Mubadala Development Company PJSC

Consolidated financial statements
31 December 2016

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 Directors is pleased to present the audited consolidated financial statements for the year ended 31 December 2016.

During the year, Mubadala delivered on its mandate to drive economic diversification and develop critical social infrastructure for the nation, in accordance with priorities set by the Government of Abu Dhabi.

Financial Highlights

Revenues year on year were AED 31.5 billion compared to AED 29.7 billion in 2015, primarily due to higher semiconductor, aerospace and healthcare units related revenue. The largest revenue contributor at approximately 68.2% of Group's revenue was our technology and industry platform, followed by energy at 13.5% and aerospace and engineering services accounting for 11.2%.

Profit for the year attributable to the owner of the Group was AED 3.3 billion in 2016 compared to AED 1.2 billion in 2015, primarily due to higher income from financial investments.

Total comprehensive income attributable to the owner of the Group was AED 4.1 billion compared to a loss of AED 1.3 billion in 2015.

Total assets were AED 248.3 billion in 2016, compared to AED 246.4 billion in 2015.

Total liabilities were AED 63.3 billion in 2016, compared to AED 72.4 billion in 2015.

Since formation in 2002, Mubadala has performed a central role in delivering Abu Dhabi's long-term vision for the nation. Its long-term investments have built and globally connected entirely new industries and delivered critical education and healthcare infrastructure for the nation, enabling new career pathways for our citizens and establishing the UAE as a global competitor across diverse non-oil industries.

For and on behalf of the Board of Directors,

Director	*Group Chief Executive Officer & Managing Director Khaldoon Khalifa Al Mubarak*	*Group Chief Financial Officer Carlos Obeid*

Date: 23 March 2017

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF

MUBADALA DEVELOPMENT COMPANY PJSC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Mubadala Development Company PJSC ("Mubadala" or "the Company") and its subsidiaries (together the "Group"), comprising of the consolidated statement of financial position as at 31 December 2016 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF

MUBADALA DEVELOPMENT COMPANY PJSC continued

Report on the Audit of the Consolidated Financial Statements continued

Classification of investments

Given that the Company's principal activity is in investing and managing investments through different holdings in investees, management is required to determine the basis of accounting of its investments. In particular, the Company is required to assess whether it controls, jointly controls or has significant influence on certain investees considering various factors. This area was important to our audit due to the significance of the judgement in classification of investments to the consolidated financial statements as a whole as well as the significant judgement involved in determining control (including de-facto control), joint control and significant influence.

Refer notes 5, 16 and 36 to the consolidated financial statements for further information on classification of investments.

How our audit addressed the area of focus

Our audit procedures included, among others:

- Understanding and assessment of management's process and controls over classification of investments on initial recognition and subsequent reassessments;
- Reviewing of a sample of major contractual arrangements (including shareholder agreements, among others) of major investments held by the Company, focusing on the rights attributed to the Company in investees not wholly owned by the Company; and
- Evaluating the evidence provided by management in their assessment of de-facto control or lack of de-facto control of their major investments in listed companies.

Impairment assessment of a cash generating unit

The Group owns and operates a semiconductor facility in Malta, New York. This facility represents a cash generating unit (CGU). This CGU has incurred operating losses in past years and expects to incur losses during next few years as the semiconductor facility has not yet been fully built to its planned capacity. As a result management performed an impairment test with respect to this CGU. Based on the outcome of this impairment test, management concluded that carrying amount of the CGU is recoverable and value in use exceeds the carrying value at the reporting date. Therefore, this CGU is not impaired.

This area was important to our audit due to the magnitude of asset's carrying value as compared to the total value of property, plant and equipment as at 31 December 2016, as well as the judgements and estimates involved in the assessment of the recoverable amount of the CGU, which has been determined using the value in use approach. In assessing value in use, the estimated future pre-tax cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The Company bases its calculation on detailed forecast calculations. The assumptions include expectations for sales and margin developments, future expected capital expenditures, discount rates, and overall market and economic conditions. Refer to note 13 for further information on impairment assessment of this CGU.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF

MUBADALA DEVELOPMENT COMPANY PJSC continued

Report on the Audit of the Consolidated Financial Statements continued

How our audit addressed the area of focus
We obtained an understanding and walked through the Group's controls over the impairment assessment process to assess the operating effectiveness of the key controls in place which identify any impairment against property, plant and equipment and the required provisions against them.

We evaluated management's judgement in classification of this asset as a single cash generating unit for the purpose of the impairment assessment. We involved our internal valuation specialist to assist us in evaluating the underlying data and assumptions used by management in determining the expected future cash flows, relevant discount rates, market data provisions and other inputs.

We also performed audit procedures to verify the mathematical integrity of the impairment model and performed sensitivity analysis.

Impairment assessment of oil and gas assets
The Group has interests in oil and gas assets mainly in South East Asia and Middle East. Management performed its annual impairment test with respect to the oil and gas assets (classified as property, plant and equipment and intangible assets) with a carrying value of AED 6,187,558 thousand as at 31 December 2016. This area was important to our audit due to significant estimates involved in the assessment of the recoverability of the oil and gas assets. This assessment requires the management to make assumptions to be used in the underlying cash flow forecasts. The assumptions include forecast of global oil prices, discount rates, estimation of oil and gas reserves and overall market and economic conditions Refer notes 13, 14 and 36 of the consolidated financial statements for details on impairment assessment of oil and gas assets.

How our audit addressed the area of focus
We verified the key inputs in assessing and corroborating the assumptions used in impairment testing, the most significant being forecast of future market oil prices, oil and gas reserves and discount rates. We involved internal valuation specialists, to evaluate the appropriateness of discount rates used by the management. We assessed independence, objectivity and competence of the experts used by the management for oil and gas reserves estimation. Further, we compared the forecast of future market oil prices and oil and gas reserves, estimated by management's experts, with external data. We also performed audit procedures on the mathematical integrity of the impairment models and sensitivity analysis and procedures to assess the completeness of the impairment charge and reversals.

Valuation of investment properties
The Group's investment properties consist mainly of residential and office properties, which are measured and recognised at fair value in the consolidated financial statements.

The valuation of the investment properties was significant to our audit due to significant estimates involved in the assessment of the fair value of the investment properties. Significant estimates made by management include expected lease growth rates, occupancy rates, discount rates, exit capitalisation rates, operating and maintenance costs in light of overall market and economic conditions. Refer to note 15 for further information on investment properties.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF

MUBADALA DEVELOPMENT COMPANY PJSC continued

Report on the Audit of the Consolidated Financial Statements continued

How our audit addressed the area of focus
Our audit procedures included, among others, using internal real estate valuation specialists to assist us in evaluating the appropriateness of the fair values including an evaluation of the significant estimates made by management (as described above) and the valuation methodologies used by the Group. Our work focused on the largest two properties covering 69% of the total value of investment properties as of 31 December 2016, located in Abu Dhabi.

In respect of the significant assumptions, we compared the investment yields used by management to an estimated range of expected yields, rental value and occupancy rates determined via reference to published benchmarks of comparable assets and internal EY databases based on past transactions and projects.

We also assessed the disclosures relating to the assumptions as we consider them likely to be important to users of the financial statements given the estimation uncertainty and sensitivity of the valuations.

Net realisable value of land held for sale
The Group's inventories include land held for sale in Abu Dhabi. Management performed their annual assessment of the net realisable value with respect to the land as at 31 December 2016. Based on the outcome of this assessment, the company has concluded that the net realisable value of the land is higher than the cost and accordingly not recognised a write down of the land. This area was important to our audit due to the estimates involved in the assessment of the net realisable value of the land. This assessment requires management to make assumptions to be used in the underlying cash flow forecasts. The assumptions mainly include construction costs, estimated residential, educational and commercial land selling prices, profit on gross development value, selling costs, debt to equity ratio and interest rate. In its assessment of the net realisable value of the land, management has used the expertise of an external valuer. Refer to note 36 for further information on net realisable value of land held for sale.

How our audit addressed the area of focus
We have considered the objectivity, independence and expertise of the external valuer. We furthermore assessed the data used as input for the valuation model and involved our real estate valuation specialists to assist us in analysing the valuation and evaluating the underlying assumptions. We held discussions with management on the key assumptions used by the external valuer. We read the valuation report to assess, among other matters, that the valuation approach was in accordance with the established standards and suitable for use in determining the selling price of the land. Our internal real estate valuation specialists reviewed each of the residual land value assumptions and the overall land valuation as a rate per square meter of land area and gross floor area.

We further reviewed the master plan of the project highlighting the planned infrastructure development for the purpose of selling parcels of land as serviced plots and obtained representation from the management on the judgement applied in classification of the land as land held for sale.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF

MUBADALA DEVELOPMENT COMPANY PJSC continued

Report on the Audit of the Consolidated Financial Statements continued

Valuation of financial assets measured at fair value
The Group's financial assets measured at fair value include quoted and unquoted equity securities, investment funds, convertible bonds and derivatives. Of those financial assets at 31 December 2016, 37% are classified as Level 3 in the fair value hierarchy, which means that the valuations were based on unobservable inputs. Level 3 financial assets mainly includes investment in unquoted equity securities, investment funds, convertible bonds and debt securities. Due to the absence of observable inputs, the valuation of these financial assets are based on internal models and not on quoted prices in active markets. There are therefore significant estimates applied by management to the measurement involved in these valuations. As a result, the valuation of these instruments was significant to our audit. The Company's disclosures about the fair values of financial assets are included in note 35 (d).

How our audit addressed the area of focus
Our audit procedures comprised, among others, assessing the methodology and the valuation models and inputs used to value those financial assets. Further, we have used our internal valuation specialists to assist us in assessing the valuation of all significant Level 3 financial assets, as well as assessing the valuations performed by management. As part of these audit procedures we assessed the accuracy of key inputs used in the valuation such as the expected cash flows, risk free rates and credit spreads by benchmarking them with external data.

