Abu Dhabi National Hotels

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

31 DECEMBER 2007

Abu Dhabi National Hotels

REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

31 DECEMBER 2007

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 2007 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.

2007 was marked with good progress in the performance of hotels sector in the Emirate of Abu Dhabi. In 2007, room nights increased by 27.3% compared to 2006, 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 destinations and increase of exhibitions and conferences along with the organization of many sports and cultural events.

The total revenue amounted to AED 1.321 billion as compared to AED 1.196 billion for 2006, an increase of 10.5%. The operating profits reached their peak since the establishment of the company at AED 460 million as compared to AED 373 million for 2006 i.e. an increase of 23.3%.

The net profit has increased from AED. 292.5 million in 2006 to AED. 471.7 million, an increase of 61.2%. This is due in large part to the increase in non operational income from AED 27.2 million in 2006 to AED 124 million in 2007, where NBAD Growth Fund and ADCB Nokhitha Fund both returned excellent results.

The hotel division achieved excellent profits of AED 323.4 million, after deducting depreciation, as compared to AED 235.4 million for 2006 i.e. an increase of 37.4%.

The catering and contract services division profits increased to AED.51.7 million as compared to AED. 48.1 million for 2006, an increase of 7.4% .

Transport services showed continued progress, as the net profit rose from AED 5.6 million in 2006 to AED 6.0 million, an increase rate of 6%.

The year 2007 in terms of the company's strategic projects saw 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. The management Contract has been awarded to J.W. Marriott, one of the leading international companies and will be a turning point in luxury hotels, in the Emirate of Abu Dhabi.

To ensure that ADNH sustains its position as the leader in the industry, the company purchased two plots of land in Saadiyat 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

Abu Dhabi National Hotels

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2007

ERNST & YOUNG

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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 2007 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.

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CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2007

	Notes	2007 AED'000	2006 AED'000
Operating revenues	7	1,321,772	1,196,223
Direct operating expenses	7	(861,443)	(822,395)
GROSS PROFIT	7	460,329	373,828
General and administrative expenses	4	(29,781)	(21,035)
Depreciation	8	(79,094)	(84,554)
Investment and other income	3	124,184	27,249
Finance costs		(1,012)	(854)
PROFIT BEFORE TAX		474,626	294,634
Income tax		(2,967)	(2,117)
PROFIT FOR THE YEAR	5 & 7	471,659	292,517
Basic and diluted earnings per share (AED)	6	0.66	0.41

The attached notes 1 to 29 form part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET
At 31 December 2007

	Notes	2007 AED'000	2006 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	8	**796,107**	563,202
Investment in associate	9	**11,875**	10,371
Available-for-sale investments	10	**1,246,140**	765,176
Goodwill	11	**5,278**	5,278
Other assets	13	**5,651**	11,651
Total non-current assets		**2,065,051**	1,355,678
Current assets			
Inventories		**34,947**	29,306
Accounts receivable and prepayments	14	**320,359**	283,682
Investments carried at fair value through income statement	10	**357,748**	296,138
Bank balances and cash	15 & 25	**621,381**	669,886
Total current assets		**1,334,435**	1,279,012
TOTAL ASSETS		**3,399,486**	2,634,690
EQUITY AND LIABILITIES			
Equity			
Share capital	16	**720,000**	720,000
Legal reserve	17	**256,418**	209,252
Statutory reserve	18	**256,418**	209,252
Foreign currency translation reserve		**1,879**	437
Retained earnings		**537,593**	453,466
Cumulative changes in fair values of available-for-sale investments		**966,414**	512,110
Proposed dividends	19	**144,000**	144,000
Proposed bonus shares	19	**144,000**	-
Total equity		**3,026,722**	2,248,517
Non-current liabilities			
Term loans	21	**9,760**	13,702
Employees' end of service benefits	22	**48,602**	44,524
Total non-current liabilities		**58,362**	58,226
Current liabilities			
Deferred income	23	-	17,308
Accounts payable and accruals	24	**295,755**	297,336
Term loans	21	**3,942**	5,817
Bank overdraft	25	**14,705**	7,486
Total current liabilities		**314,402**	327,947
Total liabilities		**372,764**	386,173
TOTAL EQUITY AND LIABILITIES		**3,399,486**	2,634,690

Khalifa Nasser Bin Huwaileel Al Mansoori
CHAIRMAN OF THE BOARD

Ali Al Mehairi
ACTING DIRECTOR GENERAL

The attached notes 1 to 29 form part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 December 2007

