

**National Corporation for
Tourism and Hotels**

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

31 DECEMBER 2014

National Corporation for Tourism and Hotels

**REPORT OF THE CHAIRMAN OF THE
BOARD OF DIRECTORS**

31 DECEMBER 2014



To All Esteemed Shareholders

Dear Sirs,

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

The Results of the corporation in 2014 reflects the continuous improvement in the performance of the corporation through successive years, despite of the overall decline in the hotel sector profits resulting from the intense competition in this sector and continuous flow in the number of hotel rooms and facilities as a result of the opening new hotels during the past three years, which is expected to continue during the up coming three years.



This is again confirms the validity of the strategic plan of the corporation and our commitment to apply and develop it year after another without relying on one sector only and to improve the (Specific goal and duration) investment style rather than huge capital investments, and each investment must have profits and Cash liquidity support.

The corporation is currently working on a diversification of the hotel sector in all its aspects and grades strategy and to add new hotels in Abu Dhabi and Dubai, with the necessity to have immediate revenue while going on developing the catering sector to reach the fair share, as well as central purchasing sector, transportation and other sectors.

As for the results of the year 2014, total revenues of the Corporation amounted to more than Dhs. 781 Million compared to more than Dhs. 716 Million in the past year with an increase of 9% due to the increase in the Catering Division revenues and Central Purchasing revenues, while Hotel Division revenues decreased with Dhs. 3 Million which is less than 1%. As to the profit, NCT&H has succeeded to increase the



net profit to Dhs. 158.7 Million Compared to Dhs. 123.3 Million last year. This increase in profits with percentage of 28.7%.

The catering and central purchasing sectors had the supportive role in the improvement of the corporation performance and maintain its development during the past three years and dealing with low profits of the hotel sector, who witnessed a decline in profits by 7.5% compared with last year .

The Corporation has maintained good cash liquidity to Dhs. 139.2 Million, taking in consideration that the corporation has succeeded to distribute the amount of Dhs. 120 Million In cash to shareholders during the year 2014 and paid the amount of Dhs. 75 Million for the bank premiums and interests, which led to the decrease of non current loans to Dhs. 188 Million, compared with Dhs.247 Million last year.

It is worth to mention that the corporation has succeeded to distribute the amount of Dhs. 456.5 Million in cash since the beginning of 2010 to the end of 2014, the commitment and consistent strategy from the Board of Directors and is fully in line



with the objective of the establishment of the NCT&H which is to support a class of UAE citizens.

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

Thank & Regards,

Hamdan Bin Mubarak AL Nahyan

Chairman of the Board

**National Corporation for
Tourism and Hotels**

FINANCIAL STATEMENTS

31 DECEMBER 2014

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

Report on the Financial Statements

We have audited the accompanying financial statements of National Corporation for Tourism and Hotels ("the Corporation") which comprise the statement of financial position as at 31 December 2014, and the statement of income, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the 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 and the UAE Commercial Companies law of 1984 (as amended), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these 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 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 of 31 December 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

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

Ernst & Young

Signed by:
Andre Kasparian
Partner
Ernst & Young
Registration No. 365

4 March 2015
Abu Dhabi

National Corporation for Tourism and Hotels

INCOME STATEMENT

Year ended 31 December 2014

	Notes	2014 AED	2013 AED
Operating revenues	7	781,336,917	716,614,717
Cost of services	7	(636,754,330)	(588,381,980)
GROSS PROFIT		144,582,587	128,232,737
General and administrative expenses	4	(22,398,410)	(19,048,583)
Gain on disposal of available for sale investments, net		3,884,916	-
Share of profit from associates and joint venture	10	5,365,053	7,100,672
Investment and other income, net	3	35,133,340	17,453,679
Finance income		1,369,470	1,826,647
Finance costs		(11,019,223)	(13,958,351)
Changes in fair value of derivative financial instruments		<u>1,808,189</u>	<u>1,667,353</u>
PROFIT FOR THE YEAR	5, 7	<u>158,725,922</u>	<u>123,274,154</u>
Basic and diluted earnings per share	6	<u>0.33</u>	<u>0.26</u>

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

National Corporation for Tourism and Hotels

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014

	<i>Notes</i>	2014 AED	2013 AED
Profit for the year		158,725,922	123,274,154
Directors' remuneration paid	18	<u>(9,594,674)</u>	<u>(9,604,444)</u>
Net other comprehensive income (expense) not to be reclassified to profit or loss in subsequent periods		<u>(9,594,674)</u>	<u>(9,604,444)</u>
Changes in fair value of available for sale investments	9	6,607,852	39,482,381
Realised gain on available for sale investments	9	<u>(3,905,551)</u>	<u>-</u>
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		<u>2,702,301</u>	<u>39,482,381</u>
Total comprehensive income for the year		<u>151,833,549</u>	<u>153,152,091</u>

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

National Corporation for Tourism and Hotels

STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	2014 AED	2013 AED
ASSETS			
Non-current assets			
Property, plant and equipment	8	756,513,041	745,833,711
Available-for-sale investments	9	76,345,702	76,845,658
Investment in associates and joint venture	10	90,262,566	85,897,513
Total non-current assets		923,121,309	908,576,882
Current assets			
Inventories	11	16,186,167	13,885,341
Accounts receivable and prepayments	12	179,097,194	182,564,191
Cash and short term deposits	13	139,196,044	137,159,317
Total current assets		334,479,405	333,608,849
TOTAL ASSETS		1,257,600,714	1,242,185,731
EQUITY AND LIABILITIES			
Equity			
Share capital	14	480,000,000	240,000,000
Statutory reserve	15	104,003,239	88,130,647
General reserve	15	75,000,000	75,000,000
Retained earnings		14,030,983	240,772,327
Cumulative changes in fair values of available for sale investments		51,175,448	48,473,147
Total equity		724,209,670	692,376,121
Non-current liabilities			
Term loans	19	188,845,665	247,547,830
Derivative financial instruments	16	-	472,259
Employees' end of service benefits	20	27,441,296	22,741,414
Total non-current liabilities		216,286,961	270,761,503
Current liabilities			
Derivative financial instruments	16	756,177	2,092,107
Term loans	19	131,248,000	116,061,000
Accounts payable and accruals	21	185,099,906	156,181,326
Bank overdraft	13	-	4,713,674
Total current liabilities		317,104,083	279,048,107
Total liabilities		533,391,044	549,809,610
TOTAL EQUITY AND LIABILITIES		1,257,600,714	1,242,185,731