Impairment assessment of long term loans receivable
Loans receivable balances at 31 December 2016 include a loan given to a joint venture in the amount of AED 3,011,211 thousand and a loan to a third party associated with that joint venture in the amount of AED 851,171 thousand. We focused on the recoverability of the loans receivable given that these loans are only repayable subject to certain conditions being met specifically seniority of other debts for the purpose of repayment, and the overall economic conditions and devaluation of local currency of foreign country may negatively affect those conditions of repayments.

Refer to note 18 for further details on provision against loans and note 35 (a) for credit risk disclosures.

How our audit addressed the area of focus
We evaluated management's assessment as to the recoverability of the loans receivables and adequacy of provision. We analysed conditions of repayment, gained an understanding of the local environment in the foreign country and evaluated the impact of devaluation of foreign currency on operations of the joint venture and ability of borrowers to repay the loan.

We also assessed whether the financial statement disclosures appropriately reflect the Group's exposure to credit risk and whether provisions made against those balances have been appropriately disclosed.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF

MUBADALA DEVELOPMENT COMPANY PJSC continued

Report on the Audit of the Consolidated Financial Statements continued

Recoverability of deferred tax assets
As disclosed in note 33 to the consolidated financial statements, the Group had deferred tax assets of AED 2,327,315 thousand at 31 December 2016 from overseas jurisdictions. This was significant to our audit because the recoverability assessment is based on management conclusion that it is probable that there will be sufficient future taxable profits against which to offset these deferred tax assets primarily comprised of unutilized losses or credits.

This area was important to our audit due to the judgments and estimates involved in evaluating extent of positive factors such as reversing deferred tax liabilities and expectations of future taxable income and negative factors such as operating losses in current or prior periods. The Company bases its estimate of future taxable income based on detailed forecast calculations. The assumptions include expectations for sales and margin developments, future expected capital expenditures, overall market and economic conditions.

How our audit addressed the area of focus
We obtained an understanding and walked through the Group's process to assess recoverability of the deferred tax assets. We evaluated underlying data and assumptions used by management in determining the expected future revenue, revenue growth rates, expenses and taxable income. Our tax specialists have assisted us in verifying tax computations, including computations of deferred tax assets, and verifying prevailing tax rates.

Other information included in the Board of Directors' Report
Other information consists of the information included in Board of Directors' Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF

MUBADALA DEVELOPMENT COMPANY PJSC continued

Responsibilities of the management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs and in compliance with the applicable provisions of the Company's Articles of Association and the UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF

MUBADALA DEVELOPMENT COMPANY PJSC continued

Auditor's responsibilities for the audit of the consolidated financial statements continued

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF

MUBADALA DEVELOPMENT COMPANY PJSC continued

Other matter
The consolidated financial statements of the Group for the year ended 31 December 2015 were audited by another auditor, who expressed an unmodified opinion on those consolidated financial statements on 21 March 2016.

Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that:

i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;

ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the Articles of Association of the Company and the UAE Federal Law No. (2) of 2015;

iii) the Group has maintained proper books of account;

iv) the consolidated financial information included in the Board of Directors' report is consistent with the books of account and records of the Group;

v) investments in shares and stocks are included in note 5, 16 and 17 to the consolidated financial statements and include purchases and investments made by the Group during the year ended 31 December 2016;

vi) note 31 reflects the disclosures relating to related party transactions and the terms under which they were conducted; and

vii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has contravened, during the financial year ended 31 December 2016, any of the applicable provisions of its Articles of Association or of the UAE Federal Law No. (2) of 2015 which would materially affect its activities or its consolidated financial position as at 31 December 2016.

Signed by
Anthony O'Sullivan
Partner
Ernst & Young
Registration No. 687

23 March 2017
Abu Dhabi

Consolidated statement of comprehensive income
for the year ended 31 December

	Notes	**2016 AED'000**	2015 AED'000
Continuing operations			
Revenue from sale of goods and services	*6*	**31,471,001**	29,707,401
Cost of sales of goods and services	*7*	**(31,832,653)**	(29,138,814)
Gross (loss) / profit		**(361,652)**	568,587
Income from investments in equity accounted investees *(net)*	*16*	**3,541,321**	4,982,771
Government grant income		**734,346**	717,715
Dividend income	*11*	**781,688**	1,240,672
Bargain purchase gain on acquisition		**-**	1,909,353
Fair value gain on derecognition of an equity accounted investee	*16(a)*	**3,904,479**	-
Other income *(net)*	*8*	**3,306,658**	1,574,631
Research and development expenses	*9*	**(3,181,092)**	(3,056,243)
Exploration costs		**(123,828)**	(273,226)
Other general and administrative expenses	*10*	**(5,972,797)**	(5,671,934)
Profit before unrealised fair value changes, impairments, net finance expense and taxes		**2,629,123**	1,992,326
Income from financial investments *(net)*	*11*	**5,380,393**	3,410,018
(Decrease) / increase in fair value of investment properties *(net)*	*15*	**(82,908)**	39,051
Impairment of property, plant and equipment *(net)*	*13*	**(21,572)**	(268,800)
Impairment of loans and receivables *(net)*	*18*	**(3,314,420)**	(2,714,184)
Impairment of intangible assets		**(6,042)**	(145,367)
Impairment of equity accounted investees		**(152,973)**	(163,750)
Profit before net finance expense and taxes		**4,431,601**	2,149,294
Finance income	*12*	**738,853**	817,411
Finance expense	*12*	**(2,095,669)**	(1,909,408)
Net finance expense	*12*	**(1,356,816)**	(1,091,997)
Profit before income tax from continuing operations		**3,074,785**	1,057,297
Income tax benefit	*33*	**332,261**	1,001,095
Profit for the year from continuing operations		**3,407,046**	2,058,392
Discontinued operations			
Loss for the year from discontinued operations	*5(a)(i)*	**(61,598)**	(647,316)
Profit for the year		**3,345,448**	1,411,076

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

	Notes	**2016 AED'000**	2015 AED'000
Other comprehensive income / (loss) net of income tax from continuing operations			
Items that may be reclassified to profit or loss in subsequent periods			
Decrease in fair value of available for sale financial assets *(net)*		**(42,900)**	(1,825,079)
Cumulative loss / (gain) on available for sale financial assets reclassified from equity to profit or loss *(net)*	*8,11*	**365,335**	(329,823)
Effective portion of changes in fair values of cash flow hedges and other reserves *(net of taxes)*		**96,297**	218,333
Net change in foreign currency translation reserve		**31,977**	(110,217)
Share of effective portion of changes in fair values of hedging instruments and other reserves of equity accounted investees	*16(a,b)*	**(91,258)**	12,935
Share of movements in translation reserve of equity accounted investees	*16(b)*	**(202,730)**	(364,200)
		156,721	(2,398,051)
Other comprehensive income / (loss) net of income tax from discontinued operations		**557,309**	(213,059)
Other comprehensive income / (loss) for the year net of income tax		**714,030**	(2,611,110)
Total comprehensive income / (loss) for the year		**4,059,478**	(1,200,034)
Profit for the year		**3,345,448**	1,411,076
Profit attributable to non-controlling interests		**(25,770)**	(247,773)
Profit for the year attributable to the Owner of the Group		**3,319,678**	1,163,303
Total comprehensive income / (loss) for the year		**4,059,478**	(1,200,034)
Total comprehensive loss / (income) attributable to non-controlling interests		**40,391**	(120,196)
Total comprehensive income / (loss) for the year attributable to the Owner of the Group		**4,099,869**	(1,320,230)

The notes set out on pages 19 to 126 form an integral part of these consolidated financial statements.

The independent auditor's report is set out on pages 2 to 10.

Consolidated statement of financial position
as at 31 December

	Notes	2016 AED'000	2015 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	*13*	**78,448,222**	86,827,625
Intangible assets	*14*	**7,705,863**	8,329,041
Investment properties	*15*	**7,928,937**	7,335,581
Investments in equity accounted investees			
- associates	*16(a)*	**10,639,453**	10,358,834
- jointly controlled entities	*16(b)*	**25,638,806**	25,333,681
Financial investments	*17*	**43,255,564**	26,084,763
Loans receivable	*18*	**8,707,870**	12,463,707
Receivables and prepayments	*20*	**12,146,480**	9,331,822
Finance lease receivables	*21*	**4,963,572**	4,754,474
Deferred tax assets	*33*	**2,327,315**	2,011,162
Total non-current assets		**201,762,082**	192,830,690
Current assets			
Inventories	*19*	**7,801,595**	7,965,617
Financial investments	*17*	**1,719,458**	2,520,808
Loans receivable	*18*	**899,013**	1,343,899
Receivables and prepayments	*20*	**23,822,203**	27,855,316
Finance lease receivables	*21*	**334,468**	333,770
Cash and cash equivalents	*22*	**11,971,020**	13,402,998
		46,547,757	53,422,408
Assets classified as held for sale		**-**	111,150
Total current assets		**46,547,757**	53,533,558
Total assets		**248,309,839**	246,364,248

