Mubadala Development Company PJSC

Consolidated financial statements
31 December 2009

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MUBADALA

Principal business address:
PO Box 45005
Abu Dhabi
United Arab Emirates

Mubadala Development Company PJSC

Consolidated financial statements

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Board of Directors' Report

The Board of Mubadala is pleased to present the consolidated financial statements for the year ended 31 December 2009, covering the overall performance of the Group in all business sectors and areas of activity.

Financial highlights

Total comprehensive income was AED 8.6 billion, largely driven by revenue from the sale of goods and services at AED 13.1 billion and improvements in the fair valuation of investments at AED 6.4 billion.

While Mubadala's Oil & Gas unit remained the biggest contributor to revenue, the company has continued to develop and grow other sectors in line with its diversification mandate. Large contributors to the full year revenue include Aerospace, Infrastructure and Real Estate & Hospitality.

Dolphin Energy alone contributed AED 2.8 billion of operating revenue, with Pearl Energy adding AED 1.5 billion. Pearl incurred increased exploration costs but benefited from a significant reversal in impairments due to an increase in oil prices, and improved recovery from reserves.

Increasing the holding in SR Technics, the Zurich-based aviation specialist, from 40 percent to 70 percent has led to full consolidation of SR Technics' results for the first time, contributing AED 4.0 billion to revenue and making it one of the biggest drivers of change in Mubadala's 2009 financial statements.

Sowwah Island, being developed by Mubadala Real Estate & Hospitality, will be the core of Abu Dhabi's new Central Business District and home of the new headquarters of the Abu Dhabi Stock Exchange. Plot sales began on schedule in Q2 2009 and will be a continuing source of income for Mubadala over the next few years.

Mubadala's education-related Public Private Partnership (PPP) projects are bringing valuable private sector expertise to the Government of Abu Dhabi and adding significant benefits in the design, financing, construction, commissioning and non-academic operations of new university campuses. Such projects contributed AED 2.6 billion of revenue in 2009.

Operational contributions to 2009 results were complemented by a marked improvement in investment returns. Changes in the fair valuation of investments resulted in a profit of AED 6.4 billion, with the majority of the profit coming from an increase of AED 4.2 billion in the value of AMD shares. Investments in Du and Aldar also recorded significant gains.

Liquidity almost quadrupled, with cash and cash equivalents reaching AED 11.8 billion by the year end, largely as a result of Mubadala's inaugural Global Medium Term Note (GMTN) program, bonds of USD 1.75 billion and an Euro 1 billion corporate loan.

Following the Aa2/AA/AA ratings allocated towards the end of 2008, Mubadala established its GMTN program in April 2009. This opened the door to global fixed income investors and after a successful investor roadshow in April, Mubadala issued USD 1.25 billion of five-year, and USD 500 million of 10-year, senior unsecured bonds based on a USD 9.3 billion dollar order book.

Dolphin Energy also issued its first project bonds as part of its successful refinancing during 2009, thus replacing a large portion of Mubadala's short-term interest bearing liabilities. The project bond market is a new chapter for Mubadala.

During 2009, the Group's equity increased by 56% percent to AED 49 billion, while total assets increased 75% to AED 88.5 billion.

In Mubadala's relatively brief history, the foundations have been laid for the delivery of sound financial returns. The positive results for 2009 are a forerunner of what the future holds as the company grows, evolves, and realizes its opportunities.

For and on behalf of Board of Directors,

Director	*Chief Executive Officer & Managing Director*	*Chief Financial Officer*

Date: 08 March 2010

Independent auditors' report

The Shareholder
Mubadala Development Company PJSC
Abu Dhabi
United Arab Emirates

We have audited the accompanying consolidated financial statements of Mubadala Development Company PJSC ("Mubadala" or "the Company"), its subsidiaries and its jointly controlled assets (collectively referred to as "the Group"). These consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards, the Articles of Association of the Company and the UAE Federal Law No. 8 of 1984 (as amended). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, 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 relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of financial statements in order to design audit procedures that are appropriate in 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 principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

KPMG

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2009, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and comply, where appropriate, with the Articles of Association of the Company and the UAE Federal Law No. 8 of 1984 (as amended).

Without qualifying our opinion, we draw attention to notes 3(g)*(i)* and 36(a)*(i)* to the consolidated financial statements, which state the existence of significant uncertainties with respect to the recognition and valuation of land received as government grants, the resolution of which is dependent upon future events.

Other matters

As required by UAE Federal Law No. 8 of 1984 (as amended), we further confirm that, in our opinion, we have obtained all the information and explanations necessary for our audit, that proper financial records have been kept by the Group, that physical counts of inventories were carried out by management in accordance with established principles, and that the contents of the Directors' report which relate to these consolidated financial statements are in agreement with the Group's financial records. We are not aware of any violation of the above mentioned Law or the Company's Articles of Association having occurred during the year ended 31 December 2009, which may have had a material adverse effect on the business of the Group or on its financial position.

KPMG

15 March 2010

Consolidated statement of comprehensive income

for the year ended 31 December

	Note	2009 AED'000	2008 AED'000
Revenue from sale of goods and services	*8*	**13,092,612**	6,661,142
Income / (loss) from other investments *(net)*	*13*	**4,191,950**	(6,511,297)
Change in fair value of investment properties	*17*	**44,060**	741,126
Gain on divestment of holding in subsidiaries *(net)*		**-**	161,403
Share of results of equity accounted investees:			
- associates	*19 (a)*	**14,928**	(8,636)
- jointly controlled entities	*19 (b)*	**536,773**	279,806
Impairment losses	*14*	**(1,336,242)**	(5,521,774)
Reversal of impairment losses on equity accounted investees	*19 (b)*	**148,067**	-
Gain on acquisition of stake in a subsidiary	*7 (a)*	**167,941**	-
Other operating income	*9*	**517,418**	285,093
Operating income / (loss)		**17,377,507**	(3,913,137)
Cost of sales of goods and services	*10, 15*	**(8,398,903)**	(3,422,282)
Impairment losses on intangible assets and property, plant and equipment	*15, 16*	**(201,528)**	(3,292,695)
Reversal of impairment losses on intangible assets and property, plant and equipment	*15, 16*	**655,775**	-
General and administrative expenses	*10, 15*	**(2,912,496)**	(1,175,878)
Project expenses		**(463,598)**	(617,612)
Exploration costs	*11*	**(859,736)**	(590,763)
Results from operating activities		**5,197,021**	(13,012,367)
Finance income	*12*	**1,000,849**	462,633
Finance expenses	*12*	**(1,152,899)**	(691,348)
Net finance expense	*12*	**(152,050)**	(228,715)
Profit / (loss) before income tax		**5,044,971**	(13,241,082)
Income tax (expenses) / income	*35*	**(395,804)**	1,474,183
Profit / (loss) for the year		**4,649,167**	(11,766,899)

Continued..........

Consolidated statement of comprehensive income *(continued)*
for the year ended 31 December

	Note	**2009 AED'000**	2008 AED'000
Other comprehensive income / (loss)			
Net change in fair value of available-for-sale financial assets	*20(b)*	**3,310,507**	(7,172,023)
Effective portion in value of cash flow hedges		**292,204**	(578,933)
Net change in exchange fluctuation reserve		**272,982**	(18,287)
Share of effective portion in fair value of hedging instruments of equity accounted investees	*19 (a,b)*	**91,911**	(283,806)
Share of movement in exchange fluctuation reserve of equity accounted investees	*19 (b)*	**(5,128)**	13,902
Other comprehensive income / (loss) for the year net of income tax		**3,962,476**	(8,039,147)
Total comprehensive income / (loss) for the year		**8,611,643**	(19,806,046)
Profit / (loss) attributable to:			
Equity holder of the Company		**4,794,676**	(11,439,390)
Non-controlling interest		**(145,509)**	(327,509)
Profit / (loss) for the year		**4,649,167**	(11,766,899)
Total comprehensive income / (loss) attributable to:			
Equity holder of the Company		**8,718,218**	(19,478,537)
Non-controlling interest		**(106,575)**	(327,509)
Total comprehensive income / (loss) for the year		**8,611,643**	(19,806,046)

The notes set out on pages 13 to 87 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 3 and 4.

Consolidated statement of financial position

as at 31 December

	Note	**2009 AED'000**	2008 AED'000
Non-current assets			
Property, plant and equipment	*15*	**21,741,200**	12,672,340
Intangible assets	*16*	**4,254,660**	893,731
Investment properties	*17*	**1,129,186**	1,085,126
Investment in equity accounted investees:			
- associates	*19(a)*	**305,922**	430,654
- jointly controlled entities	*19(b)*	**4,619,276**	3,744,829
Other investments *(non-current portion)*	*20*	**22,472,784**	14,578,759
Loans *(non-current portion)*	*21*	**1,090,783**	97,676
Other assets	*22*	**952,141**	967,798
Receivables and prepayments *(non-current portion)*	*24*	**4,302,102**	1,318,938
Total non-current assets		**60,868,054**	35,789,851
Current assets			
Inventories	*23*	**3,267,902**	2,287,382
Receivables and prepayments *(current portion)*	*24*	**8,676,033**	5,809,209
Loans *(current portion)*	*21*	**191,045**	211,222
Other investments *(current portion)*	*20*	**82,651**	-
Assets classified as held for sale	*25*	**3,603,449**	3,324,101
Cash and cash equivalents	*26*	**11,776,577**	3,019,344
Total current assets		**27,597,657**	14,651,258
Total assets		**88,465,711**	50,441,109

Continued............

Consolidated statement of financial position *(continued)*
as at 31 December

	Note	2009 AED'000	2008 AED'000
Equity			
Share capital	*31*	**5,514,579**	5,514,579
Reserves and surplus		**619,478**	(8,098,740)
Additional shareholder contributions	*33*	**42,211,064**	33,353,568
Government grants	*36(b)*	**367,350**	367,350
Total equity attributable to the equity holder of the Company		**48,712,471**	31,136,757
Minority interest		**262,805**	188,535
Total equity		**48,975,276**	31,325,292
Non-current liabilities			
Interest bearing loans *(non-current portion)*	*29*	**24,185,960**	2,417,923
Deferred tax liabilities	*35*	**1,207,935**	382,026
Derivatives *(non-current portion)*	*28*	**373,282**	742,417
Other liabilities	*30*	**2,126,748**	1,121,442
Total non-current liabilities		**27,893,925**	4,663,808
Current liabilities			
Payables and accruals	*27*	**7,969,522**	3,670,944
Derivatives *(current portion)*	*28*	**100,247**	103,656
Interest bearing loans *(current portion)*	*29*	**2,918,463**	7,780,753
Amount due to jointly controlled entities	*19(b)*	**608,278**	452,739
Liability classified as held for sale	*25*	**-**	2,443,917
Total current liabilities		**11,596,510**	14,452,009
Total liabilities		**39,490,435**	19,115,817
Total equity and liabilities		**88,465,711**	50,441,109

These consolidated financial statements were authorised for issue by the Board of Directors on 08 MAR 2010 and were signed on their behalf by:

Director | *Chief Executive Officer & Managing Director* | *Chief Financial Officer*

The notes set out on pages 13 to 87 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity
for the year ended 31 December

	Share capital AED'000	Statutory reserve[1] AED'000 (note 32)	Fair value reserve[1] AED'000	Foreign Currency translation reserve[1] AED'000	Hedging and other reserves[1] AED'000	Accumulated losses AED'000	Reserves and surplus AED'000	Additional shareholder contributions AED'000 (note 33)	Government grant AED'000 (note 36)	Total equity attributable to the equity holder AED'000	Non - controlling interest AED'000	Total AED'000
Balance at 1 January 2008	**5,514,579**	191,537	8,176,285	301,146	8,631	2,702,198	**11,379,797**	7,790,759	367,350	**25,052,485**	700,929	**25,753,414**
Total comprehensive loss for the year												
Loss for the year	-	-	-	-	-	(11,439,390)	**(11,439,390)**	-	-	**(11,439,390)**	(327,509)	**(11,766,899)**
Other comprehensive loss												
Decrease in fair value of available for sale investments (net)	-	-	(7,172,023)	-	-	-	**(7,172,023)**	-	-	**(7,172,023)**	-	**(7,172,023)**
Net movement in exchange fluctuation reserve	-	-	-	(18,287)	-	-	**(18,287)**	-	-	**(18,287)**	-	**(18,287)**
Share of movement in exchange fluctuation reserve of equity accounted investees	-	-	-	13,902	-	-	**13,902**	-	-	**13,902**	-	**13,902**
Share of effective portion in fair value of hedging instruments of equity accounted investees	-	-	-	-	(283,806)	-	**(283,806)**	-	-	**(283,806)**	-	**(283,806)**
Share of effective portion in value of cash flow hedges	-	-	-	-	(578,933)	-	**(578,933)**	-	-	**(578,933)**	-	**(578,933)**
Total other comprehensive loss	**-**	**-**	**(7,172,023)**	**(4,385)**	**(862,739)**	**-**	**(8,039,147)**	**-**	**-**	**(8,039,147)**	**-**	**(8,039,147)**
Total comprehensive loss	**-**	**-**	**(7,172,023)**	**(4,385)**	**(862,739)**	**(11,439,390)**	**(19,478,537)**	**-**	**-**	**(19,478,537)**	**(327,509)**	**(19,806,046)**
Transactions with the shareholder recorded directly in equity												
Contributions by and distribution to the shareholder												
Additional shareholder contributions	-	-	-	-	-	-	-	25,562,809	-	**25,562,809**	-	25,562,809
Changes in ownership interest in subsidiaries												
Disposal of stake in subsidiary	-	-	-	-	-	-	-	-	-	-	(700,137)	(700,137)
Fair value of non-controlling interest upon acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	619,947	619,947
Dividends paid	-	-	-	-	-	-	-	-	-	-	(104,695)	(104,695)
Total transactions with the shareholder	-	-	-	-	-	-	-	25,562,809	-	**25,562,809**	(184,885)	25,377,924
At 31 December 2008	**5,514,579**	**191,537**	**1,004,262**	**296,761**	**(854,108)**	**(8,737,192)**	**(8,098,740)**	**33,353,568**	**367,350**	**31,136,757**	**188,535**	**31,325,292**

[1] Non distributable reserves

Continued..........

Consolidated statement of changes in equity *(continued)*

for the year ended 31 December

	Share capital AED'000	Statutory reserve[1] AED'000 *(note 32)*	Fair value reserve[1] AED'000	Foreign currency translation reserve[1] AED'000	Hedging and other reserves[1] AED'000	Accumulated losses AED'000	Reserves and surplus AED'000	Additional shareholder contributions AED'000 *(note 33)*	Government grant AED'000 *(note 36)*	Total equity attributable to the equity holder AED'000	Non - controlling interest AED'000	Total AED'000
Balance at 1 January 2009	**5,514,579**	191,537	1,004,262	296,761	(854,108)	(8,737,192)	**(8,098,740)**	33,353,568	367,350	**31,136,757**	188,535	**31,325,292**
Total comprehensive income for the year												
Profit for the year	-	-	-	-	-	4,794,676	**4,794,676**	-	-	**4,794,676**	(145,509)	**4,649,167**
Other comprehensive income												
Increase in fair value of available for sale investments (net)	-	-	3,310,507	-	-	-	**3,310,507**	-	-	**3,310,507**	-	**3,310,507**
Net movement in exchange fluctuation reserve	-	-	-	249,534	-	-	**249,534**	-	-	**249,534**	23,448	**272,982**
Share of movement in exchange fluctuation reserve of equity accounted investees	-	-	-	(5,128)	-	-	**(5,128)**	-	-	**(5,128)**	-	**(5,128**
Net movement in hedging reserve	-	-	-	-	(3,721)	-	**(3,721)**	-	-	**(3,721)**	15,486	**11,765**
Share of effective portion in fair value of hedging instruments of equity accounted investees	-	-	-	-	91,911	-	**91,911**	-	-	**91,911**	-	**91,911**
Share of effective portion in value of cash flow hedges	-	-	-	-	280,439	-	**280,439**	-	-	**280,439**	-	**280,439**
Total other comprehensive income	**-**	**-**	**3,310,507**	**244,406**	**368,629**	**-**	**3,923,542**	**-**	**-**	**3,923,542**	**38,934**	**3,962,476**
Total comprehensive income	**-**	**-**	**3,310,507**	**244,406**	**368,629**	**4,794,676**	**8,718,218**	**-**	**-**	**8,718,218**	**(106,575)**	**8,611,643**
Transactions with the shareholder recorded directly in equity												
Contributions by and distribution to the shareholder												
Additional shareholder contributions	-	-	-	-	-	-	**-**	8,857,496	-	**8,857,496**	-	**8,857,496**
Transfer to statutory reserve	-	479,468	-	-	-	(479,468)	**-**	-	-	**-**	-	**-**
Changes in ownership interest in subsidiaries												
Acquisition of minority interest	-	-	-	-	-	-	**-**	-	-	**-**	(207,086)	**(207,086**
Fair value of non-controlling interest upon acquisition of subsidiaries	-	-	-	-	-	-	**-**	-	-	**-**	387,931	**387,931**
Total transactions with the shareholder	**-**	**479,468**	**-**	**-**	**-**	**(479,468)**	**-**	**8,857,496**	**-**	**8,857,496**	**180,845**	**9,038,341**
At 31 December 2009	**5,514,579**	**671,005**	**4,314,769**	**541,167**	**(485,479)**	**(4,421,984)**	**619,478**	**42,211,064**	**367,350**	**48,712,471**	**262,805**	**48,975,276**

[1] Non distributable reserves

The notes set out on 13 to 87 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

for the year ended 31 December

	Note	2009 AED'000	2008 AED '000
Cash flows from operating activities			
Profit / (loss) for the year		**4,649,167**	(11,766,899)
Adjustments for:			
Depreciation	*15*	**1,307,539**	1,465,273
Amortization and write off of intangible assets	*16*	**162,084**	797,340
Gain on disposal of property, plant and equipment		**(128,084)**	-
Impairment losses on intangible assets and property, plant and equipment	*15, 16*	**201,528**	3,292,695
Reversal of impairment losses on intangible assets and property, plant and equipment	*15, 16*	**(655,775)**	-
Fair valuation gains on investment properties	*17*	**(44,060)**	(741,126)
Net change in fair value of financial assets at fair value through profit or loss *(net)*	*13*	**(3,753,668)**	6,673,188
Impairment losses on available for sale financial assets	*14*	**639,578**	4,330,259
Impairment losses on amounts due from a related party	*14*	**-**	296,909
Other impairment losses	*14*	**331,012**	606,127
Impairment losses on equity accounted investees	*14*	**365,652**	288,479
Reversal of impairment losses on an equity accounted investee	*19(b)*	**(148,067)**	-
Gain on disposals of other investments	*13*	**(25,092)**	(30,470)
Gain on divestment of holding in subsidiaries *(net)*		**-**	(161,403)
Gain on acquisition of stake in a subsidiary	*7(a)*	**(167,941)**	-
Share of results of equity accounted investees:			
- associates	*19(a)*	**(14,928)**	8,636
- jointly controlled entities	*19(b)*	**(536,773)**	(279,806)
Finance income	*12*	**(1,000,849)**	(462,633)
Finance expense	*12*	**1,152,899**	691,348
Income tax expenses / (income)	*35*	**395,804**	(1,474,183)
Dividend income	*13*	**(413,190)**	(131,421)
		2,316,836	3,402,313
Change in inventories	*7, 23*	**(210,689)**	(9,552)
Change in receivables and prepayments	*7, 24*	**(4,222,065)**	(5,928,023)
Change in payables and accruals	*7, 27*	**461,106**	1,677,821
Change in other liabilities	*7, 30*	**649,011**	1,056,787
Change in other assets	*7, 22*	**(134,172)**	(25,667)
Income taxes paid	*35*	**(403,505)**	(5,139)
Net cash (used in) / from operating activities		**(1,543,478)**	168,540

Continued............