CHAIRMAN

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

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

National Corporation for Tourism and Hotels

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

	Share capital AED	Statutory reserve AED	General reserve AED	Retained earnings AED	Cumulative changes in fair value of investments AED	Total AED
Balance at 1 January 2013 (restated)	200,000,000	75,803,232	75,000,000	279,430,032	8,990,766	639,224,030
Profit for the period	-	-	-	123,274,154	-	123,274,154
Other comprehensive income (loss) for the year	-	-	-	(9,604,444)	39,482,381	29,877,937
Total comprehensive income for the year	-	-	-	113,669,710	39,482,381	153,152,091
Dividends (note 17)	-	-	-	(100,000,000)	-	(100,000,000)
Bonus shares issued (note 14)	40,000,000	-	-	(40,000,000)	-	-
Transfer to statutory reserve	-	12,327,415	-	(12,327,415)	-	-
Balance at 31 December 2013	240,000,000	88,130,647	75,000,000	240,772,327	48,473,147	692,376,121
Balance at 1 January 2014	240,000,000	88,130,647	75,000,000	240,772,327	48,473,147	692,376,121
Profit for the period	-	-	-	158,725,922	-	158,725,922
Other comprehensive income (loss) for the year	-	-	-	(9,594,674)	2,702,301	(6,892,373)
Total comprehensive income for the year	-	-	-	149,131,248	2,702,301	151,833,549
Dividends (note 17)	-	-	-	(120,000,000)	-	(120,000,000)
Bonus shares issued (note 14)	240,000,000	-	-	(240,000,000)	-	-
Transfer to statutory reserve	-	15,872,592	-	(15,872,592)	-	-
Balance at 31 December 2014	480,000,000	104,003,239	75,000,000	14,030,983	51,175,448	724,209,670

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

National Corporation for Tourism and Hotels

STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Notes	2014 AED	2013 AED
OPERATING ACTIVITIES			
Profit for the year		158,725,922	123,274,154
Adjustments for:			
Depreciation	8	56,519,786	54,662,394
Provision for employees' end of service benefits	20	8,782,848	7,943,221
Provision for impairment of accounts receivable	12	5,305,449	2,410,974
Reversal of provision of impairment of accounts receivable	12	(3,716,542)	(1,146,313)
Reversal of provision for impairment of available-for-sale investments		(366,594)	-
Finance income		(1,369,470)	(1,826,647)
Finance cost		11,019,223	13,958,351
Dividend income	3	(2,457,721)	(2,749,678)
Changes in fair value of derivative financial instrument		(1,808,189)	(1,667,353)
Share of profit from associates and joint venture	10	(5,365,053)	(7,100,672)
Gain on sale of property, plant and equipment	3	(21,057,663)	(655,149)
Gain on sale of available for sale investments		<u>(3,884,916)</u>	<u>-</u>
		200,327,080	187,103,282
Working capital changes:			
Inventories		(2,300,826)	(1,154,477)
Accounts receivable and prepayments		1,878,090	(23,484,353)
Accounts payable and accruals*		<u>24,783,851</u>	<u>8,773,378</u>
Net cash from operations		224,688,195	171,237,830
Employees' end of service benefits paid	20	(4,082,966)	(3,491,868)
Directors' remuneration paid	18	(9,594,674)	(9,604,444)
Finance cost paid		<u>(11,019,223)</u>	<u>(13,958,351)</u>
Net cash from operating activities		<u>199,991,332</u>	<u>144,183,167</u>
INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		21,057,663	764,462
Purchase of property, plant and equipment	8	(67,199,116)	(53,103,998)
Proceeds from sale of available for sale investments		7,453,767	-
Finance income received		1,369,470	1,826,647
Dividends received from joint venture	10	1,000,000	2,000,000
Dividends received	3	<u>2,457,721</u>	<u>2,749,678</u>
Net cash used in investing activities		<u>(33,860,495)</u>	<u>(45,763,211)</u>
FINANCING ACTIVITIES			
(Increase) decrease in long term deposits		(17,125,877)	49,415,205
Dividends paid	17	(115,865,271)	(96,775,485)
Receipt of term loans		18,984,835	18,358,383
Repayment of term loans		<u>(62,500,000)</u>	<u>(44,500,000)</u>
Net cash used in financing activities		<u>(176,506,313)</u>	<u>(73,501,897)</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(10,375,476)	24,918,059
Cash and cash equivalents at 1 January	13	<u>115,860,848</u>	<u>90,942,789</u>
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	13	<u>105,485,372</u>	<u>115,860,848</u>

* Non-cash transactions include an amount of AED 4,134,729 (2013: AED 3,224,515) related to dividend payable.

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

National Corporation for Tourism and Hotels

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

1 CORPORATE INFORMATION

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

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

<i>Name</i>	<i>Country of operation</i>	<i>Principal activity</i>	<i>Interest</i>
National Transportation Company L.L.C (the “Joint venture”)	United Arab Emirates	Transport Services	50%
Pearl Azure Hotel Management L.L.C	United Arab Emirates	Hotel Management	10%
Pearl Azure Properties L.L.C (collectively with Pearl Azure Hotel Management LLC, the “associates”)	United Arab Emirates	Hotel Management	10%

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

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

The financial statements for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the Board of Directors on 4 March 2015.

2.1 BASIS OF PREPARATION

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

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

Statement of compliance

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2.2 CHANGES IN ACCOUNTING POLICIES

The accounting adopted are consistent with those of the previous period, except for the following new and amended IFRS. The Corporation applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2014.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Corporation, since none of the entities in the Corporation qualifies to be an investment entity under IFRS 10.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively.

These amendments have no impact on the Corporation, since none of the entities in the Corporation has any offsetting arrangements.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Corporation as the Corporation has not novated its derivatives during the current or prior periods.

IFRIC 21 Levies

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Corporation as it has applied the recognition principles under IAS 37 Provisions, Contingent Liabilities and Contingent Assets consistent with the requirements of IFRIC 21 in prior years.

Annual Improvements 2010-2012 Cycle

In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 Fair Value Measurement. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at 1 January 2014, and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the Corporation.

