Abu Dhabi National Hotels

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

31 DECEMBER 2006

ERNST & YOUNG

Abu Dhabi National Hotels

REPORT OF THE CHAIRMAN OF THE
BOARD OF DIRECTORS

31 DECEMBER 2006

ERNST & YOUNG

Dear Shareholders,

On behalf of my fellow members of the Board of Directors and on your behalf, I would like to express my gratitude and thanks to H.H Sheikh Khalifa Bin Zayed Al Nahyan, President of the UAE, May God bless him, and to Brigadier General, H.H Sheikh Mohammed Bin Zayed Al Nahyan, Crown Prince, May God bless him, for their generous patronage and support to Abu Dhabi National Hotels.

The results of the company's business during the year 2006 reflect the economic and tourism development in the United Arab Emirates generally and the Emirate of Abu Dhabi in particular, and reaffirms the high confidence in the national economy.

2006 was marked with good progress in the performance of hotels sector in the Emirate of Abu Dhabi. In 2006, room nights increased from 3.5 million to 3.9 million, an increase of 11% owing to many factors notably the success of the Abu Dhabi Tourism Authority's strategy in the field of tourism promotion and development. This triggered a steady increase in the flights of Etihad Airways and led to the inauguration of new

ص.ب. ٤٦٨٠٦ أبوظبي، الإمارات العربية المتحدة، هاتف: ٤٤٤٧٢٢٨ ٢ ٩٧١+، فاكس: ٤٤٤٨٤٩٥ ٢ ٩٧١+، البريد الإلكتروني: adnh@adnh.com الإنترنت: www.adnh.com
P.O. Box 46806, Abu Dhabi, United Arab Emirates, Tel: +971 2 4447228, Fax: +971 2 4448495, Email: adnh@adnh.com Web: www.adnh.com

destinations and increase of exhibitions and conferences along with the organization of many sports and cultural events.

The total revenue amounted to AED 1.196 billion as compared to AED 1.074 billion for 2005, an increase of 11.3%. The operating profits reached their peak since the establishment of the company at AED 373.8 million as compared to AED 315.5 million for 2005 i.e. an increase of 18.5%.

In spite of the increase of the operating profits, the net profit decreased to AED 292.5 million as compared to AED 331.8 million in 2005 because of the decrease in the investment and other income to AED 27.2 million as compared to AED114.8 million for 2005. This decrease is a result of the drop in the value of investments in the funds managed by the National Bank of Abu Dhabi and the Abu Dhabi Commercial Bank. In addition the overall depreciation increased from AED 72.1 million to AED 84.5 million due to the demolition of the Gulf Hotel in 2006.

The hotel division achieved excellent profits of AED 200.6 million, after deducting depreciation, as compared to AED 150 million for 2005 i.e. an increase of 33.5%.

The catering and contract services division achieved good results within and outside the country through the Joint Venture of Abu Dhabi National

Hotels and Compass Group. The sector's profits dropped to almost AED 83 million as compared to AED 92 million for 2005, a decrease of 10% owing to the increase of direct expenses by almost AED 8.4 million. The Joint Venture was awarded the contract of the catering and food services in the Asian Games in Qatar with overall meals served going beyond one million. The Joint Venture was also awarded a catering and cleaning contract for Abu Dhabi International Exhibition Center.

Transport services showed great progress, as the net profit jumped from AED 1.3 million in 2005 to AED 5.7 million, an increase rate of 338%.

The year 2006 was the most active year in terms of the company's strategic projects. This year was marked by the completion of the renovation works of Hilton Abu Dhabi and Le Meridien Abu Dhabi and the completion of the main stages of the construction of Sofitel Jumeirah Hotel in the Emirate of Dubai with a capacity of 450 rooms which is to be inaugurated by 2008. In addition initial construction work has commenced for a five star hotel and resort to replace Gulf Hotel. This will be managed by one of the leading international companies and will be a turning point in luxury hotels.

To ensure that ADNH sustains its position as the leader in the industry, the company purchased two plots of land in Sadiyat Island and the Abu Dhabi National Exhibition center. This will complement the strategy of development in the sector of hotels and tourist resorts and allow us to keep abreast with the boom taking place in the Emirate of Abu Dhabi in the field of tourism, business entertainment, international exhibitions and conferences.

Finally, I would like on behalf of the Board of Directors to thank our shareholders for their ongoing support and trust, the many authorities both public and private and our management and staff who contribute to the success of Abu Dhabi National Hotels.

Khalifa Nasser Bin Huwaileel Al Mansoori

Chairman of the Board

6594-2007

Abu Dhabi National Hotels

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2006

ERNST & YOUNG

ERNST & YOUNG

P.O. Box 136
11th Floor
Al Ghaith Tower
Hamdan Street
Abu Dhabi
United Arab Emirates

Phone: 6277522
Fax: 6273383
www.ey.com/me

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF

ABU DHABI NATIONAL HOTELS

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Abu Dhabi National Hotels and its subsidiary (the "Company"), which comprise the consolidated balance sheet as at 31 December 2006 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the applicable provisions of the articles of association of the Company and the UAE Commercial Companies law of 1984 (as amended). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

ERNST & YOUNG

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2006 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

We also confirm that, in our opinion, the consolidated 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 Company; proper books of account have been kept by the Company; an inventory was duly carried out and the contents of the report of the Chairman of the Board of Directors relating to these consolidated 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 Company have occurred during the year which would have had a material effect on the business of the Company or on its financial position.