	Note	*2007* *AED'000*	*2006* *AED'000*
OPERATING ACTIVITIES			
Profit before tax		474,626	294,634
Adjustments for:			
Depreciation of property, plant and equipment		79,094	84,554
Provision for employees' end of service benefits		14,942	10,371
Finance costs		1,012	855
Finance income		(28,572)	(28,225)
Income from investment in associate and dividend income		(15,566)	(13,351)
(Gain) loss on investments carried at fair value through income statement		(61,610)	29,396
Gain on sale of property, plant and equipment		(5,277)	(7,093)
Gain on sale of available-for-sale investments		-	(1,095)
Impairment of goodwill		-	249
Provision for impairment of other assets		6,000	-
Amortisation of deferred income		(17,308)	(34,615)
		447,341	335,680
Working capital changes:			
Inventories		(5,641)	(681)
Accounts receivable and prepayments		(36,677)	(40,174)
Accounts payable and accruals		(6,781)	43,488
Cash from operations		398,242	338,313
Directors' remuneration paid		-	(2,700)
Employees' end of service benefits paid		(10,864)	(9,174)
Tax paid		(2,967)	(2,117)
Interest paid		(1,012)	(854)
Net cash from operating activities		383,399	323,468
INVESTING ACTIVITIES			
Proceeds from share buy-back of associate		-	14,119
Proceeds from sale of investments carried at fair value through income statement		-	108,995
Proceeds from sale of available-for-sale investments		-	1,301
Proceeds from sale of property, plant and equipment		13,706	24,522
Purchase of available-for-sale investments		(26,660)	(5,167)
Purchase of property, plant and equipment		(213,841)	(87,543)
Advance payments for purchase of land		(106,587)	(49,219)
Purchase of investments carried at fair value through income statement		-	(36,710)
Interest received		28,572	28,225
Dividends received		15,504	12,501
Goodwill		-	(1,346)
Decrease in bank deposits maturing after more than three months		440	440
Net cash (used in) from investing activities		(288,866)	10,118
FINANCING ACTIVITIES			
Dividends paid		(144,000)	(144,000)
Repayment of term loans		(5,817)	(5,817)
Net cash used in financing activities		(149,817)	(149,817)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(55,284)	183,769
Cash and cash equivalents at 1 January	25	661,740	477,971
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	25	606,456	661,740

The attached notes 1 to 29 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2007

	Share capital AED'000	*Legal reserve AED'000*	*Statutory reserve AED'000*	*Foreign Currency translation reserve AED'000*	*Retained earnings AED'000*	*Cumulative changes in fair values of available-for-sale investments AED'000*	*Proposed dividend AED'000*	*Proposed bonus shares AED'000*	*Total AED'000*
Balance at 1 January 2006	360,000	180,000	180,000	1,391	366,153	1,008,081	144,000	360,000	2,599,625
Recognised gains and losses on available-for-sale investments	-	-	-	-	-	(1,095)	-	-	(1,095)
Net movement in fair value of available-for-sale investments	-	-	-	-	-	(494,876)	-	-	(494,876)
Directors' remuneration	-	-	-	-	(2,700)	-	-	-	(2,700)
Exchange difference arising on translation of overseas operations	-	-	-	(954)	-	-	-	-	(954)
Total expense for the year recognised directly in equity	-	-	-	(954)	(2,700)	(495,971)	-	-	(499,625)
Profit for the year 2006	-	-	-	-	292,517	-	-	-	292,517
Total income (expense) for the year	-	-	-	(954)	289,817	(495,971)	-	-	(207,108)
Dividends paid	-	-	-	-	-	-	(144,000)	-	(144,000)
Bonus shares issued	360,000	-	-	-	-	-	-	(360,000)	-
Transfer to legal reserve	-	29,252	-	-	(29,252)	-	-	-	-
Transfer to statutory reserve	-	-	29,252	-	(29,252)	-	-	-	-
Proposed dividends	-	-	-	-	(144,000)	-	144,000	-	-
Balance at 31 December 2006	720,000	209,252	209,252	437	453,466	512,110	144,000	-	2,248,517
Balance at 1 January 2007	720,000	209,252	209,252	437	453,466	512,110	144,000	-	2,248,517
Net movement in fair value of available-for-sale investments	-	-	-	-	-	454,304	-	-	454,304
Directors' remuneration	-	-	-	-	(5,200)	-	-	-	(5,200)
Exchange difference arising on translation of overseas operations	-	-	-	1,442	-	-	-	-	1,442
Total income for the year recognised directly in equity	-	-	-	1,442	(5,200)	454,304	-	-	450,546
Profit for the year 2007	-	-	-	-	471,659	-	-	-	471,659
Total income and expense for the year	-	-	-	1,442	466,459	454,304	-	-	922,205
Dividends paid	-	-	-	-	-	-	(144,000)	-	(144,000)
Transfer to legal reserve	-	47,166	-	-	(47,166)	-	-	-	-
Transfer to statutory reserve	-	-	47,166	-	(47,166)	-	-	-	-
Proposed dividends	-	-	-	-	(144,000)	-	144,000	-	-
Proposed bonus shares	-	-	-	-	(144,000)	-	-	144,000	-
Balance at 31 December 2007	720,000	256,418	256,418	1,879	537,593	966,414	144,000	144,000	3,026,722