Consolidated statement of cash flows *(continued)*
for the year ended 31 December

	Note	2009 AED'000	2008 AED '000
Cash flows from investing activities			
Proceeds from disposal of other investments		**89,928**	64,502
Proceeds from disposal of equity accounted investees		**-**	16,133
Acquisition of subsidiaries net of cash	*7*	**724,179**	(2,885,990)
Investment in equity accounted investees	*19(a, b)*	**(1,261,610)**	(2,024,916)
Acquisition of other investments	*20*	**(1,964,948)**	(10,717,584)
Acquisition of property, plant and equipment	*15*	**(8,300,113)**	(5,957,013)
Acquisition of intangible assets	*16*	**(290,024)**	(19,304)
Proceeds from disposal of property, plant and Equipment		**341,791**	-
Proceeds on divestment of stake in subsidiaries		**-**	1,344,501
Loans given	*21*	**(919,923)**	(238,164)
Interest received	*12*	**579,583**	383,826
Dividend received from equity accounted investees	*19(a, b)*	**712,239**	518,211
Dividend received from other investments	*13*	**289,169**	131,421
Net cash used in investing activities		**(9,999,729)**	(19,384,377)
Cash flows from financing activities			
Proceeds from interest bearing loans	*29*	**16,899,208**	5,756,626
Repayment of borrowings	*25, 29*	**(4,624,051)**	(5,245,226)
Contributed assets	*33*	**8,751,192**	22,000,000
Interest paid	*12*	**(971,100)**	(666,723)
Dividend paid to minority shareholders		**-**	(104,695)
Net cash from financing activities		**20,055,249**	21,739,982
Net increase in cash and cash equivalents		**8,512,042**	2,524,145
Cash and cash equivalents at 1 January		**3,019,344**	1,089,982
Exchange fluctuation on consolidation of foreign entities		**245,191**	(594,783)
Cash and cash equivalents at 31 December	*26*	**11,776,577**	3,019,344

The notes set out on pages 13 to 87 form part of these consolidated financial statements.

The independent auditors' report is set out on pages 3 and 4.

Notes to the consolidated financial statements

1 Legal status and principal activities

Mubadala Development Company PJSC ("Mubadala" or "the Company") is registered as a public joint stock company in the Emirate of Abu Dhabi. The Company was established by the Emiri Decree No. 12, dated 6 October 2002, and is wholly owned by the Government of Abu Dhabi ("the Shareholder"). The Company was incorporated on 27 October 2002.

These consolidated financial statements include the financial performance and position of the Company, its subsidiaries and its jointly controlled assets, (collectively referred to as "the Group"), and the Group's interests in its equity accounted investees (*see notes 7, 18 and 19*).

The Company is engaged in investing in, and management of, investments, primarily in sectors or entities that contribute to the Emirate of Abu Dhabi's strategy to diversify its economy. Consequently, the Group holds interests in a wide range of sectors, including hydrocarbons, energy, utilities, real estate, basic industries and services, information technology, sea port operations, medical services and flight training services.

2 Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), as issued by International Accounting Standards Board ("IASB"), and comply, where appropriate, with the Articles of Association of the Company and the UAE Federal Law No. 8 of 1984 (as amended).

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following:

- initial recognition of land and buildings, helicopters and helicopter spare parts received as government grants, which are stated at nominal value;
- derivative financial instruments, available for sale financial assets and investment properties, which are measured at fair value; and
- financial instruments at fair value through profit and loss, which are measured at fair value.

The methods used to determine fair values are discussed in note 4.

(c) Functional and presentation currency

These consolidated financial statements are presented in United Arab Emirates Dirhams ("AED"), which is the Company's functional and presentation currency. All financial information presented in AED has been rounded to the nearest thousand, unless otherwise stated.

2 Basis of preparation *(continued)*

(d) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements and estimates with a significant risk of material adjustment in the subsequent years are discussed in note 38.

(e) Changes in accounting policies, amendments and interpretations effective in 2009

Overview

Starting as of 1 January 2009, the Group has changed its accounting policies in the following areas:

- Presentation of financial statements;
- Accounting for investment property; and
- Amendments to IFRS 7.

(i) ***Presentation of financial statements***

During the year, the Group applied revised IAS 1, "Presentation of Financial Statements (2007)" which became effective as of 1 January 2009. As a result, the Group has presented in the consolidated statement of changes in equity, all owner changes in equity, whereas, all non-owner changes in equity are presented in the consolidated statement of comprehensive income. This presentation has been applied in the consolidated financial performance for the year ended 31 December 2009.

Comparative information has been re-presented so that it is also in conformity with the revised standard.

(ii) ***Investment property***

IAS 40, Investment Property is amended for periods beginning on or after 1 January 2009. As a result of the amendments, property under construction for development for future use as investment property in IAS 40's definition of "investment property". The amendments apply prospectively, but permit retrospective fair valuation of investment property under construction from any date before 1 January 2009. The Group has opted to apply this amendment prospectively to investment property on which construction commenced after 1 January 2009. Accordingly, investment property under construction from any date before 1 January 2009 will not be fair valued.

(iii) ***Amendments to IFRS 7***

The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The change in accounting policy only results in additional disclosures.

2 Basis of preparation *(continued)*

(e) Changes in accounting policies, amendments and interpretations effective in 2009 *(continued)*

The following amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2009 but they are not relevant to the Group's operations:

- IFRS 1 (Amendment) 'First time adoption of IFRS'
- IFRS 2 (Amendment) ' Share based payment'
- IAS 32 (Amendment) 'Financial instruments; Presentation', and IAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation'
- IFRIC 13, 'Customer loyalty programs'
- IFRIC 15, 'Agreements for construction of real estates'
- IFRIC 16, 'Hedges of a net investment in a foreign operation'

(f) Accounting standards not yet adopted

Revised IFRS 3 *Business Combinations (2008)* (effective from periods beginning 1 July 2009) incorporates the following changes that are likely to be relevant to the Group's operations: – The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations. Contingent consideration will be measured at fair value, with subsequent changes therein recognized in profit or loss. Transaction costs, other than share and debt issue costs, will be expensed as incurred. Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognized in profit or loss. Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis. Revised IFRS 3, which becomes mandatory for the Group's 2010 consolidated financial statements, will be applied prospectively and therefore there will be no impact on prior periods in the Group's 2010 consolidated financial statements.

Amended IAS 27 *Consolidated and Separate Financial Statements (2008)* (effective from periods beginning 1 July 2009) requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in profit or loss. The amendments to IAS 27, which become mandatory for the Group's 2010 consolidated financial statements, are not expected to have a significant impact on the Group's consolidated financial statements.

The Group has not adopted the IFRS 9 "Financial Instruments", applicable for the year ending 31 December 2013 with early adoption permitted. This standard will replace IAS 39 in entirety. IFRS 9 improves and simplifies the approach for classification and measurement of financial assets compared with the requirements of IAS 39 *'Financial Instruments: Recognition and Measurement'*. It applies a consistent approach to classifying financial assets and replaces the numerous categories of financial assets in IAS 39, each of which had its own classification criteria.

2 Basis of preparation *(continued)*

(f) Accounting standards not yet adopted *(continued)*

The Group does not expect that new or amended standards other than IFRS 9 will have a significant effect on its consolidated financial statements. The Group is currently assessing the impact of IFRS 9 on its consolidated financial statements.

Other than those explained above, a number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2009, and have not been applied in preparing these consolidated financial statements. None of these will have a significant effect on the consolidated financial statements of the Group.

3 Significant accounting policies

Except as detailed in note 2 (e) to the consolidated financial statements, the accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by all the Group entities.

(a) Basis of consolidation

(i) Subsidiaries
Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(ii) Acquisition of entities under common control
Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for at the date that the transfer occurred. The assets and liabilities acquired are recognized at the carrying amounts recognized previously in the books of transferor entity. The components of equity of the acquired entities are added to the same components within Group equity. Any cash paid for the acquisition is recognized directly in equity.

(iii) Joint ventures and equity accounted investees
For the purpose of accounting for its interests in joint ventures, the Group segregates its investments in joint ventures into two types - jointly controlled entities and jointly controlled assets. The accounting treatment for each of these types, and also for other equity accounted investees, is set out below:

Notes to the consolidated financial statements

3 Significant accounting policies *(continued)*

(a) Basis of consolidation *(continued)*

(iii) Joint ventures and equity accounted investees (continued)

Associates and jointly controlled entities (equity accounted investees)
Associates are those entities in which the Group has significant influence, but not control, over the strategic financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

Jointly controlled entities are those investments in distinct legal entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Investments in associates and jointly controlled entities are accounted for using the equity method *("equity accounted investees")* and are initially recognized at cost. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences, until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation to contribute to such losses or has made payments on behalf of the investee.

Jointly controlled assets
Jointly controlled assets represent assets that are jointly controlled and owned by the Group, with other investor(s), but where no legal entity exists. The Group has joint control, with the other investor(s), established by contractual agreement and requiring unanimous consent over strategic, financial and operating decisions, relating to such jointly held assets. These consolidated financial statements include the Group's proportionate share of the assets, liabilities, revenue and expenses of such jointly controlled assets, with items of a similar nature, on a line by line basis, from the date that joint control commences until the date that joint control effectively ceases.

(iv) Transactions eliminated on consolidation
Intra-group balances and transactions and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

3 Significant accounting policies *(continued)*

(b) Operating activities

The significant operating activities of the Group include:

- sale of goods and services;
- investments in securities and other investments; and
- acquisition and development of investment properties.

Accounting policies for revenue from sale of goods and services are set out below. Accounting policies for investments in securities and other investments are set out in notes 3(a) and note 3(f), and that for investment properties is set out in note 3(m).

Revenue from sale of goods and services includes income from sale of hydrocarbons, aircraft maintenance and repairs, construction contracts, sale of land, medical services and flight training services. Revenue from such sales is recognized as follows:

(i) Sale of goods and services rendered

Revenue from the sale of goods, other than hydrocarbons, is recognized in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered are recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to the proportion of the service rendered. No revenue is recognized if there are significant uncertainties regarding the recovery of the consideration due, the associated costs or the possible return of the goods or the rejection of the services provided.

(ii) Sale of hydrocarbons

Revenue associated with the sale of hydrocarbons is recognized upon delivery, which occurs when title passes to the customer. Revenue from the production and sale of hydrocarbons from projects undertaken in which the Group has an interest with other producers are recognized on the basis of the Group's working interest in such projects (the entitlement method). Differences between the Group's share of production sold and its share of production are recognized as inventory or as a liability.

(iii) Contract revenue

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognized in profit or loss in proportion to the stage of completion of the contract. Where services are rendered by the performance of an indeterminate number of acts over the period of a contract, revenue is recognized on a straight line basis over the period of the contract. In such cases, if any significant and specifically identifiable act that was planned to be performed, is deferred, revenue (and costs) attributable to that act, is also deferred.

The stage of completion is assessed by reference to the proportion that the contract costs incurred for work performed to date bear to the estimated total contract costs. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. An expected loss

3 Significant accounting policies *(continued)*

(b) Operating activities *(continued)*

(iv) Service concession arrangements

Revenue relating to construction or upgrade services under a service concession arrangement is recognized based on the stage of completion of the work performed, consistent with the Group's accounting policy on recognizing revenue on construction contracts *(see (iii) above)*. Operation or service revenue is recognized in the period in which the services are provided by the Group.

(v) Sale of land

Revenue from sale of land is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs can be estimated reliably, there is no continuing management involvement with the land, and the amount of revenue can be measured reliably.

(vi) Aircraft maintenance and repairs

For maintenance, repairs and overhaul services of aircraft, the Group enters into two different types of contracts: time and material contracts and flat-rate contracts. For time and material contracts, the customer pays costs incurred plus a margin. For flat-rate contracts, the customer pays a fixed rate per flight hour.

For time and material contracts, maintenance, repair and overhaul work is recognized as revenue when the products are delivered and services are rendered to customers. Prepayments by the customers are deferred until then. Related costs, usually completed work-in-progress, are expensed at the same time. The Group's business exhibits a large number of individual work events under time and material contracts. These events are evenly distributed throughout the year, with the average duration of individual work events being relatively short (from a few hours up to a few days). Thus the application of the percentage of completion method would not result in any significant differences in revenue recognition. It would however lead to significant additional administrative efforts; the insignificant benefit obtained does not justify such efforts.

For flat-rate contracts, the repairs, maintenance and overhaul work is recognized applying the percentage of completion method: revenue is recognized based on a certain stage of completion of the contract. Prepayments by customers are deferred and not recognized as revenue until a certain stage of completion of the contract is reached. Flat-rate contracts are reviewed periodically regarding the expected revenue and costs until completion of the contract. Any expected losses are provided for immediately. As compared to the time and material contracts, the number of individual work events under flat-rate contracts is much smaller, and the events are unevenly distributed throughout the year; furthermore, the average duration of individual work events is longer (several weeks).

(c) Oil and gas exploration and development costs

Oil and gas exploration and development costs are accounted for using the successful efforts method of accounting. Specifically:

(i) License and property acquisition costs

Where proved reserves exist, license fees paid for the acquisition of the development rights are capitalized and amortized using the units of production method. All other license and property acquisition costs are recognized in profit or loss in the period in which they are incurred.

3 Significant accounting policies *(continued)*

(c) Oil and gas exploration and development costs *(continued)*

(ii) Exploration costs

Exploration costs include geological and geophysical costs and the costs relating to the drilling of exploratory wells. These costs include employee remuneration, materials and fuel consumed, rig costs, delay rentals and payments made to contractors. Such costs are charged to profit or loss in the period in which they are incurred.

(iii) Development expenditure

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines, and the drilling of development wells, including unsuccessful development or delineation wells, are capitalized under property, plant and equipment and depreciated in accordance with the depreciation policy for other assets of the same category *(see note 3(k)(iv))*.

(d) Project expenses

Project expenses comprise expenses incurred on screening, feasibility studies and pre-development phases of various business development / investment projects undertaken by the Group. Such expenditure is recognized in profit or loss as incurred, other than expenditure on projects related to property, plant and equipment, which are carried as an asset in the consolidated statement of financial position when there is reasonable certainty that the project will be developed and future economic benefits will flow to the Group. In the absence of such certainty, these expenses are charged to profit or loss.

(e) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

Foreign currency gains or losses on monetary items is the difference between the amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the translation of available for sale equity instruments or a financial liability designated as a hedge of the net investment in a foreign operation which are recognized in other comprehensive income *(see (iii) below)*.

3 Significant accounting policies *(continued)*

(e) Foreign currency *(continued)*

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisitions, are translated to the functional currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated to functional currency at average exchange rates.

Foreign currency differences are recognized in other comprehensive income. Such differences have been recognized in foreign currency translation reserve (FCTR). When a foreign operation is disposed of, in part or in full, the associated amount in the FCTR is transferred to profit or loss as a part of profit or loss on disposal. Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognized in other comprehensive income, and are presented within equity in the FCTR.

(iii) Hedge of net investments in foreign operations

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in a foreign operation are recognized in other comprehensive income to the extent that the hedge is effective and are presented within equity in the FCTR. To the extent that the hedge is ineffective, such differences are recognized in profit or loss. When the hedged part of net investment is disposed of, the relevant amount in the FCTR is transferred to profit or loss as part of the profit or loss on disposal.

(f) Financial instruments

(i) Non-derivative financial assets

Non-derivative financial assets comprise investments in equity securities, trade and other receivables, cash and cash equivalents, loans given and amounts due from related parties.

The Group initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3 Significant accounting policies *(continued)*

(f) Financial instruments

(i) Non-derivative financial assets (continued)

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and their performance is evaluated on a fair valuation basis, in accordance with the Group's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables, including service concession receivables, advances to contractors, amounts due from related parties, receivable against sale of land, prepayments and other receivables *(see note 24)*.

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, call deposits and short-term deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Service concession receivables

The Group recognizes a financial asset arising from a service concession arrangement when it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction or upgrade services provided. Such financial assets are measured at fair value upon initial recognition. Subsequent to initial recognition the financial assets are measured at amortized cost.

If the Group is paid for the construction services partly by a financial asset and partly by an intangible asset, then each component of the consideration received or receivable is accounted for separately and is recognized initially at the fair value of the consideration received or receivable *(see note 3(l))*.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses *(see note 3(r))* and foreign currency differences on available-for-sale equity instruments *(see note 3(e)(i))*, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

(ii) Non-derivative financial liabilities

The Group initially recognizes debt securities issued on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are

3 Significant accounting policies *(continued)*

(f) Financial instruments *(continued)*

(ii) Non-derivative financial liabilities (continued)

The Group derecognizes a financial liability when its contractual obligations are discharged, or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: loans and borrowings, bank overdrafts, payables and accruals and amounts due to related parties.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

(iii) Compound financial instruments

Compound financial instruments held by the Group primarily include mandatory convertible bonds which are convertible only at maturity date at a predetermined rate unless called by the issuers. Conversion rates are adjusted in case new shares are issued or bonus shares are declared. Such bonds are not transferable without the prior approval of the issuer. Upon conversion shares are restricted from being sold in the market for a certain time and / or exceeding certain quantities.