Ernst + Young

Signed by:
Bassam E Hage
Partner
Registration No. 258

14 February 2007
Abu Dhabi

CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2006

	Notes	2006 AED	2005 AED
Operating revenues	7	1,196,223,168	1,074,413,462
Direct operating expenses	7	(822,395,513)	(758,884,974)
GROSS PROFIT	7	373,827,655	315,528,488
General and administrative expenses	4	(23,151,774)	(25,305,662)
Depreciation	8	(84,554,164)	(72,155,156)
Investment and other income	3	27,249,438	114,879,847
Finance costs		(854,040)	(1,086,525)
PROFIT FOR THE YEAR	5 & 7	292,517,115	331,860,992
Basic and diluted earnings per share (AED)	6	0.41	0.46

The attached notes 1 to 31 form part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET
At 31 December 2006

	Notes	2006 AED	2005 AED
ASSETS			
Non-current assets			
Property, plant and equipment	8	**563,201,939**	528,423,457
Investment in associate	9	**10,371,053**	25,004,356
Available-for-sale investments	10	**765,176,528**	1,256,186,309
Goodwill	11	**5,277,987**	4,181,408
Other assets	13	**11,650,702**	11,650,702
Total non-current assets		**1,355,678,209**	1,825,446,232
Current assets			
Inventories		**29,306,441**	28,625,428
Accounts receivable and prepayments	14	**283,682,395**	243,508,164
Investments carried at fair value through income statement		**296,137,992**	397,819,280
Bank balances and cash	15 & 25	**669,885,527**	478,660,513
Total current assets		**1,279,012,355**	1,148,613,385
TOTAL ASSETS		**2,634,690,564**	2,974,059,617
EQUITY AND LIABILITIES			
Equity			
Share capital	16	**720,000,000**	360,000,000
Legal reserve	17	**209,251,712**	180,000,000
Statutory reserve	18	**209,251,712**	180,000,000
Foreign currency translation reserve		**436,722**	1,391,276
Retained earnings		**453,466,976**	366,153,285
Cumulative changes in fair values of available-for-sale investments		**512,109,777**	1,008,080,929
Proposed dividend	19	**144,000,000**	144,000,000
Proposed bonus shares	19	**-**	360,000,000
Total equity		**2,248,516,899**	2,599,625,490
Non-current liabilities			
Term loans	21	**13,701,920**	19,519,228
Employees' end of service benefits	22	**44,523,885**	41,616,042
Deferred income	23	**-**	17,307,746
Total non-current liabilities		**58,225,805**	78,443,016
Current liabilities			
Deferred income	23	**17,307,746**	34,615,360
Accounts payable and accruals	24	**297,336,306**	253,848,523
Employees' end of service benefits	22	**-**	1,709,920
Term loans	21	**5,817,308**	5,817,308
Bank overdraft	25	**7,486,500**	-
Total current liabilities		**327,947,860**	295,991,111
Total liabilities		**386,173,665**	374,434,127
TOTAL EQUITY AND LIABILITIES		**2,634,690,564**	2,974,059,617

Khalifa Nasser Bin Huwaileel Al Mansoori
CHAIRMAN OF THE BOARD

Ahmed Khalaf Al Otaiba
VICE CHAIRMAN

Ali Al Mehairi
ACTING DIRECTOR GENERAL

The attached notes 1 to 31 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2006

	Notes	2006 AED	2005 AED
OPERATING ACTIVITIES			
Profit for the year		292,517,115	331,860,992
Adjustments for:			
Depreciation of property, plant and equipment	8	84,554,164	72,155,156
Provision for employees' end of service benefits	22	10,371,503	8,922,715
Finance costs		854,040	1,086,525
Finance income	3	(28,224,668)	(16,567,182)
Income from investment in associate and dividend income	3	(13,351,201)	(7,298,478)
Loss (gain) on investments carried at fair value through income statement	3	29,396,230	(61,432,898)
Gain on sale of property, plant and equipment	3	(7,092,778)	(3,620,157)
Gain on sale of available-for-sale investments	3	(1,095,117)	(20,727,799)
Impairment of goodwill	11	249,032	-
Amortisation of deferred income	23	(34,615,360)	(34,615,379)
		333,562,960	269,763,495
Working capital changes:			
Inventories		(681,013)	30,382,943
Accounts receivable and prepayments		(40,174,231)	9,742,466
Accounts payable and accruals		43,487,783	7,566,481
Cash from operations		336,195,499	317,455,385
Directors' remuneration paid		(2,700,000)	(2,250,000)
Employees' end of service benefits paid	22	(9,173,580)	(5,310,678)
Interest paid		(854,040)	(1,086,525)
Net cash from operating activities		323,467,879	308,808,182
INVESTING ACTIVITIES			
Proceeds from share buy-back of associate		14,118,666	-
Proceeds from sale of investments carried at fair value through income statement		108,995,059	-
Proceeds from sale of available-for-sale investments		1,301,124	29,548,864
Proceeds from sale of property, plant and equipment		24,522,009	8,064,898
Purchase of available-for-sale investments	10	(5,167,378)	(65,210,556)
Purchase of property, plant and equipment	8	(101,196,212)	(97,140,095)
Reservation deposit made on purchase of land	8	(35,565,665)	(13,652,977)
Purchase of investments carried at fair value through income statement		(36,710,000)	(62,210,000)
Interest received	3	28,224,668	16,567,182
Dividends received	3	12,500,832	2,387,363
Goodwill	11	(1,345,611)	(129,526)
Decrease in bank deposits maturing after more than three months		440,520	440,520
Net cash from (used in) investing activities		10,118,012	(181,334,327)
FINANCING ACTIVITIES			
Dividends paid	19	(144,000,000)	(120,000,000)
Repayment of term loans		(5,817,308)	(5,817,308)
Cash used in financing activities		(149,817,308)	(125,817,308)
INCREASE IN CASH AND CASH EQUIVALENTS		183,768,583	1,656,547
Cash and cash equivalents at 1 January	25	477,559,213	475,831,466
Net foreign exchange difference		410,451	71,200
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	25	661,738,247	477,559,213