The attached notes 1 to 29 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: four owned hotels within the Emirate of Abu Dhabi (Hilton International Abu Dhabi, Hilton International Al Ain, Abu Dhabi Sheraton Hotel and Le Meridien Abu Dhabi). All these hotels are managed by international hotel operating companies. 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 2007 were authorised for issue in accordance with a resolution of the Board of Directors on 30 March 2008.

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 cost convention modified to include the measurement at fair value of available-for-sale investments and investments carried at fair value through income statement.

The consolidated financial statements are presented in UAE Dirhams ("AED") which is the functional currency of the Company. All values are rounded to the nearest thousand (AED '000) except when otherwise indicated.

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 adopted are consistent with those of the previous financial year except as follows:

The Company has adopted the following new and amended IFRS and IFRIC interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Company. They did however give rise to additional disclosures.

IFRS 7 *Financial Instruments: Disclosures*
IAS 1 *Amendment – Presentation of Financial Statements*
IFRIC 10 *Interim Financial Reporting and Impairment*

The principal effects of these changes are as follows:

IFRS 7 *Financial Instruments: Disclosures*
This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Company's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results, comparative information has been revised where needed.

IAS 1 *Amendment – Presentation of Financial Statements*
This amendment requires the Company to make new disclosures to enable users of the financial statements to evaluate the Company's objectives, policies and processes for managing capital. These new disclosures are shown in note 28.

IFRIC 10 Interim Financial Reporting and Impairment
The Company adopted IFRIC Interpretation 10 as of 1 January 2007, which requires that an entity must not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. As the Company had no impairment losses previously reversed, the interpretation had no impact on the financial position or performance of the Company.

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Company'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 reporting date. 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 the future.

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
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.

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS continued

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

Impairment of 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 2007 was AED 5,278 thousand (2006: AED 5,278 thousand).

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 254,285 thousand (2006: AED 244,314 thousand) and the provision for doubtful debts was AED 22,191 thousand (2006: AED 23,814 thousand). 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 34,985 thousand (2006: AED 29,707 thousand) with provisions for old and obsolete inventories of AED 38 thousand (2006: AED 401 thousand). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the income statement.

Impairment of available-for-sale financial assets
The Company classifies certain assets as available-for-sale and recognises movements in their fair value in equity. 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 2007 no impairment losses have been recognised for available-for-sale assets (2006: AED nil). The carrying amount of available-for-sale investments was AED 1,246,140 thousand (2006: AED 765,176 thousand).

2.4 SUMMARY OF 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Goodwill continued
For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Company are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Company at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Company's primary or the Company's secondary reporting format determined in accordance with IAS 14 Segment Reporting.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to Goodwill cannot be reversed in future periods. The Company performs its annual impairment test of goodwill as at 30 September.

Where goodwill forms part of a cash-generating unit (group of cash generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

When individual operations are sold, the difference between the selling price and the net assets plus goodwill is recognised in the income statement.

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.

Income tax
Income tax represents the proportionate share of the Company in the income taxes of the joint venture, incurred in respect of the joint venture's operations in Qatar, Iran and Egypt.

Current income tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Income tax continued

Deferred income tax
Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. 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 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, being the higher of their fair value less costs to sell and their value in use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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.

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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 comprise of financial assets and financial liabilities.