Annual Improvements 2011-2013 Cycle

In the 2011-2013 annual improvements cycle, the IASB issued four amendments to four standards, which included an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 is effective immediately and, thus, for periods beginning at 1 January 2014, and clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment to IFRS 1 has no impact on the Corporation, since the Corporation is an existing IFRS preparer.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of discounts and rebates.

- Operating revenue represents the sale of hotel rooms, food and beverage, catering and other services, invoiced to customers during the year and is stated net of allowances and rebates.
- Interest income is recognised as the interest accrues using the effective interest method, under which the rate used exactly discounts the estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.
- Dividend income from investments is recognised when the shareholders' rights to receive payment is established.
- Management fee is related to the provision of management, investment advisory and asset management services to the hotels and is recognized when the service is performed.

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

Investment in associates and joint ventures

An associate is an entity over which the Corporation has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Corporation's investments in its associates and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Corporation's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The statement of profit or loss reflects the Corporation's share of the results of operations of the associate or joint venture. Any change in other comprehensive of those investees is presented as part of the Corporation's other comprehensive. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Corporation recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Corporation and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Corporation's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Investment in associates and joint ventures continued

The financial statements of the associate or joint venture are prepared for the same reporting period as the Corporation. When necessary, adjustments are made to bring the accounting policies in line with those of the Corporation.

After application of the equity method, the Corporation determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Corporation determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Corporation calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss as 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

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

Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available for sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Corporation determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

Available for sale financial assets

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Financial assets continued

Derecognition

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

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

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

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

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

Impairment of financial assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Impairment of financial assets continued

Trade receivables

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

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

Loans and borrowings

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

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

Derecognition

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Offsetting of financial instruments

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

Fair value of financial instruments

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

Derivative financial instruments and hedge accounting

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

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

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

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

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

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

Amortised cost of financial instruments

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Property, plant and equipment

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

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

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

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

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

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

Borrowing costs

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

Inventories

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

Trade receivables

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

Cash and short term deposits

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Accounts payable and accruals

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

Provisions

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

Employees' end of service benefits

The Corporation provides end of service benefits to its expatriate employees. The entitlement to these benefits is usually based upon the employees' final salary and length of service, subject to completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the Corporation makes contributions to a UAE Government pension scheme calculated as a percentage of the employees' salaries. The Corporation's obligations are limited to these contributions, which are expensed when due.

Operating leases

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

Foreign currencies

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

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Judgements

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

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

Classification of financial investments

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

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

All other investments are classified as available for sale.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS continued

Estimates and assumptions

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

Impairment of trade receivables

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

At the reporting date, gross trade receivables were AED 164,926,480 (2013: AED 153,670,867) and the net provision for doubtful debts was AED 19,852,269 (2013: AED 18,263,362). Any difference between the amounts actually collected in future periods and the amounts expected to be received will be recognised in the statement of income.

Impairment of available for sale financial assets

The Corporation classifies certain assets as available for sale and recognises movements in their fair value in the statement of other comprehensive income. When the fair value declines, management makes assumptions about the decline in value to determine whether it is an impairment that should be recognised in profit or loss. At 31 December 2014, impairment losses of AED nil (2013: AED nil) have been recognised for available for sale investments and the carrying amount of available for sale investments was AED 76,345,702 (2013: AED 76,845,658).

Fair valuation of unquoted equity investments

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

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

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

Contingencies

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

Impairment of property, plant and equipment

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

Useful lives of property, plant and equipment

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Corporation's financial statements are disclosed below. The Corporation intends to adopt these standards, if applicable, when they become effective.

IFRS 9 *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Corporation's financial assets, but no impact on the classification and measurement of the Corporation's financial liabilities.

IFRS 14 *Regulatory Deferral Accounts*

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Corporation is an existing IFRS preparer, this standard would not apply.

Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. It is not expected that this amendment would be relevant to the Corporation, since none of the entities within the Corporation has defined benefit plans with contributions from employees or third parties.

Annual improvements 2010-2012 Cycle

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Corporation. They include:

IFRS 2 *Share-based Payment*

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE continued

IFRS 3 Business Combination

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarifies that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Corporation. They include:

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE continued

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Corporation is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Corporation.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Corporation given that the Corporation has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Corporation as the Corporation does not have any bearer plants.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE continued

Amendments to IAS 27: *Equity Method in Separate Financial Statements*

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively.

For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Corporation's financial statements.

Management anticipates that these amendments will be adopted in the Corporation's financial statements for the period when they become effective. Management does not expect that the above amendments will have a significant impact on the Corporation's financial statements.

3 INVESTMENT AND OTHER INCOME, NET

	<i>2014</i> <i>AED</i>	<i>2013</i> <i>AED</i>
Dividend income from investments	2,457,721	2,749,678
Management fees	8,452,335	11,099,948
Gain on sale of property, plant and equipment	21,057,663	655,149
Other income	<u>3,165,621</u>	<u>2,948,904</u>
	<u>35,133,340</u>	<u>17,453,679</u>

Gain on sale of property, plant and equipment includes an amount of AED 20,639,700 related to the sale of land parcel to a third party.

4 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>2014</i> <i>AED</i>	<i>2013</i> <i>AED</i>
Payroll and employee related costs	17,768,768	13,694,491
Depreciation	2,023,757	1,973,298
Other operating expenses	<u>2,605,885</u>	<u>3,380,794</u>
	<u>22,398,410</u>	<u>19,048,583</u>

5 PROFIT FOR THE YEAR

Profit for the year is stated at after charging:

	<i>2014</i> <i>AED</i>	<i>2013</i> <i>AED</i>
Staff costs	252,462,373	220,880,780
Depreciation of property, plant and equipment (note 8)	56,519,786	54,662,394

National Corporation for Tourism and Hotels

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

6 EARNINGS PER SHARE

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

	2014	2013
Profit for the year (AED)	<u>158,725,922</u>	<u>123,274,154</u>
Weighted average number of ordinary shares outstanding during the year (as adjusted for the issue of bonus shares)	<u>480,000,000</u>	<u>480,000,000</u>
Basic and diluted earnings per share (AED)	<u>0.33</u>	<u>0.26</u>

As of 31 December 2014 and 31 December 2013, the Corporation has not issued any instrument which would have a dilutive impact on earnings per share when converted or exercised.

