

National Corporation for Tourism and Hotels

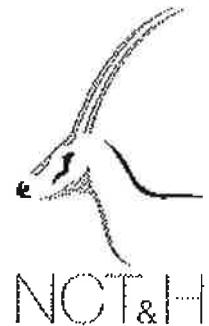
REPORT OF THE CHAIRMAN OF THE
BOARD OF DIRECTORS AND FINANCIAL
STATEMENTS

31 DECEMBER 2012

National Corporation for Tourism and Hotels

REPORT OF THE CHAIRMAN OF THE
BOARD OF DIRECTORS

31 DECEMBER 2012



To All Esteemed Shareholders

Dear Sirs,

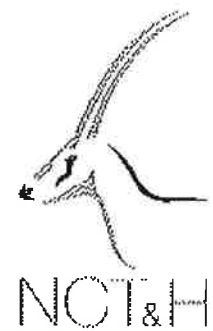
I have the honor, and on behalf of my colleagues, members of the Board of Directors to express our deep thanks and appreciation to H.H. Sheikh Khalifa Bin Zayed Al Nahyan, President of the United Arab Emirates - may Allah preserve him, and to H.H. Lt. Gen. Sheikh Mohamed Bin Zayed Al Nahyan, Crown Prince - may Allah preserve him, for their continuous support and encouragement to all of us; and as a result our country has become a model of stability and growth to the entire world.

The results of our Corporation in 2012 asserted our commitment to achieve success and development and reflected the ability to adapt with the changes and competition in the market despite the radical changes in the hotel sector. It also confirmed the strategy of the Board of Directors that the Corporation has a lot of potentials and capabilities that can be utilized and developed without relying on one sector only. The commitment of the Board to implement its strategy by mobilizing all the Corporation capabilities and those available with such sectors actually represents our commitment towards the shareholders. The good results of the strategy started to appear during 2012 and we are expecting that 2013 will be

المؤسسة الوطنية للسياحة والفنادق
National Corporation for Tourism and Hotels

مقر: ٦٩٤٢، أبوظبي، الإمارات العربية المتحدة
هاتف: ٩٩٩٩ ٢ ٤٠٩ ٩٧١٢ فاكس: ٩٩٩٩ ٢ ٤٠٩ ٩٧١٢
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even more evident on the results of Catering, Transportation and Purchasing Divisions that have realized recently.

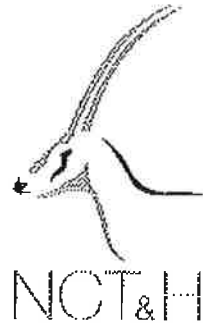
As for the results, total revenues of the Corporation amounted to Dhs. 573 Million compared to Dhs. 540 Million in the past year with an increase of Dhs. 33 Million despite the drop in the revenues of the hotels from Dhs. 317 Million last year to Dhs. 280 Million in 2012 i.e. Dhs. 37 Million, was a result of opening a number of new hotels in Abu Dhabi during 2010, 2011 and 2012, which consequently led to a drop in room rates. The rise in the total revenues - despite the drop in revenues of the biggest sector of the Corporation - affirmed the Board's plans to benefit from and develop all the sectors.

As to the profit, our net profits - after the calculation of the depreciation and the interest on loans - amount to Dhs. 96 Million compared to Dhs. 108.5 Million last year. This decline in profits by Dhs. 12.5 Million is directly attributable to the drop in the return from the hotels revenues as stated in page no. 19 of the financial report.

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The Corporation has maintained a good cash liquidity of Dhs. 160 Million compared to Dhs. 121 Million in the past year in spite of not liquidating any of the share portfolios of the Corporation, in addition to the distribution of Dhs. 82.5 Million as cash dividends to the shareholders compared to Dhs. 88 Million last year. This was also accompanied by a number of new capital investments at the Central Purchasing Division, the Catering Division and the Hotel Division since the Corporation has renovated Danat Al Ain Hotel and other facilities. This asserted that the Board of Director's strategy focusing on continuous improvement of the cash liquidity sources, control of spending and collection of debts from others has been correct and valid.

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 of the Corporation for their efforts.

Thank you and regards



HAMDAN BIN MUBARAK AL NAHYAN

Chairman of the Board

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National Corporation for Tourism and Hotels

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National Corporation for Tourism and Hotels

FINANCIAL STATEMENTS

31 DECEMBER 2012

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 2012, 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 2012 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 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:
Mohammad Mobin Khan
Partner
Ernst & Young
Registration No. 532

3 March 2013
Abu Dhabi

National Corporation for Tourism and Hotels

STATEMENT OF INCOME

Year ended 31 December 2012

	Notes	2012 AED	2011 AED
Operating revenues	7	572,971,032	540,005,365
Cost of services	7	(407,429,327)	(354,441,917)
Depreciation	7, 8	<u>(53,150,592)</u>	<u>(52,861,336)</u>
GROSS PROFIT		112,391,113	132,702,112
General and administrative expenses	4	(19,463,354)	(17,427,111)
Depreciation	8	(1,097,635)	(1,276,129)
Investment and other income, net	3	14,485,286	10,827,169
Changes in fair value of derivative financial instruments		(533,156)	(2,405,935)
Finance income		7,637,557	6,041,446
Finance costs		<u>(17,375,370)</u>	<u>(19,954,195)</u>
PROFIT FOR THE YEAR	5, 7	<u>96,044,441</u>	<u>108,507,357</u>
Basic and diluted earnings per share	6	<u>0.48</u>	<u>0.54</u>

The attached notes 1 to 27 form part of these financial statements.