Financial assets comprise investments in associates, available for sale investments, financial assets carried at fair value through income statement, receivables, deposits and bank balances and cash. Financial liabilities comprise payables, bank overdraft and loans.

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

2.5 FUTURE CHANGES IN ACCOUNTING POLICIES - STANDARDS ISSUED BUT NOT YET EFFECTIVE

IAS 1 *Presentation of Financial Statements*
The Company has not adopted the revised IAS 1 *Presentation of Financial Statements* which will be effective for the year ending 31 December 2009. The application of this standard will result in amendments to the presentation of the consolidated financial statements.

IAS 23 *Borrowing Costs*
A revised IAS 23 *Borrowing costs* was issued in March 2007, and becomes effective for financial years beginning on or after 1 January 2009. The standard has been revised to require capitalisation of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements in the Standard, the Company will adopt this as a prospective change. Accordingly, borrowing costs will be capitalised on qualifying assets with a commencement date after 1 January 2009. No changes will be made for borrowing costs incurred to this date that have been expensed.

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.

3 INVESTMENT AND OTHER INCOME

	2007 AED'000	*2006 AED'000*
Interest income	28,572	28,225
Gain on sale of available-for-sale investments	-	1,095
Gain (loss) on investments carried at fair value through income statement	61,610	(29,396)
Gain on sale of property, plant and equipment	5,277	7,092
Dividend income	15,504	12,501
Income from associate	62	850
Other income	13,159	6,882
	124,184	27,249

4 GENERAL AND ADMINISTRATIVE EXPENSES

	2007 AED'000	*2006 AED'000*
Payroll and employee related costs	17,768	14,296
Other expenses	12,013	6,739
	29,781	21,035

5 PROFIT FOR THE YEAR

Profit for the year is stated at after charging:

	2007 *AED'000*	*2006* *AED'000*
Staff costs	359,564	312,105
Depreciation of property, plant and equipment	79,094	84,554

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.

	2007	*2006*
Profit for the year (AED'000)	471,659	292,517
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)	0.66	0.41

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

7 BUSINESS AND GEOGRAPHICAL SEGMENTS

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

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'000	*Catering and contract services AED'000*	*Transport services AED'000*	*Total AED'000*
Business segments				
2007				
Operating revenues	700,789	485,053	135,930	1,321,772
Direct operating expenses	(327,334)	(427,595)	(106,514)	(861,443)
Gross profit	373,455	57,458	29,416	460,329
Depreciation	(50,053)	(5,666)	(23,375)	(79,094)
Segment results	323,402	51,792	6,041	381,235
Unallocated corporate expenses				(29,781)
Income tax				(2,967)
Operating income				348,487
Other operating income				10,091
Unallocated corporate investment and other income				114,093
Unallocated corporate interest expense				(1,012)
Profit for the year				471,659
2006				
Operating revenues	601,221	500,093	94,909	1,196,223
Direct operating expenses	(303,463)	(448,180)	(70,752)	(822,395)
Gross profit	297,758	51,913	24,157	373,828
Depreciation	(62,355)	(3,734)	(18,465)	(84,554)
Segment results	235,403	48,179	5,692	289,274
Unallocated corporate expenses				(21,035)
Income tax				(2,117)
Operating income				266,122
Other operating income			5,576	5,576
Unallocated corporate investment and other income				21,673
Unallocated corporate interest expense				(854)
Profit for the year				292,517

Included in direct operating expenses for the year ended 31 December 2007 is an amount of AED 312,105 (2006: AED 297,809 thousand) relating to payroll and employee related costs.

7 **BUSINESS AND GEOGRAPHICAL SEGMENTS** continued

	Hotels AED'000	*Catering and contract services AED'000*	*Transport services AED'000*	*Total AED'000*
Business segments				
2007				
Assets				
Segment assets	**517,531**	**252,367**	**109,610**	879,508
Unallocated corporate assets				2,519,978
Total assets				3,399,486
Liabilities				
Segment liabilities	**83,963**	**163,153**	**38,560**	285,676
Unallocated corporate liabilities				87,088
Total liabilities				372,764
2006				
Assets				
Segment assets	597,764	239,547	80,633	917,944
Unallocated corporate assets				1,716,746
Total assets				2,634,690
Liabilities				
Segment liabilities	92,563	156,431	36,409	285,403
Unallocated corporate liabilities				100,770
Total liabilities				386,173

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'000	*Rest of the Middle East AED'000*	*Total AED'000*
2007			
Revenue	1,265,516	56,256	1,321,772
Other segment information			
Segment assets	3,324,847	62,764	3,387,611
Investment in assocaite			11,875
Total assets			3,399,486
2006			
Revenue	1,046,744	149,479	1,196,223
Other segment information			
Segment assets	2,539,899	84,420	2,624,319
Investment in assocaite			10,371
Total assets			2,634,690

Segment revenue, segment expense and segment result include transfers between business segments. Those transfers are eliminated in consolidation.