As per the documented investment strategy of the Group, such instruments are designated as financial assets through profit or loss since inception. For accounting policy of financial assets through profit or loss refer note 3 (f) (i).

Interest on these mandatorily convertible bonds are recognized directly in profit or loss.

(iv) Derivative financial instruments, including hedge accounting

The Group holds derivative financial instruments, primarily to hedge its interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship.

The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent. For a cash flow hedge of a forecast transaction, the transaction

3 Significant accounting policies *(continued)*

(f) Financial instruments *(continued)*

(iv) Derivative financial instruments, including hedge accounting (continued)

Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in the hedging reserve in equity.

The amount recognized in other comprehensive income is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss under the same line item in the statement of comprehensive income as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in other comprehensive income and presented in the hedging reserve in equity remains there until the forecast transaction affects profit or loss. When the hedged item is a non-financial asset, the amount recognized in other comprehensive income is transferred to the carrying amount of the asset when the asset is recognized. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognized immediately in profit or loss. In other cases the amount recognized in other comprehensive income is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Economic hedges

Hedge accounting is not applied to derivative instruments that economically hedge monetary assets and liabilities denominated in foreign currencies. Changes in the fair value of such derivatives are recognized in profit or loss as part of foreign currency gains and losses.

Other non-trading derivatives

When a derivative financial instrument is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognized immediately in profit or loss.

(g) Government grants

Non-monetary government grants

(i) Land

Management believes that, in most cases, when land is initially received through government grants, the probability that future economic benefits will flow to the Group is uncertain, since, until management has established plans to utilize the land, it is possible that such land may revert back to the government. In addition, in the absence of identified use of the land, the amount of future economic benefits cannot be determined with reasonable certainty.

Accordingly, land so received is not initially recognized in the consolidated financial statements until certain events occur, which enable management to conclude that it becomes probable that future economic benefits will flow to the Group from its ownership of such land.

Notes to the consolidated financial statements

3 Significant accounting policies *(continued)*

(g) Government grants *(continued)*

Non-monetary government grants (continued)

(i) Land (continued)

Furthermore, for certain plots of land based on their current or intended use, it is certain that no future economic benefits will flow to the Group from use of such lands. These are not recognized as assets. Only their existence is disclosed in the consolidated financial statements *(see note 36)*.

The determination of whether future economic benefits will flow to the Group is made by management using guidelines approved by the Board of Directors; each such determination is also approved by the Board of Directors. Once the determination is made, land is recognized in the financial statements at nominal value.

At the point of such initial recognition, and subsequently, at each reporting date, an assessment is made by management as to the ultimate use of the land, and based on such assessment, the land is transferred to the relevant asset category (such as investment property, property, plant and equipment or inventory) depending on its intended use, and is thereafter accounted for using the accounting policy in place for that relevant asset category. If, at the point of initial recognition, the future use is unspecified, the parcel of land is transferred to investment property, and accounted for in accordance with the policy in place for investment property.

Land received as government grants that do not meet the criteria that future economic benefits will flow to the Group, are not recognized, but their existence is disclosed in the consolidated financial statements.

(ii) Others

Other non-monetary government grants are recognized in the statement of financial position at nominal value, and the granted assets are classified with other assets of the same nature as the granted item.

Monetary government grants

Monetary grants that compensate the Group for expenses to be incurred are initially recognized in the balance sheet as a deferred liability. Subsequent to initial recognition, such grants are released to profit or loss on a systematic basis over the periods in which the related expenses are recognized.

Where government grants compensate for the cost of assets, such assets are carried at cost, less the value of the grants received. Asset values so derived are depreciated over the useful life of the relevant asset.

Monetary grants for investments in other business enterprises are credited directly to the statement of changes in equity.

(h) Finance income and expenses

Net finance expense comprises interest income on short term deposits and advances; and interest expenses on term loans, amortization of loan arrangement fees and foreign exchange gains and losses that are recognized in profit or loss. Interest income and expenses are recognized in profit or loss as they accrue using the effective interest method. Foreign currency

3 Significant accounting policies *(continued)*

(i) Income tax

Income tax expense / income comprise current and deferred tax. Current and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time that the liability to pay the related dividend is recognized.

(j) Borrowing costs

The Group capitalizes all borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

Other borrowing costs are recognized as an expense in the period in which they are incurred *(See note 3(h))*.

(k) Property, plant and equipment

(i) Recognition and measurement

Owned assets
Items of property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses, if any, except for land, helicopters and helicopter spare parts received as government grants which are stated at nominal value *(see note 3(g))*. Cost includes expenditures

3 Significant accounting policies *(continued)*

(k) Property, plant and equipment *(continued)*

(i) Recognition and measurement (continued)

Owned assets (continued)
The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located, and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses if any on disposal or retirement of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within "other operating income" in profit or loss.

Leased assets
Leases under the terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased assets are measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

(ii) Reclassification to investment property
When the use of a property changes from owner-occupied to investment property, the property is re-measured to fair value and reclassified as investment property. Property that is being constructed for future use as investment property is accounted for at fair value. Any gain arising on re-measurement is recognized in profit or loss to the extent the gain reverses a previous impairment loss on the specific property, with any remaining gain recognized in other comprehensive income and presented in the revaluation reserve in equity.

Any loss is recognized in other comprehensive income and presented in the revaluation reserve in equity to the extent that an amount had previously been included in the revaluation reserve relating to the specific property, with any remaining loss recognized immediately in profit or loss.

(iii) Subsequent costs
The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The cost of the day-today servicing of property, plant and equipment are recognized in profit or loss as incurred.

(iv) Depreciation
Oil and gas assets are depreciated using the unit of production method by reference to the ratio of production in the period and the related proved and probable reserves in the field, taking into account future development expenditure necessary to bring those reserves into production.

3 Significant accounting policies *(continued)*

(k) Property, plant and equipment *(continued)*

(iv) Depreciation (continued)

Land is not depreciated. Leased assets are depreciated over the shorter of the lease term and their estimated useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Depreciation on assets other than oil and gas assets, land and leased assets, is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

	Years
Buildings	15 - 25
Plant and office equipment	3 – 20
Aircraft	10 – 20
Aircraft materials	1 - 24
Computers	3 - 10
Others	3 - 5

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate *(see note 38)*.

Capital work in progress
The Group capitalizes all costs relating to the construction of property, plant and equipment as capital work in progress, up to the date of the completion and commissioning of the asset. These costs are transferred from capital work in progress to the appropriate asset classification upon completion and commissioning, and are depreciated over the useful economic life applicable to the respective asset category, from the date of such completion and commissioning.

(l) Intangible assets

Goodwill
Goodwill acquired in a business combination is initially measured at cost of the acquisition in excess of the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities of the acquiree. Following initial recognition goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee. Goodwill is reviewed for impairment annually or more frequently if events and circumstances indicate that the carrying value may be impaired.

Trademarks
Acquired trademarks and licenses are shown at historical costs. Trademarks and licenses have indefinite useful lives and are subject to impairment testing which are performed annually or in case of triggering events.

3 Significant accounting policies *(continued)*

(l) Intangible assets *(continued)*

Service concession arrangements
The Group recognizes an intangible asset arising from a service concession arrangement when it has a right to charge for usage of the concession infrastructure. An intangible asset received as consideration for providing construction or upgrade services in a service concession arrangement is measured at fair value upon initial recognition. Subsequent to initial recognition the intangible asset is measured at cost, which includes capitalized borrowing costs, less accumulated amortization and accumulated impairment losses.

Other intangible assets
Other intangible assets, which have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses, if any.

Subsequent expenditure
Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

Amortization
License fees related to mineral exploration and production rights and oil reserves are amortized using the unit of production method. Favorable supply contracts acquired in a business combination are amortized on a straight line basis over the life of the contract.

Possible and contingent hydrocarbons reserves acquired in a business combination are amortized on a straight line basis over the life of the project till the reserves move to the proved and probable category. After the reserves move to the proved and probable category, they are amortized based on the unit of production method.

License fee for telecom license is amortized on a straight-line basis over the period of the license from the date of commencement of commercial operations.

Amortization of other intangible assets is recognized in profit or loss on a straight-line basis over the estimated useful lives of the intangible assets, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

	Years
Software	5 – 7
Capitalized development costs	25
Others	5 - 15

Amortization methods, useful lives and residual values are reviewed at each financial year-end date and adjusted if appropriate.

The estimated useful life of an intangible asset in a service concession arrangement is the period from when the Group is able to charge the tenants for the use of the infrastructure to the end of the concession period.

3 Significant accounting policies *(continued)*

(m) Investment properties

Investment properties are those which are held either to earn rental income and / or for capital appreciation, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured at fair value with any change therein recognized in profit or loss.

When the use of a property changes such that it is reclassified to another asset category its fair value at the date of reclassification becomes its cost for subsequent accounting.

(n) Inventories

Inventories are comprised of land held for sale, drilling materials, maintenance spares and medical supplies. Inventories are measured at the lower of cost and net realizable value. For inventories other than land held for sale, cost is based on the weighted average cost method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

The cost of land held for sale is determined based on the specific identification method. Where land held for sale is transferred from another asset category, the carrying value at the date of change is the deemed cost of inventory for subsequent accounting.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.

(o) Contract work in progress

Contract work in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognized to date less progress billings and recognized losses. Cost includes all expenditure directly related to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Contract work in progress is presented as part of receivables and prepayments in the consolidated statement of financial position. If payments received from customers exceed costs incurred plus recognized profits, then the difference is presented as deferred income in the consolidated statement of financial position.

(p) Provisions

Provisions are recognized if, as a result of past events, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Decommissioning costs
Liabilities for decommissioning costs are recognized when the Group becomes legally or constructively obliged to dismantle and remove a facility or an item of plant and to restore the site on which it is located, and when a reasonable estimate of that liability can be made.

3 Significant accounting policies *(continued)*

(p) Provisions *(continued)*

Decommissioning costs (continued)
The amount of the obligation is estimated at current prices and in accordance with local conditions and requirements. A corresponding item of plant and equipment in an amount equivalent to the provision is included in the respective class of asset. This is subsequently depreciated or depleted as part of the capital costs of the facility or item of plant.

(q) Staff terminal benefits and pensions

Entities domiciled in UAE
For the Group entities domiciled in UAE, provision for staff terminal benefits is made in accordance to the UAE Federal Labor Law and is determined as the liability that would arise if the employment of all staff were terminated at the balance sheet date.

Monthly pension contributions are made in respect of UAE National employees, who are covered by the Law No. 2 of 2000. The contribution made by the Company is recognized in profit or loss. The pension fund is administered by the Government of Abu Dhabi, Finance Department, represented by the Abu Dhabi Retirement Pensions and Benefits Fund. Other than the monthly pension contributions there is no further obligation on the Group.

An actuarial valuation is not performed on staff terminal and other benefits in respect of UAE employees as the net impact of the discount rate and future salary and benefits level on the present value of the benefits obligation are not expected by management to be significant.

Entities domiciled outside UAE
For the Group entities domiciled outside the UAE, provision for staff terminal benefits is made in accordance with the applicable provisions under the regulations prevalent in countries in which the respective entity operates. The Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administrated funds, determined by periodical actuarial calculations and legally independent from the Group. The Group has both defined benefit and defined contribution schemes. A defined contribution plan is a plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the consolidated statement of financial position date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

Notes to the consolidated financial statements

3 Significant accounting policies *(continued)*

(q) Staff terminal benefits and pensions *(continued)*

Entities domiciled outside UAE (continued)
The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives. Pension assets are recognized to the extent that they represent probable expected refunds or reductions in contributions.

Current service costs are recognized in the profit or loss. Past service costs are recognized immediately in profit or loss, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.

For certain defined contribution plans, the Group pays contributions to publicly or privately administrated pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligation once the contributions have been paid. The contributions are recognized as employee benefit expenses when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

(r) Impairment

Financial assets
A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

3 Significant accounting policies *(continued)*

(r) Impairment *(continued)*

Financial assets (continued)

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognized by transferring the cumulative loss that has been recognized in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognized in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment properties and inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets ("the cash-generating unit, or CGU").

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

3 Significant accounting policies *(continued)*

(r) Impairment *(continued)*

Non-financial assets (continued)

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Goodwill that forms part of the carrying amount of an equity accounted investee is not recognized separately, and therefore is not tested for impairment separately. Instead, the entire amount of such investment is tested for impairment as a single asset when there is objective evidence that the investment may be impaired.

(s) Assets classified as held for sale

Assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, these assets are remeasured in accordance with the Group's accounting policies. Thereafter generally, these assets are measured at lower of their carrying amount and fair value less costs to sell.

(t) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available *(see note 6)*.

4 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair values, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumption made in determining the fair values is disclosed in the notes specific to that asset or liability.

(a) Property, plant and equipment

The fair value of property, plant and equipment recognized as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing, wherein the parties had each acted knowledgeably and willingly. The fair value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate.

(b) Intangible assets

The fair value of oil and gas reserves acquired in a business combination is based on the net present value of the cash flows estimated from the exploitation of such reserves.

Intangible assets received as consideration for providing construction services in a service concession arrangement are measured at fair value upon initial recognition, estimated by reference to the fair value of the construction services provided. When the Group receives an intangible asset and a financial asset as consideration for providing construction services in a service concession arrangement, the Group estimates the fair value of intangible assets as the difference between the fair value of the construction services provided and the fair value of the financial asset received.

The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(c) Investment property

Management uses the work of external experts wherever necessary to assess the fair value of investment properties. External, independent valuation companies, having appropriate recognized professional qualifications and recent experience in the location and category of property being valued, are consulted for the same. The fair values are based on market values, being the estimated amount for which the property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing, wherein the parties had each acted knowledgeably and willingly. Where appropriate, the specific approved usage of the investment property is given due consideration.

In the absence of reliable estimates of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated future cash flows expected to be received from the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation.

Valuations reflect, when appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, the allocation of maintenance and insurance responsibilities between the Group and the lessee; and the remaining economic life of the property.

4 Determination of fair values *(continued)*

(d) Inventories

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(e) Investments in equity and debt securities

The fair value of financial assets at fair value through profit or loss and available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date. If a quoted market price is not available, the fair value is based on an appropriate valuation technique. However, if the fair value cannot be reliably measured such instruments are carried at cost, less impairment losses.

(f) Derivative financial instruments

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The fair value of interest rate swaps is based on external quotes. These quotes are tested for reasonableness by the Group. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

(g) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

5 Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

5 Financial risk management *(continued)*

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

Trade and other receivables
The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country, as these factors may have an influence on credit risk, particularly in the currently deteriorating economic circumstances.

Approximately 54% *(2008: 59%)* of the receivables are from related parties primarily parties under common control of the Company's shareholder. However, there is limited concentration of credit risk with the overall exposure being spread over a large number of customers.

Investments
The Group invests in various financial instruments, both quoted and unquoted, generally based on detailed due diligence conducted by experts. All investments are approved by the Board of Directors. As adequate background check and financial and legal due diligence is conducted, the risk that the counterparty to the financial instrument will fail to meet its contractual obligations is low.

Guarantees
The Company provides guarantees to third parties on behalf of its wholly owned subsidiaries and on behalf of joint ventures in proportion to the Company's/ wholly owned subsidiaries' interests in the joint ventures, for details *(see note 34)*.

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group ensures that it has sufficient cash and liquid assets on demand to meet its expected operational expenses; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Notes to the consolidated financial statements

5 Financial risk management *(continued)*

(c) *Market risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Board of Directors.

Currency risk
The Group is exposed to currency risk on its transactions, investments and borrowings that are denominated in a currency other than the respective functional currencies of the Group entities, primarily the Euro (EUR), but also US Dollars (USD).

The Group’s transactions and balance sheet risks are limited, as a significant proportion of its foreign currency transactions, monetary assets and liabilities are denominated in USD, where the exchange rate for conversion to the functional currency of the Company is pegged. It is the Group’s policy to obtain Euro denominated loans to economically hedge its investments in Euro and in certain cases it uses derivatives to hedge its investments in Euros.

Interest rate risk
The Group adopts a policy of ensuring that its exposure to significant changes in interest rates is reduced by hedging such risks. This is achieved by entering into interest rate collars and interest rate swaps.

Other market price risk
Equity price risk arises from financial assets at fair value through profit or loss and available-for-sale equity securities. Management of the Group monitors the mix of debt and equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board of Directors.

The primary goal of the Group's investment strategy is to maximize investment returns. Management is assisted by external advisors in this regard. In accordance with this strategy certain investments are designated at fair value through profit or loss because their performance is actively monitored and they are managed on a fair value basis. The Group does not enter into commodity contracts other than to meet the Group's expected usage and sale requirements; such contracts are not settled net.

(d) *Capital management*

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. There were no significant changes in the Group’s approach to capital management during the year.

Certain subsidiaries are subject to debt covenants requiring maintenance of specific debt equity ratios. Furthermore, the Company and its subsidiaries incorporated in the UAE are subject to certain requirements of the UAE Federal Law No. 8 of 1984 *(as amended)* to maintain a statutory reserve *(see note 32)*, which they are compliant with.

6 Segment reporting

Information about reportable segments
The Group has ten reportable segments, as described below, which are the Group's strategic business units. The strategic business units are responsible for the screening due diligence, development and implementation of all business ideas, investment opportunities and acquisitions.

The following summary describes the operations in each of the Group's reportable segments:

- Oil and Gas – Is focused on diversification in the oil and gas sector; in particular hydrocarbon exploration and production, and creation of a globally competitive oil and gas exploration and production company.
- Renewable Energy *(formerly " New Energy Technologies")*– Is focused on achieving the Government of Abu Dhabi's vision of transforming Abu Dhabi into a global leader in sustainable new energy technologies.
- Other Energy and Industry – Is focused on economic development through the development of energy-linked infrastructure (including public utilities) and sustainable industry.
- Real Estate and Hospitality – Is focused on residential, commercial and retail real estate developments and luxury hotels and resorts, both in Abu Dhabi and internationally.
- Infrastructure – Is focused on economic development through developing, owning and operating concession based infrastructure and educational, health and other facilities.
- Services Ventures *(formerly "Services")* - Is focused on human resource and economic development by establishing businesses in service-based sectors, such as leasing and financial services, maritime transportation services, defense services and logistics services.
- Aerospace – Is focused on creating aviation and aerospace industry in Abu Dhabi and bringing aerospace technology, skills and facilities to Abu Dhabi.
- Information and Communication Technology - Is focused on human resource and economic development by establishing local information, communications and technology clusters.
- Healthcare – Is focused on creating a world class, competitive vertically integrated network of healthcare infrastructure.
- Corporate / Acquisitions – Develops and drives the strategy for the Group as a whole as well as for acquisitions across all lines of business in collaboration with the relevant business unit. Acquisitions business unit is also mandated to identify and realize opportunities that align with the broader Group strategy through investments throughout the globe.