7 OPERATING SEGMENTS

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

Operating segments

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

- | | |
|---------------------|---|
| - Hotels | - Providing room and food and beverages services to customers. |
| - Retail Services | - Providing beverage sales services to customers; |
| - Catering Services | - Providing catering services on a contract basis; and |
| - Holding | - Responsible for managing investments held by the Corporation, development of hotels and general coordination of Corporation activities. |

Segment performance is measured based on profit or loss.

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

National Corporation for Tourism and Hotels

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

7 OPERATING SEGMENTS continued

Operating segments continued

The following table presents revenue and profit information regarding the Corporation's operating segments for the year ended 31 December 2014 and 31 December 2013, respectively.

	Hotels AED	Retail Services AED	Catering Services AED	Holding AED	Total AED
Year ended 31 December 2014					
Operating revenues	306,641,168	76,828,387	397,867,362	-	781,336,917
Cost of services	(220,057,982)	(49,531,563)	(367,164,785)	-	(636,754,330)
Results	86,583,186	27,296,824	30,702,577	-	144,582,587
General and administrative expenses	-	-	-	(22,398,410)	(22,398,410)
Share in profit of associates and joint venture	-	-	-	5,365,053	5,365,053
Investment and other income, net	-	-	-	35,133,340	35,133,340
Finance income	-	-	-	1,369,470	1,369,470
Finance costs	-	-	-	(11,019,224)	(11,019,224)
Gain on fair value of derivative financial instruments	-	-	-	1,808,189	1,808,189
Gain on disposal of available for sale investments	-	-	-	3,884,916	3,884,916
Profit for the year	86,583,186	27,296,824	30,702,577	14,143,335	158,725,922
At 31 December 2014					
Segment assets	439,813,827	22,673,456	174,428,711	454,076,452	1,090,992,446
Available-for-sale investments	-	-	-	76,345,702	76,345,702
Investment in associates and joint venture	-	-	-	90,262,566	90,262,566
Total assets	439,813,827	22,673,456	174,428,711	620,684,720	1,257,600,714
Operating liabilities	50,798,934	14,026,445	101,188,608	151,090,096	317,104,083
Capital expenditures	15,020,847	407,629	12,995,674	38,775,016	67,199,166
Year ended 31 December 2013					
Operating revenues	309,849,226	54,471,327	352,294,164	-	716,614,717
Cost of services	(216,385,562)	(35,744,116)	(336,252,302)	-	(588,381,980)
Results	93,463,664	18,727,211	16,041,862	-	128,232,737
General and administrative expenses	-	-	-	(19,048,583)	(19,048,583)
Share in profit of associates and joint venture	-	-	-	7,100,672	7,100,672
Investment and other income, net	-	-	-	17,453,679	17,453,679
Finance income	-	-	-	1,826,647	1,826,647
Finance costs	-	-	-	(13,958,351)	(13,958,351)
Gain on fair value of derivative financial instruments	-	-	-	1,667,353	1,667,353
Profit for the year	93,463,664	18,727,211	16,041,862	(4,958,583)	123,274,154
At 31 December 2013					
Segment assets	392,419,426	16,521,910	158,022,471	512,478,753	1,079,442,560
Available-for-sale investments	-	-	-	76,845,658	76,845,658
Investment in associates and joint venture	-	-	-	85,897,513	85,897,513
Total assets	392,419,426	16,521,910	158,022,471	675,221,924	1,242,185,731
Operating liabilities	42,159,378	9,700,676	91,122,151	136,065,902	279,048,107
Capital expenditures	16,553,304	1,032,187	15,020,127	20,498,380	53,103,998

All the income and expenses relating to operations of the Corporation is generated in UAE and denominated in UAE Dirham.

National Corporation for Tourism and Hotels

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8 PROPERTY, PLANT AND EQUIPMENT

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

	<i>Land and buildings AED</i>	<i>Mechanical, electrical and plumbing AED</i>	<i>Furniture, fixtures and operating equipment AED</i>	<i>Motor vehicles AED</i>	<i>Construction in progress AED</i>	<i>Total AED</i>
2014						
Cost:						
At 1 January 2014	787,998,904	117,364,932	229,449,098	18,094,118	152,155,286	1,305,062,338
Additions	103,066	684,383	18,232,291	10,535,400	37,643,976	67,199,116
Disposals	(700,000)	-	(221,510)	(1,053,850)	-	(1,975,360)
Transfers	34,073,276	15,006,595	11,418,567	-	(60,498,438)	-
At 31 December 2014	821,475,246	133,055,910	258,878,446	27,575,668	129,300,824	1,370,286,094
Depreciation:						
At 1 January 2014	294,056,606	75,687,309	179,204,371	10,280,341	-	559,228,627
Charge for the year	23,923,624	10,656,822	18,892,606	3,046,734	-	56,519,786
Disposals	(700,000)	-	(221,510)	(1,053,850)	-	(1,975,360)
At 31 December 2014	317,280,230	86,344,131	197,875,467	12,273,225	-	613,773,053
Net book value:						
At 31 December 2014	504,195,016	46,711,779	61,002,979	15,302,443	129,300,824	756,513,041
2013						
Cost:						
At 1 January 2013	770,986,728	111,096,689	216,169,825	16,336,718	140,408,370	1,254,998,330
Additions	546,400	-	13,861,363	2,948,400	35,747,835	53,103,998
Disposals	-	(1,266,900)	(582,090)	(1,191,000)	-	(3,039,990)
Transfers	16,465,776	7,535,143	-	-	(24,000,919)	-
At 31 December 2013	787,998,904	117,364,932	229,449,098	18,094,118	152,155,286	1,305,062,338
Depreciation:						
At 1 January 2013	270,931,562	66,639,547	161,423,309	8,502,492	-	507,496,910
Charge for the year	23,125,044	10,314,662	18,363,151	2,859,537	-	54,662,394
Disposals	-	(1,266,900)	(582,089)	(1,081,688)	-	(2,930,677)
At 31 December 2013	294,056,606	75,687,309	179,204,371	10,280,341	-	559,228,627
Net book value:						
At 31 December 2013	493,942,298	41,677,623	50,244,727	7,813,777	152,155,286	745,833,711

The depreciation charge has been allocated in the income statement as follows:

	2014 AED	2013 AED
Cost of services	54,496,029	52,689,096
General and administrative expenses	2,023,757	1,973,298
	56,519,786	54,662,394

During the year, borrowing costs amounting to AED 1,862,836 (2013: AED 648,999) have been capitalised.