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

	Notes	2016 AED'000	2015 AED'000
Equity			
Share capital	*29*	**28,600,000**	28,600,000
Application for share capital	*31(f)*	**26,522,670**	18,367,500
Additional shareholder contributions	*31(e)*	**123,155,278**	123,155,278
Reserves and surplus	*30*	**4,651,697**	1,540,461
Government grants	*34(b)(i)*	**367,350**	367,350
Total equity attributable to the Owner of the Group		**183,296,995**	172,030,589
Non-controlling interests		**1,697,930**	1,939,089
Total equity		**184,994,925**	173,969,678
Non-current liabilities			
Interest bearing borrowings	*26*	**30,026,680**	30,132,732
Government grants	*34(b)(ii)*	**663,417**	929,483
Obligation under finance lease	*28*	**1,121,733**	1,076,005
Deferred tax liabilities	*33*	**551,990**	981,612
Financial liabilities at fair value	*25*	**903,445**	1,068,808
Other liabilities	*27*	**8,931,541**	9,179,565
Total non-current liabilities		**42,198,806**	43,368,205
Current liabilities			
Interest bearing borrowings	*26*	**4,063,170**	10,330,846
Government grants	*34(b)(ii)*	**325,977**	316,187
Obligation under finance lease	*28*	**130,633**	130,799
Payables and accruals	*24*	**15,750,669**	16,574,235
Amounts due to a jointly controlled entity	*16(b)*	**-**	1,025,471
Income tax payable	*33*	**310,849**	171,880
Financial liabilities at fair value	*25*	**534,810**	460,869
		21,116,108	29,010,287
Liabilities classified as held for sale		**-**	16,078
Total current liabilities		**21,116,108**	29,026,365
Total liabilities		**63,314,914**	72,394,570
Total equity and liabilities		**248,309,839**	246,364,248

These consolidated financial statements were authorised for issue by the Board of Directors on 23 March 2017 and were signed on their behalf by:

Director	*Group Chief Executive Officer & Managing Director Khaldoon Khalifa Al Mubarak*	*Group Chief Financial Officer Carlos Obeid*

The notes set out on pages 19 to 126 form an integral part of these consolidated financial statements.

The independent auditor's report is set out on pages 2 to 10.

Consolidated statement of changes in equity

for the year ended 31 December

	Share capital AED'000	Application for share capital AED'000 *(note 31(f))*	Statutory reserve[1] AED'000 *(note 30)*	Fair value reserve[1] AED'000 *(note 30)*	Foreign currency translation reserve[1] AED'000 *(note 30)*	Pension reserve AED'000 *(note 30)*	Hedging and other reserves[1] AED'000 *(note 30)*	Accumulated losses AED'000	Reserves and surplus AED'000	Additional shareholder contributions AED'000 *(note 31(e))*	Government grants AED'000 *(note 34(b)(i))*	Total equity attributable to the Owner of the Group AED'000	Non-controlling interests AED'000	Total AED'000
At 1 January 2015	**28,600,000**	**-**	1,108,639	5,996,600	442,888	(606,576)	(933,163)	(3,043,060)	**2,965,328**	141,522,778	367,350	**173,455,456**	2,212,019	**175,667,475**
Profit for the year	-	-	-	-	-	-	-	1,163,303	**1,163,303**	-	-	**1,163,303**	247,773	**1,411,076**
Decrease in fair value of available for sale financial assets *(net)*	-	-	-	(1,825,079)	-	-	-	-	**(1,825,079)**	-	-	**(1,825,079)**	-	**(1,825,079)**
Cumulative gain reclassified from equity to profit or loss on available for sale financial assets *(net)*	-	-	-	(329,823)	-	-	-	-	**(329,823)**	-	-	**(329,823)**	-	**(329,823)**
Net change in foreign currency translation reserve	-	-	-	-	17,249	-	-	-	**17,249**	-	-	**17,249**	(127,466)	**(110,217)**
Share of movements in translation reserve of equity accounted investees	-	-	-	-	(364,200)	-	-	-	**(364,200)**	-	-	**(364,200)**	-	**(364,200)**
Share of effective portion of changes in fair values of hedging instruments and other reserves of equity accounted investees	-	-	-	-	-	-	12,935	-	**12,935**	-	-	**12,935**	-	**12,935**
Effective portion of changes in fair values of cash flow hedges and other reserves *(net of taxes)*	-	-	-	-	-	-	218,444	-	**218,444**	-	-	**218,444**	(111)	**218,333**
Other comprehensive (loss) / income from discontinued operations	-	-	-	-	47,546	(260,172)	(433)	-	**(213,059)**	-	-	**(213,059)**	-	**(213,059)**
Other comprehensive (loss) / income	**-**	**-**	**-**	**(2,154,902)**	**(299,405)**	**(260,172)**	**230,946**	**-**	**(2,483,533)**	**-**	**-**	**(2,483,533)**	**(127,577)**	**(2,611,110)**
Total comprehensive (loss) / income	**-**	**-**	**-**	**(2,154,902)**	**(299,405)**	**(260,172)**	**230,946**	**1,163,303**	**(1,320,230)**	**-**	**-**	**(1,320,230)**	**120,196**	**(1,200,034)**
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	(31,946)	**(31,946)**
Application for share capital	-	**18,367,500**	-	-	-	-	-	-	-	(18,367,500)	-	-	-	-
Transfer to statutory reserve	-	-	141,108	-	-	-	-	(141,108)	-	-	-	-	-	-
Acquisition of non-controlling interest	-	-	-	-	-	-	-	(172,129)	**(172,129)**	-	-	**(172,129)**	(281,487)	**(453,616)**
Other movements	-	-	-	-	-	-	-	67,492	**67,492**	-	-	**67,492**	(79,693)	**(12,201)**
At 31 December 2015	**28,600,000**	**18,367,500**	**1,249,747**	**3,841,698**	**143,483**	**(866,748)**	**(702,217)**	**(2,125,502)**	**1,540,461**	**123,155,278**	**367,350**	**172,030,589**	**1,939,089**	**173,969,678**

[1] Non distributable reserves

Consolidated statement of changes in equity *(continued)*

for the year ended 31 December

	Share capital AED'000	Application for share capital AED'000 *(note 31(f))*	Statutory reserve[1] AED'000 *(note 30)*	Fair value reserve[1] AED'000 *(note 30)*	Foreign currency translation reserve[1] AED'000 *(note 30)*	Pension reserve AED'000 *(note 30)*	Hedging and other reserves[1] AED'000 *(note 30)*	Accumulated losses AED'000	Reserves and surplus AED'000	Additional shareholder contributions AED'000 *(note 31(e))*	Government grants AED'000 *(note 34(b)(i))*	Total equity attributable to the Owner of the Group AED'000	Non-controlling interests AED'000	Total AED'000
At 1 January 2016	**28,600,000**	**18,367,500**	1,249,747	3,841,698	143,483	(866,748)	(702,217)	(2,125,502)	**1,540,461**	123,155,278	367,350	**172,030,589**	1,939,089	**173,969,678**
Profit for the year	-	-	-	-	-	-	-	3,319,678	**3,319,678**	-	-	**3,319,678**	25,770	**3,345,448**
Decrease in fair value of available for sale financial assets *(net)*	-	-	-	(42,900)	-	-	-	-	**(42,900)**	-	-	**(42,900)**	-	**(42,900)**
Cumulative loss reclassified from equity to profit or loss on available for sale financial assets *(net)*	-	-	-	365,335	-	-	-	-	**365,335**	-	-	**365,335**	-	**365,335**
Net change in foreign currency translation reserve	-	-	-	-	98,138	-	-	-	**98,138**	-	-	**98,138**	(66,161)	**31,977**
Share of movements in translation reserve of equity accounted investees	-	-	-	-	(202,730)	-	-	-	**(202,730)**	-	-	**(202,730)**	-	**(202,730)**
Share of effective portion of changes in fair values of hedging instruments and other reserves of equity accounted investees	-	-	-	-	-	-	(91,258)	-	**(91,258)**	-	-	**(91,258)**	-	**(91,258)**
Effective portion of changes in fair values of cash flow hedges and other reserves *(net of taxes)*	-	-	-	-	-	-	96,297	-	**96,297**	-	-	**96,297**	-	**96,297**
Other comprehensive (loss) / income from discontinued operations	-	-	-	-	(264,529)	866,748	(44,910)	-	**557,309**	-	-	**557,309**	-	**557,309**
Other comprehensive income / (loss)	**-**	**-**	**-**	**322,435**	**(369,121)**	**866,748**	**(39,871)**	**-**	**780,191**	**-**	**-**	**780,191**	**(66,161)**	**714,030**
Total comprehensive income / (loss)	**-**	**-**	**-**	**322,435**	**(369,121)**	**866,748**	**(39,871)**	**3,319,678**	**4,099,869**	**-**	**-**	**4,099,869**	**(40,391)**	**4,059,478**
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	**-**	-	-	**-**	(56,382)	**(56,382)**
Movements in additional shareholder contributions	-	-	-	-	-	-	-	-	**-**	-	-	**-**	18,327	**18,327**
Application for share capital	-	**8,155,170**	-	-	-	-	-	-	**-**	-	-	**8,155,170**	-	**8,155,170**
Transfer to statutory reserve	-	-	331,968	-	-	-	-	(331,968)	**-**	-	-	**-**	-	**-**
Acquisition of non-controlling interest	-	-	-	-	-	-	-	(15,310)	**(15,310)**	-	-	**(15,310)**	10,467	**(4,843)**
Other movements	-	-	-	-	-	-	-	(973,323)	**(973,323)**	-	-	**(973,323)**	(173,180)	**(1,146,503)**
At 31 December 2016	**28,600,000**	**26,522,670**	**1,581,715**	**4,164,133**	**(225,638)**	**-**	**(742,088)**	**(126,425)**	**4,651,697**	**123,155,278**	**367,350**	**183,296,995**	**1,697,930**	**184,994,925**

[1] Non distributable reserves

The notes set out on pages 19 to 126 form an integral part of these consolidated financial statements.

The independent auditor's report is set out on pages 2 to 10.