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

	2006 AED	2005 AED
Cumulative changes in fair value of available-for-sale investments	(495,971,152)	660,283,839
Exchange difference on translation of investment in associate	(1,365,005)	-

The attached notes 1 to 31 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2006

	Share capital AED	*Legal reserve AED*	*Statutory reserve AED*	*Foreign Currency translation reserve AED*	*Retained earnings AED*	*Cumulative changes in fair values of available-for-sale investments AED*	*Proposed dividend AED*	*Proposed bonus shares AED*	*Total AED*
Balance at 1 January 2005	300,000,000	150,000,000	150,000,000	435,449	630,992,293	347,797,090	120,000,000	30,000,000	1,729,224,832
Recognised gains and losses on available-for-sale investments	-	-	-	-	-	(18,432,790)	-	-	(18,432,790)
Net movement in fair value of available-for-sale investments	-	-	-	-	-	678,716,629	-	-	678,716,629
Exchange difference arising on translation of overseas operations	-	-	-	955,827	-	-	-	-	955,827
Total income for the year recognised directly in equity	-	-	-	955,827	-	660,283,839	-	-	661,239,666
Profit for the year 2005	-	-	-	-	331,860,992	-	-	-	331,860,992
Total income for the year	-	-	-	955,827	331,860,992	660,283,839	-	-	993,100,658
Dividends paid	-	-	-	-	-	-	(120,000,000)	-	(120,000,000)
Bonus shares issued	60,000,000	-	-	-	(30,000,000)	-	-	(30,000,000)	-
Transfer to legal reserve	-	30,000,000	-	-	(30,000,000)	-	-	-	-
Transfer to statutory reserve	-	-	30,000,000	-	(30,000,000)	-	-	-	-
Directors' remuneration	-	-	-	-	(2,700,000)	-	-	-	(2,700,000)
Proposed dividends	-	-	-	-	(144,000,000)	-	144,000,000	-	-
Proposed bonus shares	-	-	-	-	(360,000,000)	-	-	360,000,000	-
Balance at 31 December 2005	360,000,000	180,000,000	180,000,000	1,391,276	366,153,285	1,008,080,929	144,000,000	360,000,000	2,599,625,490
Balance at 1 January 2006	360,000,000	180,000,000	180,000,000	1,391,276	366,153,285	1,008,080,929	144,000,000	360,000,000	2,599,625,490
Recognised gains and losses on available-for-sale investments	-	-	-	-	-	(1,095,117)	-	-	(1,095,117)
Net movement in fair value of available-for-sale investments	-	-	-	-	-	(494,876,035)	-	-	(494,876,035)
Exchange difference arising on translation of overseas operations	-	-	-	(954,554)	-	-	-	-	(954,554)
Total expense for the year recognised directly in equity	-	-	-	(954,554)	-	(495,971,152)	-	-	(496,925,706)
Profit for the year 2006	-	-	-	-	292,517,115	-	-	-	292,517,115
Total income (expense) for the year	-	-	-	(954,554)	292,517,115	(495,971,152)	-	-	(204,408,591)
Dividends paid	-	-	-	-	-	-	(144,000,000)	-	(144,000,000)
Bonus shares issued	360,000,000	-	-	-	-	-	-	(360,000,000)	-
Transfer to legal reserve	-	29,251,712	-	-	(29,251,712)	-	-	-	-
Transfer to statutory reserve	-	-	29,251,712	-	(29,251,712)	-	-	-	-
Directors' remuneration	-	-	-	-	(2,700,000)	-	-	-	(2,700,000)
Proposed dividends	-	-	-	-	(144,000,000)	-	144,000,000	-	-
Proposed bonus shares	-	-	-	-	-	-	-	-	-
Balance at 31 December 2006	720,000,000	209,251,712	209,251,712	436,722	453,466,976	512,109,777	144,000,000	-	2,248,516,899

The attached notes 1 to 31 form part of these consolidated financial statements.

1 ACTIVITIES

Abu Dhabi National Hotels (the "Company") a public shareholding company was incorporated in Abu Dhabi, United Arab Emirates ("UAE") on 13 April 1975 by Law No. (3) as amended by Law No. (5) of 1978, to own and manage hotels and to undertake other related business.

The Company comprises the following entities: five owned hotels within the Emirate of Abu Dhabi (Hilton International Abu Dhabi, Hilton International Al Ain, Abu Dhabi Sheraton Hotel, Le Meridien Abu Dhabi and Gulf Hotel). All these hotels are managed by international hotel operating companies except for the Gulf Hotel which is managed by the Company. Effective from 1 July 2006, Gulf Hotel has been closed down for redevelopment. The Company also manages for its own account five other hotel properties under long term lease agreements with the property owners. The Company also comprises a hotels' management division, a purchasing division, a tourism services division, and the following entities:

Name	*Country of operation*	*Principal activity*	*Interest*
Al Ghazal Transport	United Arab Emirates	Transport Services	100%
Abu Dhabi National Hotels Compass Middle East LLC (Joint Venture)	Gulf and the Middle East	Catering and Contract Services	51%

The Company also manages and supervises for the account of the Government of Abu Dhabi and other parties other hotels and tourist and leisure outlets.

The consolidated financial statements for the year ended 31 December 2006 were authorised for issue in accordance with a resolution of the Board of Directors on 14 February 2007.