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9 AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	<i>2014</i> <i>AED</i>	<i>2013</i> <i>AED</i>
Investments in quoted securities	64,649,453	74,095,658
Investments in unquoted securities	<u>11,696,249</u>	<u>2,750,000</u>
	<u>76,345,702</u>	<u>76,845,658</u>

Investments in unquoted securities represent the Corporation's equity interest of 4.89% (2013: 4.89%) in Sawaeed Employment L.L.C. During 2014, the Corporation performed valuation of this investment based on the net asset value method which resulted in a gain of AED 8,946,249 that was recorded in the statement of other comprehensive income.

Movement in available-for-sale investments is as follows:

	<i>2014</i> <i>AED</i>	<i>2013</i> <i>AED</i>
<i>Quoted equity securities</i>		
At 1 January	74,095,658	34,613,277
Sale of quoted securities	(3,202,257)	-
Fair value reversal for sold securities	(3,905,551)	-
(Decrease) increase in fair value of available for sale investments	<u>(2,338,397)</u>	<u>39,482,381</u>
At 31 December	<u>64,649,453</u>	<u>74,095,658</u>
<i>Unquoted equity securities</i>		
At 1 January	2,750,000	2,750,000
Increase in fair value of available for sale investments	<u>8,946,249</u>	<u>-</u>
At 31 December	<u>11,696,249</u>	<u>2,750,000</u>

All available-for-sale investments are located in UAE.

10 INVESTMENT IN ASSOCIATES AND JOINT VENTURE

	<i>2014</i> <i>AED</i>	<i>2013</i> <i>AED</i>
Investment in associates	80,788,713	76,960,683
Investment in joint venture	<u>9,473,853</u>	<u>8,936,830</u>
	<u>90,262,566</u>	<u>85,897,513</u>

National Corporation for Tourism and Hotels

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10 INVESTMENT IN ASSOCIATES AND JOINT VENTURE continued

Investment in associates

Movement in investment in associates is as follows:

	<i>2014</i> <i>AED</i>	<i>2013</i> <i>AED</i>
At 1 January	76,960,683	72,698,881
Share of results for the year	<u>3,828,030</u>	<u>4,261,802</u>
At 31 December	<u>80,788,713</u>	<u>76,960,683</u>

Summarised statement of income of the associates is as follows;

	<i>2014</i> <i>AED</i>	<i>2013</i> <i>AED</i>
Revenue	362,090,916	356,397,325
Cost of sales	(148,982,905)	(145,683,436)
Administrative expenses	(161,063,115)	(151,828,157)
Other income	3,072,009	2,470,974
Finance costs	<u>(16,836,606)</u>	<u>(18,738,686)</u>
Profit for the year	<u>38,280,299</u>	<u>42,618,020</u>
Corporation's share of results for the year	<u>3,828,030</u>	<u>4,261,802</u>

Summarised statement of financial position of the associates is as follows;

	<i>2014</i> <i>AED</i>	<i>2013</i> <i>AED</i>
Property, plant, and equipment	1,418,765,987	1,449,441,639
Amounts due from related parties	97,163,781	152,573,916
Inventories	3,463,524	3,815,387
Accounts receivables and prepayments	62,717,506	71,078,402
Cash and bank balances	68,284,072	23,557,808
Accounts payable and accruals	(45,323,645)	(62,815,970)
Employees end of service benefit	(20,050,928)	(16,937,276)
Amounts due to related parties	(13,124,796)	(30,605,409)
Term loans	<u>(764,008,371)</u>	<u>(820,501,667)</u>
Net assets	<u>807,887,130</u>	<u>769,606,830</u>
Corporation's share of net assets	<u>80,788,713</u>	<u>76,960,683</u>

National Corporation for Tourism and Hotels

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10 INVESTMENT IN ASSOCIATES AND JOINT VENTURE continued

Investment in joint venture

Movement in investment in joint venture is as follows:

	<i>2014</i> <i>AED</i>	<i>2013</i> <i>AED</i>
At 1 January	8,936,830	8,097,960
Share of results for the year	1,537,023	2,838,870
Dividend received	<u>(1,000,000)</u>	<u>(2,000,000)</u>
At 31 December	<u>9,473,853</u>	<u>8,936,830</u>

Summarised statement of income of the joint venture is as follows;

	<i>2014</i> <i>AED</i>	<i>2013</i> <i>AED</i>
Revenue	27,631,002	25,912,064
Cost of sales	(22,161,758)	(20,906,284)
Administrative expenses	(2,469,194)	(2,476,900)
Other income	779,611	4,064,356
Finance costs	<u>(705,616)</u>	<u>(915,496)</u>
Profit for the year	<u>3,074,045</u>	<u>5,677,740</u>
Corporation's share of results for the year	<u>1,537,023</u>	<u>2,838,870</u>

Summarised statement of financial position of the joint venture is as follows;

	<i>2014</i> <i>AED</i>	<i>2013</i> <i>AED</i>
Property, plant, and equipment	21,164,360	24,183,312
Accounts receivables and prepayments	5,248,747	7,610,160
Investments carried at fair value	20,929	20,929
Cash and bank balances	4,701,278	6,720,682
Accounts payable and accruals	(2,580,013)	(3,393,727)
Employees end of service benefit	(1,310,840)	(1,225,025)
Term loans	<u>(8,296,755)</u>	<u>(16,042,671)</u>
Net assets	<u>18,947,706</u>	<u>17,873,660</u>
Corporation's share of net assets	<u>9,473,853</u>	<u>8,936,830</u>

National Corporation for Tourism and Hotels

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11 INVENTORIES

	2014	2013
	AED	AED
Food and beverages	14,514,248	12,174,411
Engineering and operating supplies	<u>1,671,919</u>	<u>1,710,930</u>
	<u>16,186,167</u>	<u>13,885,341</u>

As at 31 December 2014, the Corporation had no provision for old and obsolete inventories (2013: same).

12 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2014	2013
	AED	AED
Trade receivables	164,926,480	153,670,867
Less: provision for impaired accounts	<u>(19,852,269)</u>	<u>(18,263,362)</u>
Net trade receivables	145,074,211	135,407,505
Amounts due from related parties	249,640	6,314,710
Other receivables and prepayments	<u>33,773,343</u>	<u>40,841,976</u>
	<u>179,097,194</u>	<u>182,564,191</u>

For terms and conditions relating to related party receivables, refer to note 22.