Consolidated statement of cash flows
for the year ended 31 December

	Notes	**2016 AED'000**	2015 AED'000
Cash flows from operating activities			
Profit for the year from continuing operations		**3,407,046**	2,058,392
Loss for the year from discontinued operations		**(61,598)**	(647,316)
Adjustments for:			
Depreciation of property, plant and equipment	*13*	**12,695,628**	10,825,705
Amortisation of intangible assets	*14*	**936,219**	714,395
Amortisation of government grants		**(734,346)**	(717,715)
Change in fair value of investment properties	*15*	**82,908**	(39,051)
Impairment and write off of property, plant and equipment and intangible assets		**58,559**	1,202,633
(Gain) / loss on disposal of property, plant and equipment *(net)*		**(115,129)**	28,513
Write-down of excess and obsolete inventories to their estimated net realisable value and provision for inventory *(net)*		**1,667,051**	1,528,342
Unrealised gain on financial assets at fair value through profit or loss *(net)*	*11*	**(4,922,274)**	(2,726,383)
Net change in the fair value of derivatives - not designated for hedge accounting		**(1,038,196)**	(721,108)
Other income		**(726,707)**	-
Finance lease income	*21*	**(314,170)**	(311,842)
Impairment of equity accounted investees		**152,973**	163,750
Amortisation of deferred revenue		**(2,445,889)**	(1,287,724)
Impairment of loans and receivables *(net)*		**3,317,156**	2,736,345
Impairment of available for sale financial assets	*11*	**581,337**	-
Gain on disposal of investment in equity accounted investees *(net)*	*16*	**(255,125)**	(965,805)
Gain on disposal of subsidiaries and working interest	*8*	**(1,136,939)**	(326,731)
Bargain purchase gain on acquisition		**-**	(1,909,353)
Fair value gain on derecognition of an equity accounted investee	*16(a)*	**(3,904,479)**	-
Realised gain on financial assets at fair value through profit or loss *(net)*	*8*	**(105,249)**	(211,066)
Cumulative gain on available for sale financial assets reclassified from equity to profit or loss	*8*	**(216,002)**	(329,823)
Share of results of equity accounted investees			
- associates	*16(a)*	**(928,880)**	(685,137)
- jointly controlled entities	*16(b)*	**(2,357,316)**	(3,003,393)
Share of equity movements of a jointly controlled entity	*16(b)*	**-**	(328,436)
Finance income		**(741,133)**	(800,621)
Finance expense		**2,163,780**	2,007,699
Income tax benefit	*33*	**(329,262)**	(1,103,207)
Dividend income	*11*	**(781,688)**	(1,240,672)
		3,948,275	3,910,391
Change in inventories		**(1,266,453)**	(1,000,083)
Change in receivables and prepayments		**395,192**	(7,483,518)
Change in payables and accruals		**86,526**	2,514,581
Change in other liabilities		**1,329,062**	5,355,868
Dividends received from financial investments		**791,937**	1,076,187
Dividends received from equity accounted investees		**2,325,648**	2,478,520
Finance lease rentals paid		**(110,740)**	(151,917)
Finance Lease rentals received	*21*	**324,926**	332,382
Income taxes paid		**(48,847)**	(207,814)
Net cash generated from operating activities		**7,775,526**	6,824,597

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

	Notes	**2016 AED'000**	2015 AED'000
Cash flows from investing activities			
Proceeds from disposal of equity accounted investees		**239,779**	300,907
Disposal / (acquisition) of financial investments *(net)*		**2,554,277**	(1,376,297)
Proceeds from disposal of subsidiaries and net assets classified as held for sale *(net of cash disposed)*		**964,639**	494,797
Purchase consideration on acquisition of certain assets on a business combination		**-**	(936,667)
Investment in equity accounted investees		**(1,380,843)**	(1,864,157)
Redemption of preference shares from a jointly controlled entity	*16(b)*	**-**	674,455
Distributions received from a jointly controlled entity	*16(b)*	**1,485,785**	-
Acquisition of property, plant and equipment		**(5,790,972)**	(15,805,960)
Acquisition of investment properties		**(456,716)**	(173,395)
Acquisition of intangible assets		**(1,026,322)**	(825,701)
Proceeds from disposal of property, plant and equipment		**233,275**	323,769
Loans recovered		**4,272,822**	5,967,935
Loans disbursed		**(4,390,550)**	(4,648,950)
Interest received		**429,807**	194,406
Net cash used in investing activities		**(2,865,019)**	(17,674,858)
Cash flows from financing activities			
Proceeds from interest bearing borrowings	*26*	**8,214,366**	10,228,715
Repayment of interest bearing borrowings	*26*	**(13,445,324)**	(10,666,602)
Proceeds from government grants		**702,766**	692,811
Interest paid		**(1,695,021)**	(1,747,139)
Acquisition of non-controlling interest		**-**	(453,616)
Dividends paid to non-controlling interest		**(56,382)**	(31,946)
Net cash used in financing activities		**(6,279,595)**	(1,977,777)
Net decrease in cash and cash equivalents		**(1,369,088)**	(12,828,038)
Cash and cash equivalents at 1 January		**13,402,998**	25,841,953
Exchange fluctuation on consolidation of foreign entities		**(62,890)**	389,083
Cash and cash equivalents at 31 December	*22*	**11,971,020**	13,402,998

The notes set out on pages 19 to 126 form an integral part of these consolidated financial statements.

The significant non-cash transactions are disclosed under note 38.

The independent auditor's report is set out on pages 2 to 10.

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, UAE. 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 joint operations, (collectively referred to as "the Group"), and the Group's interests in its equity accounted investees *(see notes 5 and 16)*.

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 oil and gas and energy, renewable energy, semiconductor technology, industry, real estate and infrastructure, financial investments, commercial finance, healthcare, aerospace and defence services, and information and communications technology.

2 Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), and comply, where appropriate, with the Articles of Association of the Company and the UAE Federal Law No.2 of 2015. The Federal Law No. 2 of 2015, concerning Commercial Companies has come into effect from 1 July 2015, replacing the existing Federal Law No. 8 of 1984 (as amended). The Group is currently assessing the impact of the new law and expects to be fully compliant on or before 30 June 2017.

(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 and equipment received as government grants, which are stated at nominal value; and
- derivative financial instruments, available for sale financial assets, financial instruments at fair value through profit or loss and investment properties, which are measured at fair value.

Historical cost is generally based on the fair value of the consideration given in exchange for assets.

(c) Functional and presentation currency

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of these consolidated financial statements, the results and financial position of the Group are presented in United Arab Emirates Dirhams ("AED"), which is the Group's presentation currency. All financial information presented in AED has been rounded to the nearest thousand, unless otherwise stated.

(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 recognised 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 recognised in the consolidated financial statements and estimates with a significant risk of material adjustment in the subsequent years are discussed in note 36.

2 Basis of preparation *(continued)*

(e) New and revised IFRS

(i) New and revised IFRSs adopted in the consolidated financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2016, have been adopted in these consolidated financial statements. The application of these new and revised IFRSs has not had any impact / material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- IFRS 14 *Regulatory Deferral Accounts*
- Amendments to IFRS 11 *Joint Arrangements* relating to accounting for acquisition of interests in joint operations
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* relating to clarification of acceptable methods of depreciation and amortisation
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture* relating to bearer plants
- Amendments to IAS 27 *Separate Financial Statements* relating to equity method accounting in separate financial statements
- Amendments to IAS 1 *Presentation of Financial Statements* relating to Disclosure Initiative
- Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities* relating to applying the Consolidation Exception
- Annual improvements 2012-2014 Cycle covering amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34

(ii) New and revised IFRSs in issue but not yet effective and not early adopted

The Group has not yet adopted the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9 *Financial Instruments* *(effective for annual periods beginning on or after 1 January 2018)*

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* that replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods as stated, with early application permitted. The Group is currently in the process of evaluating the impact of the application of IFRS 9.

The Standard contains requirements in the following areas:

Classification and measurement
Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39 however there are differences in the requirements applying to the measurement of an entity's own credit risk. Trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payment of principal and interest. Thus the Group expects that these will continue to be measured at amortised cost under IFRS 9.

Impairment
The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised. The Group expects to apply the expected credit loss model for measurement of its trade receivables.

Hedge accounting
Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. The Group believes that all existing hedge relationships that are currently designated in effective hedging relationships will still qualify for hedge accounting under IFRS 9.

Derecognition
The requirements for derecognition of financial assets and liabilities are carried forward from IAS 39.

2 Basis of preparation *(continued)*

(e) New and revised IFRS *(continued)*

(ii) New and revised IFRSs in issue but not yet effective and not early adopted *(continued)*

IFRS 15 *Revenue from Contracts with Customers* *(effective for annual periods beginning on or after 1 January 2018)*

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5 step approach to revenue recognition:

Step 1: Identity the contract with the customer;
Step 2: Identify the performance obligations in the contract;
Step 3: Determine the transaction price;
Step 4: Allocate the transaction price to the performance obligations in the contract; and
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is currently in the process of evaluating the impact of the application of IFRS 15.

Amendments to IFRS 10 and IAS 28: Sales or contribution of assets between an investor and its associate or joint venture *(effective for annual periods beginning on or after 1 January 2018)*

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

Amendments to IAS 7 *Statement of Cash Flows* relating to Disclosure Initiative *(effective for annual periods beginning on or after 1 January 2017)*

The amendments to IAS 7 *Statement of Cash Flows* are part of IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted.

Amendments to IAS 12 *Income Taxes* relating to recognition of deferred taxes for unrealised losses *(effective for annual periods beginning on or after 1 January 2017)*

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

2 Basis of preparation *(continued)*

(e) New and revised IFRS *(continued)*

(ii) **New and revised IFRSs in issue but not yet effective and not early adopted** *(continued)*

Amendments to IAS 12 *Income Taxes* relating to recognition of deferred taxes for unrealised losses *(effective for annual periods beginning on or after 1 January 2017) (continued)*

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

These amendments are effective for annual periods beginning on or after 1 January 2017 with early adoption permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. The Group is assessing the potential effect of the amendments on its consolidated financial statements.