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and applicable requirements of the UAE Commercial Companies Law of 1984 (as amended).

The consolidated financial statements are prepared under the historical convention modified to include the measurement at fair value of available-for-sale investments and investments carried at fair value through income statement.

The consolidated financial statements are presented in UAE Dirhams ("AED") which is the functional currency of the Company.

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company, its divisions and hotels and its wholly owned subsidiary Al Ghazal Transport, all drawn up to 31 December each year.

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

The financial statements of the Company's divisions, hotels and its wholly owned subsidiary are prepared using consistent accounting policies as those used by the Company. Where subsidiary financial statements are drawn up to different reporting dates, adjustments are made for the effect of significant transactions or events that occur between those dates and the date of the Company's financial statements. Subsidiaries are consolidated from the date on which control is transferred to the Company and cease to be consolidated from the date on which control is transferred out of the Company.

2.2 CHANGES IN ACCOUNTING POLICIES

The accounting policies are consistent with those used in the previous year except that the Company has adopted the following revised standards and IFRIC interpretations mandatory for financial years beginning on or after 1 January 2006:

- IAS 21 *The Effect of Changes in Foreign Exchange Rates*
- IAS 39 *Financial Instruments: Recognition and Measurement*
- IFRIC 4 *Determining whether an Arrangement contains a Lease*

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

- IAS 21 *The Effect of Changes in Foreign Exchange Rates*

As of 1 January 2006, the Company adopted the amendments to IAS 21. As a result, all exchange differences arising from a monetary item that forms part of the Company's net investment in a foreign operation are recognised as a separate component of equity in the consolidated financial statements regardless of the currency in which the monetary item is denominated. This change has had no significant impact on the consolidated financial statements as at 31 December 2006 or 31 December 2005.

- IAS 39 *Financial Instruments: Recognition and Measurement*

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

- IFRIC 4 *Determining Whether an Arrangement contains a Lease*

The Company adopted IFRIC Interpretation 4 as of 1 January 2006, which provides guidance in determining whether arrangements contain a lease to which lease accounting must be adopted. This change in accounting policy has had no significant impact on the consolidated financial statements as at 31 December 2006 or 31 December 2005.

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

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

Classification of investments

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

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

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

Estimation uncertainty

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

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

Impairment of goodwill

The Company determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2006 was AED 5,277,987 (2005: AED 4,181,408).

Impairment of accounts receivable

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

At the balance sheet date, gross trade accounts receivable were AED 244,313,640 (2005: AED 215,380,398) and the provision for doubtful debts was AED 23,813,732 (2005: AED 23,093,411). Any difference between the amounts actually collected in future periods and the amounts expected to be received will be recognised in the income statement.

Impairment of inventories

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

At the balance sheet date, gross inventories were AED 29,707,016 (2005: AED 31,320,838) with provisions for old and obsolete inventories of AED 400,575 (2005: AED 2,695,410). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the income statement.

2.4 SIGNIFICANT ACCOUNTING POLICIES

Interest in joint venture

The Company's interest in its joint venture, namely Abu Dhabi National Hotels Compass Middle East LLC, is accounted for by using the proportionate consolidation method, which involves recognising a proportionate share of the joint venture's assets, liabilities, income and expenses with similar items in the consolidated financial statements on a line by line basis.

Goodwill

Goodwill represents the Company's proportionate share of the excess of the cost of acquisition over the joint venture's interest in the fair value of the identifiable assets and liabilities of joint venture entities at the date of acquisition. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Revenue recognition

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 guaranteed minimum income received by the Company with respect to a business segment and relating to a guaranteed period of six and half years from 1 January 2001, is recognised in catering and contract services revenue on a straight line basis over the guaranteed period.

2.4 SIGNIFICANT ACCOUNTING POLICIES continued

Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated. Further, no depreciation is charged on new assets in the year they are acquired or placed in service.

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 Company's policies.

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

Buildings	4% - 10%
Mechanical, electrical and plumbing	10%
Furniture, fixtures and operating equipment	14% - 50%
Motor vehicles	20% - 25%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated income statement in the year when the asset is sold or retired.

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.

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

(a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the consolidated income statement.
(b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

Investments in associates
The Company's investments in associates are accounted for under the equity method of accounting. These are entities in which the Company has between 20% to 50% of the voting power or over which it exercises significant influence and which are neither subsidiaries nor joint ventures. Investments in associates are carried in the balance sheet at cost, plus post acquisition changes in the Company's share of net assets of the associate, less any impairment in value. The consolidated income statement reflects the Company's share of the results of its associates.

Unrealised profit and losses resulting from transactions between the Company and its associate are eliminated to the extent of the Company's interest in the associate.

Investments carried at fair value through income statement
Investments carried at fair value through income statement are recognised and derecognised, on a trade date basis, when the Company becomes, or ceases to be, a party to the contractual provisions of the instrument.

Investments are classified as fair value through income statement if the fair value of the investment can be reliably measured. Investments classified as "investments at fair value through income statement" upon initial recognition are remeasured at fair value with all changes in fair value being recorded in the income statement.

Available-for-sale investments
Available-for-sale investments are recognised and derecognised, on a trade date basis, when the Company becomes, or ceases to be, a party to the contractual provisions of the instrument.

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

2.4 SIGNIFICANT ACCOUNTING POLICIES continued

Inventories
Inventories are stated at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items. Costs are those expenses incurred in bringing each product to its present location and condition and are determined on a weighted average cost basis. Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion or disposal.

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

Cash and cash equivalents
Cash and cash equivalents consist of cash and bank balances maturing within three months of the balance sheet date.