For information relating to segment operating income/ (loss), segment results and segment total assets see pages 41 and 42.

6 Segment reporting *(continued)*

Geographical segments
Significant operations of the Group are based in the United Arab Emirates, the State of Qatar and Europe.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment non-current assets are based on the geographical location of the assets and exclude financial instruments, deferred tax assets and post- employment benefit assets.

Geographical information

	2009		2008	
	Revenue	**Non-current assets**	Revenue	Non-current assets
	AED'000	**AED'000**	AED'000	AED'000
United Arab Emirates	**4,294,464**	**15,439,613**	1,272,042	7,169,369
State of Qatar	**2,830,577**	**6,618,638**	3,783,445	6,662,674
Europe	**3,991,530**	**4,489,488**	-	1,087,415
Others	**1,976,041**	**5,949,798**	1,605,655	3,958,137
	13,092,612	**32,497,537**	6,661,142	18,877,595

Major customer

Revenue from sale of goods and services with customers individually exceeding 10% of the Group's revenues in certain segments, is set out below:

	2009	2008
	AED'000	AED'000
Entities under common control		
Entities under common control[1]	**4,365,289**	1,890,014
External entities		
Oil and Gas	**2,164,950**	3,215,925

[1] This primarily represents revenue from Infrastructure, Oil and Gas, and Corporate business segments.

Segment reporting *(continued)*

As at and for the year ended 31 December

Changes in the internal organization structure have resulted in changes to the composition of reportable segments. Due to non-availability of corresponding information for the previous year the segment information for the current year is not restated to reflect this change in structure. For the purpose of comparison the segment information for 2009 has been presented below based on the previous organization structure. The operating income, results and the total assets of the reporting segments based on the new organization structure has been reported on the following page, for the current year only.

	Energy and Industry	Renewable Energy	Real Estate & Hospitality	Infrastructure & Services	Aerospace & Technology	Healthcare	Corporate / Acquisitions	Consolidated
	31-Dec-09	31-Dec-09	31-Dec-09	31-Dec-09	31-Dec-09	31-Dec-09	31-Dec-09	31-Dec-09
	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000
Segment operating income / (loss)	5,808,735	208,861	834,643	3,153,061	4,258,911	204,305	2,908,991	17,377,507
Segment result	2,346,686	(412,025)	708,586	602,354	(329,001)	36,637	1,695,930	4,649,167
Segment total assets	13,687,793	6,223,553	11,915,270	7,283,432	15,490,532	673,933	33,191,198	88,465,711
	31-Dec-08	31-Dec-08	31-Dec-08	31-Dec-08	31-Dec-08	31-Dec-08	31-Dec-08	31-Dec-08
	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000
Segment operating income / (loss)	6,182,716	(9,962)	737,408	1,145,229	(883,708)	120,284	(11,205,104)	(3,913,137)
Segment result	886,156	(278,089)	612,164	(25,375)	(1,233,333)	(37,841)	(11,690,581)	(11,766,899)
Segment total assets	11,663,606	2,558,025	7,466,084	5,974,229	5,443,048	198,797	17,137,320	50,441,109

6 Segment reporting *(continued)*

As at and for the year ended 31 December

	Oil & Gas	Renewable Energy	Other Energy & Industry	Real Estate & Hospitality	Infrastructure	Services Ventures	Aerospace	Information & Communication Technology	Healthcare	Corporate / Acquisitions	Consolidated
	31-Dec-09	31-Dec-09	31-Dec-09	31-Dec-09	31-Dec-09	31-Dec-09	31-Dec-09	31-Dec-09	31-Dec-09	31-Dec-09	31-Dec-09
	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000
Segment operating income / (loss)	5,968,615	208,861	(159,880)	834,643	2,849,728	303,333	4,260,792	(1,881)	204,305	2,908,991	17,377,507
Segment result	2,496,688	(412,025)	(150,002)	708,586	521,298	81,056	(237,027)	(91,974)	36,637	1,695,930	4,649,167
Segment total assets	12,217,984	6,223,553	1,469,809	11,915,270	5,415,505	1,867,927	8,747,837	6,742,695	673,933	33,191,198	88,465,711

Notes to the consolidated financial statements

7 Subsidiaries

These consolidated financial statements include the following significant subsidiaries:

Subsidiaries	Domicile	Ownership interest 2009	Ownership interest 2008
Dolphin Investment Company LLC ("DIC")	UAE	100%	100%
Liwa Energy Limited (LLC)	UAE	100%	100%
Abu Dhabi Future Energy Company PSC	UAE	100%	100%
Al Hikma Development Company PSC	UAE	100%	100%
Mubadala Holdings Cyprus Limited	Cyprus	100%	100%
Al Yah Satellite Communications Company PSC	UAE	100%	100%
Beta Investment Company LLC	UAE	100%	100%
Pearl Energy Limited[1]	Singapore	100%	100%
Takeoff Top Luxco S.A.	Switzerland	70%	-
Takeoff Luxco 1.S.a.r.l.[2]	Switzerland	70%	40%
Abu Dhabi Finance PJSC	UAE	52%	20%
Abu Dhabi Aircraft Technologies LLC	UAE	100%	-
Manhal Development Company PSC	UAE	100%	100%
Al Maqsed Development Company PSC	UAE	100%	-

[1]Subsidiary of Beta Investment Company LLC.
[2] Wholly owned subsidiary of Takeoff Top Luxco S.A.

Acquisitions

(a) Acquisition of Takeoff Luxco 1 S.a.r.l

On 9 March 2009, the Group obtained control of Takeoff Luxco 1 S.a.r.l., which holds a controlling interest in SR Technics Group, a company incorporated in Switzerland, and an independent provider of maintenance, repair and overhaul (MRO) services for commercial aircraft. Such control was obtained by acquiring an additional 30% shareholding and thereby increasing the Group's shareholding from 40% to 70%.

In the period from the date of acquisition to 31 December 2009, Takeoff Luxco 1 incurred a loss of AED 40.28 million after adjusting for amortization of fair value adjustments and finance costs on intercompany loan, recorded upon business combination under purchase price allocation.

Consideration transferred

The additional shareholding has been acquired for an initial consideration of USD 1, and a contingent consideration as set out below.

Contingent consideration

A contingent consideration is payable upon the completion of five years from the date of transfer of shares. The contingent consideration is capped by a maximum payout of USD 100 million and will be payable only if certain conditions are met. As per management's best estimates, it is improbable that the conditions will be met. Accordingly, no adjustment for the contingent consideration is included in the cost of acquisition in accounting for the business combination.

Notes to the consolidated financial statements

7 Subsidiaries *(continued)*

Acquisitions *(continued)*

(a) Acquisition of Takeoff Luxco 1 S.a.r.l *(continued)*

Values of identifiable assets acquired and liabilities assumed[1]:

AED in thousands	Pre-acquisition carrying amounts[2]	Fair value adjustments	Recognized values on acquisition
Goodwill	1,379,900	(1,379,900)	-
Other intangible assets	2,452,311	(187,501)	2,264,810
Property, plant and equipment	1,619,353	-	1,619,353
Other non-current assets	109,915	-	109,915
Inventories	595,392	-	595,392
Trade and other receivables	1,148,785	-	1,148,785
Cash and cash equivalents	125,325	-	125,325
Trade and other payables	(2,798,691)	1,103,443	(1,695,248)
Interest bearing loans	(5,903,721)	3,524,989	(2,378,732)
Provisions	(1,214,086)	(10,261)	(1,224,347)
Minority interest	(5,449)	(167,942)	(173,391)
Net identifiable assets and liabilities	**(2,490,966)**	**2,882,828**	**391,862**

	AED'000
Acquisition - 30 November 2006	
Fair value of consideration	1,170,563
Fair value of net assets acquired	(1,170,563)
Goodwill	**-**
Acquisition - 26 February 2009	
Fair value of consideration	-
Fair value of net assets acquired	(167,941)
Gain on acquisition of stake in a subsidiary	**(167,941)**

[1]The fair values of identifiable assets, liabilities, and contingent liabilities have been determined based on a purchase price allocation carried out by an independent expert.

[2]Based on unaudited management accounts as at 28 February 2009.

7 Subsidiaries *(continued)*

Acquisitions *(continued)*

(b) Acquisition of assets and liabilities of Gulf Aircraft Maintenance Company PJSC

During 2007, the Company received intimation from the Government of Abu Dhabi, the owner of Gulf Aircraft Maintenance Company PJSC ("GAMCO"), that the assets and liabilities of GAMCO would be transferred to the Company.

On 14 October 2009, the Government of Abu Dhabi formally approved the transfer of the assets and liabilities of GAMCO to Abu Dhabi Aircraft Technologies LLC ("ADAT"), a 100% owned subsidiary of Mubadala. The Company will issue additional shares to the Shareholder of AED 106,304 thousand representing the book value of the net assets acquired.

The assets and liabilities of GAMCO have been transferred to ADAT at their book values, in accordance with the Group's policy for accounting for common control transactions.

The assets and liabilities of GAMCO at 14 October 2009, the date of transfer, were as follows:

	AED '000
Property, plant and equipment	528,779
Investment in joint venture	38,836
Inventories	174,439
Trade receivables	282,492
Amounts due from related parties	115,597
Prepayments, advances and deposits	65,703
Other assets	5,848
Cash and cash equivalents	198,644
Loan from Government of Abu Dhabi	(489,541)
Amounts due to related parties	(111,392)
Bank borrowings	(176,866)
Employees' end of service benefits	(229,456)
Trade payables and accruals	(296,779)
Net assets	**106,304**

In the period from the date of acquisition to 31 December 2009, GAMCO incurred a profit of AED 6,172 thousand.

(c) Acquisition of Abu Dhabi Finance PJSC

On 7 July 2009, the Group obtained control of Abu Dhabi Finance PJSC ("ADF"), a mortgage provider incorporated in Abu Dhabi. Such control was obtained by acquiring an additional 32% shareholding in 2009 and thereby increasing the Group's shareholding from 20% to 52%.

In the period from the date of acquisition to 31 December 2009, ADF incurred a loss of AED 29,489 thousand.

Consideration transferred
The additional shareholding has been acquired for a consideration of AED 160 million.

7 Subsidiaries *(continued)*

Acquisitions *(continued)*

If the acquisitions, mentioned in note *7(a)* to *7(c),* had occurred on 1 January 2009, management estimates that the Group's combined consolidated revenue from sale of goods and services would have been AED 15,110,867 thousand and combined consolidated profit for the year would have been AED 4,589,581 thousand.

8 Revenue from sale of goods and services

	2009 AED'000	2008 AED'000
Sale of hydrocarbons[1]	**4,804,657**	5,389,099
Aircraft maintenance and repairs	**4,298,980**	-
Service concession revenue *(refer note 39)*	**2,657,148**	937,515
Contract revenue	**200,834**	141,160
Sale of land	**810,763**	-
Medical services	**202,132**	120,285
Flight training services	**63,457**	45,389
Others	**54,641**	27,694
	13,092,612	6,661,142

[1] Sale of hydrocarbons is recorded net of royalties amounting to AED 467,541 thousand *(2008: AED 533,752 thousand).*

9 Other operating income

	2009 AED'000	2008 AED'000
Government grant income[1]	**200,034**	44,226
Management fee	**56,860**	60,476
Income from consulting services	**24,897**	68,961
Rental income	**7,112**	15,630
Sponsorship	**1,659**	19,409
Others	**226,856**	76,391
	517,418	285,093

[1] During the year, the Government of Abu Dhabi granted and paid AED 54,058 thousand *(2008: AED nil)* to the Group for the promotion and distribution of the Zayed Future Energy Prize, AED 199,090 thousand *(2008: AED nil)* to fund the operations of the Masdar Institute of Science and Technology and AED 67,444 thousand *(2008: AED nil)* to cover the International Renewable Energy Agency ("IRENA") campaign bid activities and the operations of IRENA liaison office. The Group recognized AED 200,034 as the grant income for the year, based on utilization and unutilized balance of such grants, in the amount of AED 120,559 thousand *(2008: AED nil)* has been carried forward as deferred grant income *(note 27)*.

Notes to the consolidated financial statements

10 Staff costs

The Group incurred staff costs amounting to AED 2,354,898 thousand *(2008: AED 941,894 thousand)*, which have been included within cost of sales and administrative expenses and property, plant and equipment.

11 Exploration costs

	2009 AED'000	2008 AED'000
Exploration costs	**859,736**	590,763

Exploration costs mainly include geological and geophysical costs and the costs relating to the drilling of exploratory wells. These costs include rig costs, delay rentals and payments made to contractors. During the year, the Group continued to incur exploratory costs on certain blocks and paid signature bonus, which is included in these exploration costs.

12 Finance income and expense

	2009 AED'000	2008 AED'000
Finance income		
Interest income	**886,744**	398,657
Net foreign exchange gain	**114,105**	63,976
	1,000,849	462,633
Finance expenses		
Borrowing costs[1]	**(1,152,899)**	(691,348)
Net finance expense	**(152,050)**	(228,715)

[1] The Group incurred legal costs in relation to securing various long term financing facilities *(see note 29)*. These costs include legal consultancy charges, facility arrangement and structuring fees. These costs, which are deducted from the carrying values of the respective loans, are being amortized using effective interest method. The amortization expense is included within the borrowing costs. The balance of these deferred unamortized costs at 31 December 2009 is AED 303,059 thousand *(2008: AED 14,548 thousand).*

13 Income / (loss) from other investments

	2009 AED'000	2008 AED'000
Net change in fair value of investments at fair value through profit or loss *(see note 20)*	**3,574,900**	(6,415,245)
Net change in the fair value of derivatives used as economic hedges	**178,768**	(257,943)
Gain on disposal of other investments	**25,092**	30,470
Dividend income	**413,190**	131,421
	4,191,950	(6,511,297)

14 Impairment losses

	2009 AED'000	2008 AED'000
Impairment losses on:		
- equity accounted investees *(see note 19(b))*	**365,652**	288,479
- amounts due from a related party*(see note 19(b))*	**-**	296,909
- available for sale financial assets *(see note 20)*	**639,578**	4,330,259
- other assets *(see note 22)*	**331,012**	606,127
	1,336,242	5,521,774

15 Property, plant and equipment

Details of property, plant and equipment are set out in Schedule I on page 84. Depreciation charges have been allocated as follows:

	2009 AED'000	2008 AED'000
Cost of sales	**1,209,724**	1,425,391
Administrative expenses	**97,815**	39,882
	1,307,539	1,465,273

16 Intangible assets

	Telecom license AED'000	Exploration license AED'000	Trademarks AED'000	Proved and probable oil and gas reserves AED'000	Possible and contingent oil and gas reserves AED'000	Goodwill AED'000	Others AED'000	Total AED'000
Cost								
At 1 January 2008	1,470,673	193,410	-	-	-	-	439	1,664,522
Additions	-	18,735	-	-	-	-	569	19,304
Acquisitions through business combinations	-	-	-	2,313,996	1,427,038	399,971	617,320	4,758,325
Disposals	(1,470,673)	-	-	-	-	-	-	(1,470,673)
At 31 December 2008	**-**	**212,145**	**-**	**2,313,996**	**1,427,038**	**399,971**	**618,328**	**4,971,478**
At 1 January 2009	-	212,145	-	2,313,996	1,427,038	399,971	618,328	4,971,478
Additions	-	229,172	-	-	-	-	274,738	503,910
Acquisitions through business combinations	-	-	1,799,919	-	-	10,946	464,890	2,275,755
Disposals	-	-	-	-	-	-	(32,584)	(32,584)
Effect of movement in exchange rates	-	-	224,484	-	-	-	68,129	292,613
At 31 December 2009	**-**	**441,317**	**2,024,403**	**2,313,996**	**1,427,038**	**410,917**	**1,393,501**	**8,011,172**
Accumulated amortization and impairment losses								
At 1 January 2008	-	(3,374)	-	-	-	-	(32)	(3,406)
Charge for the year	-	(6,682)	-	(453,093)	(48,442)	-	(45,835)	(554,052)
Write off[1]	-	-	-	-	-	-	(243,288)	(243,288)
Provision for impairment	-	-	-	(1,637,228)	(1,064,845)	(351,899)	(223,029)	(3,277,001)
At 31 December 2008	**-**	**(10,056)**	**-**	**(2,090,321)**	**(1,113,287)**	**(351,899)**	**(512,184)**	**(4,077,747)**
At 1 January 2009	-	(10,056)	-	(2,090,321)	(1,113,287)	(351,899)	(512,184)	(4,077,747)
Charge for the year	-	(14,639)	-	(40,247)	(27,162)	-	(80,036)	(162,084)
Provision for impairment	-	-	-	-	(178,095)	(11,656)	-	(189,751)
Reversal of impairment provision	-	-	-	536,456	88,421	-	15,204	640,081
Disposals	-	-	-	-	-	-	31,932	31,932
Effect of movement in exchange rates	-	-	-	-	-	-	1,057	1,057
At 31 December 2009	**-**	**(24,695)**	**-**	**(1,594,112)**	**(1,230,123)**	**(363,555)**	**(544,027)**	**(3,756,512)**
Carrying amounts								
At 1 January 2008	1,470,673	190,036	-	-	-	-	407	1,661,116
At 31 December 2008	-	202,089	-	223,675	313,751	48,072	106,144	893,731
At 31 December 2009	**-**	**416,622**	**2,024,403**	**719,884**	**196,915**	**47,362**	**849,474**	**4,254,660**

[1] Represents a one-time write off of exploration costs of a subsidiary acquired in 2008 so as to align its accounting policies to that of the Group.

Notes to the consolidated financial statements

16 Intangible assets *(continued)*

Impairment loss

During the year, there has been an increase in the oil and gas prices, compared to the end of the previous year, estimates of oil and gas reserves in certain fields have changed significantly and certain restrictions have been placed on export sale of gas from Ruby (Subuku) field. This has necessitated the reassessment of the recoverable value of intangibles related to oil and gas reserves.

The recoverable amount of the cash-generating units (the producing field that produces hydrocarbons) was estimated based on their value in use, which was determined with the assistance of independent valuers. The fair values less cost to sell is not likely to be significantly different from the value in use. For impairment testing, goodwill is allocated to the producing fields which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The carrying amounts of intangibles at the Sebuku, Basin and Tungkal were reassessed and an impairment loss of AED 189,751 thousand *(2008: AED 921,883 thousand)* was recognized. The impairment loss was first allocated to the goodwill of AED 11,656 thousand *(2008: AED 96,782 thousand)* and then to the oil and gas reserves of AED 178,095 thousand *(2008: AED 825,101 thousand)*.