National Corporation for Tourism and Hotels

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2012

	<i>Notes</i>	2012 AED	2011 AED
Profit for the year		96,044,441	108,507,357
Unrealised gain (loss) on fair value of available for sale investments	9	8,497,822	(37,220,643)
Directors' remuneration paid	19	(10,850,730)	(13,021,620)
Other comprehensive loss for the year		<u>(2,352,908)</u>	<u>(50,242,263)</u>
Total comprehensive income for the year		<u>93,691,533</u>	<u>58,265,094</u>

The attached notes 1 to 27 form part of these financial statements.

National Corporation for Tourism and Hotels

STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Notes	2012 AED	2011 AED
ASSETS			
Non-current assets			
Property, plant and equipment	8	761,515,541	765,584,745
Available for sale investments	9	70,363,277	62,841,455
Loan to a related party	10	-	50,000,000
Accounts receivable and prepayments	10	-	10,675,068
Total non-current assets		831,878,818	889,101,268
Current assets			
Inventories	11	12,730,864	9,016,854
Accounts receivable and prepayments	13	164,886,035	147,735,893
Investments carried at fair value through income statement	9	-	9,188,117
Cash and short term deposits	14	160,117,351	120,751,826
Total current assets		337,734,250	286,692,690
TOTAL ASSETS		1,169,613,068	1,175,793,958
EQUITY AND LIABILITIES			
Equity			
Share capital	15	200,000,000	165,000,000
Statutory reserve	16	75,455,180	65,850,736
General reserve	16	75,000,000	75,000,000
Retained earnings		240,079,203	281,989,936
Cumulative changes in fair values of available for sale investments		8,990,766	492,944
Total equity		599,525,149	588,333,616
Non-current liabilities			
Term loans	20	304,516,884	346,744,978
Derivative financial instruments	17	1,934,564	1,664,217
Employees' end of service benefits	21	18,819,068	16,878,443
Total non-current liabilities		325,270,516	365,287,638
Current liabilities			
Accounts payable and accruals	22	151,407,748	121,992,172
Term loans	20	91,112,500	97,646,186
Derivative financial instruments	17	2,297,155	2,034,346
Bank overdraft	14	-	500,000
Total current liabilities		244,817,403	222,172,704
Total liabilities		570,087,919	587,460,342
TOTAL EQUITY AND LIABILITIES		1,169,613,068	1,175,793,958

CHAIRMAN

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

The attached notes 1 to 27 form part of these financial statements.

National Corporation for Tourism and Hotels

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2012

	Share capital AED	Statutory reserve AED	General reserve AED	Retained earnings AED	Cumulative changes in fair values of available for sale investments AED	Total AED
Balance at 1 January 2011	110,000,000	55,000,000	75,000,000	340,354,935	37,713,587	618,068,522
Profit for the year	-	-	-	108,507,357	-	108,507,357
Other comprehensive loss for the year	-	-	-	(13,021,620)	(37,220,643)	(50,242,263)
Total comprehensive income for the year	-	-	-	95,485,737	(37,220,643)	58,265,094
Dividends paid (note 18)	-	-	-	(88,000,000)	-	(88,000,000)
Bonus shares issued (Note 15)	55,000,000	-	-	(55,000,000)	-	-
Transfer to statutory reserve	-	10,850,736	-	(10,850,736)	-	-
Balance at 31 December 2011	165,000,000	65,850,736	75,000,000	281,989,936	492,944	588,333,616
Profit for the year	-	-	-	96,044,441	-	96,044,441
Other comprehensive loss for the year	-	-	-	(10,850,730)	8,497,822	(2,352,908)
Total comprehensive income for the year	-	-	-	85,193,711	8,497,822	93,691,533
Dividends paid (note 18)	-	-	-	(82,500,000)	-	(82,500,000)
Bonus shares issued (Note 15)	35,000,000	-	-	(35,000,000)	-	-
Transfer to statutory reserve	-	9,604,444	-	(9,604,444)	-	-
Balance at 31 December 2012	200,000,000	75,455,180	75,000,000	240,079,203	8,990,766	599,525,149

The attached notes 1 to 27 form part of these financial statements.