The Company's geographical segments are based on the location of the Company's assets. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers.

8 PROPERTY PLANT AND EQUIPMENT

	2007 AED'000	*2006 AED'000*
(i) Property, plant and equipment at net carrying amount	732,718	513,983
(ii) Advance payments for purchase of land	63,389	49,219
	796,107	563,202

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

	Land and buildings AED'000	*Mechanical, electrical & plumbing AED'000*	*Furniture, fixtures and operating equipment AED'000*	*Motor vehicles AED'000*	*Assets under construction AED'000*	*Total AED'000*
2007						
Cost:						
At 1 January 2007	460,987	177,974	479,491	98,888	58,525	1,275,865
Additions	-	6,424	25,050	47,282	135,085	213,841
Reclassification from advance for purchase of land	92,417	-	-	-	-	92,417
Disposals	-	(622)	(779)	(26,637)	-	(28,038)
At 31 December 2007	553,404	183,776	503,762	119,533	193,610	1,554,085
Depreciation:						
At 1 January 2007	220,236	131,693	377,133	32,820	-	761,882
Charge for the year	15,313	6,404	31,392	25,985	-	79,094
Disposals	-	(566)	(684)	(18,359)	-	(19,609)
At 31 December 2007	235,549	137,531	407,841	40,446	-	821,367
Net carrying amount:						
At 31 December 2007	317,855	46,245	95,921	79,087	193,610	732,718
2006						
Cost:						
At 1 January 2006	495,919	192,972	572,404	76,026	27,361	1,364,682
Additions	1,081	983	17,440	47,303	34,389	101,196
Transfers from assets under construction	-	-	1,537	-	(1,537)	-
Disposals	(36,013)	(15,981)	(111,890)	(24,441)	(1,688)	(190,013)
At 31 December 2006	460,987	177,974	479,491	98,888	58,525	1,275,865
Depreciation:						
At 1 January 2006	236,346	138,287	445,175	30,104	-	849,912
Charge for the year	19,903	7,856	35,585	21,209	-	84,553
Disposals	(36,013)	(14,450)	(103,627)	(18,493)	-	(172,583)
At 31 December 2006	220,236	131,693	377,133	32,820	-	761,882
Net carrying amount:						
At 31 December 2006	240,751	46,281	102,358	66,068	58,525	513,983

Included in land and buildings is the cost of land stated at AED 145,550 thousand at 31 December 2007 (2006: AED 55,810 thousand). Assets under construction represent mainly capital expenditure on extensions and additions to hotel properties.

(ii) The movement in advance payments for purchase of land is as follows:

	2007 AED'000	*2006 AED'000*
Opening balance	49,219	-
Additions during the year	106,587	49,219
Transfer to land	(92,417)	-
	63,389	49,219

9 INVESTMENT IN ASSOCIATE

	2007 AED'000	*2006 AED'000*
Carrying amount of investment	11,875	10,371

Details of the Company's associate at 31 December 2007 and 2006 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.

10 INVESTMENTS

Available-for-sale investments

(i) Quoted investments (UAE companies)

	2007 AED'000	*2006 AED'000*
Fair value at 1 January	733,997	1,225,008
Disposals	-	(1,301)
Additions	26,660	5,166
Increase (decrease) in fair value	454,304	(494,876)
Fair value at 31 December	1,214,961	733,997

(ii) Unquoted investments

Unquoted companies	31,179	31,179
Total available-for-sale investments	1,246,140	765,176

The investment in unquoted companies at 31 December 2007 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.

Investments held at fair value through the income statement

	2007 AED'000	*2006 AED'000*
Fair value at 1 January	296,138	288,824
Additions	-	36,710
Increase (decrease) in fair value	61,610	(29,396)
Fair value at 31 December	357,748	296,138

11 GOODWILL

	2007 *AED'000*	*2006* *AED'000*
At 1 January	5,278	4,181
Additions	-	1,346
Impairment for the year	-	(249)
Carrying amount at 31 December	5,278	5,278

The recoverable amount for impairment testing has been determined based on a value in use calculation using discounted cash flow projections based on financial budgets approved by senior management.