The carrying amounts of intangibles at Jasmine and Island were reassessed and a reversal of impairment of AED 640,081 thousand relating to the oil and gas reserves, was recognized. *(2008: impairment loss of AED 2,169,805 thousand, which was first allocated to the goodwill AED 255,117 thousand and then to the oil and gas reserves of AED 1,914,688 thousand)*. Impairment losses related to goodwill were not reversed.

Value in use was determined by discounting the future cash flows generated from the continuing use of the unit and was based on the following key assumptions:

- Cash flows were projected for each producing field except Jasmine, based on the projected production plan of the respective field's 2P (proved and probable) reserves. The cash flows from Jasmine include, in addition to the 2P reserves, management's expectation of the realization of the contingent gas resources in that field;
- Oil prices are based on 31 December 2009 Brent future prices and are adjusted by lease for quality, transportation fees and regional price differences; and

A post-tax discount rate of 10.8 – 13.2 percent was applied in determining the recoverable amount of the units. The discount rate was estimated based on an industry average weighted average cost of capital, which was based on a possible range of debt leveraging of 30 percent at a market interest rate of 6.4 percent and corporate tax rate of 30 to 35 percent.

17 Investment properties

	2009 AED'000	2008 AED'000
At 1 January	**1,085,126**	344,000
Add: increase in fair value	**44,060**	741,126
	1,129,186	1,085,126

17 Investment properties *(continued)*

Investment properties include:

The New Fish Market plot: This land is in the city of Abu Dhabi, and was granted by the Government of Abu Dhabi, free of cost. The fair value of this plot of land, amounting to AED 25,173 thousand *(2008: AED 26,674 thousand)* is based on the discounted future cash flows from the use of the plot of land.

Sowwah Square plot: The Group had valued the Sowwah Square land in the current and previous year based on discounted cash flow projections of the property under construction. Cash flow projections are based on estimated future cash inflows, supported by existing leases, current market rents for similar properties and estimated future cash outflows primarily based on construction contracts already awarded. These are then discounted using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows. Cost of development includes direct project costs and an appropriate share of the overall island infrastructure works as well as any value enhancing developments. The cost of value enhancing developments (net of revenue, if any) is allocated to the plots that are most likely to derive future economic benefits from any such developments. The fair value of this land amounts to AED 1,063,663 thousand *(2008: AED 1,058,452 thousand)*.

Musaffah plot: The Group appointed independent valuers to value the Mussafah land in the current year, which has determined the fair value based on income capitalization approach. The fair value of this land amounts to AED 40,350 thousand *(2008: AED nil)*.

Details of other plot of lands owned by the Group, which are not recognized and accordingly not included above, are set out in note 36 to these consolidated financial statements.

18 Interest in jointly controlled assets

The Group has joint ownership and control of certain oil and gas assets through exploration, development and/or production sharing agreements entered into with other parties, for the exploitation of mineral rights, under concession agreements with the governments of the respective countries in which such operations are conducted. The Group's share of the assets, liabilities, income and expenses of such jointly held assets is consolidated on a line by line basis with items of a similar nature. Details of significant jointly controlled assets are set out below:

Contract area	**Held by**	**Description**	**Group's working interest**	
			2009	2008
Concession blocks in Oman			%	%
Block 53	Mukhaizna, LLC	Production stage	**15**	15
Block 54	Karawan LLC	Exploration stage	**15**	15
Block 62	Oman Gas Company	Exploration stage	**32**	32
Concession blocks in Qatar				
Qatar - North Field	Dolphin Energy Limited ("DEL")	Production stage	**51**	51
Concession blocks in Kazakhstan				
Block N – Caspian sea	The Ministry of Energy and Mineral Resources of The Republic of Kazakhstan	Exploration stage	**24.5**	-

Notes to the consolidated financial statements

18 Interest in jointly controlled assets *(continued)*

Contract area	Held by	Description	Group's working interest 2009 %	Group's working interest 2008 %
Concession blocks in Bahrain				
Bahrain Field	The National Oil & Gas Authority	Development stage	**32**	-
Concession blocks in Indonesia				
Salawati Island PSC	Pearl Oil (Island) Limited	Production of crude oil under Production sharing contract	**37.4**	37.4
Salawati Basin PSC	Pearl Oil (Basin) Limited	Production of crude oil under Production sharing contract	**34.1**	34.1
Sebuku PSC	Pearl Oil (Sebuku) Ltd.	Exploration stage	**100**[1]	100[1]
Tungkal PSC	Pearl Oil (Tungkal) Limited	Production of crude oil under Production sharing contract	**70**	70
West Salawati PSC	Pearl Oil (Salawati) Limited	Exploration stage	**100**[1]	50
Bulu PSC	Pearl Oil (Satria) Limited [Formerly known as Pearl Oil (Sebana) Limited]	Exploration stage	**42.5**	42.5
Karana PSC	Pearl Oil (K) Limited	Exploration stage	**100**	100
Sibaru PSC	Pearl Oil (Sandstone) Limited	Exploration stage	**40**	40
Kerapu PSC	Pearl Oil (Tachylyte) Limited	Exploration stage	**100**[1]	100[1]
Concession blocks in Thailand				
B5/27	Pearl Oil (Thailand) Limited	Production of crude oil under Concession agreement	**100**[1]	70
B11/38	Pearl Oil (Thailand) Limited	Production of crude oil under Concession agreement	**100**[1]	70
G10/48	Pearl Oil (Thailand) Limited	Production of crude oil under Concession agreement	**50**	35
G2/48	Pearl Oil Offshore Limited	Exploration stage	**80**	70
G11/48	Pearl Oil Bangkok Limited	Exploration stage	**50**	35

Notes to the consolidated financial statements

18 Interest in jointly controlled assets *(continued)*

[1] Contract areas wherein the Group's effective working interest is at 100% are included in the details of joint ventures for presentation purposes in order to disclose a list of significant contract areas being held by the Group as at the balance sheet date. They are not to be construed as joint ventures since there are no joint operating contracts with other joint venture partners on the balance sheet date.

19 Investments in equity accounted investees

(a) Investments in associates

The Group has the following significant interests in associates:

	Ownership interest %		
	2009	2008	**Principal business activity**
Abu Dhabi Ship Building PJSC ("ADSB")[1]	**40**	40	Ship building
Emirates Ship Investment Company LLC ("Eships") [1,2]	**-**	33	Cargo transportation and other marine related services
The John Buck Company LLC[3]	**24.9**	24.9	Property, ownership and integrated real estate services

[1] Registered in the UAE.
[2] During 2009, the Group acquired additional 17% shares in Eships and accordingly the entity is now accounted for as a jointly controlled entity *(refer note 19(b))*.
[3] Registered in the USA.

The movements in investment in associates are set out below:

	2009 AED'000	2008 AED'000
At 1 January	**430,654**	241,001
Share of results for the year	**14,928**	(8,636)
Addition during the year	**59,720**	191,572
Share of movement in hedging and other reserves recorded during the year	**(12,839)**	14,418
Transferred to investment in jointly controlled entities	**(178,840)**	-
Dividend received	**(7,701)**	(7,701)
At 31 December	**305,922**	430,654

Summarized financial information on associates is set out in Schedule II on page 85.

Notes to the consolidated financial statements

19 Investments in equity accounted investees *(continued)*

(b) Investments in jointly controlled entities

The Group has the following significant investments in jointly controlled entities, which are accounted for using the equity method:

Jointly controlled entities	Domicile	Ownership interest % 2009	2008	Principal business activity
Algerian Utilities International Limited	UAE	**49**	49	Special purpose entity for holding utilities (power and water) sector investments
Dolphin Energy Limited ("DEL")	UAE	**51**	51	Procurement, distribution and marketing of hydrocarbons (natural gas)
Dunia Finance LLC	UAE	**31**	31	Financial services
Emirates Aluminium Company Limited PSC ("EMAL")	UAE	**50**	50	Develop, construct, operate, finance and maintain aluminium smelter.
Emirates Ship Investment Company LLC ("Eships") [1]	UAE	**50**	-	Cargo transportation and other marine services
Guinea Alumina Corporation Limited ("GACL") [2]	British Virgin Island	**8.33**	8.33	Extraction of bauxite.
EMTS Holding B.V.[3]	Netherlands	**30**	30	Telecom
SMN Power Holding Company S.A.O.C.	Oman	**47.5**	47.5	Special purpose entity for holding power sector investments
Azaliya	France	**49**	49	Water treatment, distribution and waste water management
Takeoff Luxco 1 S.a.r.l.[4]	Luxembourg	**-**	40	Special purpose entity for holding SR Technics Holding

[1] During 2009, the Group acquired additional 17% shareholding in Eships (an associate) and thereby increased its shareholding from 33% to 50%. The Group now has joint control over the entity *(see note 19(a))*.

[2] Interest in GACL is treated as an investor in a joint venture, since the Group is a participant to the joint venture and has significant influence over it but does not have joint control.

[3] 30% of the shares are registered in the name of the Company, of which 50% are beneficially held on behalf of a related party *(see note 30)*.

[4] The Group obtained control of Takeoff Luxco 1 S.a.r.l. during the current year *(see note 7(a))*.

Although the Company holds more than 50% of the share capital in some of the jointly controlled entities, as all important financial and/or operating decisions are taken jointly with other venturers, these are treated as jointly controlled entities.

19 Investments in equity accounted investees *(continued)*

(b) Investment in jointly controlled entities *(continued)*

The movements in investment in jointly controlled entities are set out below:

	2009 AED'000	2008 AED'000
At 1 January	**3,706,683**	5,622,649
Exchange fluctuation in opening balance	**6,071**	(189,802)
Acquisitions / investments during the year	**1,240,726**	2,246,049
Share of results for the year	**536,773**	279,806
Reversal of impairment losses[5]	**148,067**	-
Dividend received during the year	**(704,538)**	(510,510)
Share of movement in exchange fluctuation reserve	**(5,128)**	13,902
Share of movement in hedging and other reserves	**104,750**	(302,378)
Transferred from investment in associates	**178,840**	-
Transfer upon acquisition of controlling stake[5, 6]	**(609,892)**	-
Intercompany income eliminated	**(99,588)**	(138,563)
Transfer to assets classified as held for sale	**-**	(3,314,470)
	4,502,764	3,706,683
Provision for impairment[7]	**(491,766)**	(414,593)
At 31 December	**4,010,998**	3,292,090

	2009 AED'000	2008 AED'000
Disclosed as:		
Investment in jointly controlled entities	**4,619,276**	3,744,829
Due to jointly controlled entities[8]	**(608,278)**	(452,739)
	4,010,998	3,292,090

`

[5,7] During 2008, management based on its best estimate then, created a provision for impairment on the value of its investment in Take off Luxco 1 S.a.r.l. of AED 288,479 thousand (further to impairment on interest receivable of AED 296,909 thousand). The impairment occurred due to significant changes in the aircraft maintenance, repairs and overhaul (MRO) industry and in particular impairment of intangible assets held by the ultimate investee company. During the current year, Take off Luxco 1 S.a.r.l. became a subsidiary *(see note 7(a))*. Accordingly, the carrying amount of the investment amounting to AED 520,500 thousand and a related provision for impairment of AED 140,412 thousand, net of a reversal of impairment loss of AED 148,067 thousand, were transferred to cost of acquisition of the subsidiary.

[6] During the year, Abu Dhabi Finance PJSC became a subsidiary *(see note 7(c))* and the carrying amount of the investment amounting to AED 89,392 thousand was transferred to cost of acquisition of the subsidiary.

Notes to the consolidated financial statements

19 Investments in equity accounted investees *(continued)*

(b) Investment in jointly controlled entities *(continued)*

[7] Provision for impairment includes an impairment loss of AED 465,746 thousand *(2008: AED 126,114)* on the Group's investment in Piaggio Aero Industries S.p.A. It also includes a provision of AED 26,020 thousand *(2008: AED Nil)* for the Group's investment in Viceroy Hotels Group.

[8] In certain jointly controlled entities the Group's share of losses of those entities have exceeded its interest in those entities. The shares of losses exceeding the Group's interests in such entities have been presented within current liabilities in the consolidated statement of financial position.

Summarized financial information on jointly controlled entities is set out in Schedule III on pages 86 and 87.

20 Other investments

	2009	2008
	AED'000	AED'000
Financial assets at fair value through profit or loss		
- funds, derivatives and quoted securities	**8,603,533**	3,977,047
- convertible bonds / loans issued by related parties[1]	**3,345,416**	2,674,375
	11,948,949	6,651,422
Investments available for sale		
- quoted shares	**7,049,291**	4,377,927
- unquoted shares	**3,557,495**	3,549,710
	10,606,786	7,927,637
Less: allowance for impairment	**(300)**	(300)
	10,606,486	7,927,337
At 31 December	**22,555,435**	14,578,759
Less: current portion	**(82,651)**	-
Non-current portion	**22,472,784**	14,578,759

a) Financial assets at fair value through profit or loss

This represents the Group's investments in funds, derivatives, quoted equity securities and convertible bonds / loans issued by related parties. During the year total additions amounting to AED 1,922,612 thousand *(2008: AED 6,191,419 thousand)* have been made and an amount of AED 3,521,990 thousand *(2008: AED 6,415,245 thousand decrease)* representing a change in the fair value has been recorded in profit or loss *(see note 13)*.

The fair value of quoted shares is arrived at based on the closing bid price of the shares in the capital markets. Fair value of funds is provided by the fund manager.

20 Other investments *(continued)*

a) Financial assets at fair value through profit or loss (continued)

[1] Convertible bonds / loans issued by related parties primarily comprise mandatorily convertible bonds acquired in 2008, carrying interest rates range from 0% to 6.11% and maturing in the year 2011. These are convertible only at maturity date at a predetermined conversion rate unless called by the issuers. Conversion rates are adjusted in case new shares are issued or bonus shares are declared. Such bonds are not transferable without the prior approval of the issuer. Upon conversion shares are restricted from being sold in the market for a certain time and/or exceeding certain quantities.

In 2008, the above hybrid instruments were split into the debt and forward components and recorded separately. The debt components were recognized as loans and receivables and the forward components were recognized as derivative liabilities. However, there is no cash settlement and the instruments are mandatorily convertible into shares. Therefore, management believes that it is more appropriate to recognize the entire hybrid instruments at fair value through profit or loss rather than recognizing them separately as loans and receivables and derivative liabilities. Accordingly, the hybrid instruments have been retrospectively designated as at fair value through profit or loss. Comparative figures have been presented accordingly.

As the basis of measurement of the fair values of the entire hybrid instruments is substantially in line with that of the forward components, the impact of the above change on profit or loss or net equity of the Group is insignificant. The reclassification has resulted in an increase in the value of investments at fair value through profit or loss by AED 2,674,375 and a decrease in loans and receivables by AED 6,511,512 and derivative liabilities by AED 3,837,137, as compared to the presentation adopted in the consolidated financial statements as at 31 December 2008.

b) Investments available for sale

i) Quoted shares

During the year the Group invested AED 42,336 thousand *(2008: AED 1,626,165 thousand)* in quoted shares classified as available for sale. There was a net increase of AED 2,629,028 thousand *(2008: net decline of AED 9,514,918 thousand)* in the fair value of quoted securities during the year, of which AED 3,268,606 thousand was recorded as a increase *(2008: AED 7,172,023 thousand decrease)* in the fair value reserve in equity and impairment losses of AED 639,578 thousand *(2008: AED 2,342,895 thousand)* were recorded in profit or loss.

The fair value of quoted shares is arrived at based on the closing bid price of the shares in the capital markets. A significant or prolonged decline in the fair value of investments in equity instruments below their cost is considered an impairment in the carrying amount of the instrument and is accordingly charged to the profit or loss.

Notes to the consolidated financial statements

20 Other investments *(continued)*

b) Investments available for sale (continued)

ii) Unquoted shares

Unquoted equity instruments are carried at cost less impairment since no reliable measure of fair value is available. There was a net increase of AED 7,785 thousand *(2008: AED nil)* in the fair value of unquoted securities during the year.

In addition to the impairment in the carrying values of quoted equity instruments above, the value of the Group's investments in unquoted investments which are carried at cost less impairment was reassessed at the reporting date. The recoverable values of the investments were reassessed based on the current market conditions. Based on the reassessment, impairment losses amounting to AED nil (*2008: AED 1,987,364*) were recognized by the Group.

Included in unquoted shares are shares amounting to AED 562,387 thousand *(2008: AED 553,566 thousand)* that were acquired by the Group from a consortium of investment banks in 2006. These shares were acquired by the consortium from the issuer of the shares ("the Original Vendor"). This transaction includes a call option to buy back the shares from the Group, which can be exercised by the Original Vendor. The call option price is equal to the acquisition price plus interest. Accordingly, these shares are held in trust with a Fiduciary. These shares will be transferred to the Group in the event that the call option is not exercised, or transferred to the Original Vendor in the event that the call option is exercised. The Original Vendor has the right to exercise the call option during the period from and including 1 January 2010 to and including 31 July 2010.

The following table demonstrates the sensitivity of the Group's equity and profit or loss to a 5% decrease in the price of its equity holdings, assuming all other variables in particular foreign currency rates remain constant.

	Effect on profit or loss AED'000	Effect on equity AED'000
31 December 2009		
Effect of change in equity portfolio of the Group	**(371,120)**	**(352,465)**
31 December 2008		
Effect of change in equity portfolio of the Group	(324,799)	(92,949)

The following table demonstrates the sensitivity of the Group's equity and profit or loss to a 5% increase in the price of its equity holdings, assuming all other variables in particular foreign currency rates remain constant.

	Effect on profit or loss AED'000	Effect on equity AED'000
31 December 2009		
Effect of change in equity portfolio of the Group	**371,120**	**352,465**
31 December 2008		
Effect of change in equity portfolio of the Group	198,852	218,896

Notes to the consolidated financial statements

21 Loans

	2009 AED'000	2008 AED'000
Loans to related parties	**750,907**	308,898
Loan to a third party	**530,921**	-
	1,281,828	308,898
Less: current portion	**(191,045)**	(211,222)
Non-current portion	**1,090,783**	97,676

Loans to related parties
The significant loans to related parties include the following:

- Loan to a joint venture, in the amount of AED 304,638 thousand *(2008: AED nil),* which carries interest at LIBOR plus 6% and is maturing in 2017.