Amendments to IFRS 2 *Share-based Payment* relating to classification and measurement of share-based payment transactions *(effective for annual periods beginning on or after 1 January 2018)*

The IASB issued amendments to IFRS 2 *Share-based Payment* that address three main areas; the effects of vesting conditions on the measurement of a cash settled share based payment transaction; the classification of a share based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share based payment transaction changes its classification from cash settled to equity settled. The Group does not expect the amendments to have a significant impact on the consolidated financial statements.

IFRS 16 *Leases* *(effective for annual periods beginning on or after 1 January 2019)*

IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*, IFRIC 4 Determining whether an arrangement contains a lease, SIC 15 *Operating Leases Incentives* and SIC 27 *Evaluating the Substance of Transaction Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The Standard includes two recognition exemptions for lessees - leases of 'low value assets' (e.g. personal computers) and short term leases (i.e. leases with a lease term of 12 months or less).

At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right of use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right of use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right of use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. The Group is currently in the process of evaluating the impact of the application of IFRS 16.

2 Basis of preparation *(continued)*

(e) New and revised IFRS *(continued)*

(ii) New and revised IFRSs in issue but not yet effective and not early adopted *(continued)*

Amendments to IAS 40 ***Investment Property*** **relating to transfers of investment property** *(effective for annual periods beginning on or after 1 January 2018)*

The amendments clarify when an entity should transfer property into or out of investment property. The amendments state that a change in use occurs when the property meets or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intention for use of property does not provide evidence of change in use. The Group does not expect the amendment to have an impact on the consolidated financial statements.

IFRIC 22 ***Foreign Currency Transactions and Advance Consideration*** *(effective for annual periods beginning on or after 1 January 2018)*

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. In 2017, the Group plans to assess the potential effects of IFRIC 22 on its consolidated financial statements.

Annual improvements to IFRSs 2014 - 2016 Cycle

IFRS 1 *First Time Adoption of IFRS* - Deletion of short term exemptions for first time adopters *(effective for annual periods beginning on or after 1 January 2018).*
IAS 28 *Investments in Associates and Joint Ventures* - Clarification that measuring investees at fair value through profit or loss is an investment by investment choice *(effective for annual periods beginning on or after 1 January 2018).*
IFRS 12 *Disclosure of Interest in Other Entities* - Clarification of the scope of the disclosure requirements in IFRS 12 *(effective for annual periods beginning on or after 1 January 2017).*

3 Significant accounting policies

The significant accounting policies set out below have been applied consistently by the Group and all its entities for all periods presented in these consolidated financial statements.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- power over the entity (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

3 Significant accounting policies *(continued)*

(a) Basis of consolidation *(continued)*

(i) Subsidiaries (continued)

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary. The accounting policies of the subsidiaries are adjusted where necessary to ensure conformity with the policies adopted by the Group.

Profit or loss and each component of other comprehensive income are attributed to the Owner of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(ii) Changes in Group's ownership interest in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the Owner of the Group.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary.

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

<u>Disposals of interest in entities to parties under common control</u>

Disposals of interest in entities to parties under common control of the Shareholder, which lack commercial substance and are based on a decision by the Shareholder are accounted for on the date of transfer without restatement of prior years. Any gain or loss arising on such transaction is recorded directly in equity.

When disposals of interest in entities to parties under common control of the Shareholder have commercial substance, the difference between the fair value of the consideration received and the net carrying value of interest in such entities is recorded in profit or loss.

<u>Disposals of interest in a subsidiary to an equity accounted investee</u>

Gain or loss on the disposal of interest in a subsidiary to an equity accounted investee, would be eliminated to the extent of the retained indirect interest in that subsidiary by the Group.

3 Significant accounting policies *(continued)*

(a) Basis of consolidation *(continued)*

(iii) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred except if related to the issue of debt securities.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits*, respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Acquisition of interest in entities under common control

Acquisition of interest in entities that are under common control of the Shareholder which lack commercial substance and are based on a decision by the Shareholder are accounted for on the date of transfer without restatement of prior years. The assets and liabilities are accounted for at carrying amounts previously recorded in the books of the transferor. The components of equity of the acquired entities are added to the same components within the Group's equity. Any cash paid for acquisition is recognised directly in equity.

Acquisition of interest in entities that are under common control of the Shareholder which have commercial substance are recorded for using the acquisition method.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

3 Significant accounting policies *(continued)*

(a) Basis of consolidation *(continued)*

(iii) Business combinations (continued)

Acquisition of interest in entities under common control *(continued)*

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

(iv) Investment in associates and joint arrangements

Associates are those entities over which the Group has significant influence, but not control or joint control, over the 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.

For the purpose of accounting for its interests in joint arrangements, the Group segregates its investments in joint arrangements into two types – joint ventures and joint operations.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Joint ventures are joint arrangements whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint ventures 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.

Joint operations are joint arrangements whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

Investments in associates and joint ventures are accounted for using the equity method and are initially recognised at cost, which includes transaction costs. When the investor has previously held an investment in the entity (generally accounted for under IAS 39), the deemed cost of the associate or joint venture is the fair value of the original investment at the date that significant influence or joint control is obtained plus the consideration paid for the additional stake. When the original investment has been classified previously as an available for sale financial asset under IAS 39, the revaluation gain or loss recognised in other comprehensive income is not reclassified from equity to profit or loss until such time that there is a realisation event. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income, 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 associate or joint venture, 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 a constructive or legal obligation to contribute to such losses or has made payments on behalf of the investee.

The Group's share of changes in net assets of equity accounted investees that are recognised directly in the investees' equity are recognised in profit or loss and reflected in the net carrying value of interest in such investees.

Any excess of the acquisition cost over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate or joint venture is recognised at the acquisition date as goodwill, which is included within the carrying amount of the investment and is neither amortised nor individually tested for impairment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities over the acquisition cost, after reassessment, is recognised immediately in profit or loss representing gain on acquisition.

3 Significant accounting policies *(continued)*

(a) Basis of consolidation *(continued)*

(iv) Investment in associates and joint arrangements (continued)

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets (see note 3(s)).*

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. Upon disposal of equity accounted investees that results in a loss of significant influence or joint control, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39. The difference between the previous carrying amount of the equity accounted investee attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the equity accounted investee. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to equity accounted investee on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by the equity accounted investees would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When a Group's entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group, as a joint operator, accounts for the assets, liabilities, income and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, income and expenses.

(v) Transactions eliminated on consolidation

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

(b) Revenue from sale of goods and services

The significant operating activities of the Group include:

- sale of goods and services;
- investments in securities and financial investments;
- development and sale of properties; and
- provision of commercial finance.

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

3 Significant accounting policies *(continued)*

(b) Revenue from sale of goods and services *(continued)*

Revenue from sale of goods and services include income from sale of semiconductor wafers, sale of hydrocarbons, aircraft maintenance and repairs, components leasing and sale, satellite capacity leasing revenue, supply of chilled water, supply of renewable energy, service concessions, sale of land, information technology services and medical services. Revenue from such sales is recognised as follows:

(i) Sale of goods and services rendered

Revenue from the sale of goods, other than hydrocarbons, is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is measured net of returns, trade discounts and volume rebates.

Revenue from services rendered are recognised 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 recognised 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 semiconductor wafers

Revenue from semiconductor wafers is derived primarily from fabricating semiconductor wafers and, to a lesser extent, from providing associated subcontracted assembly and test services as well as pre-fabricating services such as masks generation, engineering and turnkey services. Revenue is recognised when the contractual obligations have been performed and significant risks and rewards of ownership of the products have been transferred to the customer, the Group has no continuing management involvement over the goods sold, the amount of revenue can be measured reliably, and it is probable that the economic benefits associated with the revenue will flow to the Group. Revenue represents the invoiced value of goods and services supplied excluding goods and services tax, less allowances for estimated sales credits and returns.

The Group estimates allowances for sales credits and returns based on historical experience and management's estimate of the level of future claims. Additionally, the Group accrues for specific items at the time their existence is known and amounts can be estimated.

Sales taxes collected from customers and remitted to governmental authorities are accounted for on a net basis and therefore excluded from revenues in the consolidated statement of comprehensive income.

(iii) Sale of hydrocarbons

Revenue associated with the sale of hydrocarbons is recognised 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 is recognised on the basis of the Group's working interest in such projects. The difference between the Group's share of production sold and its share of production are recognised as inventory or as a liability.

3 Significant accounting policies *(continued)*

(b) Revenue from sale of goods and services *(continued)*

(iv) Aircraft maintenance and repairs

For maintenance, repair and overhaul services of aircraft, the Group enters into three different types of contracts: time and material contracts, fixed price contracts and flat-rate contracts. For time and material contracts, the customer pays costs incurred plus a margin. For fixed price contracts, the customer pays an agreed fixed price. A mix of both types is a contract with a not-to-exceed-price, by which the customer pays cost plus margin up to a defined threshold. For flat-rate contracts, the customer pays a fixed rate per flight hour. Fixed price and flat-rate agreements have most often a man hour rate agreed for any over-and-above work required and to be agreed with the customer, which is outside the original contract scope.

For time and material contracts, maintenance, repair and overhaul work is recognised as revenue when the products are delivered and services are rendered to customers. Prepayments by the customers are deferred until then. Related costs are expensed as incurred at the same time. Revenue is recognised at cost (work in progress). Margin release is done based on the final invoice to the customer. 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).

For flat-rate contracts, revenue and costs are recognised as incurred. Any expected additional costs (e.g. based on contractually defined reconciliation of cost and revenue at contract end) are provided for additionally.