12 JOINT VENTURE

The Company has a 51% equity shareholding interest 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:

	2007 *AED'000*	*2006* *AED'000*
Current assets	223,813	220,100
Non-current assets	29,417	20,092
	253,230	240,192
Current liabilities	(145,887)	(140,914)
Non-current liabilities	(17,049)	(16,162)
Net assets	90,294	83,116
Income	485,053	500,093
Expenses	(432,526)	(451,135)
Profit	52,527	48,958

13 OTHER ASSETS

Other assets are reflected net of a provision for impairment of AED 6 million as of 31 December 2007 (2006: Nil).

14 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2007 AED'000	2006 AED'000
Trade accounts receivable	**254,285**	244,314
Less: provision for impaired accounts	**(22,191)**	(23,814)
Net trade accounts receivable	**232,094**	220,500
Amounts due from related parties (note 26)	**15,084**	15,515
Other receivables and prepayments	**73,181**	47,667
	320,359	283,682

Included in other receivables at 31 December 2007 is accrued interest receivable of AED 2,462 thousand (2006: AED 2,259 thousand) on bank deposits.

For terms and conditions relating to related party receivables, refer to Note 26.

Trade accounts receivable are non-interest bearing and are generally on 30-90 days terms.

As at 31 December 2007, trade receivables at nominal value of AED 22,191 thousand (2006: AED 23,814 thousand) were impaired and provided for.

Movements in the provision for impairment of receivables were as follows:

	2007 AED'000	2006 AED'000
At 1 January	**23,814**	23,093
(Write back) charge for the year, net	**(1,623)**	721
At 31 December	**22,191**	23,814

As at 31 December 2007, the analysis of trade receivables that were past due but not impaired is as follows:

			Past due but not impaired			
	Total AED '000	*Neither past due nor impaired AED '000*	*30 – 60 days AED '000*	*60 – 90 day AED '000*	*90 – 120 days AED '000*	*>120 days AED '000*
2007	**232,094**	**146,532**	**34,526**	**20,767**	**6,312**	**23,957**
2006	220,500	138,952	35,934	14,264	8,415	22,935

15 BANK BALANCES AND CASH

	2007 AED'000	*2006 AED'000*
Bank deposits	**484,920**	566,237
Cash and current accounts with banks	**136,461**	103,649
	621,381	669,886

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company and earn interest at the respective short-term deposit rates. The fair value of cash and short-term deposits is AED 484,919 thousand (2006: AED 566,237 thousand).

The Company has bank deposits under lien amounting to AED 220 thousand at 31 December 2007 (2006: AED 660 thousand) partially guaranteeing a bank loan for ADTIC.

16 SHARE CAPITAL

	2007 and 2006	
	Shares	*AED*
Authorised, issued and fully paid ordinary shares of AED 1 each	720,000,000	720,000,000

In 2006, the Company issued 360,000,000 shares at par, increasing its share capital to AED 720 million.

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 0.20 per share totalling AED 144 million were paid.

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

	2007 AED'000	*2006 AED'000*
Cash dividends in respect of 2007: 20 fils per share (2006: 20 fils)	**144,000**	144,000
Bonus shares: 1 share for every 5 shares held (2006: nil)	**144,000**	-

20 DIRECTORS' REMUNERATION

The Directors propose a remuneration of AED 5,200 thousand for 2007 (2006: AED 2,700 thousand) subject to the approval of the shareholders in their forthcoming Annual General Assembly.

21 TERM LOANS

	2007 AED'000	*2006 AED'000*
Loans from Government of Abu Dhabi	8,077	10,769
Loans from Abu Dhabi Fund for Development	5,625	8,750
	13,702	19,519
Due in less than one year – current liability	3,942	5,817
Due in more than one year – non-current liability	9,760	13,702
	13,702	19,519

Interest was paid during the year at rates ranging from 2% to 4% (2006: 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 2007 amounted to AED 359 thousand (2006: AED 467 thousand).

(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.

	2007 AED'000	*2006 AED'000*
The movement on the provision is as follows:		
Balance at 1 January	44,524	43,327
Provided during the year	14,942	10,371
Paid during the year	(10,864)	(9,174)
Balance at 31 December	48,602	44,524

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

In 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 Company for AED 245,000,000 for the remainder of the 10 year period.