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

As at 31 December 2014, trade receivables at nominal value of AED 19,852,269 (2013: AED 18,263,362) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	2014	2013
	AED	AED
At 1 January	18,263,362	16,998,701
Charge for the year	5,305,449	2,410,974
Reversed during the year	<u>(3,716,542)</u>	<u>(1,146,313)</u>
At 31 December	<u>19,852,269</u>	<u>18,263,362</u>

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

			<i>Past due but not impaired</i>			
			<i>Neither past due nor impaired</i>	<i>31 – 60 days</i>	<i>61 – 90 day</i>	<i>91 – 120 days</i>
	<i>Total AED</i>	<i>impaired AED</i>	<i>days AED</i>	<i>day AED</i>	<i>days AED</i>	<i>>120 days AED</i>
2014	145,074,211	82,138,034	32,691,152	10,778,953	7,858,744	11,607,328
2013	135,407,505	56,062,154	31,473,745	17,200,655	8,570,276	22,100,675

National Corporation for Tourism and Hotels

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13 CASH AND SHORT TERM DEPOSITS

For the purpose of the statement of cash flows, cash and cash equivalents are comprised of the following:

	<i>2014</i> <i>AED</i>	<i>2013</i> <i>AED</i>
Bank balances and cash	85,485,372	60,083,681
Term deposits	<u>53,710,672</u>	<u>77,075,636</u>
Cash and short term deposits	139,196,044	137,159,317
Less: bank overdraft	-	(4,713,674)
Less: term deposits with original maturity of more than three months	<u>(33,710,672)</u>	<u>(16,584,795)</u>
Cash and cash equivalents	<u>105,485,372</u>	<u>115,860,848</u>

Term deposits represent deposits held with financial institutions in the UAE, and denominated in UAE dirhams and carry profit at the prevailing market rates ranging from 2.125% to 2.75% per annum (2013: 2.5% to 2.7%).

Short-term 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. The fair values of short-term deposits are equal to carrying amount at year end.

Long term deposit relates to a placement with a commercial bank for a period of six months and carries an interest rate of 2.5% to 2.75% per annum (2013: 2.7% to 2.8% per annum).

14 SHARE CAPITAL

	<i>2014</i> <i>AED</i>	<i>2013</i> <i>AED</i>
	<i>Authorised, Issued and fully paid</i>	
240,000,000 (2013: 200,000,000) ordinary shares of AED 1 each	240,000,000	200,000,000
240,000,000 (2013: 40,000,000) bonus shares issued of AED 1 each	<u>240,000,000</u>	<u>40,000,000</u>
Ordinary shares of AED 1 each	<u>480,000,000</u>	<u>240,000,000</u>

During the year, the Corporation issued 240,000,000 (2013: 40,000,000) bonus shares to its existing shareholders on the basis of 100% of ordinary shares held (2013: 20% of ordinary shares held). The bonus shares are ordinary shares and carry the same rights as other ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

15 STATUTORY AND GENERAL RESERVES

Statutory reserve

In line with the provisions of the UAE Federal Commercial Companies Law No. (8) of 1984, (as amended) and the Corporation's Articles of Association, the Corporation is required to transfer annually to a statutory reserve account an amount equivalent to 10% of its profit for the year, until such reserve reaches 50% of the share capital of the Corporation. The statutory reserve is not available for distribution.

General reserve

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

16 DERIVATIVE FINANCIAL INSTRUMENTS

	<i>2014</i> <i>AED</i>	<i>2013</i> <i>AED</i>
Financial liability:		
Interest rate swaps	756,177	2,564,366
Less: non-current portion	<u>-</u>	<u>(472,259)</u>
Current portion	<u>756,177</u>	<u>2,092,107</u>

The interest rate swaps with notional amount of AED 339,166,667 (2013: AED 339,166,667), which does not meet the definition of a designated hedging instrument, has a maturity date of 1 October 2015. In accordance with the terms of the swap agreement the Corporation receives 3 months EBOR against its payments of:

- 2.65%, if 3 months EBOR fixes below 1.65%.
- 3 months EBOR, if 3 months EBOR fixes at or above 1.65% and below 8%.
- 8%, if 3 months EBOR fixes at or above 8%.

The positive movement in the fair value of the interest rate swap of AED 1,808,189 (2013: positive movement of AED 1,667,353) has been charged to the income statement.

17 DIVIDENDS

During the year, dividends amounting to AED 120,000,000 (2013: AED 100,000,000 million) were declared and approved of which AED 115,865,271 (2013: AED 96,775,485) was paid to shareholders.

Amount of dividends per share was equal to AED 0.25 (2013: 0.04)

18 DIRECTORS' REMUNERATION

The remuneration of the Board of Directors for the year ended 31 December 2014 amounts to AED 11,885,333 (2013: AED 9,594,674), subject to approval by the shareholders in the Annual General Meeting. Board of Directors remuneration paid during 2014 amounted to AED 9,594,674 (2013: AED 9,604,444).

National Corporation for Tourism and Hotels

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19 TERM LOANS

	2014 AED	2013 AED
Term loan 1	125,250,447	170,250,447
Term loan 2	157,500,000	175,000,000
Term loan 3	33,378,606	17,868,768
Term loan 4	3,728,362	489,615
Term loan 5	<u>236,250</u>	<u>-</u>
Total	320,093,665	363,608,830
Less: non-current portion	<u>(188,845,665)</u>	<u>(247,547,830)</u>
Current portion	<u>131,248,000</u>	<u>116,061,000</u>

Term loan 1

During 2009, the Corporation obtained a loan from a local bank amounting to AED 370 million to finance its short-term obligations and is repayable in 24 quarterly installments of AED 15.4 million commencing on 1 January 2010. The loan carries interest at the rate of 3.5% over 3-months EBOR. Interest is paid on a quarterly basis.

During March 2012, the Corporation rescheduled the loan with the bank for the balance to be repaid over 19 quarterly instalments starting end of March 2012 with 4 payments of AED 8.5 million, 4 payments of AED 9 million, 4 payments of AED 12 million, 4 payments of AED 14.5 million, 2 payments of AED 16.5 million and a final installment on 30 September 2016 with the remaining balance of the loan.