Cost of materials and services include corresponding direct labour and material costs and related overheads for services rendered and goods sold.

(v) Satellite capacity leasing revenue

Satellite capacity leasing revenue primarily represents the revenue generated from leasing out of the satellite capacity. Satellite capacity lease payments are recorded on a straight-line basis over the term of the contract concerned. Deferred revenue represents the unearned balances remaining from amounts received from customers.

(vi) Supply of chilled water

Revenue from supply of chilled water is recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer and the amount of revenue can be measured reliably. For supply of chilled water, revenue comprises of available capacity and variable output provided to customers and is recognised when services are provided.

Revenue from supervision contracts services is recognised as supervision services are rendered. Revenue in respect of study and design contracts services is recognised by reference to the stage of completion of the contract, when i) it is probable that the economic benefits associated with the contract will flow to the Group; ii) the contract costs attributable to the contract can be reliably estimated; and iii) the Group is reasonably confident about the collection of amount recognised.

Connection fees are recognised on a straight line basis over the term of the respective customer contracts unless it represents a separately identifiable service and satisfies other criteria for upfront recognition to the consolidated statement of comprehensive income.

Notes to the consolidated financial statements *(continued)*

3 Significant accounting policies *(continued)*

(b) Revenue from sale of goods and services *(continued)*

(vii) Supply of renewable energy

Revenue is recognised, net of Value Added Tax, on the basis of net electricity supplied during the year based on meter reading and market prices as specified under contract terms.

Revenue from sales of Renewable Obligation Certificates (ROCs), Levy Exemption Certificates and Recycled Buy-outs is recognised based on market rates unless specified otherwise under contract terms, net of Value Added Tax. Revenue is recognised when the quantity and rates can reasonably be determined and the risks and rewards of ownership have been substantially transferred to a third party.

(viii) Information technology services

Revenue from information technology services consists mainly of base services and other services.

Base services are rendered by leasing of data centre and the performance of an indeterminate number of acts over a period of a contract. Revenue from base services as defined in the contract is recognised 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 cost) attributable to that act, is also deferred.

Revenue from other services rendered is recognised in the separate statement of comprehensive income in proportion to the stage of completion of the transaction at the separate statement of financial position date. The stage of completion is assessed by reference to the proportion of actual costs incurred through to the year end compared to the estimated total costs.

(ix) Medical services

Revenue from medical services primarily represents the aggregate invoiced amount for the services provided to the patients (insured and non-insured) during the year and is stated net of any discounts allowed. Revenue is recognised in the accounting period in which services are provided.

(x) Sale of land

Revenue from sale of land is recognised when the equitable interest in a property vests in a buyer and all the conditions for revenue recognition from sale of goods in note 3(b)(i) have been satisfied.

(xi) 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 recognised 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 recognised 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 recognised only to the extent of contract costs incurred that are likely to be recoverable. When it is probable that the total contract costs will exceed total contract revenue, the expected loss on a contract is recognised immediately in profit or loss.

3 Significant accounting policies *(continued)*

(b) Revenue from sale of goods and services *(continued)*

(xii) Service concession arrangements

Revenue relating to construction or upgrade services under service concession arrangements is recognised based on the stage of completion of the work performed, consistent with the Group's accounting policy on contract revenue *(see 3(b)(xi) above)*. The concessionaire is responsible and rewarded for the operations through the concession period, after construction completion the revenue would primarily be related to the direct operating services rendered on the project like operation and maintenance services and life cycling services. Operation or service revenue is recognised in the period in which the services are provided by the Group.

Furthermore, as per the terms of the arrangement, in addition to a fixed availability charge for construction and rendering of facility management services, the Group will also receive rental income from the letting out of commercial spaces in such arrangements. Therefore, the Group's consideration is divided into two components - financial assets component based on the guaranteed amount and intangible assets for the remainder. The latter is treated as an intangible asset as the right to charge users of the commercial space is contingent on the extent that the space is utilised. The Group separately accounts for each component (fixed asset and intangible asset) of the operators consideration.

(c) Exploration, evaluation and development expenditures

Oil and gas exploration, evaluation and development expenditures

The Group follows the 'successful efforts' method of accounting for its oil and gas exploration, evaluation, appraisal and development expenditures. Under this method, costs of acquiring properties, drilling successful exploration and appraisal wells, and all development costs are capitalised. All other costs are charged to profit or loss as and when incurred.

(i) Licence and property acquisition costs

Exploration licence and leasehold property acquisition costs are capitalised within exploration and evaluation assets. If no future activity is planned, the remaining balance of the licence and property acquisition costs is written off.

These costs are initially amortised over the term of the agreement on a straight-line basis during exploration phase. Upon recognition of proven reserves, including internal approval for development, the relevant expenditure is transferred to property, plant and equipment and is then amortised based on unit of production method (once production is underway).

(ii) Exploration and appraisal expenditures

Annual lease rentals, exploratory geological and geophysical costs including seismic costs incurred during exploration phase, are charged to profit or loss as and when incurred. Costs associated directly with drilling of exploratory wells are capitalised within exploration and evaluation assets until the drilling of well is complete and the results have been evaluated. These costs include employee remuneration, materials and fuel used, rig costs, delay rentals, drilling services and payments made to contractors. If potentially commercial quantities of hydrocarbons are not found, the exploration expenditures are written off as a dry hole. If hydrocarbons are found and, subject to further appraisal activity, are likely to be capable of commercial development, the costs continue to be carried as an asset.

Notes to the consolidated financial statements *(continued)*

3 Significant accounting policies *(continued)*

(c) Exploration, evaluation and development expenditures *(continued)*

Oil and gas exploration, evaluation and development expenditures *(continued)*

(ii) Exploration and appraisal expenditures (continued)

Costs directly associated with appraisal activity, including the costs of drilling appraisal wells and additional seismic, geological and geophysical activities, undertaken to determine the size, characteristics and commercial potential of a reservoir following the initial discovery of hydrocarbons, are initially capitalised as part of exploration and evaluation assets.

All such carried costs are subject to technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When such intent no longer exists, or if there is a change in circumstances signifying an adverse change in initial judgment, these costs are written off and classified under "exploration costs". When commercial reserves of hydrocarbons are determined and development is approved by management, the relevant expenditure is transferred to property, plant and equipment.

(iii) Development expenditures

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including service, recompletion and unsuccessful development or delineation wells, is capitalised within property, plant and equipment and is depreciated upon the commencement of production as described in the accounting policy for property, plant and equipment *(see note 3(k)(iii))*.

(iv) Depreciation, depletion and amortisation of oil and gas assets

Oil and gas assets are depreciated using a unit of production method, using estimated proven and probable reserves. The unit-of-production rate for the amortisation of field development costs takes into account expenditures incurred to date, together with approved future development expenditure required to develop reserves.

The impact of changes in estimated reserves is dealt with prospectively by amortising the remaining carrying value of the asset over the expected future production. If reserves estimates are revised downwards, earnings could be affected by higher depreciation expense or an immediate write-down of the property's carrying value.

For amortisation of licence and property acquisition costs *(see note 3(c)(i)).*

Other mining rights

Mineral rights, other than hydrocarbons, acquired in a business combination are recognised at cost i.e. the fair value attributable to rights acquired in a business combination. Subsequent to initial recognition, these rights are stated at cost less impairment losses until the commencement of mining activities. Upon commencement of mining activities, mineral rights are stated at cost less accumulated amortisation and impairment losses and are amortised based on the units of production method.

3 Significant accounting policies *(continued)*

(d) Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably the expenditure during development.

Upon initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use over the expected future benefit. During the period of development, the asset is tested for impairment annually. No development costs have been recognised as intangible assets to date, as in management's opinion it cannot be demonstrated with sufficient probability how intangible assets created as a result of the Group's development activities will generate probable future economic benefits.

Development costs which do not meet the above criteria are expensed as incurred.

(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 amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised 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 recognised in profit or loss, except for differences arising on the translation of available for sale financial assets
or a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges to the extent hedges are effective, which are recognised in other comprehensive income.

(ii) Foreign operations

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

3 Significant accounting policies *(continued)*

(e) Foreign currency *(continued)*

(ii) Foreign operations (continued)

Foreign currency differences are recognised in other comprehensive income and presented in the foreign currency translation reserve (“FCTR”) in equity. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture, that includes a foreign operation, while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss. 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 recognised in other comprehensive income, and are presented within equity in the FCTR.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences are recognised in other comprehensive income.

(f) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(i) Non-derivative financial assets

The classification of financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The Group classifies non-derivative financial assets into the following categories:

- financial assets at fair value through profit or loss;
- held to maturity financial assets;
- loans and receivables; and
- available for sale financial assets.

Non-derivative financial assets comprise fair value through profit or loss investments, available for sale financial assets, trade and other receivables, cash and cash equivalents, loans and receivables and amounts due from related parties.

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

3 Significant accounting policies *(continued)*

(f) Financial instruments *(continued)*

(i) Non-derivative financial assets (continued)

The Group derecognises a financial asset only when the contractual rights to the cash flows of the asset expire, or it transfers the rights to receive the contractual cash flows of the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial assets and liabilities are offset and the net amount presented in the consolidated 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 realise the asset and settle the liability simultaneously.

Fair value measurement

The determination of fair values of financial assets and liabilities is based on quoted market prices or dealer quotations for financial instruments traded in active markets. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. Quoted bid prices are used for financial assets and quoted ask prices are used for financial liabilities.