National Corporation for Tourism and Hotels

STATEMENT OF CASH FLOWS

Year ended 31 December 2012

	Notes	2012 AED	2011 AED
OPERATING ACTIVITIES			
Profit for the year		96,044,441	108,507,357
Adjustments for:			
Depreciation of property, plant and equipment	8	54,248,227	54,137,465
Provision for employees' end of service benefits	21	5,647,009	5,133,442
Provision for impairment of accounts receivables	13	2,097,892	187,207
Reversal of provision of impairment of accounts receivable	13	(330,562)	(1,238,030)
Reversal of property, plant and equipment - cost	8	-	10,545,552
Finance income		(7,637,557)	(6,041,446)
Finance cost		17,375,370	19,954,195
Dividend income	3	(1,913,301)	(593,750)
(Gain) loss on investments carried at fair value through income statement	3	(1,195,349)	1,772,788
Loss on fair value of derivative financial instrument		533,156	2,405,935
Gain on sale of property, plant and equipment	3	(2,079,142)	(896,557)
Gain on sale of available for sale investments	3	(607,094)	(269,843)
		162,183,090	193,604,315
Working capital changes:			
Inventories		(3,714,010)	(1,904,313)
Accounts receivable and prepayments		41,757,596	(28,195,935)
Accounts payable and accruals		19,004,954	8,848,531
Net cash from operations		219,231,630	172,352,598
Employees' end of service benefits paid	21	(3,706,384)	(2,774,377)
Directors' remuneration paid	19	(10,850,730)	(13,021,620)
Interest paid		(9,852,767)	(18,426,063)
Net cash from operating activities		194,821,749	138,130,538
INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		2,582,016	1,792,008
Proceeds from sale of available for sale investments		1,583,095	1,972,991
Proceeds from sale of investments carried at fair value through income statement		10,383,466	-
Additions to property, plant and equipment	8	(50,681,898)	(29,558,226)
Interest received		7,637,557	2,476,548
Dividends received		1,913,301	593,750
Net cash used in investing activities		(26,582,463)	(22,722,929)
FINANCING ACTIVITIES			
Increase in long term deposits	14	(66,000,000)	-
Dividends paid	18	(79,611,981)	(84,912,412)
Net movement of term loans		(48,761,780)	(58,036,589)
Net cash used in financing activities		(194,373,761)	(142,949,001)
DECREASE IN CASH AND CASH EQUIVALENTS		(26,134,475)	(27,541,392)
Cash and cash equivalents at 1 January	14	120,251,826	147,793,218
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	14	94,117,351	120,251,826

The attached notes 1 to 27 form part of these financial statements.

National Corporation for Tourism and Hotels

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

1 CORPORATE INFORMATION

National Corporation for Tourism & Hotels ("the Corporation"), a public shareholding company, was incorporated in Abu Dhabi, United Arab Emirates ("UAE") on 11 December 1996 by 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 entity:

<i>Name</i>	<i>Country of operation</i>	<i>Principal activity</i>	<i>Interest</i>	
			<i>2012</i>	<i>2011</i>
National Transportation Company L.L.C ("the Joint Venture")	United Arab Emirates	Transport Services	50%	50%
Nareel Island Development Company L.L.C ("the Associate")	United Arab Emirates	Property Development	-	50%

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 2012 were authorised for issue in accordance with a resolution of the Board of Directors on 3 March 2013.

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 2012

2.2 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS effective 1 January 2012:

IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets

The amendment clarified the determination of deferred tax on investment property measured at fair value and introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. It includes the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis. The amendment is effective for annual periods beginning on or after 1 January 2012 and had no effect on the Corporation's financial position, performance or its disclosures.

IFRS 1 First-Time Adoption of International Financial Reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters

The IASB provided guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to hyperinflation. The amendment is effective for annual periods beginning on or after 1 July 2011. The amendment had no impact on the Corporation.

IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Corporation's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognised assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The amendment is effective for annual periods beginning on or after 1 July 2011. The Corporation does not have any assets with these characteristics so there has been no effect on the presentation of its financial statements.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Interest in a joint venture

The Corporation has an interest in a joint venture which is a jointly controlled entity, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The Corporation recognises its interest in the joint venture using proportionate consolidation. The Corporation combines its share of each of the assets, liabilities, income and expenses of the joint venture with similar items, line by line, in its financial statements. Adjustments are made where necessary to bring the accounting policies in line with those of the Corporation.

Adjustments are made in the Corporation's financial statements to eliminate the Corporation's share of intergroup balances, income and expenses and unrealised gains and losses on transactions between the Corporation and its jointly controlled entity. Losses on transactions are recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss. The joint venture is proportionately consolidated until the date on which the Corporation ceases to have joint control over the joint venture.

Upon loss of joint control, the Corporation measures and recognises its remaining investment at its fair value. Any difference between the carrying amount of the former joint controlled entity upon loss of joint control and the fair value of the remaining investment and proceeds from disposal are recognised in profit or loss. When the remaining investment constitutes significant influence, it is accounted for as investment in an associate.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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.

