**(6,259,726)**	(6,650,000)
Net profit for the year							**35,444,973**	23,420,439

	Hotels		*Catering services*		*Transport services*		*Total*	
	2004	*2003*	***2004***	*2003*	***2004***	*2003*	*2004*	*2003*
	AED	*AED*	***AED***	*AED*	***AED***	*AED*	*AED*	*AED*
Assets								
Segment assets	**371,477,940**	347,661,658	**40,697,585**	25,644,815	**5,585,249**	-	**417,760,774**	373,306,473
Unallocated corporate assets							**246,416,368**	205,917,311
Total assets							**664,177,142**	579,223,784
Liabilities								
Segment liabilities	**326,426,464**	341,178,817	**20,213,141**	15,953,439	**3,080,604**	-	**349,720,209**	357,132,256
Unallocated corporate liabilities							**9,769,919**	12,081,840
Total liabilities							**359,490,128**	369,214,096

Included in direct operating expenses is an amount of AED 35,791,245 (2003: AED 30,846,561) 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 OPERATING INCOME

	2004	*2003*
	AED	*AED*
Rental income	**903,944**	1,065,364
Management fees	**2,014,142**	1,505,621
Miscellaneous	**198,918**	1,169,062
	3,117,004	3,740,047

5 GENERAL AND ADMINISTRATION EXPENSES

	2004	*2003*
	AED	*AED*
Payroll and employee related costs	**15,284,517**	15,788,741
Other expenses	**36,396,692**	21,691,846
Energy costs	**4,582,661**	3,911,438
	56,263,870	41,392,025

6 PROPERTY, PLANT AND EQUIPMENT

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

	2004	*2003*
	AED	*AED*
Property, plant and equipment at net carrying amount	**335,207,846**	303,320,813
Advance to contractors	**1,815,199**	2,371,032
	337,023,045	305,691,845

	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 2004	335,977,562	107,571,827	7,299,097	3,692,005	26,153,332	480,693,823
Additions	9,661,589	6,161,230	430,825	5,477,028	37,296,009	59,026,681
Disposals	-	-	-	(1,388,000)	-	(1,388,000)
At 31 December 2004	**345,639,151**	**113,733,057**	**7,729,922**	**7,781,033**	**63,449,341**	**538,332,504**
Depreciation:						
At 1 January 2004	88,503,828	83,543,635	3,525,716	1,799,831	-	177,373,010
Charge for the year	14,613,304	9,135,096	1,083,075	1,753,491	-	26,584,966
Disposals	-	-	-	(833,318)	-	(833,318)
At 31 December 2004	**103,117,132**	**92,678,731**	**4,608,791**	**2,720,004**	**-**	**203,124,658**
Net carrying amount						
At 31 December 2004	**242,522,019**	**21,054,326**	**3,121,131**	**5,061,029**	**63,449,341**	**335,207,846**

At 31 December 2003	247,473,734	24,028,192	3,773,381	1,892,174	26,153,332	303,320,813

Depreciation expense amounting to AED 1,128,370 is charged to direct operating costs (2003: nil).

7 AVAILABLE FOR SALE INVESTMENTS

	2004 AED	2003 AED
Quoted investments (UAE companies)		
Additions during the year, at cost	**32,668,915**	-
Increase in fair value	**74,232,353**	-
Fair value at 31 December	**106,901,268**	-
Unquoted investments		
Unquoted companies	**13,256,871**	2,396,563
Total available for sale investments	**120,158,139**	2,396,563

The investment in the unquoted companies represents the Corporation's equity interest of 15% in each of Daewoo Rabat and ADDAR real estate. These are carried at amortised cost, as there is no practical means of estimating the fair value of these investments due to the unpredictable nature of future cash flows. In the Board of Directors' opinion the investments will be realised in full.

Daewoo Rabat is a corporation registered in Morocco. It is engaged in management and operation of Hotels.

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.

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 consolidated financial statements are as follows:

	2004 AED	2003 AED
Current assets	**2,258,274**	-
Non-current assets	**3,326,975**	-
	5,585,249	-
Current liabilities	**(1,738,170)**	-
Non-current liabilities	**(1,342,434)**	-
Net assets	**2,504,645**	-
Operating income and others	**5,619,058**	-
Cost and expenses	**(8,114,414)**	-
Net loss	**(2,495,356)**	-

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

In 2003, this investment was accounted for at amortised cost. The Corporation's share in the results and the net assets of the company was not reflected in 2003 financial statements as it was in its early stage of operations and no audited financial statements were available at 31 December 2003.