For financial instruments not traded on an active market, fair value is determined based on recent transactions, brokers' quotes or a widely recognised valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

Financial assets at fair value through profit or loss

A financial asset is classified as held for trading if the Group has acquired it principally for the purpose of selling it in the near term, or on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking, or it is a derivative that is not designated and effective as a hedging instrument. Financial assets are designated at fair value through profit or loss ("FVTPL") if the Group manages such investments and their performance is evaluated on a fair valuation basis, or if the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise, in accordance with the Group's documented risk management or investment strategy, or if it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

Notes to the consolidated financial statements *(continued)*

3 Significant accounting policies *(continued)*

(f) Financial instruments *(continued)*

(i) Non-derivative financial assets (continued)

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

Upon initial recognition, attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, including any interest or dividend income, are recognised in profit or loss.

The fair value of quoted securities 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.

The fair value of bonds and convertible bonds are determined with reference to quoted market prices. Where such prices are not available, valuation is performed based on discounted cash flows analysis using applicable yield curves for the duration of the investment.

Available for sale financial assets

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

The fair value of 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.

A significant or prolonged decline in the fair value of investments in equity instruments below their cost is considered as impairment in the carrying amount of the instrument, and is accordingly charged to 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 recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables, including service concession receivables, amounts due from related parties, receivable against sale of land, other receivables, and loans to related parties and third parties *(see notes 18 and 20)*.

The Group recognises 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 amortised cost.

3 Significant accounting policies *(continued)*

(f) Financial instruments *(continued)*

(i) Non-derivative financial assets (continued)

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 recognised initially at the fair value of the consideration received or receivable *(see note 3(l))*.

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, call deposits and term deposits which are readily convertible into known amount of cash and cash equivalents and are subject to an insignificant risk of changes in value. 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 consolidated statement of cash flows. Cash and cash equivalents have an original maturity of three months or less. The carrying amount of these assets approximates fair value.

(ii) Non-derivative financial liabilities

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

The Group initially recognises 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 recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. For offsetting with financial assets *(see note 3(f)(i))*. The Group derecognises a financial liability when its contractual obligations are discharged, or cancelled or expired.

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

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

(iii) Derivative financial instruments including hedge accounting

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps and cross currency swaps. Further details of derivatives financial instruments are disclosed in note 25. Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately, unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. Any directly attributable transaction costs are recognised in profit or loss as they are incurred. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

3 Significant accounting policies *(continued)*

(f) Financial instruments *(continued)*

(iii) Derivative financial instruments including hedge accounting (continued)

The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instrument for non-option derivatives and option pricing models or quotes from counterparties for option derivatives.

Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contract derived from readily available market data. Interest rate and currency swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Embedded derivatives

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.

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 recognised immediately in profit or loss.

Hedge accounting

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 and documents, 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.

Cash flow hedges

For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income. When a derivative is designated as a hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised 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 recognised in other comprehensive income and presented in the hedging reserve in equity.

The amount recognised 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 consolidated statement of comprehensive income as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

3 Significant accounting policies *(continued)*

(f) Financial instruments *(continued)*

(iii) Derivative financial instruments including hedge accounting (continued)

Cash flow hedges (continued)

When a derivative instrument or a non-derivative financial liability is designated as a hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of the changes in the fair value of the hedging instrument is recognised in other comprehensive income in the translation reserve. Any ineffective portion of the changes in the fair value of the derivative is recognised immediately in profit or loss. The amount recognised under other comprehensive income is reclassified to profit or loss on disposal of the foreign operation.

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 recognised 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 or non-financial liability, the amount recognised in other comprehensive income is transferred to the carrying amount of the asset when the asset is recognised. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognised immediately in profit or loss. In other cases the amount recognised 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 recognised in profit or loss as part of foreign currency gains and losses.

Short selling

In certain instances the Group sells securities that it does not own and therefore, it will be obliged to purchase such securities at a future date. When the Group sells a security short, an amount equal to the proceeds received is recorded as a liability and is subsequently adjusted to the current market value of the securities sold short. Upon the closing of the short position, the difference between the proceeds originally received and the cost of the securities purchased to close the short position is recognised as a realised gain or loss. This is disclosed on the consolidated statement of financial position in liabilities under financial liabilities through profit or loss. These positions are shown as financial liabilities at fair value through profit or loss until they are realised. Upon realisation, they are shown in the consolidated statement of comprehensive income as loss or income from financial investments.

(g) Government grants

As the Government of Abu Dhabi is the sole shareholder of the Company, on receipt of any assistance from the Government of Abu Dhabi, the Group evaluates the assistance to determine if the transaction is a transaction with a shareholder in their capacity as a shareholder and therefore treated as equity contribution, or if not, then as a government grant.

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 subsequent to 2007, 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 agreements specify that, on dissolution of the Company, the rights, benefits and obligations in the residual net assets and liabilities, attached to the loans, 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.

3 Significant accounting policies *(continued)*

(g) Government grants *(continued)*

This determination is done after considering various factors not limited to the following:

- if the purpose of the assistance was a restricted purpose;
- are there conditions associated with the receipt of the assistance;
- is there evidence of an equity transaction;
- the legal form and documentation of assistance; and
- would similar support or assistance be given by the Government to an entity not owned by the Government.

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

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 utilise 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 recognised 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.

Land received as government grants that do not meet the criteria that future economic benefits will flow to the Group, are not recognised, but their existence is disclosed in the consolidated financial statements *(see note 34).*

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 recognised as assets, but their existence is disclosed in the consolidated financial statements *(see note 34).*

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 recognised in the consolidated 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 properties, property, plant and equipment or inventories) depending on its intended use, and is thereafter accounted for using the accounting policy in place for that relevant asset category.

(ii) Others

Other non-monetary government grants are recognised in the consolidated 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 government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Monetary grants that compensate the Group for expenses to be incurred are initially recognised in the consolidated statement of financial position 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 recognised.

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 consolidated statement of changes in equity.

3 Significant accounting policies *(continued)*

(h) Finance income and expenses

(i) Finance income from loans

Finance income from loans comprises interest income on loans given to third parties and equity accounted investees. Finance income from loans is recognised in profit or loss as they accrue using the effective interest method.

(ii) Net finance expense

Net finance expense comprises interest income on short term deposits and advances, effective interest on service concession receivables, and interest expenses on term loans, amortisation of loan arrangement fees and foreign exchange gains and losses that are recognised in profit or loss. Interest income and expenses are recognised in profit or loss as they accrue using the effective interest method. Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(i) Income tax

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

Current tax is the expected tax payable or receivable 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 recognised 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 recognised 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 recognised 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 realised simultaneously.

A deferred tax asset is recognised for unused tax losses, unused tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. 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 realised.

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

(j) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Other borrowing costs are recognised as an expense in the period in which they are incurred *(see note 3(h))*.

Interest income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

3 Significant accounting policies *(continued)*

(k) Property, plant and equipment

(i) Recognition and measurement

Owned assets

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated 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 that are directly attributable to the acquisition of the assets.

The cost of self-constructed assets includes the cost of materials and direct labour, 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 capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised 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.

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) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised 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 derecognised. The costs of the day to day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) 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. See note 3(c)(iv) for accounting policy on depreciation, depletion and amortisation of oil and gas assets.

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:

	Estimated useful lives
Buildings	7 - 50 years and above
Plant and office equipment	3 - 40 years
Aircraft	10 - 30 years
Aircraft materials	1 - 30 years
Computers	3 - 10 years
Distribution network	50 years and above
Others	3 - 10 years

3 Significant accounting policies *(continued)*

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

(iii) Depreciation (continued)

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate *(see note 36(a))*.

(iv) Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised within "other income *(net)*" in profit or loss in the period in which the asset is derecognised.

(v) Capital work in progress

The Group capitalises 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

(i) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition *(see note 3(a)(iii))*. 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.

The recoverable amounts of the cash-generating units are estimated based on the higher of the fair values less cost to sell and value in use. Value in use is determined with the assistance of independent valuers, as well as by internal estimates. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) which is expected to benefit from the synergies of the combination. On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(ii) Trademarks

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

(iii) Service concession arrangements

The Group recognises 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 (which is regarded as their cost).

Subsequent to initial recognition, the intangible asset is measured at cost, which includes capitalised borrowing costs, less accumulated amortisation and accumulated impairment losses.

3 Significant accounting policies *(continued)*

(l) Intangible assets *(continued)*

(iv) Other intangible assets

Other intangible assets, which includes patents, customer contracts and other intangible assets, have finite useful lives and are measured at cost less accumulated amortisation and accumulated impairment losses, if any.

(v) Subsequent expenditure

Subsequent expenditure is capitalised 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 recognised in profit or loss as incurred.

(vi) Business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, if any.

(vii) Derecognition

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

(viii) Amortisation

Licence fees relating to mineral exploration and production rights and oil reserves are amortised using the unit of production method *(see note 3(c)(i))*. Favourable supply contracts acquired in a business combination are amortised on a straight-line basis over the life of the contract.

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

Amortisation of other intangible assets is recognised 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:

	Estimated useful lives
Trademarks	Indefinite
Technology, licence and software	2 - 10 years
Customer contracts	3 - 15 years
Patents	7 years
Capitalised development costs	25 years
Others	3 – 50 years and unit of production

Amortisation 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 properties held to earn rental and / or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gain and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Investment property portfolio is valued through a mix of internal valuations and / or independent external valuations. Where external independent valuation is used management engages external independent valuation companies, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The fair values are based on market values, being the estimated price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. 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.

(n) Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

At the inception or on re-assessment of an arrangement that contains a lease, the Group separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Group's incremental borrowing rate.

Group as lessee

Finance leases, which transfer to the Group substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Minimum lease payments are apportioned between the finance charges and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability. Finance charges are reflected in the consolidated statement of comprehensive income. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term. Operating lease payments are recognised as an expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term. Lease incentives are recognised as an integral part of the total lease exposure, over the term of the lease.