- Loan to a joint venture, in the amount of AED 163,200 thousand *(2008: AED 173,000 thousand)*, which carries interest at EIBOR plus 2%.

  For reclassification refer note 20 (a).

22 Other assets

	2009 AED'000	2008 AED'000
Investment in unquoted embedded derivatives[1]	**578,180**	909,192
Deferred tax asset *(note 35)*	**71,268**	-
Defined benefit plan asset	**247,002**	-
Others	**55,691**	58,606
	952,141	967,798

[1] The Group has invested in the above unquoted embedded derivative instruments ("bonds") of a real estate developer. The bonds carry interest at a fixed rate of 4.72% per annum which may either be paid in cash or compounded annually. In addition, they are entitled to a contingent interest equal to the cash distributions made by the ultimate investee company to the extent those distributions do not constitute fixed interest payment. The bonds will mature on 16 December 2037. An option to convert to equity can be exercised on or after 18 December 2022. The equity component of the combined instrument is sufficiently significant and precludes the Group from obtaining a reliable estimate of the fair value of the entire instrument. Therefore, the entire instrument is measured at cost less impairment.

Based on the current market conditions, during the year, the Company reassessed the recoverable value of its investment in the unquoted embedded derivative instruments which are to be settled in unquoted equity instruments. The reassessment was based on revised valuation of the entity provided by the management of that entity. Based on such reassessment, impairment losses of AED 331,012 thousand *(2008: AED 606,127 thousand)* were recognized during the year. The impairment losses primarily result from decline in the values of the properties under construction and the cancellation of certain real estate developments that were expected to take place in the near future at the time of acquisition.

Notes to the consolidated financial statements

23 Inventories

	2009 AED'000	2008 AED'000
Land held for sale *(see note 36(a)(i))*	**2,520,818**	2,052,267
Maintenance spares	**607,025**	217,088
Drilling materials	**283,573**	8,746
Medical supplies	**13,250**	9,364
	3,424,666	2,287,465
Less: provision for obsolescence	**(156,764)**	(83)
	3,267,902	2,287,382

24 Receivables and prepayments

	2009 AED'000	2008 AED'000
Non-current portion		
Service concession receivables[1]	**3,602,740**	1,147,779
Receivable against sale of land	**133,637**	-
Other long term receivables and advances	**565,725**	171,159
	4,302,102	1,318,938
Current portion		
Trade receivables	**1,224,130**	310,197
Service concession receivables[1]	**431,158**	242,047
Advances to contractors	**2,021,135**	2,162,943
Amounts due from related parties *(see note 33)*	**3,349,530**	2,580,340
Prepaid expenses	**624,393**	118,063
Receivable against sale of land	**466,381**	-
Other receivables	**772,464**	399,755
	8,889,191	5,813,345
Less: allowance for impairment	**(213,158)**	(4,136)
	8,676,033	5,809,209

[1]Service concession receivables primarily represent receivables from related parties, on account of services relating to the construction of buildings for certain universities and facility management services *(see note 33)*. Details of the same are set out below:

	2009 AED'000	2008 AED'000
Opening balance	**1,389,826**	422,946
Costs incurred during the year	**2,224,702**	845,511
Attributable profits	**454,514**	92,004
Effective interest on receivables	**181,203**	29,365
Less: availability charges received	**(191,848)**	-
Less: transferred to intangible assets	**(24,499)**	-
	4,033,898	1,389,826

Notes to the consolidated financial statements

24 Receivables and prepayments *(continued)*

	2009 AED'000	2008 AED'000
Non-current portion	**3,602,740**	1,147,779
Current portion	**431,158**	242,047
	4,033,898	1,389,826

Service concession receivables will be recovered over the respective concession periods of the universities *(see note 39)*.

25 Assets and liability classified as held for sale

	2009 AED'000	2008 AED'000
Assets classified as held for sale		
Investment in GMH[1]	**3,593,818**	3,314,470
Equity shares in a UAE PJSC	**9,631**	9,631
	3,603,449	3,324,101
Liability classified as held for sale		
GMH interest bearing loan[2]	**-**	2,443,917

[1] In 2005, the Group acquired a 25% interest in LeasePlan Corporation N.V. ("LeasePlan") by entering into a joint venture agreement with Volkswagen AG and another third party. The Group's interest was acquired through Global Mobility Holding B.V. ("GMH"), a company in which a wholly owned subsidiary, MDC-LP Holding S.à r.l., holds a 25% interest.

The Group had a preferential right to dividends over Volkswagen AG, since it was treated as a preferential investor in the acquisition in accordance with the joint venture agreement. The Group had the right to sell to Volkswagen AG, and Volkswagen AG had the obligation to acquire and pay for, all the shares the Group holds in GMH ("the put option"). The price of the put option, if exercised, would be equal to the initial investment made and the higher of the profits recorded or 6.1% preferred dividend.

During 2008, the Group exercised the put option on its investment in GMH. Accordingly, the Group's interest in GMH is no longer treated as an investment in a joint venture but has been classified as an asset held for sale. As per the terms of the agreement, the consideration has been received in February 2010.

[2] This represents a loan obtained to finance the investment in GMH. This loan was repaid in September 2009.

Notes to the consolidated financial statements

26 Cash and cash equivalents

	2009 AED'000	2008 AED'000
Bank balances:		
- deposit accounts	**10,598,261**	2,981,676
- call and current accounts	**1,179,748**	40,076
Cash in hand	**1,179**	463
	11,779,188	3,022,215
Bank overdrafts used for cash management purposes	**(2,611)**	(2,871)
Cash and cash equivalents for the purpose of the statement of cash flows	**11,776,577**	3,019,344

Deposit and call accounts are placed with commercial banks and are short-term in nature. Deposit and call accounts earn interest at prevailing market rates. The Group's exposure to credit, currency and interest rate risk related to cash and cash equivalents is disclosed in note 37.

27 Payables and accruals

	2009 AED'000	2008 AED'000
Trade payables	**1,728,842**	1,647,525
Accrued expenses	**3,813,550**	942,583
Other payables and retentions	**782,459**	373,699
Income tax payable	**313,268**	410,892
Amounts due to related parties	**557,647**	242,095
Non-interest bearing loan from the Shareholder	**347,132**	-
Provision for staff terminal benefits	**306,065**	54,150
Deferred grants *(note 9)*	**120,559**	-
	7,969,522	3,670,944

The Group's exposure to currency, liquidity and interest rate risk related to payables and accruals is disclosed in note 37.

28 Derivatives

	2009 AED'000	2008 AED'000
Non-current portion		
Derivatives used for hedging[1]	**259,162**	558,736
Derivatives used as economic hedges[2]	**114,120**	183,681
	373,282	742,417
Current portion		
Derivatives used for hedging[1]	**39,332**	20,197
Other derivatives	**60,915**	83,459

Notes to the consolidated financial statements

28 Derivatives *(continued)*

[1] The hedging reserve comprises the effective portion of the cumulative net change in the fair value of the following cash-flow hedging instruments related to hedged transactions that have not yet occurred.

Forex forward contract
The Group has an obligation to make payments in Euro in connection with the procurement of satellites. The Group has entered into a forward exchange contract in order to manage foreign currency fluctuations arising from these expected cash flows.

Interest rate swap
The Group also has obligation to pay interest at variable rates (LIBOR plus margin) in connection with a forecasted borrowing transaction. To hedge variability in interest rate the Group entered into a cash flow hedge by acquiring an interest rate swap.

[2] Derivatives used as economic hedges are used to hedge interest rate exposures. However, they do not qualify for hedge accounting. These instruments are fair valued using external quotes and changes in fair value are recorded in profit or loss.

29 Interest bearing loans

	2009	2008
	AED'000	AED'000
Unsecured bank loans	**2,352,697**	7,780,753
Unsecured corporate bonds	**378,395**	-
Secured bank loan	**187,371**	-
Current portion	**2,918,463**	7,780,753
Secured bank loans	**6,344,677**	797,566
Unsecured bank loans	**11,456,363**	1,620,357
Unsecured corporate bonds	**6,384,920**	-
Non-current portion	**24,185,960**	2,417,923

Terms and conditions of outstanding loans are as follows:

29 Interest bearing loans *(continued)*

Terms and debt repayment schedule

Particulars	Entity name / Project name	Currency	Nominal Interest rate	Year of maturity	2009 Face value AED'000	2009 Carrying amount AED'000	2008 Face value AED'000	2008 Carrying amount AED'000
Current								
Secured bank loan[1]	ADAT	AED	EIBOR + margin	2010	100,101	100,101	-	-
Unsecured bank loan	Beta Investment Company LLC (Pearl)	USD	LIBOR + margin	2010	1,784,216	1,784,216	3,104,107	3,104,107
Unsecured corporate bond	MDC - GMTN B.V. - Corporate Bond 2010	USD	Fixed coupon	2010	378,395	378,395	-	-
Unsecured bank loan	The Specialist Diabetes Treatment and Research Centre LLC	AED	EIBOR + margin	2010	10,498	10,498	3,360	3,360
Unsecured bank loan	Dolphin Investment Company LLC *(refer note 33)*	USD	LIBOR + margin	2010	557,983	557,983	4,673,286	4,673,286
Secured bank loan[2]	Al Hikma Development Company PJSC (UAE University)	USD	LIBOR + margin	2010	86,219	86,219	-	-
Secured bank loan[4]	SR Technics Group	CHF/EUR/ USD	LIBOR + margin	2010	1,051	1,051	-	-
Current total					**2,918,463**	**2,918,463**	**7,780,753**	**7,780,753**
Non-Current								
Secured bank loan[1]	ADAT	AED	EIBOR + margin	2014	111,688	111,688	-	-
Secured bank loan[2]	Al Hikma Development Company PJSC (UAE University)	USD	LIBOR + margin	2022	1,174,613	1,174,613	797,566	797,566
Unsecured bank loan	Al Yah Satellite Communications Company PSC	USD	LIBOR + margin	2022	1,602,267	1,602,267	-	-
Unsecured bank loan	Beta Investment Company LLC	USD	LIBOR + margin	2012	761,826	761,826	-	-
Unsecured corporate bond	MDC - GMTN B.V. - Corporate Bond 2014	USD	Fixed coupon	2014	4,591,875	4,555,623	-	-
Unsecured corporate bond	MDC - GMTN B.V. - Corporate Bond 2019	USD	Fixed coupon	2019	1,836,750	1,829,297	-	-
Unsecured bank loan	Mubadala - Corporate EUR 1bn Term Loan	EUR	EURIBOR + margin	2012	5,199,190	5,199,190	-	-
Unsecured bank loan	Mubadala - Corporate Revolver	EUR	LIBOR + margin	2010	-	-	1,554,192	1,554,192
Unsecured bank loan	The Specialist Diabetes Treatment and Research Centre LLC	AED	EIBOR + margin	2020	57,229	57,229	66,165	66,165
Unsecured bank loan	Dolphin Investment Company LLC *(refer note 33)*	USD	LIBOR + margin	2019	3,835,851	3,835,851	-	-
Secured bank loan[2]	Manhal Development Company PJSC (Sorbonne University)	USD	LIBOR + margin	2029	681,185	681,185	-	-
Secured bank loan[2]	Manhal Development Company PJSC (Sorbonne University)	AED	EIBOR + margin	2029	227,062	227,062	-	-
Secured bank loan[2]	Al Maqsed Development Company (Zayed University)	USD	LIBOR + margin	2019	440,547	440,547	-	-
Secured bank loan[2]	Al Maqsed Development Company (Zayed University)	AED	EIBOR + margin	2019	806,642	806,642	-	-
Secured bank loan[3]	Sigma Investment Company (BVI) (PTC) Limited (GE margin loan)	USD	LIBOR + margin	2012	1,296,348	1,296,348	-	-
Secured bank loan[4]	SR Technics Group	CHF/EUR/ USD	LIBOR + margin	2015	1,606,592	1,606,592	-	-
Non-current total					**24,229,665**	**24,185,960**	**2,417,923**	**2,417,923**
Total					**27,148,128**	**27,104,423**	**10,198,676**	**10,198,676**

Notes to the consolidated financial statements

29 Interest bearing loans *(continued)*

[1] Secured bank loan represents term loans which are secured against lien on bank deposits.

[2] The purpose of these loans is to fund university projects *(refer note 39)*. The loans are secured against the following onshore and offshore securities:

Onshore securities

- Commercial mortgages over their equipment to the extent possible and enforceable under the United Arab Emirates law including all existing and subsequently acquired tangible and intangible assets.
- A UAE law assignment agreement covering:
  i) the Project Documents consisting of Operating Agreement, Project Agreement, Tripartite Agreement, Musataha Agreement, Advance Payment Bond and Performance Bond; and
  ii) Direct Insurance policies consisting of combined Construction/Property All Risk Policy and Terrorism Policy and all insurance proceeds in respect of direct insurances.
- Pledge of shares.
- Powers of attorneys.
- An onshore account pledge of monies and any authorized investments held in the Onshore Project Accounts (as defined in the Onshore Account Pledge).
- A mortgage over the Musataha Agreement.

Offshore Securities

- An English law assignment and charge (the Security Agreement) covering:
  i) a fixed charge over certain bank accounts (the Offshore Project Accounts as defined in the Security Agreement); and
  ii) an assignment of the reinsurances in respect of Material Insurances which consist of all insurances other than motor vehicle and employers' liability risk insurances.

[3] The loan is secured against pledge of GE shares held by the Group.

[4] The loans are secured against pledged assets that mainly comprise bank accounts, trade receivables and fixed assets of SR Technics Holdco 1 GMBH or its subsidiaries ("the SRT Group"). Furthermore, shares of the SRT Group are also pledged against this loan.

30 Other liabilities

	2009	2008
	AED'000	AED'000
Investment held beneficially on behalf of a related party[1]	**697,611**	643,597
Advances from a related party	**748,292**	427,595
Signature bonus payable	**213,886**	-
Non-interest bearing loan from the Shareholder	**142,409**	-
Retentions payable	**72,102**	-
Decommissioning liabilities	**17,146**	10,631
Others	**235,302**	39,619
	2,126,748	1,121,442

[1]This represents 50% of the carrying value of Group's investment in EMTS Holding B.V. which is beneficially held by the Group on behalf of Gulf Trust Investment LLC.

Notes to the consolidated financial statements

31 Share capital

	2009 AED'000	2008 AED'000
Authorized, issued and fully paid up:		
5,514,579 equity shares *(2008: 5,514,579 shares)* of AED 1,000 each	**5,514,579**	5,514,579

32 Statutory reserve

The Articles of Association of the Company require that 10% of the Group's net profit be transferred to a non-distributable statutory reserve until the amount of the statutory reserve equals 50% of the Company's paid up share capital.

33 Significant transactions with related parties

Identity of related parties

The Group has a related party relationship with its shareholder, subsidiaries *(see note 7)*, joint ventures and associates *(see note 19)*, and with its directors, executive officers and parties which are under common control of the above parties.

Transactions with key management personnel

Key management personnel compensation is as follows:

	2009 AED'000	2008 AED'000
Directors' remuneration	**41,211**	-
Short term benefits	**71,491**	42,129
Post employment benefits	**6,417**	3,493
	77,908	45,622

Other related party transactions

In the ordinary course of business the Group provides services to, and receives services from related parties on terms agreed by management.

Significant transactions with related parties *(other than those disclosed in notes 7, 9, 19, 20, 21, 24, 27, 29 and 30)* during the year were as follows:

	2009 AED'000	2008 AED'000
Revenue	**4,513,524**	1,774,045
Interest income	**153,455**	18,713
Income from provision of manpower, project management and consultancy services	**105,921**	180,040
Purchase of goods and services	**600,649**	117,231

33 Significant transactions with related parties *(continued)*

Other related party transactions *(continued)*

	2009 AED'000	2008 AED'000
Interest bearing loan drawn down[1]	**4,682,593**	222,311
Interest bearing loan repaid[1]	**4,791,166**	-
Transfer of right to use land	**-**	53,950

[1]This represents refinancing of the loan from Dolphin Energy Limited, a joint venture. The loan is disclosed as an interest bearing loan. *(see note 29)*

Amounts due from related parties *(see note 24)*

Amounts due from related parties primarily comprise amounts recoverable from the Government of Abu Dhabi for expenses incurred on its behalf and service concession receivables from related parties.

Additional shareholder contributions

	2009 AED'000	2008 AED'000
As at 1 January	**33,353,568**	7,790,759
Cash contributions[1]	**8,751,192**	22,000,000
Application for share capital[2]	**106,304**	-
Convertible bonds in an entity under joint control of the Shareholder[3]	**-**	3,562,809
As at 31 December	**42,211,064**	33,353,568

[1] Cash contributions represent interest free loans from the Shareholder. As per the terms of the agreement for the amounts received in 2007, there are no contractual obligations to repay the loans. As per the terms of the agreements for the amounts received in 2008 and 2009, any repayments are at the discretion of the Board of Directors of the Company, who do not intend to repay any such amounts in the foreseeable future. In addition, the terms of the agreement specify that, on dissolution of the Company, the rights, benefits and obligations in the residual net assets and liabilities, attached to the loan, shall rank pari passu with those attached to the share capital of the Company. Therefore, these loans are more akin to equity instruments rather than liabilities, and accordingly have been presented within equity.

[2] Application for share capital represents the value of net assets of GAMCO *(see note 7)* transferred by the shareholder to the Group, against which shares will be issued by the Company.

[3] In 2008, the Company received from the Shareholder, convertible bonds in an entity under joint control of the Shareholder. The number of convertible bonds received was computed on the basis of the average closing price of the underlying quoted equity shares of the entity, on the three days prior to the date of issue of the bonds *(refer note 20)*.

Notes to the consolidated financial statements

34 Commitments and contingent liabilities

Commitments and contingencies
Commitments and contingencies at the consolidated balance sheet date are as follows:

	2009 **AED'000**	2008 AED'000
Commitments and contingencies	**46,709,387**	21,455,720

In addition to the above, the Group's share in the commitments and contingencies of its joint ventures is as follows:

	2009 **AED'000**	2008 AED'000
Commitments and contingencies	**4,599,481**	12,012,858

Exploration commitments
The obligations of the Group to perform exploration activities are:

	2009 **AED'000**	2008 AED'000
Due in less than one year	**185,229**	94,706
Later than one year but not later than five years	**588,616**	139,736
At 31 December	**773,845**	234,442

A subsidiary of the Group has production bonus commitments that range from AED 80.26 million *(2008: AED 69.24 million)* to AED 426.49 million *(2008: AED 345.68 million)* which may be payable depending upon achievement of certain preset production targets. The management believes that such commitments are not likely to be payable within one year. Due to uncertainty of the future production levels and future reserve discoveries, it is not possible to estimate production bonus that may be payable after one year.