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.

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 2012

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 2012

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.

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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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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.

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 2012

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 government 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 2012

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 127,376,284 (2011: AED 124,160,761) and the provision for doubtful debts was AED 17,730,306 (2011: AED 15,962,976). 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 2012 impairment losses of AED nil (2011: AED nil) have been recognised for available for sale investments and the carrying amount of available for sale investments was AED 70,363,277 (2011: AED 62,841,455).

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.

National Corporation for Tourism and Hotels

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2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

- IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1
- IAS 19 Employee Benefits (Revised)
- IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)
- IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32
- IFRS 1 Government Loans – Amendments to IFRS 1
- IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7
- IFRS 9 Financial Instruments: Classification and Measurement
- IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interest in Other Entities
- IFRS 13 Fair Value Measurement

The Corporation, however, expects no material impact from the adoption of the above new standards and amendments on its financial position or performance except from the adoption of IFRS 11 Joint Arrangements. This will have a material impact on the financial position of the Corporation. This is due to the cessation of proportionate consolidation of the Joint Venture and the move to the equity accounting for the investment.

3 INVESTMENT AND OTHER INCOME, NET

	<i>2012</i> <i>AED</i>	<i>2011</i> <i>AED</i>
Gain (loss) on investments carried at fair value through income statement	1,195,349	(1,772,788)
Gain on sale of available for sale investments	607,094	269,843
Gain on sale of property, plant and equipment	2,079,142	896,557
Dividend income from investments	1,913,301	593,750
Other income, net	<u>8,690,400</u>	<u>10,839,807</u>
	<u>14,485,286</u>	<u>10,827,169</u>

4 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>2012</i> <i>AED</i>	<i>2011</i> <i>AED</i>
Payroll and employee related costs	15,172,251	13,675,771
Other operating expenses	<u>4,291,103</u>	<u>3,751,340</u>
	<u>19,463,354</u>	<u>17,427,111</u>

National Corporation for Tourism and Hotels

NOTES TO THE FINANCIAL STATEMENTS

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5 PROFIT FOR THE YEAR

Profit for the year is stated at after charging/(crediting):

	2012 AED	2011 AED
Staff costs	157,701,404	138,295,622
Depreciation of property, plant and equipment (note 8)	54,248,227	54,137,465
Cost of inventories recognised as an expense	123,182,220	104,919,532
(Write back) / Impairment of trade receivables (note 13)	1,767,330	(1,050,823)

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.

	2012	2011
Profit for the year (AED)	<u>96,044,441</u>	<u>108,507,357</u>
Weighted average number of ordinary shares outstanding during the year	<u>200,000,000</u>	<u>200,000,000</u>
Basic and diluted earnings per share (AED)	<u>0.48</u>	<u>0.54</u>

As of 31 December 2012, and 31 December 2011, 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 format is 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 five 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; |
| - Transport Services | - Operating a fleet of deluxe taxis and buses providing transportation services to the public and customers in Abu Dhabi and Al Ain; and |
| - Holding | - Responsible for managing investment held by corporation, development of hotels and general coordination of Corporation activities |

National Corporation for Tourism and Hotels

NOTES TO THE FINANCIAL STATEMENTS

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7 OPERATING SEGMENTS continued

Operating segments continued

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.

The following table presents revenue and profit information regarding the Corporation's operating segments for the year ended 31 December 2012 and 31 December 2011, respectively.