The final amount of AED 17,385 thousand (2006: AED 34,615 thousand) of the guaranteed minimum income received in cash as discussed above, was recognised as income in 2007.

24 ACCOUNTS PAYABLE AND ACCRUALS

	2007 *AED'000*	*2006* *AED'000*
Trade and other payables	**150,101**	149,999
Amounts due to related parties (note 26)	**-**	11,240
Accrued liabilities and provisions	**127,756**	121,407
Unclaimed dividend payable	**12,698**	11,990
Directors' remuneration (note 20)	**5,200**	2,700
	295,755	297,336

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.
- For terms and conditions relating to related parties, refer to Note 26.

25 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:

	2007 *AED'000*	*2006* *AED'000*
Bank balances and cash	**621,381**	669,886
Bank overdraft	**(14,705)**	(7,486)
Less: deposits with original maturities of more than three months	**(220)**	(660)
Cash and cash equivalents	**606,456**	661,740

26 RELATED PARTY TRANSACTIONS

Related parties represent associated companies, major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. 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 and are with related parties other than associates or major shareholders

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

	2007 AED'000	*2006 AED'000*
Short-term benefits	12,090	11,415
Employees' end of service benefits	1,164	1,057
	13,254	12,472

27 COMMITMENTS AND CONTINGENCIES

I- Contingencies

Bank guarantees

	2007 AED'000	*2006 AED'000*
Bank guarantees	74,766	46,522
Bank guarantees are issued in the normal course of business and mature as follows:		
Within one year	47,574	13,559
Between one year and two years	27,192	32,963
	74,766	46,522

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 thousand. The Company filed a Memorandum of Defense. The case was heard again 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.

II- Commitments

Capital commitments
The estimated capital expenditure contracted for at the balance sheet date amounts to AED 181,464 thousand (2006: AED 353,557 thousand).

27 COMMITMENTS AND CONTINGENCIES continued

II- Commitments continued

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

	2007 *AED'000*	*2006* *AED'000*
Within one year	17,462	17,462
After one year but not more than five years	69,850	69,850
More than five years	71,944	89,406
Total operating lease expenditure contracted for at the balance sheet date	159,256	176,718

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Objectives and policies
The Company's principal financial liabilities comprise bank loans and overdrafts and trade payables. The main purpose of these financial liabilities is to raise finance for the Company's operations. The company 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 Company'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
The Company's exposure to the risk of changes in market interest rates is limited as the Company's long term loans and interest bearing deposits carry fixed interest rates.

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.

Credit risk
The Company trades only with recognised and creditworthy third parties. It is the Company'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 Company's exposure to bad debts is not significant. The maximum exposure is the carrying amount. There are no significant concentrations of credit risk within the Company.

With respect to credit risk arising from other financial assets of the Company, which comprise cash and cash equivalents and available-for sale financial investments, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Liquidity risk
The Company 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 (eg; accounts receivables and other financial assets) and projected cash flows from operations.

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2007 based on contractual undiscounted payments.

	On demand AED'000	*Less than 3 months AED'000*	*3 to 12 months AED'000*	*1 to 5 years AED'000*	*>5 years AED'000*	*Total AED'000*
Year ended 31 December 2007						
Interest bearing loans and borrowings	-	-	3,942	9,760	-	13,702
Trade and other payables	-	150,101	145,654	-	-	295,755
Bank overdraft	14,705	-	-	-	-	14,705
Year ended 31 December 2006						
Interest bearing loans and borrowings	-	-	5,817	13,702	-	19,519
Trade and other payables	-	149,999	147,337	-	-	297,336
Bank overdraft	7,486	-	-	-	-	7,486

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.

Market index	*Change in variables*	*31 December 2007 Impact on equity AED '000*	*31 December 2006 Impact on equity AED '000*
Abu Dhabi Securities Market Index	5%	42,046	21,824
Dubai Financial Market Index	5%	18,571	14,744

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company 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 2007 and 31 December 2006.

Capital comprises total equity less the cumulative changes in fair values of available-for-sale investments and is measured at AED 2,060 thousand (2006: AED 1,736 thousand).

29 FINANCIAL INSTRUMENTS

With the exception of the unquoted available-for-sale investments and other non-current assets, 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 other non-current assets is presented in notes 10 and 13 respectively.