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

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

Employees' end of service benefits
The Company 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 Company makes contributions to a government scheme calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

Operating leases
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated income statement on a straight line basis over the lease term.

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

On consolidation, the assets and liabilities of the Company's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange foreign currency rates for the year. Exchange differences arising, if any, are transferred to the Company's foreign currency translation reserve in equity. Such translation differences are recognised as income or as expense in the period in which the operation is disposed of.

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

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

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

2.5 IASB INTERPRETATION ISSUED BUT NOT YET EFFECTIVE

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

IFRS 7	*Financial Instruments: Disclosures*
IFRS 8	*Operating Segments*
IAS 1	*Amendment – Presentation of Financial Statements*
IFRIC 8	*Scope of IFRS 2*
IFRIC 9	*Reassessment of embedded derivatives*
IFRIC 10	*Interim Financial Reporting and Impairment*
IFRIC 11	*IFRS 2 - Group and Treasury Shares Transactions*

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

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

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

IFRIC 8 Scope of IFRS 2
IFRIC 8, which will be effective for annual periods beginning on or after 1 May 2006 requires an entity to apply IFRS 2 to any arrangement where equity instruments are issued for consideration which appears to be less than fair value.

IFRIC 9 Reassessment of Embedded Derivatives
IFRIC 9, which will be effective for annual periods beginning on or after 1 June 2006, establishes that the date to assess the existence of an embedded derivative is the date an entity first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows.

IFRIC 10 Interim Financial Reporting and Impairment
IFRIC 10, which will be effective for annual periods beginning on or after 1 November 2006, prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date.

IFRIC 11 IFRS 2 – Group and Treasury Share Transactions
IFRIC 11, which will be effective for annual periods beginning on or after 1 March 2007, requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity settled scheme by the entity even if the entity chooses or is required to buy those equity instruments from another party or the shareholders of the entity provide the equity instruments needed.

3 INVESTMENT AND OTHER INCOME

	2006 AED	2005 AED
Interest income	28,224,668	16,567,182
Gain on sale of available-for-sale investments	1,095,117	20,727,799
(Loss) gain on investments carried at fair value through income statement	(29,396,230)	61,432,898
Gain on sale of property, plant and equipment	7,092,778	3,620,157
Dividend income	12,500,832	2,387,363
Income from associate	850,369	4,911,115
Other income	6,881,904	5,233,333
	27,249,438	114,879,847

4 GENERAL AND ADMINISTRATIVE EXPENSES

	2006 AED	2005 AED
Payroll and employee related costs	14,295,905	15,003,808
Other expenses	8,855,869	10,301,854
	23,151,774	25,305,662

5 PROFIT FOR THE YEAR

Profit for the year is stated at after charging:

	2006 AED	2005 AED
Staff costs	312,104,948	298,916,792
Depreciation of property, plant and equipment	84,554,164	72,155,156

6 EARNINGS PER SHARE

Basic earnings per share 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.

	2006 AED	2005 AED
Profit for the year (AED)	292,517,115	331,860,992
Weighted average number of ordinary shares outstanding during the year (as adjusted for the issue of bonus shares and shares split)	720,000,000	720,000,000
Basic and diluted earnings per share (AED)	0.41	0.46

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

7 BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments
For management purposes, the Company is currently organised into three major operating businesses. These businesses are the basis on which the Company reports its primary segmental information. These are:

- Hotels
- Catering and Contract Services
- Transport Services

Segmental information about these businesses is presented in the following pages:

	Hotels AED	*Catering and contract services AED*	*Transport services AED*	*Total AED*
Business segments				
2006				
Operating revenues	566,451,260	534,862,887	94,909,021	1,196,223,168
Direct operating expenses	(303,462,693)	(448,180,665)	(70,752,155)	(822,395,513)
Gross profit	262,988,567	86,682,222	24,156,866	373,827,655
Depreciation	(62,354,727)	(3,734,187)	(18,465,250)	(84,554,164)
Segment results	200,633,840	82,948,035	5,691,616	289,273,491
Unallocated corporate expenses				(23,151,774)
Operating income				266,121,717
Other operating income	-	-	5,575,850	5,575,850
Unallocated corporate investment and other income				21,673,588
Unallocated corporate interest expense				(854,040)
Profit for the year				292,517,115
2005				
Operating revenues	462,143,801	543,859,145	68,410,516	1,074,413,462
Direct operating expenses	(267,876,210)	(439,729,648)	(51,279,116)	(758,884,974)
Gross profit	194,267,591	104,129,497	17,131,400	315,528,488
Depreciation	(44,221,115)	(12,088,259)	(15,845,782)	(72,155,156)
Segment results	150,046,476	92,041,238	1,285,618	243,373,332
Unallocated corporate expenses				(25,305,662)
Operating income				218,067,670
Other operating income	-	-	4,304,454	4,304,454
Unallocated corporate investment and other income				110,575,393
Unallocated corporate interest expense				(1,086,525)
Profit for the year				331,860,992

Included in direct operating expenses for the year ended 31 December 2006 is an amount of AED 297,809,043 (2005: AED 283,912,984) relating to payroll and employee related costs.