	Hotels AED	Retail Services AED	Catering Services AED	Transport Services AED	Holding AED	Total AED
Year ended 31 December 2012						
Operating revenues	279,956,262	30,425,211	246,406,382	16,183,177	-	572,971,032
Cost of services	(149,975,612)	(24,933,682)	(222,082,131)	(10,437,902)	-	(407,429,327)
Depreciation	(43,532,632)	(285,701)	(6,322,475)	(3,009,784)	-	(53,150,592)
Results	86,448,018	5,205,828	18,001,776	2,735,491	-	112,391,113
Depreciation	-	-	-	-	(1,097,635)	(1,097,635)
Finance income	-	-	-	-	7,637,557	7,637,557
Finance cost	-	-	-	-	(17,375,370)	(17,375,370)
Investment and other income, net	-	-	-	-	12,682,843	12,682,843
General and administrative expenses	-	-	-	-	(19,463,354)	(19,463,354)
Gain on sale of-	-	-	-	-	-	-
available for sale investments	-	-	-	-	607,094	607,094
Change in fair value of investments	-	-	-	-	-	-
carried through income statement	-	-	-	-	1,195,349	1,195,349
Changes in fair value of derivatives financial instruments	-	-	-	-	(533,156)	(533,156)
Profit for the year	86,448,018	5,205,828	18,001,776	2,735,491	(16,346,672)	96,044,441
At 31 December 2012						
Total assets	409,646,280	12,512,527	134,930,011	21,731,218	590,793,032	1,169,613,068
Operating liabilities	47,798,836	7,306,699	85,321,583	7,753,325	96,636,960	244,817,403
Year ended 31 December 2011						
Operating revenues	317,106,949	2,010,209	205,550,746	15,337,461	-	540,005,365
Cost of services	(155,285,805)	(5,366,839)	(177,805,293)	(12,491,794)	(3,492,186)	(354,441,917)
Depreciation	(43,167,398)	(39,635)	(7,109,354)	(2,544,949)	-	(52,861,336)
Results	118,653,746	(3,396,265)	20,636,099	300,718	(3,492,186)	132,702,112
Depreciation	-	-	-	-	(1,276,129)	(1,276,129)
Finance income	-	-	-	-	6,041,446	6,041,446
Finance cost	-	-	-	-	(19,954,195)	(19,954,195)
Investment and other income, net	-	-	-	-	12,330,114	12,330,114
General and administrative expenses	-	-	-	-	(17,427,111)	(17,427,111)
Gain on sale of-	-	-	-	-	-	-
available for sale investments	-	-	-	-	269,843	269,843
Change in fair value of investments	-	-	-	-	-	-
carried through income statement	-	-	-	-	(1,772,788)	(1,772,788)
Changes in fair value of derivatives financial instruments	-	-	-	-	(2,405,935)	(2,405,935)
Profit for the year	118,653,746	(3,396,265)	20,636,099	300,718	(27,686,941)	108,507,357
At 31 December 2011						
Total assets	474,659,245	7,513,225	123,467,759	15,505,694	554,648,035	1,175,793,958
Operating liabilities	37,408,187	5,628,150	56,155,855	4,370,098	118,610,414	222,172,704

National Corporation for Tourism and Hotels

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31 December 2012

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>
2012						
Cost:						
At 1 January 2012	770,348,865	111,745,602	194,929,730	29,070,202	126,474,686	1,232,569,085
Additions	-	10,543	9,459,475	13,898,588	27,313,292	50,681,898
Disposals	-	-	(100,245)	(5,851,446)	-	(5,951,691)
Transfers	690,904	504,096	12,184,608	-	(13,379,608)	-
At 31 December 2012	771,039,769	112,260,241	216,473,568	37,117,344	140,408,370	1,277,299,292
Depreciation:						
At 1 January 2012	248,529,376	56,915,614	145,600,025	15,939,325	-	466,984,340
Charge for the year	22,449,778	10,730,878	16,214,594	4,852,977	-	54,248,227
Disposals	-	-	(100,245)	(5,348,571)	-	(5,448,816)
At 31 December 2012	270,979,154	67,646,492	161,714,374	15,443,731	-	515,783,751
Net book value:						
At 31 December 2012	500,060,615	44,613,749	54,759,194	21,673,613	140,408,370	761,515,541
2011						
Cost:						
At 1 January 2011	775,777,067	116,108,940	185,721,481	23,751,506	116,855,446	1,218,214,440
Additions	-	658,112	10,377,053	8,803,821	9,719,240	29,558,226
Cost adjustments	(5,428,202)	(5,017,350)	-	-	(100,000)	(10,545,552)
Disposals	-	(4,100)	(1,168,804)	(3,485,125)	-	(4,658,029)
At 31 December 2011	770,348,865	111,745,602	194,929,730	29,070,202	126,474,686	1,232,569,085
Depreciation:						
At 1 January 2011	226,361,595	48,008,940	128,404,766	13,834,150	-	416,609,451
Charge for the year	22,997,090	11,123,338	18,364,061	4,713,125	-	57,197,614
Reversals relating to cost adjustments	(829,309)	(2,215,966)	-	(14,874)	-	(3,060,149)
Disposals	-	(698)	(1,168,802)	(2,593,076)	-	(3,762,576)
At 31 December 2011	248,529,376	56,915,614	145,600,025	15,939,325	-	466,984,340
Net book value:						
At 31 December 2011	521,819,489	54,829,988	49,329,705	13,130,877	126,474,686	765,584,745

The depreciation charge, net of reversals, has been allocated in the income statement as follows:

	2012 AED	2011 AED
Cost of services	53,150,592	52,861,336
Depreciation charge	1,097,635	1,276,129
	54,248,227	54,137,465

During 2011, an amount of AED 10,545,552 and associated accumulated depreciation of AED 3,060,149 was reduced from certain property, plant and equipment items. The adjustment pertains to amounts previously capitalized which were subsequently disputed by the Corporation and settled with the supplier, resulting in lower cost being recorded by the Corporation. No such reversals took place in 2012.