The term loan is secured by the following:

- i) Mortgage over the land and building of Abu Dhabi Intercontinental Hotel.
- ii) Assignment of insurance in relation to the above property for not less than AED 370 million.
- iii) Assignment of revenues from Abu Dhabi Intercontinental Hotel.

Term loan 2

In accordance with article 4 of law no. 7 of 1996, dated 11 December 1996, the Government of Abu Dhabi sold the three hotels namely Abu Dhabi Intercontinental Hotel, Danat Al Ain resort (formerly Al Ain Intercontinental Hotel) and Al Dhafra Beach Hotel to the Corporation for an amount of AED 350 million. The sale amount of AED 350 million has been granted as a long term loan by the Government of Abu Dhabi to the Corporation and is to be repaid over 20 years following a grace period of 5 years commencing from 11 December 1996 being the date of the loan agreement. The loan carries simple interest at 2% per annum to be charged after a grace period of 3 years. As at 31 December 2014, two scheduled payments due in 2014 and 2013 amounting to AED 35 million have not been settled.

Term loan 3

During 2013, the Corporation obtained a loan from a local bank amounting to AED 35 million to finance its short-term obligations for a new project and repayable in 4 years through 15 equal quarterly installments of AED 2.18 million originally commencing on 30 September 2013 and one last installment (16th) covering the residual loan amount plus the remaining accrued interest. Total drawdowns as of 31 December 2014 amounted to AED 35,000,000. Subsequently, the repayment schedule was amended so that the first installment date was extended to 28 February 2015. The loan carries interest at the rate of 4% over 3-months EBOR, subject to a minimum interest rate of 6.5% per annum. Interest is paid on a quarterly basis.

The loan facility is secured by the common security mentioned in the Term loan 1 plus the assignment of revenues up to AED 20 million from Danat Resort Hotel, Jebel Dhanna.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

19 TERM LOANS continued

Term loan 4

During 2013, the Corporation obtained a loan facility from a local bank amounting to AED 220 million. The loan will be utilized to for the construction of a new hotel, Grand Marina. Total drawdown as of 31 December 2014 amounted to AED 3,728,362. Repayment of the loan is due after 36 months from first installment for main civil works contractor payments. The loan carries interest at the rate of 4% over 3-months EBOR, subject to a minimum interest rate of 6.5% per annum. Interest is paid on a quarterly basis. The loan is to be repaid over 9 years by 36 quarterly installments. Additional drawdown of AED 216,271,638 is available for this loan as of 31 December 2014.

The loan facility is secured by the common security mentioned in the Term loan 1 and Term loan 3 plus the assignment of revenues up to AED 20 million from Danat Resort Hotel, Jebel Dhanna plus the assignment of entire revenue of the new hotel.

Term loan 5

During 2014, the Corporation obtained a loan facility from a local bank amounting to AED 40.5 million. The loan will be utilized to meet the expenses of renovation, addition of 200 rooms, staff accommodation and others such as road construction, furniture and fittings at Danat Jebel Dhanna and Dhafra Beach Hotel. Total drawdown as of 31 December 2014 amounted to AED 236,250. Repayment of the loan is due after 18 months from the date of first utilization. The loan carries interest at the rate of 3.5% over 3-months EBOR, subject to a minimum interest rate of 6.5% per annum. Interest is to be paid on a quarterly basis. The loan is to be repaid over 6 and a half years by 12 equal semi-annual installments of AED 3.115 million each, and the balance over the 13th installment. Additional drawdown of AED 40,263,750 is available for this loan as of 31 December 2014.

The loan facility is secured by the common security mentioned in the Term loan 1 and Term loan 3 , and Term loan 4, primary mortgage for AED 40.5 million on the plot, and the assignment of entire revenues from Danat Resort Hotel, Jebel Dhanna

Term loan 6

During 2014, the Corporation obtained a loan facility from a local bank amounting to AED 250 million for a new hotel to be constructed on its Plot in Saadiyat Island, Abu Dhabi. No drawdown has been made by the Corporation as of 31 December 2014. Repayment of the loan is due after 3 years from initial drawdown. The loan is to be repaid in 12 years through 24 semi-annual installments. The loan carries interest at the rate of 3.5% over 3-months EBOR, subject to a minimum interest rate of 6.5% per annum. Interest is to be paid on a quarterly basis.

The loan facility is secured by the common security in Term Loan 1, and assignment of entire revenue of the new hotel, and all other related assignments.

20 EMPLOYEES' END OF SERVICE BENEFITS

	<i>2014</i>	<i>2013</i>
	<i>AED</i>	<i>AED</i>
The movement on the provision is as follows:		
Balance at 1 January	22,741,414	18,290,061
Provision for the year	8,782,848	7,943,221
Payments	<u>(4,082,966)</u>	<u>(3,491,868)</u>
Balance at 31 December	<u>27,441,296</u>	<u>22,741,414</u>

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21 ACCOUNTS PAYABLE AND ACCRUALS

	<i>2014</i> <i>AED</i>	<i>2013</i> <i>AED</i>
Trade and other payables	128,733,230	100,109,502
Accrued liabilities	47,091,738	46,557,920
Retentions payable	4,230,004	3,744,224
Advances from customers	<u>5,044,934</u>	<u>5,769,680</u>
	<u>185,099,906</u>	<u>156,181,326</u>

Terms and conditions of the above financial liabilities:

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

22 RELATED PARTY TRANSACTIONS

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

Terms and conditions of transactions with related parties

The sales to and services from related parties are made at normal market prices. Outstanding balances at the year end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2014, the Corporation has not recorded any impairment of receivables relating to amounts owed by related parties (2013: AED nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which related party operates.

Balances with these related parties generally arise from commercial transactions in the normal course of business on an arm's length basis. Balances with related parties at the statement of financial position date comprised:

	<i>2014</i> <i>AED</i>	<i>2013</i> <i>AED</i>
Joint venture in which the Corporation is a venturer:		
Amounts due from related parties (note 12)	-	-
Associates:		
Amounts due from related parties (note 12)	249,640	6,314,710
Key management personnel		
Amount due from related parties (note 12)	<u>-</u>	<u>-</u>
	<u>249,640</u>	<u>6,314,710</u>

National Corporation for Tourism and Hotels

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31 December 2014

22 RELATED PARTY TRANSACTIONS continued

Significant transactions with related parties are as follows:

	2014 AED	2013 AED
<i>Other related parties:</i>		
Administration fee charged by a related party	<u>9,781,968</u>	<u>6,000,000</u>
Asset management fee income	<u>150,000</u>	<u>3,909,274</u>
Rental income	<u>495,567</u>	<u>288,000</u>
Compensation of key management personnel		
The remuneration of key management personnel during the year was as follows:		
Short-term benefits	14,025,952	10,024,677
Employees' end of service benefits	<u>183,150</u>	<u>215,049</u>
	<u>14,209,102</u>	<u>10,239,726</u>

23 CONTINGENCIES AND COMMITMENTS

I- Contingencies

Bank guarantees

At 31 December 2014, the Corporation had outstanding contingent liabilities in respect of letters of guarantee of AED 91.6 million (31 December 2013: AED 87.2 million).