7 BUSINESS AND GEOGRAPHICAL SEGMENTS continued

	Hotels AED	*Catering and contract services AED*	*Transport services AED*	*Total AED*
Business segments				
2006				
Assets				
Segment assets	**597,763,894**	**239,546,888**	**80,632,694**	**917,943,476**
Unallocated corporate assets				**1,716,747,088**
Total assets				**2,634,690,564**
Liabilities				
Segment liabilities	**92,563,472**	**156,431,200**	**36,408,506**	**285,403,178**
Unallocated corporate liabilities				**100,770,487**
Total liabilities				**386,173,665**
2005				
Assets				
Segment assets	609,400,301	226,912,432	54,140,024	890,452,757
Unallocated corporate assets				2,083,606,860
Total assets				2,974,059,617
Liabilities				
Segment liabilities	134,248,469	125,368,820	29,103,929	288,721,218
Unallocated corporate liabilities				85,712,909
Total liabilities				374,434,127

Geographical segments

The operations of the Company are mostly in the United Arab Emirates and the rest of the Middle East.

These are analysed as follows:

	United Arab Emirates AED	*Rest of the Middle East AED*	*Total AED*
2006			
Profit	**272,485,509**	**20,031,606**	**292,517,115**
Net assets	**2,220,982,414**	**27,534,485**	**2,248,516,899**
2005			
Profit	306,214,425	25,646,567	331,860,992
Net assets	2,565,894,404	33,731,086	2,599,625,490

8 PROPERTY PLANT AND EQUIPMENT

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

	2006 *AED*	*2005* *AED*
Property, plant and equipment at net carrying amount	513,983,297	514,770,480
Reservation deposit on purchase of land	49,218,642	13,652,977
	563,201,939	528,423,457

	Land and buildings AED	*Mechanical, electrical & plumbing AED*	*Furniture, fixtures and operating equipment AED*	*Motor vehicles AED*	*Assets under construction AED*	*Total AED*
Cost:						
At 1 January 2006	495,919,413	192,972,351	572,404,104	76,025,611	27,361,111	1,364,682,590
Additions	1,080,603	982,832	17,440,570	47,303,320	34,388,887	101,196,212
Transfers from assets under construction	-	-	1,536,975	-	(1,536,975)	-
Disposals	(36,013,252)	(15,981,442)	(111,890,248)	(24,440,803)	(1,687,979)	(190,013,724)
At 31 December 2006	460,986,764	177,973,741	479,491,401	98,888,128	58,525,044	1,275,865,078
Depreciation:						
At 1 January 2006	236,345,974	138,287,105	445,174,933	30,104,098	-	849,912,110
Charge for the year	19,903,389	7,855,821	35,585,913	21,209,041	-	84,554,164
Disposals	(36,013,252)	(14,450,722)	(103,627,697)	(18,492,822)	-	(172,584,493)
At 31 December 2006	220,236,111	131,692,204	377,133,149	32,820,317	-	761,881,781
Net carrying amount:						
At 31 December 2006	240,750,653	46,281,537	102,358,252	66,067,811	58,525,044	513,983,297
At 31 December 2005	259,573,439	54,685,246	127,229,171	45,921,513	27,361,111	514,770,480

Included in land and buildings is the cost of land stated at AED 55,809,939 at 31 December 2006 (2005: AED 55,809,939). Assets under construction represent mainly capital expenditure on extensions and additions to hotel properties.

9 INVESTMENT IN ASSOCIATE

	2006 *AED*	*2005* *AED*
Carrying amount of investment	10,371,053	25,004,356

Details of the Company's associate at 31 December 2006 and 2005 are as follows:

Name of associate	*Place of incorporation*	*Proportion of ownership interest*	*Proportion of voting power held*
OTIC Ltd	Jersey	38.46%	38.46%

OTIC Ltd participates in tourist complexes and operates in Morocco and Turkey.

10 AVAILABLE-FOR-SALE INVESTMENTS

(i) Quoted investments (UAE companies)

	2006 *AED*	*2005* *AED*
Fair value at 1 January	1,225,006,922	506,128,601
Disposals	(1,301,124)	(25,048,864)
Additions	5,167,378	65,210,556
(Decrease) increase in fair value	(494,876,035)	678,716,629
Fair value at 31 December	733,997,141	1,225,006,922
(ii) Unquoted investments		
Unquoted companies	31,179,387	31,179,387
Total available-for-sale investments	765,176,528	1,256,186,309

The investment in unquoted companies at 31 December 2006 represents the Company's equity interest of 10.224% in Abu Dhabi Tourism Investment Company (ADTIC). The investment in ADTIC is carried at amortised cost, as there is no practical means of estimating the fair value of this investment due to the unpredictable nature of future cash flows. In the Board of Directors' opinion the investments will be realised in full.

ADTIC is registered in Egypt as a private joint stock company. Its objectives are mainly to invest in touristic projects in Egypt. ADTIC owns three hotels in operation under a management agreement with an international hotel operator, and holds an equity share in a private shareholding company in Egypt which is engaged in the construction of a touristic resort in Egypt.

The Company has bank deposits under lien amounting to AED 660,780 at 31 December 2006 (2005: AED 1,101,300) partially guaranteeing a bank loan for ADTIC.

11 GOODWILL

	2006 *AED*	*2005* *AED*
Cost:		
At 1 January	4,181,408	4,337,515
Additions	1,345,611	129,526
Elimination of accumulated amortisation	-	(285,633)
At 31 December	5,527,019	4,181,408
Amortisation:		
At 1 January	-	285,633
Impairment charge for the year	249,032	-
Elimination of accumulated amortisation	-	(285,633)
At 31 December	249,032	-
Net carrying amount:		
At 31 December	5,277,987	4,181,408

As from 1 January 2005, the date of adoption of IFRS 3, goodwill is no longer amortised but is now subject to annual impairment testing. The recoverable amount for impairment testing has been determined based on a value in use calculation using discounted cash flow projections from the related assets.

12 JOINT VENTURE

The Company has a 51% equity shareholding with equal voting power in Abu Dhabi National Hotels Compass Middle East LLC, a joint venture established in Abu Dhabi on 3 October 2000.