One of the Group's subsidiaries may be requested by certain joint ventures, upon mutually agreeable terms, to enter into a contract or loan agreement for the purpose of processing products derived from Production Sharing Contract ("PSC") petroleum operations. The relevant joint venture may be required to refine 28.57% of their share of crude oil upon the attainment of certain crude oil production level, which ranges from 75,000 to 150,000 barrels per day. Depending on the terms of the respective PSC, the directors believe that achievement of such levels of production is currently considered unlikely.

Under the terms of the sales and purchase agreement between one of the Group's subsidiary and the previous owner of Pearl Oil (Thailand) Limited, that subsidiary is required to pay royalties to the previous owner computed as follows:

(i) 6% of gross revenue from certain production area within concession B5/27; and
(ii) US$2 per barrel of oil produced from certain production area within concession B5/27.
(iii) 4% of gross revenue from production area other than that mentioned in (i) above within concession B5/27.

35 Income tax

	2009 AED'000	2008 AED'000
Current tax	**(269,184)**	(241,647)
Deferred tax		
Deferred tax adjustment on depreciation, depletion and amortization	**110,176**	319,227
Deferred tax effect for impairment (reversals) / losses	**(236,632)**	1,415,851
Other adjustments	**(164)**	(19,248)
Income tax (expenses) / income for the year	**(395,804)**	1,474,183

The United Arab Emirates does not enforce any domestic income tax decrees and, therefore, the domestic tax rate is nil. Income tax for overseas subsidiaries is calculated at tax rates prevailing in the respective jurisdictions, and mainly arise from Pearl Energy Limited and Takeoff Luxco 1 S.a.r.l. in 2009.

The total charge for the year can be reconciled to the accounting profit as follows:

	2009 AED'000	2008 AED'000
Profit / (loss) before tax	**5,044,971**	(13,241,082)
Effect of different tax laws of subsidiaries operating in other jurisdictions	**(395,804)**	1,474,183
Income tax (expenses) / income for the year	**(395,804)**	1,474,183

Deferred income tax assets and liabilities:

	2009 AED'000	2008 AED'000
Deferred tax assets *(note 22)*	**71,268**	-
Deferred tax liabilities	**(1,207,935)**	(382,026)
Net	**(1,136,667)**	(382,026)

35 Income tax *(continued)*

The movements for the year in the net deferred tax position are as follows:

	2009 **AED'000**	2008 AED'000
At 1 January	**(382,026)**	-
Fair value adjustments arising from business combination *(see note 7)*	**(607,912)**	(2,131,438)
Charge to profit or loss	**136,576**	290,129
Deferred tax (credits) / debits for impairment losses / reversals	**(236,632)**	1,415,851
Other adjustments	**(46,673)**	43,432
Net	**(1,136,667)**	(382,026)

The deferred tax liabilities are primarily in respect of the excess of the carrying amount over the tax written down value of property, plant and equipment and intangible assets.

Subject to the agreement of the relevant tax authorities, the Group's tax losses or unrecovered cost pools as at 31 December 2009 amounts to AED 5,619 million *(2008: AED 1,118 million)* and are available for offset against future taxable income.

Of the unrecovered cost pools, AED 518 million relates to certain blocks with exploration success where it is likely that the unrecovered cost pools may be available for offset against future taxable income. Deferred tax asset of up to AED 253 million may be recognized when there is certainty of recoverability.

The Group has entered into various exploration and production sharing agreements. These agreements prescribe that any income tax liability of the Group will be discharged by the governments of the countries in which the agreements are executed. As there will be no cash outflow in relation to taxation, the Group does not recognize any income, expense, tax asset or liability for either current or deferred taxation in relation to these operations.

Notes to the consolidated financial statements

36 Government grants

(a) Non-monetary government grants

(i) Land

The Group has received the following parcels of land by way of Government grants.

Land identification	Granted in year	Approximate area in square feet[8]	**Carrying amount as at 31 Dec 2009**	Carrying amount as at 31 Dec 2008	Currently classified as[7]
			AED'000	AED'000	
Future economic benefits certain					
Madinat Zayed[1]	2008	143,111,825	**-**	-	PPE
Zayed Sports City	2006	13,341,299	**1,946,050**	1,946,050	Inventory
Zayed Sports City – Arzanah Medical Complex	2006	179,486	**-**	-	PPE
Military City	2009	12,242,393	**-**	-	PPE
Jabel Al Dhannah[6]	2009	10,956,700	**-**	-	PPE
Sowwah Island – Abu Dhabi Financial Centre[2]	2006	851,004	**1,063,663**	1,058,452	IP
Sowwah Island – Plots for sale[2]	2006	3,917,112	**573,876**	106,217	Inventory
Sowwah Island[2]	2006	697,864	**53,411**	-	PPE
New Fish Market	2006	484,448	**25,173**	26,674	IP
New Headquarter	2004	102,675	**-**	-	PPE
Parking lot – New Headquarter	2009	70,000	**-**	-	PPE
Mussafah	2007	4,041,526	**40,350**	-	IP
Hai Al Dawoody	2009	1,076	**-**	-	PPE
Hamran	2009	1,076	**-**	-	PPE
Masdar Institute of Science and Technology[5]	2008	1,582,103	**-**	-	PPE
Future economic benefits uncertain / no future economic benefits[3]					
Masdar City Land[5]	2008	58,274,683	**-**	-	N/A
East Al Reem Island – Sorbonne University[4]	2006	1,001,934	**-**	-	N/A
Sowwah Island – Cleveland Clinic[2]	2006	1,007,158	**-**	-	N/A
Sowwah Island (remaining portion)[2]	2006	5,876,701	**-**	-	N/A
Khalifa City - Zayed University[4]	2006	8,207,745	**-**	-	N/A
East Al Reem Island (remaining portion)	2006	2,270,295	**-**	-	N/A
Old Fish Market – New York Institute of Technology[4]	2006	163,877	**-**	-	N/A
Others	2004-09	86,809,424	**-**	-	N/A

[1] The Madinat Zayed land has been identified for the purpose of construction of a sub-electricity station for the Masdar City Project and, accordingly, has been recorded as property, plant and equipment at nominal value.

[2] On the Sowwah Island out of the total unsold land area of 12,349,839 square feet, an area of 1,007,158 square feet has been allocated for the Cleveland Clinic Project, which is a Government of Abu Dhabi project. No future economic benefit from this project is likely to flow to the Group. Furthermore, approximately 851,004 square feet of land has been allocated for construction of the Abu Dhabi Financial Centre which has been recognized as investment property. The Group identified and earmarked certain plots of land for sale at Sowwah Island. Accordingly, these plots of land with a land area of 3,917,112 square feet have been classified asinventory.

36 Government grants *(continued)*

*(a) **Non-monetary government grants** (continued)*

(i) Land (continued)

The Group has identified and earmarked plots of approximately 697,864 square feet for production or supply of goods and services which has been classified as property, plant and equipment. Sowwah Island includes approximately six million square feet of land earmarked for roads and waterfront for common public use.

[3] Management is of the view that the determination of a value for these parcels of land is not possible since reliable estimates of fair value are not available, the future use of these sites is unknown and there is a possibility that they will not be used for commercial purposes and may, possibly, revert to the Government. Accordingly, it is uncertain that future economic benefits will flow to the Group from the ownership of these parcels of land, and therefore, such properties have not been recognized in the books of the Group. Included in this category are plots of land where it is established that, based on their current or intended use, no future economic benefits will flow to the Group.

[4] These parcels of land have been allocated for the purpose of construction of universities and other educational institutions on a build, operate and transfer (BOT) basis. At the end of the BOT term it is the intention of the parties that the ownership of the land along with the buildings will be transferred to the respective universities. Accordingly, no future economic benefits are likely to flow to the Group from its ownership of these plots.

[5] The cost of construction of the Masdar City is likely to be significant and is unknown at this point in time. As the Project is in its early stage, there is neither a lease rental program nor any firm commitment from any tenant, except for the two buildings under construction, which are likely to be rented to Masdar Institute of Science and Technology (“MIST”). As the Project is being developed to be a carbon neutral, zero waste city, the cost of such construction is likely to be much higher than that of other developments in the region and the rental income difficult to reliably estimate.

In addition whilst the Government of Abu Dhabi has publicly announced support for the Project and management is confident of receiving such support in the form of government grants, the extent of such support is still to be confirmed.

Therefore, based on management's best estimates, the possibility that future economic benefits from the development will flow to the Group is uncertain and therefore the land has not been recognized as an asset in the consolidated financial statements, except for the portion of land relating to the MIST buildings, which has been recognized as property, plant and equipment at nominal value in the current year, based on the expectation that the buildings will be used by MIST, a subsidiary, to carry out its operations.

[6] The Jabel Al Dhannah land has been identified for the purpose of construction of a hydrogen power plant and, accordingly, has been recorded as property, plant and equipment, at nominal value.

[7] In the above table, PPE stands for property, plant and equipment and IP stands for investment property.

[8] Land areas reported above are as per registration documents received from Municipality of Abu Dhabi.

Notes to the consolidated financial statements

36 Government grants *(continued)*

(a) Non-monetary government grants *(continued)*

(ii) Helicopter and helicopter spare parts

The Group received helicopters and helicopter spare parts in prior years from the Government as a grant with a condition to use them to meet the Group's objectives.

(iii) Use of land for construction of buildings

The UAE Armed Forces, General Head Quarters, has granted certain subsidiaries the right to use certain plots of land, owned by the UAE Armed Forces, free of charge.

(b) Monetary government grants for investments

During 2006, the Group received an amount of USD 100 million equivalent to AED 367.35 million, from the Government of Abu Dhabi for investment in the Masdar Clean Tech Fund L.P. ("the Fund"), registered in the Cayman Islands. As at 31 December 2009 the Group had an outstanding commitment to invest an additional AED 106.5 million *(2008: AED 127 million)* in the Fund.

37 Financial instruments

(a) Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	**2009 AED'000**	2008 AED'000
Financial assets at fair value through profit or loss	*20*	**4,362,973**	3,510,381
Investments available for sale (unquoted)	*20*	**3,557,195**	3,549,410
Loans and receivables	*21, 24*	**11,201,294**	5,156,039
Investment in unquoted embedded derivatives	*22*	**578,180**	909,192
Other assets	*22*	**36,125**	45,562
Assets classified as held for sale	*25*	**3,593,818**	3,314,470
Cash at bank	*26*	**11,778,009**	3,021,752
		35,107,594	19,506,806

Notes to the consolidated financial statements

37 Financial instruments

(a) *Credit risk* (continued)

Impairment losses
The ageing of trade receivables at the reporting date was:

	2009 AED'000	2008 AED'000
Current	**543,448**	226,471
Past due 30 - 120 days	**304,071**	18,643
Past due 121- 180 days	**261,301**	57,034
Above 180 days	**115,309**	8,049
	1,224,129	310,197

Impairment provision

	2009 AED'000	2008 AED'000
Current	**50,428**	384
Past due 30 – 120 days	**28,469**	630
Past due 121- 180 days	**39,537**	1,285
Above 180 days	**82,347**	1,837
	200,781	4,136

The movement in the allowance for impairment in respect to trade receivables and amounts due from related parties during the year was as follows:

	2009 AED'000	2008 AED'000
Balance at January 1	**4,136**	1,624
Provision during the year	**210,345**	4,025
Written off during the year	**(1,323)**	(1,513)
Balance at December 31	**213,158**	4,136

The allowance account in respect to trade receivables is used to record impairment losses until the Group is satisfied that no recovery of the amount owing is possible; at that point the amount considered irrecoverable is written off against the financial asset directly. The provision during the year includes AED 68,855 thousand (*2008: AED Nil*) in respect of subsidiaries acquired during the year and, on amounts due to related parties amounting to AED 12,377 thousand (*2008: AED Nil*).

As at the reporting date, amounts due from related parties was AED 3,337,153 thousand (*2008: AED 2,580,340 thousand*). These are mainly receivable from the Government of Abu Dhabi and are expected to be recovered within 1 year from the reporting date.

The movement in the allowance for impairment in respect of related parties during the year was AED 12,377 thousand (*2008: AED Nil*)

37 Financial instruments

(b) ***Liquidity risk***

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting arrangements:

		2009					2008				
	Note	Carrying value	Contractual cash flows	1 year or less	1-5 years	More than 5 years	Carrying value	Contractual cash flows	1 year or less	1-5 years	More than 5 years
		AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Non - derivative financial liabilities											
Payables and accruals	*27*	6,638,119	(6,638,119)	(6,638,119)	-	-	3,428,849	(3,428,849)	(3,428,849)	-	-
Interest bearing loans	*29*	27,104,423	(33,962,219)	(4,335,262)	(21,062,590)	(8,564,367)	12,642,593	(13,122,002)	(10,502,946)	(2,144,353)	(474,703)
Amounts due to related parties	*27*	904,779	(904,779)	(904,779)	-	-	242,095	(242,095)	(242,095)	-	-
Other liabilities	*30*	1,378,456	(1,378,456)	-	(663,699)	(714,757)	693,847	(693,847)	-	(39,619)	(654,228)
Bank overdraft	*26*	2,611	(2,611)	(2,611)	-	-	2,871	(2,871)	(2,871)	-	-
Amounts due to jointly controlled entities	*19(b)*	608,278	(608,278)	(608,278)	-	-	452,739	(452,739)	(452,739)	-	-
Derivative financial liabilities											
Derivatives used for hedging	*28*	304,812	(431,084)	(73,620)	(243,990)	(113,474)	578,933	(578,933)	(20,197)	(282,714)	(276,022)
Economic hedges	*28*	99,234	(99,234)	-	-	(99,234)	183,681	(183,681)	-	(15,558)	(168,123)
Other derivatives	*28*	69,483	(69,483)	(69,483)	-	-	83,459	(83,459)	(83,459)	-	-
		37,110,196	(44,094,263)	(12,632,153)	(21,970,279)	(9,491,832)	18,309,067	(18,788,476)	(14,733,156)	(2,482,244)	(1,573,076)

37 Financial instruments *(continued)*

(b) Liquidity risk *(continued)*

The following table indicates the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to occur and impact profit or loss:

	2009					2008				
	Carrying value AED'000	Contractual cash flows AED'000	1 year or less AED'000	1-5 years AED'000	More than 5 years AED'000	Carrying value AED'000	Contractual cash flows AED'000	1 year or less AED'000	1-5 years AED'000	More than 5 years AED'000
Derivative financial liabilities										
Forward exchange contracts used for hedging cash outflows	9,752	(22,578)	(22,578)	-	-	29,848	(31,425)	(10,284)	(21,141)	-
Interest rate swaps used for hedging	295,060	(470,445)	(55,333)	(262,243)	(152,869)	549,085	(634,927)	(10,299)	(282,313)	(342,315)
	304,812	(493,023)	(77,911)	(262,243)	(152,869)	578,933	(666,352)	(20,583)	(303,454)	(342,315)

Notes to the consolidated financial statements

37 Financial instruments *(continued)*

(c) Currency risk

Exposure to currency risk

The Group's exposure to foreign currency risk was as follows, based on notional amounts:

	2009	2008
	Euro'000	Euro'000
Financial assets at fair value through profit or loss	**67,645**	60,855
Trade and other receivables	**10,073**	-
Available for sale financial assets	**109,149**	108,943
Loans	**15,250**	9,750
Assets classified as held for sale	**663,530**	639,780
Trade and other payables	**(12,912)**	-
Interest bearing loans	**(1,003,611)**	(773,265)
Cash and cash equivalents	**215,575**	5,024
Net exposure	**64,699**	51,087

The following significant exchange rate applied during the year:

	2009	2008
	AED	AED
Euro 1 (closing rate)	**5.2632**	5.1806
Euro 1 (average rate)	**5.1238**	5.4057

Sensitivity analysis

A 10% strengthening of the AED against the Euro at 31 December would have increased (decreased) equity and consolidated profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remains constant. The analysis is performed on the same basis for 2008.

	Equity	**Profit or loss**
	AED'000	**AED'000**
31 December 2009		
Euro	**(406,676)**	**372,624**
31 December 2008		
Euro	(56,439)	29,973

A 10 % weakening of the AED against Euro at 31 December would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

37 Financial instruments *(continued)*

(d) Interest rate risk

At reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	2009	2008
	AED'000	AED'000
Fixed rate instruments		
Financial assets	**11,519,018**	2,981,676
Financial liabilities	**(6,763,315)**	(41,275)
	4,755,703	2,940,401
Variable rate instruments		
Financial assets	**2,490,569**	282,011
Financial liabilities	**(20,341,108)**	(12,601,318)
	(17,850,539)	(12,319,307)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis was performed on same basis for 2008.

31 December 2009

In thousands of AED

	Profit/ (loss)		**Equity**	
	100bp increase	**100bp decrease**	**100bp increase**	**100bp decrease**
Variable rate instruments	**(178,505)**	**178,505**	-	-
Cash flow sensitivity net	**(178,505)**	**178,505**	-	-

31 December 2008

	Profit/ (loss)		**Equity**	
	100bp Increase	**100bp decrease**	**100bp Increase**	**100bp decrease**
Variable rate instruments	(123,193)	123,193	-	-
Cash flow sensitivity net	(123,193)	123,193	-	-

Notes to the consolidated financial statements

37 Financial instruments *(continued)*

(e) *Fair value*

Fair value versus carrying amounts

The fair values of the financial assets and liabilities, together with their carrying amounts shown in the statement of financial position, are as follows:

	Note	31 December 2009 Carrying amount AED'000	31 December 2009 Fair value AED'000	31 December 2008 Carrying amount AED'000	31 December 2008 Fair value AED'000
Assets carried at fair value					
Financial assets at fair value through profit or loss	*20*	**11,948,949**	**11,948,949**	6,651,422	6,651,422
Available for sale financial assets					
- Quoted securities	*20*	**7,049,291**	**7,049,291**	4,377,927	4,377,927
- Unquoted securities[1]	*20*	**3,557,195**	**-**	3,549,410	-
Unquoted embedded derivatives[1]	*22*	**578,180**	**-**	909,192	-
		23,133,615	**18,998,240**	15,487,951	11,029,349
Assets carried at amortized cost					
Loans and other receivables	*21,24*	**11,201,293**	**11,201,293**	5,156,039	5,156,039
Other assets	*22*	**36,125**	**36,125**	45,562	45,562
Assets held for sale	*25*	**3,593,818**	**3,593,818**	3,314,470	3,314,470
Cash and cash equivalents	*26*	**11,776,577**	**11,776,577**	3,019,344	3,019,344
		26,607,813	**26,607,813**	11,535,415	11,535,415
Liabilities carried at fair value					
Derivatives					
- Cash flow hedges	*28*	**(298,494)**	**(298,494)**	(578,933)	(578,933)
- Interest rate swaps used as economic hedges	*28*	**(114,120)**	**(114,120)**	(183,681)	(183,681)
- Other derivatives	*28*	**(60,915)**	**(60,915)**	(83,459)	(83,459)
		(473,529)	**(473,529)**	(846,073)	(846,073)
Liabilities carried at amortized cost					
Payables and accruals	*27*	**(7,542,898)**	**(7,542,898)**	(3,616,794)	(3,616,794)
Amounts due to jointly controlled entities	*19(b)*	**(608,278)**	**(608,278)**	(452,739)	(452,739)
Other long term liabilities	*30*	**(1,350,612)**	**(1,350,612)**	(693,847)	(693,847)
Interest bearing loans	*29*	**(27,104,423)**	**(27,148,128)**	(10,198,676)	(10,198,676)
		(36,606,211)	**(36,649,916)**	(14,962,056)	(14,962,056)

Notes to the consolidated financial statements

37 Financial instruments *(continued)*

(e) ***Fair value*** *(continued)*

[1] Unquoted equity instruments and unquoted embedded derivatives are carried at cost less impairment, since no reliable measure of fair value is available.