Legal case

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

II- Commitments

Capital commitments

At 31 December 2014, the Corporation had estimated commitments for the Lebanese Restaurant, Beach Club at Abu Dhabi Intercontinental Hotel, Grand Marina Hotel and All day Dining project at Danat Al Ain Hotel of AED 5,979,276 (2013: AED 10,525,949).

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Objectives and policies

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

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

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31 December 2014

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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

To manage this, the Corporation enters into interest rate swaps, in which the Corporation agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount.

Credit risk

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

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

Liquidity risk

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

The table below summarises the maturity profile of the Corporation's financial liabilities at 31 December 2014 based on contractual undiscounted payments.

	<i>On demand</i> <i>AED</i>	<i>Less than 6</i> <i>months</i> <i>AED</i>	<i>6 to 12</i> <i>months</i> <i>AED</i>	<i>1 to 5 years</i> <i>AED</i>	<i>>5 years</i> <i>AED</i>	<i>Total</i> <i>AED</i>
At 31 December 2014						
Term loans	48,480,000	35,543,310	53,393,310	160,695,633	35,700,000	333,812,253
Derivative financial liability	-	-	756,177	-	-	756,177
Trade and other payables	-	128,733,230	2,803,550	1,426,454	-	132,963,234
Total	48,480,000	164,276,540	56,953,037	162,122,087	35,700,000	467,531,664
At 31 December 2013						
Term loans	45,285,000	55,421,072	51,789,932	224,224,549	17,850,000	394,570,553
Derivative financial liability	-	1,507,877	584,230	472,259	-	2,564,366
Bank overdraft	4,713,674	-	-	-	-	4,713,674
Trade and other payables	-	100,983,579	252,176	2,617,971	-	103,853,726
Total	49,998,674	157,912,528	52,626,338	227,314,779	17,850,000	505,702,319

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Equity price risk

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

		31 December 2014	31 December 2013
	<i>Change in variables</i>	<i>Impact on equity AED</i>	<i>Impact on equity AED</i>
Market index			
Abu Dhabi Securities Market Index	5%	3,232,473	3,689,663
Dubai Financial Market Index	5%	-	15,120

Capital management

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

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

No changes were made in the objectives, policies or processes during the years end 31 December 2014 and 31 December 2013.

Capital comprises of share capital, statutory reserve, general reserve, retained earnings, and cumulative changes in fair values of available of sale investments and is measured at AED 724.2 million (2013: AED 692.4 million).

25 FINANCIAL INSTRUMENTS

Fair values

The fair values of the financial assets and liabilities of the Corporation are not materially different from their carrying values at the reporting date except for Term Loan 2 which carries a fixed interest rate. Set out below is a comparison of carrying amount and fair value of the Term Loan 2:

	<i>Carrying amount</i>		<i>Fair value</i>	
	2014	2013	2014	2013
	AED	AED	AED	AED
<i>Financial assets</i>				
Available for sale investments – quoted	64,649,453	74,095,658	64,649,453	74,095,658
Available for sales investments – unquoted	11,696,249	2,750,000	11,696,249	2,750,000
Total				
<i>Financial liabilities</i>				
Fixed rate loan	157,500,000	175,000,000	145,434,996	166,434,996
Floating rate loans	162,593,665	188,608,830	162,593,665	188,608,830
Interest rate swaps	756,177	2,564,366	756,177	2,564,366

The management assessed that cash and short-term deposits, accounts receivables, accounts payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

National Corporation for Tourism and Hotels

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

25 FINANCIAL INSTRUMENTS continued

Fair value hierarchy

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

- Level 1:* quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2:* other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3:* techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows the analysis of financial instruments recorded at fair value by level of the fair value hierarchy for the year ended 31 December 2014:

	<i>Date of valuation</i>	<i>Quoted prices in active markets (Level 1) AED</i>	<i>Significant observable inputs (Level 2) AED</i>	<i>Significant unobservable inputs (Level 3) AED</i>
Available for sale investments				
Equity shares	31 December 2014	64,649,453	-	11,696,249
Derivative financial instruments				
Interest rate swaps	31 December 2014	-	756,177	-
Term loans				
Fixed rate loan	31 December 2014	-	145,434,996	-
Floating rate loans	31 December 2014	-	162,593,665	-

The following table shows the analysis of financial instruments recorded at fair value by level of the fair value hierarchy for the year ended 31 December 2013:

	<i>Date of valuation</i>	<i>Quoted prices in active markets (Level 1) AED</i>	<i>Significant observable inputs (Level 2) AED</i>	<i>Significant unobservable inputs (Level 3) AED</i>
Available for sale investments				
Equity shares	31 December 2013	74,095,658	-	-
Derivative financial instruments				
Interest rate swaps	31 December 2013	-	2,564,366	-
Term loan				
Fixed rate loan	31 December 2013	-	166,434,996	-
Floating rate loans	31 December 2013	-	188,608,830	-

During the year, there were no transfers between or into Level 1, Level 2 and Level 3 fair value measurements.

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31 December 2014

25 FINANCIAL INSTRUMENTS continued

Available for sale investment

The fair values of the unquoted available for sale investments have been estimated using a net asset value model. The remaining available for sale investments are listed in local exchanges, and their fair values are derived from quoted market prices in active markets.

Derivative financial instruments

Derivative financial instruments include interest rate swap valued using valuation techniques with market observable inputs. The valuation techniques include swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, interest rate curves and forward rate curves of the underlying commodity.

Fixed rate loan

The Corporation received a fixed rate loan from Government of Abu Dhabi, which carries simple interest at 2% per annum. The fair value of the loan is calculated using present value calculations at market interest rates prevailing at statement of financial position date.