The Company's share of the assets, liabilities, revenues and expenses of the joint venture, which are included in the Company's consolidated financial statements are as follows:

	2006 *AED*	*2005* *AED*
Current assets	**220,099,936**	197,846,739
Non-current assets	**20,092,487**	28,348,818
	240,192,423	226,195,557
Current liabilities	**(140,914,430)**	(110,841,403)
Non-current liabilities	**(16,162,305)**	(15,438,570)
Net assets	**83,115,688**	99,915,584
Income	**500,093,463**	509,089,721
Expenses	**(451,134,871)**	(451,199,755)
Profit	**48,958,592**	57,889,966

13 OTHER ASSETS

During the year 2001 and following instructions from the Higher Authorities of the Emirate of Abu Dhabi, the ownership of Jazira Hotel & Resort buildings and facilities was transferred from the Company to a new owner in accordance with the terms of an "ownership transfer agreement" under signature between both parties.

During the year 2002, a payment was received from the Higher Authorities of the Emirate of Abu Dhabi amounting to AED 41,000,000 against the net book value of buildings and facilities, furniture, fixtures and equipment of the Jazira Hotel and Resort. The outstanding balance of AED 11.6 million (2005: AED 11.6 million) represents the working capital fund and current account balances carried forward of Jazira Hotel and Resort.

14 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2006 *AED*	*2005* *AED*
Trade accounts receivable	**244,313,640**	215,380,398
Less: provision for impaired accounts	**(23,813,732)**	(23,093,411)
Net trade accounts receivable	**220,499,908**	192,286,987
Amounts due from related parties (note 26)	**15,515,090**	9,332,305
Other receivables and prepayments	**47,667,397**	41,888,872
	283,682,395	243,508,164

Included in other receivables at 31 December 2006 is accrued interest receivable of AED 2,259,724 (2005: AED 930,823) on bank deposits.

15 BANK BALANCES AND CASH

	2006 AED	*2005 AED*
Bank deposits	566,237,433	408,314,566
Cash and current accounts with banks	103,648,094	70,345,947
	669,885,527	478,660,513

16 SHARE CAPITAL

	2006 Shares	*2006 AED*
Authorised, issued and fully paid ordinary shares of AED 1 each	720,000,000	720,000,000

	2005 Shares	*2005 AED*
Authorised, issued and fully paid ordinary shares of AED 1 each	360,000,000	360,000,000

During the year the Company's authorised share capital was increased to AED 720,000,000 and 360,000,000 shares were issued at par (note 19).

17 LEGAL RESERVE

In accordance with Article 50 of the Company's Articles of Association, as amended, 10% of the profit for the year is to be transferred to a legal reserve until such reserve reaches 50% of the Company's issued and fully paid up capital. This reserve is not available for distribution.

18 STATUTORY RESERVE

In accordance with Article 50 of the Company's Articles of Association, as amended, 10% of the profit for the year is to be transferred to a statutory reserve until such reserve reaches 50% of the Company's issued and fully paid up capital, or until a resolution is taken by the Ordinary General Assembly of the shareholders to cease transfer to this reserve. This reserve is to be used at the discretion of the General Assembly of the shareholders.

19 DIVIDENDS

During the year, dividends of AED 0.40 per share totalling AED 144 million were paid and a bonus share dividend of AED 360 million was issued.

The Board of Directors has proposed, subject to the approval of the shareholders in their forthcoming Annual General Assembly, a cash dividend of AED 0.20 per ordinary share (20% of par value) (2005: AED 0.40 per ordinary share – 40% of par value) and a bonus share dividend of AED nil (2005: AED 360 million).

20 DIRECTORS' REMUNERATION

The Directors propose a remuneration of AED 2,700,000 for 2006 (2005: AED 2,700,000) subject to the approval of the shareholders in their forthcoming Annual General Assembly.

21 TERM LOANS

	2006 *AED*	*2005* *AED*
Loans from Government of Abu Dhabi	10,769,228	13,461,536
Loans from Abu Dhabi Fund for Development	8,750,000	11,875,000
	19,519,228	25,336,536
Due in less than one year – current liability	5,817,308	5,817,308
Due in more than one year – non-current liability	13,701,920	19,519,228
	19,519,228	25,336,536

Interest was paid during the year at rates ranging from 2% to 4% (2005: 2% to 4%).

The term loans comprise the following:

(a) In May 1992, the Company concluded a loan agreement for AED 40,000,000 with the Government of Abu Dhabi to finance the construction of an extension to Hilton International Al Ain. The Company received AED 35,000,000 in the years 1992 to 1995. The loan account is repayable after a grace period of 3 years, over a period of 13 years, in equal annual instalments. The loan bears interest at a rate of 4% per annum from the end of the grace period. The interest charged during 2006 amounted to AED 466,664 (2005: AED 574,362).

(b) The Company has received three loans from Abu Dhabi Fund for Development of AED 30,000,000, AED 10,000,000 and AED 10,000,000 to finance the construction of Jazira Hotel & Resort in 1990, 1992 and 1993 respectively. All of the loan proceeds had been drawn down by 1996. The loans were obtained on similar terms and are re-payable in semi-annual instalments of AED 937,500, AED 312,500 and AED 312,500 each commencing in 1992, 1996 and 1997 respectively. These loans carry a service charge of 2% per annum.