National Corporation for Tourism and Hotels

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9 INVESTMENTS

Available for sale investments

	2012	2011
	AED	AED
<i>Quoted equity investments</i>		
Fair value at 1 January	27,091,455	66,015,245
Disposals	(976,000)	(1,703,147)
Increase (decrease) in fair value	<u>8,497,822</u>	<u>(37,220,643)</u>
Fair value at 31 December	34,613,277	27,091,455
<i>Unquoted equity investments</i>	<u>35,750,000</u>	<u>35,750,000</u>
Total available for sale investments	<u>70,363,277</u>	<u>62,841,455</u>

The investment in unquoted companies represents the Corporation's equity interest of 4.89% (2011: 4.89%) and 10% (2011: 10%) in Saweed Employment L.L.C and Pearl Azure Hotel Management L.L.C respectively. The investments are carried at cost, due to an absence of an active market for such investments or any recent transactions that could provide evidence of the current fair value.

10 LOAN TO A RELATED PARTY

In accordance with the shareholder loan agreement, the Corporation has provided a credit facility of AED 50 million to its associate, Nareel Island Development Company L.L.C. The interest rate on this facility is 8% per annum. In accordance with the terms of the agreement, the associate shall repay the total of all outstanding loans amounts including all outstanding interest when the associate has surplus funds.

The principal amount of the loan was fully paid as of 31 December 2012.

At 31 December 2012, total accrued interest receivable from this loan amounted to AED 737,648 (31 December 2011: AED 10,675,068) and is recorded under amounts due from related parties (note 13 & 23).

11 INVENTORIES

	2012	2011
	AED	AED
Food and beverages	10,885,630	7,571,846
Engineering and operating supplies	<u>1,845,234</u>	<u>1,445,008</u>
	<u>12,730,864</u>	<u>9,016,854</u>

National Corporation for Tourism and Hotels

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12 INVESTMENT IN A JOINT VENTURE

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

The Corporation's share of the assets, liabilities, revenues and expenses of the jointly controlled entity, which are proportionally included in the Corporation's financial statements are as follows:

	<i>2012</i> <i>AED</i>	<i>2011</i> <i>AED</i>
Share of joint venture's statement of financial position:		
Current assets	7,717,097	6,658,081
Non-current assets	<u>14,014,121</u>	<u>8,847,613</u>
	21,731,218	15,505,694
Current liabilities	(13,103,252)	(4,370,098)
Non-current liabilities	<u>(529,010)</u>	<u>(4,829,057)</u>
Net assets	<u>8,098,956</u>	<u>6,306,539</u>
Share of joint venture's profit and expense:		
Income	16,183,177	15,337,461
Expense	<u>(13,447,685)</u>	<u>(15,036,743)</u>
Profit for the year	<u>2,735,492</u>	<u>300,718</u>

13 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	<i>2012</i> <i>AED</i>	<i>2011</i> <i>AED</i>
Trade receivables	127,376,284	124,160,761
Less: provision for impaired accounts	<u>(17,730,306)</u>	<u>(15,962,976)</u>
Net trade receivables	109,645,978	108,197,785
Amounts due from related parties (note 23)	13,988,195	11,482,919
Other receivables and prepayments	<u>41,251,862</u>	<u>28,055,189</u>
	<u>164,886,035</u>	<u>147,735,893</u>

For terms and conditions relating to related party receivables, refer to note 23.

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

National Corporation for Tourism and Hotels

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13 ACCOUNTS RECEIVABLE AND PREPAYMENTS continued

As at 31 December 2012, trade receivables at nominal value of AED 17,730,306 (2011: AED 15,962,976) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	2012	2011
	AED	AED
At 1 January	15,962,976	17,013,799
Charge for the year	2,097,892	187,207
Reversed during the year	(330,562)	(1,238,030)
At 31 December	<u>17,730,306</u>	<u>15,962,976</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</i>	<i>impaired</i>				<i>> 120 days</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
2012	109,645,978	37,380,661	30,897,346	21,296,825	10,342,219	9,728,927
2011	108,197,785	32,484,227	24,655,445	21,526,545	15,789,235	13,742,333

14 CASH AND SHORT TERM DEPOSITS

	2012	2011
	AED	AED
Cash at bank and on hand	51,015,915	42,355,228
Short term deposits	<u>43,101,436</u>	<u>78,396,598</u>
	94,117,351	120,751,826
Long term deposit	<u>66,000,000</u>	<u>-</u>
	<u>160,117,351</u>	<u>120,751,826</u>

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 2.81%.

Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances and fixed deposits with original maturities of three months or less, net of bank overdraft. Cash and cash equivalents at 31 December comprise:

	2012	2011
	AED	AED
Bank balances and cash	94,117,351	120,751,826
Bank overdraft	<u>-</u>	<u>(500,000)</u>
Cash and cash equivalents	<u>94,117,351</u>	<u>120,251,826</u>

National Corporation for Tourism and Hotels

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15 SHARE CAPITAL

	<i>Authorised, Issued and fully paid</i>	
	<i>2012</i>	<i>2011</i>
	<i>AED</i>	<i>AED</i>
165,000,000 (2011: 110,000,000) ordinary shares of AED 1 each	165,000,000	110,000,000
35,000,000 (2011: 55,000,000) bonus shares issued of AED 1 each	<u>35,000,000</u>	<u>55,000,000</u>
Ordinary shares of AED 1 each	<u>200,000,000</u>	<u>165,000,000</u>

During the year, the Corporation issued 35,000,000 (2011: 55,000,000) bonus shares to its existing shareholders on the basis of 21.21% of ordinary shares held (2011: 50% of ordinary shares held). The bonus shares are ordinary shares and carry the same rights as other ordinary shares. The Board of Directors has proposed, subject to the approval of the shareholders in their forthcoming Annual General Meeting, the issuance of 40,000,000 bonus shares to its existing shareholders on the basis of one share for every five ordinary shares held.