9 INVENTORIES

	2004 *AED*	*2003* *AED*
Engineering and operating supplies	**2,407,511**	2,293,993
Food and beverage	**2,872,949**	3,502,863
	5,280,460	5,796,856

Inventories carried at net realisable value amounted to AED 969,275 (2003: AED 3,530,209). Inventories determined on a weighted average basis amounted to AED 2,461,316 (2003: AED 2,720,338). The remaining balance has been determined on a first-in first-out basis.

10 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2004 *AED*	*2003* *AED*
Trade accounts and notes receivable	**101,780,610**	91,442,292
Provision for impairment	**(30,914,626)**	(19,323,120)
Trade accounts and notes receivable, net of provision for impairment	**70,865,984**	72,119,172
Amounts due from related parties (note 22)	**8,997,576**	3,295,165
Other receivables	**3,211,569**	3,475,984
Prepaid expenses	**7,462,561**	6,204,726
	90,537,690	85,095,047

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 consolidated statement of cash flows include the following balance sheet amounts:

	2004 *AED*	*2003* *AED*
Demand deposits and cash	**18,807,458**	18,780,909
Fixed deposits	**29,000,000**	158,962,564
	47,807,458	177,743,473

Bank balances are held with banks operating in the United Arab Emirates. Fixed deposits carry interest at market rates ranging from 1.2% to 3% (2003: 1.2% to 1.4%).

12 SHARE CAPITAL

	Authorised and fully paid-up ***2004*** ***AED***	Authorised and fully paid-up *2003* *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 net profit of the year is to be transferred to statutory reserve. The transfer for the year represents 10% of the net 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 15 per share totalling AED 15,000,000 relating to 2003 were paid.

The Board of Directors has proposed a cash dividend of AED 20 per share totalling AED 20,000,000 (2003: AED 15 per share totalling AED 15,000,000) which is subject to the approval of the shareholders at the Annual General Meeting.

16 TERM LOAN

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.

The portion of the term loan due in less than one year of AED 17,500,000 (2003: 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:

	2004	*2003*
	AED	*AED*
Balance at 1 January	**6,668,027**	7,043,570
Provided during the year	**2,074,800**	1,447,420
Transferred during the year	**383,429**	-
Paid during the year	**(1,733,029)**	(1,822,963)
Balance at 31 December	**7,393,227**	6,668,027

19 ACCOUNTS PAYABLE AND ACCRUALS

	2004	*2003*
	AED	*AED*
Trade accounts payable	**27,930,907**	25,539,924
Amounts due to related parties (note 22)	**3,701,639**	1,442,042
Accrued expenses and other payables	**14,108,503**	14,569,298
Advance from customers	**2,025,503**	1,989,989
Retentions payable	**5,080,349**	4,004,816
	52,846,901	47,546,069

20 CAPITAL COMMITMENTS

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

	2004	*2003*
	AED	*AED*
Property, plant and equipment	**1,986,041**	27,883,095
Real estate development project	-	555,000

21 CONTINGENT LIABILITIES

The Corporation has given bank guarantees from which it is anticipated that no material liabilities will arise, amounting to AED 13,303,116 (2003: AED 13,253,116) in the normal course of business.

22 RELATED PARTY TRANSACTIONS

These represent transactions with related parties, ie. Shareholders, Joint Venture partners 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:

	2004	*2003*
	AED	*AED*
Expenses	**2,780,140**	7,889,996
Management fee	**4,581,753**	4,578,140
Reimbursement of system cost	**1,189,070**	1,108,961
Contribution to advertisement fund	**57,851**	15,579

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

23 BASIC EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for the year by the weighted average number of shares outstanding during the year as follows:

	2004	*2003*
Net profit for the year	***AED*** **35,444,973**	23,420,439
Ordinary shares in issue throughout the year	**1,000,000**	1,000,000
Earnings per share	***AED*** **35**	23

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 (bank deposits, 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.

24 RISK MANAGEMENT continued

Foreign currency risk
The management consider 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.