22 EMPLOYEES' END OF SERVICE BENEFITS

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

	2006 *AED*	*2005* *AED*
The movement on the provision is as follows:		
Balance at 1 January	**43,325,962**	39,713,925
Provided during the year	**10,371,503**	8,922,715
Paid during the year	**(9,173,580)**	(5,310,678)
Balance at 31 December	**44,523,885**	43,325,962
Classified as:		
Current liability	**-**	1,709,920
Non-current liability	**44,523,885**	41,616,042
	44,523,885	43,325,962

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

23 DEFERRED INCOME

As consideration for transferring its catering and contract services business to Abu Dhabi National Hotels Compass Middle East LLC, the Company was guaranteed a minimum income over a 10 year period commencing 1 January 2001 and a 51% equity interest in the joint venture. The guaranteed minimum income comprises a cash payment of AED 225,000,000 covering the first six and a half years, 50% of which was received in advance upon signing the agreement and the remaining 50% was received in early 2001, and an irrevocable corporate guarantee from Compass Group for AED 245,000,000 for the remainder of the 10 year period.

An amount of AED 34,615,360 (2005: AED 34,615,360) of the guaranteed minimum income received in cash as discussed above, was recognised as income in 2006 and is included in the catering and contract services revenue.

24 ACCOUNTS PAYABLE AND ACCRUALS

	2006 *AED*	*2005* *AED*
Trade and other payables	**149,998,836**	151,080,228
Amounts due to related parties (note 26)	**11,240,041**	15,397,993
Accrued liabilities and provisions	**121,407,142**	75,249,509
Unclaimed dividend payable	**11,990,287**	9,420,793
Directors' remuneration (note 20)	**2,700,000**	2,700,000
	297,336,306	253,848,523

25 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and balances maturing within three months from the balance sheet date, net of bank overdraft. The following is a reconciliation between cash and bank balances as stated in the consolidated balance sheet and cash equivalents as stated in the consolidated cash flow statement:

	2006 *AED*	*2005* *AED*
Bank balances and cash as stated in the consolidated balance sheet (see note 15)	669,885,527	478,660,513
Bank overdraft	(7,486,500)	-
Less: deposits maturing after more than three months from the balance sheet date	(660,780)	(1,101,300)
Cash and cash equivalents as stated in the consolidated cash flow statement	661,738,247	477,559,213

26 RELATED PARTY TRANSACTIONS

Related parties represent associated companies, major shareholders, directors and key management personnel of the Company, and companies of which they are principal owners. Pricing policies and terms of these transactions are approved by the Company's management.

Amounts due from and to related parties are disclosed in notes 14 and 24 respectively.

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

	2006 *AED*	*2005* *AED*
Short-term benefits	11,414,929	11,736,527
Employees' end of service benefits	1,056,870	984,855
	12,471,799	12,721,382

27 LEASES

The Company is contracted until 2022 under non-cancellable operating leases for five of its properties. Minimum lease rentals are payable as follows:

	2006 *AED*	*2005* *AED*
Within one year	17,462,500	17,462,500
After one year but not more than five years	69,850,000	69,850,000
More than five years	89,406,250	106,868,750
Total operating lease expenditure contracted for at the balance sheet date	176,718,750	194,181,250

28 RISK MANAGEMENT

Interest rate risk
The Company is exposed to interest rate risk on its interest bearing assets and liabilities (bank deposits and term loans).

Credit risk
Credit risk represents the accounting loss that would be recognised if customers fail to perform as contracted. To reduce the exposure to credit risk, the Company performs credit evaluation of its customers but generally does not require collateral. The Company has no significant concentration of credit risk with exposure spread over a large number of counter parties and customers.

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

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

Market risk
Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market. The Company is exposed to market risk with respect to its investments in equity securities. The Company limits market risks by maintaining a diversified portfolio and by continuous monitoring of developments in the market. In addition, the Company actively monitors the key factors that affect stocks and market movements, including analysis of the operational and financial performance of investees.

29 FAIR VALUE OF FINANCIAL INSTRUMENTS

With the exception of the unquoted available-for-sale investment and non-current other asset, the fair value of the Company's financial assets and liabilities approximates their carrying amounts.

Information on the principal characteristics of the unquoted available-for-sale investment and non-current other asset is presented in notes 10 and 13 respectively.

30 CONTINGENT LIABILITIES

	2006 *AED*	*2005* *AED*
Bank guarantees	46,522,466	28,254,348
Bank guarantees are issued in the normal course of business and mature as follows:		
Within one year	13,558,948	18,354,643
Between one year and two years	32,963,518	9,899,705
	46,522,466	28,254,348

30 CONTINGENT LIABILITIES continued

Claims
Claims and counterclaims are being pursued by the Company and a contractor in the courts of Abu Dhabi, in connection with the construction of Jazira Hotel & Resort property in Abu Dhabi, for extra works, loss of productivity by the contractor and liquidated damages. The matter was submitted for arbitration in prior years and the arbitration panel submitted its award on 17 June 2000 awarding the contractor an aggregate sum of AED 15,540,067 (2005: AED 15,540,067). The Company filed a Memorandum of Defense. The case was heard again recently and a court ruling was issued disclaiming the award to the contractor who is now appealing the ruling.

In the opinion of management, after taking legal advice, no significant liability will arise from the above claim.

31 COMMITMENTS

Capital commitments
The estimated capital expenditure contracted for at the balance sheet date amounts to AED 353,557,219 (2005: AED 279,556,602).

Other commitments
At the balance sheet date, the Company had bank deposits amounting to AED nil (2005: AED 136,783,630) placed in its name and relating to the Government of Abu Dhabi ("Government") – owned outlets and resorts managed by the Company under its contractual arrangements with the Government. These deposits are recorded in the books of accounts of these managed outlets and resorts belonging to the Government and are not part of these consolidated financial statements.