16 LEGAL AND STATUTORY 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, which was not achieved as of 31 December 2012. The statutory reserve is not available for distribution.

Legal reserve

The legal 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.

17 DERIVATIVE FINANCIAL INSTRUMENTS

	<i>2012</i>	<i>2011</i>
	<i>AED</i>	<i>AED</i>
Interest rate swaps	4,231,719	3,698,563
Less: non current portion	<u>(1,934,564)</u>	<u>(1,664,217)</u>
Current portion	<u>2,297,155</u>	<u>2,034,346</u>

The Corporation has entered into an interest rate swap agreement to mitigate the risk of changing interest rates on Term Loan 1 which has an original notional principal amount of AED 370 million and carries interest rate of 3.5% over 3 months EBOR (Note 20).

The interest rate swap, 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 movement in the fair value of the interest rate swap of AED 533,156 (2011: AED 2,405,935) has been charged to the statement of income.

National Corporation for Tourism and Hotels

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18 DIVIDENDS

During the year, dividends amounting to AED 82.5 million (2011: AED 88 million) were declared and approved of which AED 79,611,981 (2011: AED 84,912,412) was paid to shareholders.

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

	<i>2012</i> <i>AED</i>	<i>2011</i> <i>AED</i>
Cash dividends in respect of 2012: AED 0.50 (2011: AED 0.50)	<u>100,000,000</u>	<u>82,500,000</u>

19 DIRECTORS' REMUNERATION

The remuneration of the Board of Directors for the year ended 31 December 2012 amounting to AED 9,604,444 (2011: AED 10,850,730), subject to approval by the shareholders in the Annual General Meeting. During the year, an amount of AED 10,850,730 (2011: 13,021,620) was paid as Director's Remuneration.

20 TERM LOANS

	<i>2012</i> <i>AED</i>	<i>2011</i> <i>AED</i>
Term loan 1	197,250,447	246,667,064
Term loan 2	192,500,000	192,500,000
Term loan 3	<u>5,878,937</u>	<u>5,224,100</u>
	395,629,384	444,391,164
Less: non-current portion	<u>(304,516,884)</u>	<u>(346,744,978)</u>
Current portion	<u>91,112,500</u>	<u>97,646,186</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 instalments 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 instalment 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.

National Corporation for Tourism and Hotels

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

20 TERM LOANS continued

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. The Corporation has not met two scheduled loan repayments as of 31 December 2012. Subsequent to the year end, the Corporation settled one of its payments due for an amount of AED 21,350,000, and no loan covenants have been breached.

Term loan 3

During 2011, National Transportation Corporation L.L.C., a joint venture obtained a loan from a commercial bank in Abu Dhabi for a maximum drawdown amount of AED 10.45 million. The loan has been taken to finance the purchase of motor vehicles. The loan is repayable in 16 quarterly instalments and carries annual interest at EBOR plus 3.5%.

21 EMPLOYEES' END OF SERVICE BENEFITS

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

	<i>2012</i>	<i>2011</i>
	<i>AED</i>	<i>AED</i>
The movement on the provision is as follows:		
Balance at 1 January	16,878,443	14,519,378
Provided during the year	5,647,009	5,133,442
Paid during the year	<u>(3,706,384)</u>	<u>(2,774,377)</u>
Balance at 31 December	<u>18,819,068</u>	<u>16,878,443</u>

22 ACCOUNTS PAYABLE AND ACCRUALS

	<i>2012</i>	<i>2011</i>
	<i>AED</i>	<i>AED</i>
Trade and other payables	100,042,781	61,413,849
Accrued liabilities	42,465,211	47,723,700
Projects related accruals	-	3,159,282
Retentions payable	2,570,207	2,493,813
Advances from customers	<u>6,329,549</u>	<u>7,201,528</u>
	<u>151,407,748</u>	<u>121,992,172</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.