Fair value hierarchy
The table below analyzes financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices in active markets for assets and liabilities
Level 2: inputs other than quoted prices included within Level 1 are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

31 December 2009

	Level 1 AED'000	**Level 2 AED'000**	**Level 3 AED'000**	**Total AED'000**
Financial assets at fair value through profit or loss	**7,773,829**	**3,435,897**	**739,223**	**11,948,949**
Available for sale financial assets				
Quoted securities	**7,049,291**	**-**	**-**	**7,049,291**
Derivatives				
Cash flow hedges	**-**	**(298,494)**	**-**	**(298,494)**
Interest rate swaps used as economic hedges	**-**	**(114,120)**	**-**	**(114,120)**
Other derivatives	**(54,597)**	**(6,318)**	**-**	**(60,915)**
	14,768,523	**3,016,965**	**739,223**	**18,524,711**

31 December 2008

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Financial assets at fair value through profit or loss	3,384,475	2,674,375	592,572	6,651,422
Available for sale financial assets				
Quoted securities	4,377,927	-	-	4,377,927
Derivatives				
Cash flow hedges	-	(578,933)	-	(578,933)
Interest rate swaps used as economic hedges	-	(183,681)	-	(183,681)
Other derivatives	(61,032)	(22,427)	-	(83,459)
	7,701,370	1,889,334	592,572	10,183,276

38 Accounting estimates and judgments

In the process of applying the Group's accounting policies, which are described in note 3, management has made the following judgments that have the most significant effect on the amounts of assets and liabilities recognized in the consolidated financial statements. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) *Impairment losses and determination of fair values*

The Group reviews its investments in equity accounted investees, other investments and receivables to assess impairment losses at each reporting date *(see note 3(r))*. The Group's credit risk is primarily attributable to its held to maturity investments, unquoted available for sale investments, trade and other receivables and other items disclosed in *note 37(a)*. In determining whether impairment losses should be recorded in profit or loss, the Group makes judgments as to whether there is any observable data including revised business plans of investee companies, indicating that there is a measurable decrease in the estimated future cash flows on a case by case basis. Accordingly, an allowance for impairment is made where there is an identified loss event or a condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

(b) *Determination of fair values*

Refer to *notes 4, 17 and 37* for determination of fair values of investment properties and financial instruments.

(c) *Estimated useful lives of property, plant and equipment*

Management assigns useful lives and residual values to the items of property, plant and equipment based on the intended use of the assets and the expected economic lives of those assets. Subsequent changes in circumstances such as technological advances or prospective utilization of the assets concerned could result in the actual useful lives or residual values differing from the initial estimates. Management has reviewed the residual values and useful lives of the major items of property, plant and equipment and has determined that no adjustment is necessary. Refer to *note 3(k)* for details of the estimated useful lives of property, plant and equipment.

(d) *Quantities of proved crude oil and natural gas reserves*

Depreciation on certain of the Group's property, plant and equipment is estimated on the basis of crude oil and natural gas reserves. There are numerous uncertainties inherent in estimating quantities of proved and probable crude oil reserves. Crude oil reserve engineering is a subjective process of estimating underground volumes of crude oil that cannot be precisely measured, and estimates of other engineers might differ materially from the estimates utilized by the Group. The accuracy of any reserve estimate is a function of the quality of available data and associated engineering and geological interpretations and judgments. Results of drilling, testing, and production subsequent to the date of the estimate may justify the revision of such estimates. Accordingly, reserve estimates are often different from the quantities of crude oil and natural gas that are ultimately recovered. The Group's share of the crude oil and natural gas that may be ultimately recovered from the joint ventures is subject to the production sharing agreements.

38 Accounting estimates and judgments *(continued)*

(f) Decommissioning liabilities

Management periodically assesses the numerous uncertainties inherent in estimating the decommissioning and other environmental liabilities, including judgments relating to cost estimation and the timing of these costs *(see note 30)*.

(g) Determining whether a contract is a service concession

Determining whether an arrangement is a service concession, to which *International Financial Reporting Interpretations Committee ("IFRIC") 12 – Service Concession Arrangements* applies, requires significant judgments by management. As per the terms of the concession agreements, grantors control and regulate the activities of the Universities and the services to be performed by the Group. The grantors control the residual interest in the Universities at the end of concession period.

Furthermore, as per the terms of the arrangement, in addition to a fixed availability charge for construction of the Universities and rendering of facility management services the Group will also receive small rental income from the letting out of commercial spaces in the Universities.
Therefore the Group's consideration is divided into two components - financial assets component based on the guaranteed amount and intangible assets for the remainder.

(h) Revenue recognition for construction contract

Revenue from construction contracts is recognized in the profit or loss when the outcome of a contract can be reliably estimated. The measurement of contract revenue is affected by a variety of uncertainties (including cost estimation and construction margin) that depend on the outcome of future events. These estimates often need to be revised as events occur and uncertainties are resolved. Therefore, the amount of contract revenue recognized may increase or decrease from period to period.

(i) Estimation of costs

As per the service concession arrangement the Group will render repairs and maintenance services to the universities during the concession period. Management has estimated the timing and cost of such cash outflows for such maintenance, which may both change in the future. This may change the project profitability in the future years and the effective interest rate on receivables.

39 Service concession arrangements

The Group has entered into service concession arrangements with grantors to construct certain universities as set out below:

University	Concession period	Commencing in	Grantor
UAE University	25 years	August 2009	UAE University
Sorbonne University	25 years	September 2009	Abu Dhabi Education Council
Zayed University	25 years	July 2011	Abu Dhabi Education Council

The Group will be responsible for maintenance services required during the concession period. The Group does not expect significant repairs to be necessary during the concession period.

The grantors mentioned in the table set out above will provide the Group fixed monthly availability charges as reflected in the agreed finance models and monthly service charges based on actual facility management services rendered till the end of concession period. Additionally, in the UAE University concession, the Group has received the right to charge tenants of franchise areas a rental fee for using those areas, which the Group will collect and retain. At the end of the concession period, the universities become the properties of the grantors and it is the intention of the parties that ownership of the land of those universities will also be transferred to the grantors. Upon such transfers, the Group will have no further involvement in their operation or maintenance requirements.

These service concession agreements do not contain renewal options. The standard rights of the grantors to terminate the agreements include poor performance by the Group or material breach of terms of the agreements. The standard rights of the Group to terminate the agreements include failure of the grantors to make payments under the agreements, material breach of terms of the agreements, and any changes in law which would render it impossible for the Group to fulfill their requirements under the agreements.

40 Comparative figures

Certain comparative figures have been reclassified, where necessary, to conform to the presentation adopted in these consolidated financial statements. In particular, notes 20, 21 and 28 set out details of certain significant reclassifications with consequent impact on certain disclosures in note 37. Also refer to *note 2(e)* for details of changes in accounting policies as adopted during the year.

Schedule I

Property, plant and equipment

	Land & Buildings[2, 3] AED'000	Oil and gas assets AED'000	Plant, & office equipment AED'000	Aircraft & aircraft materials[1] AED'000	Computers AED'000	Others AED'000	Capital work in progress AED'000	Total AED'000
Cost								
At 1 January 2008	38,429	4,178,268	87,298	14,816	49,594	15,906	3,103,651	7,487,962
Additions	16,735	847,464	81,673	5,131	19,639	3,615	4,988,830	5,963,087
Acquisitions through business combinations	-	919,168	10,451	-	-	-	2,278	931,897
Transfers	11,356	3,306,257	-	3,017	-	-	(3,320,630)	-
Disposals	-	-	(1,904)	-	(3,779)	(792)	(85)	(6,560)
At 31 December 2008	**66,520**	**9,251,157**	**177,518**	**22,964**	**65,454**	**18,729**	**4,774,044**	**14,376,386**
At 1 January 2009	66,520	9,251,157	177,518	22,964	65,454	18,729	4,774,044	14,376,386
Additions	96,171	647,417	357,970	382,444	19,478	2,919	6,793,714	8,300,113
Acquisitions through business combinations	164,698	-	224,871	1,492,722	17,270	-	263,542	2,163,103
Transfers	184,788	3,433	514,592	12,554	-	-	(722,299)	(6,932)
Disposals	(5,448)	(47,816)	(26,348)	(182,213)	(6,119)	(1,408)	-	(269,352)
Effect of movement in exchange rates	(1,310)	-	12,273	144,864	1,111	-	(9,367)	147,571
At 31 December 2009	**505,419**	**9,854,191**	**1,260,876**	**1,873,335**	**97,194**	**20,240**	**11,099,634**	**24,710,889**
Accumulated depreciation and impairment losses								
At 1 January 2008	(2,434)	(155,479)	(28,361)	(4,177)	(29,044)	(4,070)	-	(223,565)
Charge for the year	(2,623)	(1,410,772)	(29,086)	(2,239)	(16,633)	(3,920)	-	(1,465,273)
Disposals	-	-	148	-	322	16	-	486
Provision for impairment	-	(15,694)	-	-	-	-	-	(15,694)
At 31 December 2008	**(5,057)**	**(1,581,945)**	**(57,299)**	**(6,416)**	**(45,355)**	**(7,974)**	**-**	**(1,704,046)**
At 1 January 2009	(5,057)	(1,581,945)	(57,299)	(6,416)	(45,355)	(7,974)	-	(1,704,046)
Charge for the year	(18,370)	(1,033,857)	(103,518)	(128,781)	(20,635)	(2,378)	-	(1,307,539)
Disposals	202	5,402	20,831	21,978	5,898	1,334	-	55,645
Provision for impairment	-	(11,777)	-	-	-	-	-	(11,777)
Reversal of impairment provision	-	15,694	-	-	-	-	-	15,694
Effect of movement in exchange rates	(15)	605	(2,291)	(15,457)	(508)	-	-	(17,666)
At 31 December 2009	**(23,240)**	**(2,605,878)**	**(142,277)**	**(128,676)**	**(60,600)**	**(9,018)**	**-**	**(2,969,689)**
Carrying amounts								
At 1 January 2008	35,995	4,022,789	58,937	10,639	20,550	11,836	3,103,651	7,264,397
At 31 December 2008	61,463	7,669,212	120,219	16,548	20,099	10,755	4,774,044	12,672,340
At 31 December 2009	**482,179**	**7,248,313**	**1,118,599**	**1,744,659**	**36,594**	**11,222**	**11,099,634**	**21,741,200**

[1] It includes certain helicopters and helicopter spare parts that were received by a subsidiary in prior years, as a government grant, are recorded above at nominal value *(see note 36(a)(ii))*.

[2] The UAE Armed Forces, General Head Quarters, has granted certain subsidiaries the right to use the land free of charge. Such land does not form part of these consolidated financial statements *(see note 36(a)(iii))*.

[3] Includes land recorded at nominal value, carrying amount of which is insignificant.

Summarized financial information on associates (excluding those that are dormant) not adjusted for the percentage ownership held by the Group:

	Ownership interest	Total assets AED'000	Total liabilities AED'000	Income AED'000	Profit / (loss) AED'000
2009					
Abu Dhabi Ship Building PJSC (ADSB)[1]	**40%**	**2,228,057**	**1,883,201**	**1,169,868**	**114,387**
The John Buck Company LLC	**24.9%**	**75,134**	**16,299**	**82,591**	**14,639**
		2,303,191	**1,899,500**	**1,252,459**	**129,026**
2008					
Abu Dhabi Ship Building PJSC (ADSB)	40%	1,715,140	1,433,822	842,214	103,176
The John Buck Company LLC	24.9%	73,364	24,783	106,094	20,790
		1,788,504	1,458,605	948,308	123,966

The fair value of the Group's investment in ADSB, a quoted investment, amounted to AED 326 million as at 31 December 2009 (*AED 267 million as at 31 December 2008)*.

Notes to the consolidated financial statements

Summary financial information for significant jointly controlled entities, not adjusted for the percentage ownership of the Group:

	Ownership interest	Non current assets	Current assets	Total assets	Non current liabilities	Current liabilities	Total liabilities	Income	Expenses	Profit / (loss)
		AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
2009										
Dolphin Energy Limited	51%	13,658,477	3,698,157	17,356,634	11,167,932	3,558,666	14,726,598	5,795,229	3,787,412	2,007,817
SMN Power Holding Company S.A.O.C.	47.50%	2,773,000	596,110	3,369,110	2,409,114	958,930	3,368,044	671,570	501,976	169,594
Algerian Utilities International Limited	49%	3,149,442	1,001,007	4,150,449	-	2,857,895	2,857,895	461,597	279,539	182,058
Emirates Aluminium Company Limited PSC	50%	15,937,061	2,588,789	18,525,850	17,428,877	2,009,507	19,438,384	2,722	563,926	(561,204)
Azaliya	49%	3,588,360	1,745,035	5,333,395	2,664,837	2,054,053	4,718,890	2,432,719	2,441,146	(8,427)
EMTS Holding B.V.	30%	2,780,137	827,273	3,607,410	1,176,646	2,626,691	3,803,337	554,566	1,195,246	(640,680)
Guinea Alumina Corporation Limited	8.33%	2,073,573	12,890	2,086,463	1,113	1,676,438	1,677,551	1,635	180,971	(179,336)
Dunia Finance LLC	31%	50,011	399,107	449,118	-	97,207	97,207	47,643	163,343	(115,700)

Summary financial information for significant jointly controlled entities, not adjusted for the percentage ownership of the Group:

	Ownership interest	Non current assets	Current assets	Total assets	Non current liabilities	Current liabilities	Total liabilities	Income	Expenses	Profit / (loss)
		AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
2008										
Dolphin Energy Limited	51%	5,107,623	10,734,103	15,841,726	60,198	13,939,077	13,999,275	5,323,982	3,492,180	1,831,802
SMN Power Holding Company S.A.O.C.	47.5%	2,436,280	158,251	2,594,531	2,792,676	166,748	2,959,424	297,256	297,546	(290)
Algerian Utilities International Limited	49%	2,728,774	144,567	2,873,341	2,132,702	47,934	2,180,636	-	140,053	(140,053)
Emirates Aluminium Company Limited PSC	50%	7,045,013	383,679	7,428,692	6,496,383	1,331,662	7,828,045	-	187,084	(187,084)
EMTS Holding BV	30%	1,507,601	467,772	1,975,373	1,114,070	464,430	1,578,500	38,901	491,928	(453,027)
Guinea Alumina Corporation Limited	8.33%	1,937,368	67,481	2,004,849	1,444	1,515,601	1,517,045	2,592	7,591	(4,999)
Dunia Finance LLC	31%	56,747	288,994	345,741	-	171,280	171,280	6,212	120,473	(114,261)

Summary of oil and gas reserves *(unaudited)*

There are numerous uncertainties inherent in estimating quantities of proved crude oil and natural gas reserves. Crude oil and natural gas reserve engineering is a subjective process of estimating underground volumes of crude oil that cannot be precisely measured, and estimates of other engineers might differ materially from the estimates set forth herein. The accuracy of any reserve estimate is a function of the quality of available data and the engineering and geological interpretation and judgment. Results of drilling, testing, and production subsequent to the date of the estimate may justify the revision of such estimates. Accordingly, reserves estimates are often different from the quantities of crude oil and natural gas that are ultimately recovered.

The Group's share of crude oil and natural gas that may be ultimately recovered from joint ventures is subject to the production sharing agreements.

Proved gas reserves (unaudited)

The following reserve schedule was developed by the Group's reserve engineers and sets out the changes in the estimated quantities of proved gas reserves of the Group:

	Natural gas (Billion SCF)	
	2009	2008
Proved reserves as of:		
1 January	**2,318**	2,176
Revision of previous estimates / additions during the year	**291**	308
Production during the year	**(162)**	(166)
31 December	**2,447**	2,318
Proved developed reserves as of:		
31 December	**2,447**	2,318

Proved condensate reserves (unaudited)

The following reserve schedule was developed by the Group's reserve engineers and sets out the changes in the estimated quantities of proved condensate reserves of the Group:

	Condensate (Million STB)	
	2009	2008
Proved reserves as of:		
1 January	**102**	99
Revision of previous estimates / additions during the year	**5**	11
Production during the year	**(8)**	(8)
31 December	**99**	102

Summary of oil and gas reserves *(unaudited) (continued)*

Proved condensate reserves (unaudited) *(continued)*

Proved developed reserves as of:

	Condensate (Million STB)	
	2009	2008
31 December	**99**	102

Proved crude oil reserves (unaudited)
The following reserve schedule was developed by the Group's reserve engineers and sets out the changes in the estimated quantities of proved crude oil reserves of the Group:

	Crude oil (Million STB)	
	2009	2008
Proved reserves as of:		
1 January	**27.0**	4.9
Revision of previous estimates / additions during the year	**12.1**	28.2
Production during the year	**(9.6)**	(6.1)
31 December	**29.5**	27.0
Proved developed reserves as of:		
31 December	**17.7**	13.9

Proved reserves - Proved reserves are estimated quantities of crude oil, natural gas, natural gas liquids and condensate liquids, which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions.

Proved developed reserves - Proved developed reserves are proved reserves that are expected to be recovered through existing wells with existing equipment and operating methods.

The information set out above does not form part of the audited consolidated financial statements and is included solely for the information of management.