National Corporation for Tourism and Hotels

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

23 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 2012, the Corporation has not recorded any impairment of receivables relating to amounts owed by related parties (2011: 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:

	2012 AED	2011 AED
<i>Due from related parties (notes 10 & 13)</i>		
Nareel Island Development Company L.L.C.	737,648	60,675,068
Pearl Azure Hotel Management L.L.C.	7,463,146	8,630,503
Due from directors	<u>5,787,401</u>	<u>2,852,416</u>
	<u>13,988,195</u>	<u>72,157,987</u>

Significant transactions with related parties are as follows:

Associate

Interest income	<u>6,053,117</u>	<u>4,000,000</u>
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Other related parties

Administration fee charged by a related party	<u>6,000,000</u>	<u>6,000,000</u>
Asset management fee income	<u>3,772,836</u>	<u>3,802,449</u>
Rental income	<u>318,000</u>	<u>460,000</u>

Compensation of key management personnel

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

Short-term benefits	9,299,497	9,070,715
Employees' end of service benefits	<u>193,200</u>	<u>158,318</u>
	<u>9,492,697</u>	<u>9,229,033</u>

National Corporation for Tourism and Hotels

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

24 CONTINGENCIES AND COMMITMENTS

I- Contingencies

Bank guarantees

	2012 AED	2011 AED
Bank guarantees	<u>81,102,112</u>	<u>60,162,368</u>
Bank guarantees are issued in the normal course of business and mature as follows:		
Within one year	66,950,016	50,753,472
Between one year and two years	<u>14,152,096</u>	<u>9,408,896</u>
	<u>81,102,112</u>	<u>60,162,368</u>

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 2012, the Corporation had estimated commitments for the Mussafah warehouse and office building as well as the Lebanese Restaurant and Beach Club at Abu Dhabi Intercontinental Hotel of AED 18,945,937(2011: AED 5,119,030)

25 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.

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 entered into interest rate swap arrangements with banks for a notional amount that matches the outstanding term loan 1 (note 20).

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 and bank deposits.

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. At 31 December 2012, after taking into account the effect of the interest rate swaps, 100 % of the Corporation's borrowings are at a fixed rate of interest (2011: 98.82%).

National Corporation for Tourism and Hotels

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

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 2012 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 2012						
Term loans	42,350,000	19,306,250	39,956,250	243,616,884	73,500,000	418,729,384
Trade and other payables	<u>8,151,713</u>	<u>91,891,068</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,042,781</u>
Total	<u>50,501,713</u>	<u>111,197,318</u>	<u>39,956,250</u>	<u>243,616,884</u>	<u>73,500,000</u>	<u>518,772,165</u>
At 31 December 2011						
Term loans	21,419,085	39,112,627	58,927,318	289,975,412	91,000,000	500,434,442
Trade and other payables	6,317,518	67,066,944	-	-	-	73,384,462
Bank overdraft	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>500,000</u>
Total	<u>28,236,603</u>	<u>106,179,571</u>	<u>58,927,318</u>	<u>289,975,412</u>	<u>91,000,000</u>	<u>574,318,904</u>

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.

	<i>Change in</i> <i>variables</i>	<i>31 December</i> <i>2012</i> <i>Impact on</i> <i>equity</i> <i>AED</i>	<i>31 December</i> <i>2011</i> <i>Impact on</i> <i>equity</i> <i>AED</i>
Market index			
Abu Dhabi Securities Market Index	5%	1,723,271	1,346,693
Dubai Financial Market Index	5%	7,392	7,880

National Corporation for Tourism and Hotels

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

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 2012 and 31 December 2011.

Capital comprises total equity less the cumulative changes in fair values of available for sale investments and derivatives and is measured at AED 599.5 million (2011: AED 588.3 million).

26 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>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
Term Loan	192,500,000	192,500,000	203,108,808	203,108,808

Fair value hierarchy

As at 31 December 2012, the Corporation held the following financial instruments measured at fair value:

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.

National Corporation for Tourism and Hotels

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26 FINANCIAL INSTRUMENTS

Fair value hierarchy continued

	<i>31 December 2012 AED</i>	<i>Level 1 AED</i>	<i>Level 2 AED</i>	<i>Level 3 AED</i>	<i>Cost AED</i>
Available for sale investments					
Equity shares	70,363,277	34,613,277	-	-	35,750,000
Derivative financial instruments					
Interest rate swaps	4,231,719	-	4,231,719	-	-
Term Loans					
Term Loan 2	203,108,808	-	203,108,808	-	-
	<i>31 December 2011 AED</i>	<i>Level 1 AED</i>	<i>Level 2 AED</i>	<i>Level 3 AED</i>	<i>Cost AED</i>
Investments carried at fair value through profit or loss					
Investment funds	9,188,117	-	9,188,117	-	-
Available for sale investments					
Equity shares	62,841,454	27,091,454	-	-	35,750,000
Derivative financial instruments					
Interest rate swaps	3,698,563	-	3,698,563	-	-
Term Loans					
Term Loan 2	203,108,808	-	203,108,808	-	-

During the year, there were no transfers between or into Level 1, Level 2 and Level 3 fair value measurements. Certain available for sale investments reported in Level 1 were sold in the year.

27 COMPARATIVE FIGURES

Certain comparative figures have been reclassified, where necessary, to conform to the current year presentation. Such reclassifications related to reporting depreciation and had no effect on the previously reported profit or equity of the Group.