3 Significant accounting policies *(continued)*

(n) Leases *(continued)*

Group as lessor

Leases where the Group transfers substantially all of the risks and benefits of ownership of the asset through its contractual arrangements to the customer are considered as a finance lease. The amounts due from the lessee are recorded in the balance sheet as financial assets (finance lease receivables) and are carried at the amount of the net investment in the lease after making provision for impairment, if any. Initial direct costs are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases. Leases in which the Group does not transfer substantially all of the risks and benefits of ownership of the asset are classified as operating leases. Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognise on a straight line basis over the lease term.

(o) Inventories

Inventories are primarily comprised of land and building held for sale, work in progress, consumables, maintenance spares, drilling materials, raw materials and medical supplies. Inventories are measured at the lower of cost and net realisable value. For inventories other than land and building held for sale, cost is based on the weighted average cost method or standard costs approximately equal to cost based on 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 and building held for sale is determined based on the specific identification method. Where land and building 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 realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated selling expenses.

(p) Contract work in progress

Contract work in progress represents the gross amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised 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 recognised profits, then the difference is presented as deferred income in payables and accruals or other liabilities in the consolidated statement of financial position.

(q) Provisions

Provisions are recognised 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 recognised as finance cost.

3 Significant accounting policies *(continued)*

(q) Provisions *(continued)*

Product warranties

The Group warrants that products will meet the stated functionality as agreed to in each sale arrangement. The Group provides for the estimated warranty costs under these guarantees based upon historical experience, a weighting of possible outcomes against their associated probabilities, and management's estimates of the level of future claims and accrues for specific items at the time their existence is known and the amounts can be estimated. The initial estimate of warranty-related cost is revisited annually.

Decommissioning liabilities

Liabilities for decommissioning costs are recognised 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.

The amount of the obligation is estimated at current prices and in accordance with local conditions and requirements. Liabilities for decommissioning costs are provided for at the present value of expected costs to settle the obligation using estimated cash flows. A corresponding item of property, 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. Subsequent to initial recognition, any change, other than unwinding of discount, is recognised in property, plant and equipment.

(r) Staff terminal benefits and pensions

Entities domiciled in UAE

For the Group entities domiciled in UAE, a provision for staff terminal benefits is made in accordance with the UAE Federal Labour Law and is determined as the liability that would arise if the employment of all staff were terminated at the reporting 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 recognised 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. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate.

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-administered 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.

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 Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

3 Significant accounting policies *(continued)*

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

Entities domiciled outside UAE (continued)

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest) are recognised immediately in other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

For certain defined contribution plans, the Group pays contributions to publicly or privately administered 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 recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(s) 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, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults, the disappearance of an active market for a security and observable data indicating that there is a measurable decrease in expected cash flows from a group of financial assets.

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.

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.

Notes to the consolidated financial statements *(continued)*

3 Significant accounting policies *(continued)*

(s) Impairment *(continued)*

Financial assets (continued)

An impairment loss in respect of a financial asset measured at amortised 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 recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the decrease in impairment loss is reversed through profit or loss.

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

In respect of available for sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of fair value reserve. In respect of available for sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised 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 recognised 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 amortisation, if no impairment loss had been recognised.

3 Significant accounting policies *(continued)*

(s) Impairment *(continued)*

Non-financial assets (continued)

In determining the value in use of the investments, the Group estimates:

- its share of the present value of the estimated future cash flows expected to be generated by the equity accounted investees, including the cash flows from the operations of the equity accounted investees and the proceeds from the ultimate disposal of the investment; or
- the present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Goodwill that forms part of the carrying amount of an equity accounted investee is not recognised 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.

(t) Dividend income

Dividend income from investments is recognised when the Group's right to receive payment has been established, provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

(u) Assets and liabilities classified as held for sale

Non-current assets and disposal groups comprising assets and liabilities are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale. Non-current assets and liabilities (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position.

Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment properties or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held for sale or held for distribution and subsequent gains and losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated. In addition, equity accounting of associates or joint ventures ceases once classified as held for sale or distribution.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of comprehensive income.

Notes to the consolidated financial statements *(continued)*

3 Significant accounting policies *(continued)*

(v) Operating segments

The accounting policies of the reportable segments are the same as the Group's accounting policies described above. 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 4)*.

4 Operating segments

Information about reportable segments

The Group has ten reportable segments, as described below, which are the Group's strategic business units. These strategic business units are responsible for the screening, due diligence, development and implementation of all business ideas, investment opportunities and acquisitions. All items accounted on IFRS basis are attributed to specific projects mapped to a segment. The following summary describes the operations in each of the Group's reportable segments:

- Technology - focused on pure-play semiconductor foundries and offers a full range of leading edge to mainstream wafer fabrication services and technologies, and manufactures a broad range of semiconductor devices, including microprocessors, mobile application processors, baseband processors, network processors, radio frequency modems, microcontrollers, power management units, application specific integrated circuits and microelectromechanical systems.
- Industry - focused on the development of a metals-related cluster in Abu Dhabi and internationally, creating global industrial champions in priority areas such as aluminium (including securing upstream resources carbon, bauxite and alumina, key raw materials in the creation of aluminium) and mining (including base metals such as copper and zinc, and precious metals such as gold). The Industry segment is also active, in Abu Dhabi and internationally, in the utilities sector with investments in power, water and district cooling.
- Aerospace and Engineering Services (including Aerospace and Defence Services, and Information and Communications Technology business units) - focused on developing the Aeronautics, Communications Technology and Defence Services industries in Abu Dhabi. The operating assets incorporate international industry leaders and emerging domestic players, while maximising the potential from shared partnerships and relationships in these industries.
- Oil & Gas and Energy - 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 business.
- Renewable Energy - focused on achieving the Government of Abu Dhabi's vision of transforming Abu Dhabi into a global leader in sustainable new energy technologies.
- Real Estate and Infrastructure - focused on residential, commercial and retail real estate developments and investments and luxury hotels both in Abu Dhabi and internationally. Also engaged in developing, owning and operating concession based infrastructure, educational and other facilities.
- Mubadala Capital - responsible for the Group's financial investments. Investing throughout the capital structure in a diversified portfolio of global public and private securities, it uses a value oriented investment approach with a primary focus on the creation of long-term value and a bias towards capital preservation.
- Healthcare - responsible for the creation of specialised, world-class healthcare facilities to build regional capability and stimulate the overall development of the sector to address the region's most pressing healthcare needs.
- Corporate - develops and drives the strategy for the Group as a whole as well as focusing on the economic development by establishing business in service-based sectors, such as leasing and financing.

Notes to the consolidated financial statements *(continued)*

4 Operating segments *(continued)*

In order to maximise portfolio synergies and asset management, Mubadala manages its internal business units and positions these under four broader platforms. These platforms are “Technology and Industry” (represents ‘Technology’ and ‘Industry’ business units), “Aerospace and Engineering Services” (represents ‘Aerospace and Defence Services’ and ‘Information and Communications Technology’ business units), “Energy” (represents ‘Oil & Gas and Energy’ and ‘Renewable Energy’ business units) and “Emerging Sectors” (represents ‘Real Estate and Infrastructure’, ‘Mubadala Capital’ and ‘Healthcare’ business units). Corporate units are continued to be presented under the “Corporate” segment separately.

	Technology 31-Dec-16 AED’000	Industry 31-Dec-16 AED’000	Technology and Industry 31-Dec-16 AED’000	Aerospace and Defence Services 31-Dec-16 AED’000	Information and Communications Technology 31-Dec-16 AED’000	Aerospace and Engineering Services 31-Dec-16 AED’000	Oil & Gas and Energy 31-Dec-16 AED’000	Renewable Energy 31-Dec-16 AED’000	Energy 31-Dec-16 AED’000	Real Estate and Infrastructure 31-Dec-16 AED’000	Mubadala Capital 31-Dec-16 AED’000	Healthcare 31-Dec-16 AED’000	Emerging Sectors 31-Dec-16 AED’000	Corporate 31-Dec-16 AED’000	Consolidated 31-Dec-16 AED’000
Revenues from external customers	20,180,075	1,286,670	21,466,745	1,837,900	1,677,336	3,515,236	3,764,514	477,093	4,241,607	809,289	8,429	1,422,216	2,239,934	7,479	31,471,001
Finance (expense) / income *(net)*	(357,958)	(142,342)	(500,300)	(83,591)	(172,931)	(256,522)	(173,812)	(86,343)	(260,155)	130,952	(53,452)	536	78,036	(417,875)	(1,356,816)
Total assets	82,251,103	29,118,759	111,369,862	11,228,142	10,300,665	21,528,807	9,911,209	7,656,749	17,567,958	28,776,958	45,997,488	8,148,522	82,922,968	14,920,244	248,309,839
Total liabilities	19,584,698	5,649,367	25,234,065	3,507,108	4,814,479	8,321,587	4,189,854	2,234,997	6,424,851	4,944,303	2,479,293	431,584	7,855,180	15,479,231	63,314,914
Investments in equity accounted investees	207,974	14,922,253	15,130,227	4,461,570	3,236,022	7,697,592	168,952	1,029,232	1,198,184	7,768,609	4,389,994	-	12,158,603	93,653	36,278,259
Depreciation and amortisation	10,705,313	130,761	10,836,074	257,008	425,662	682,670	1,638,115	108,067	1,746,182	85,431	6,342	84,825	176,598	49,652	13,491,176
Additions to non-current assets [1]	4,161,539	460,872	4,622,411	716,375	324,732	1,041,107	1,178,683	434,040	1,612,723	125,459	689,447	102,425	917,331	50,389	8,243,961
Share of results of equity accounted investees	(335,156)	1,219,352	884,196	(49,981)	295,063	245,082	959,063	45,639	1,004,702	802,414	303,412	-	1,105,826	46,390	3,286,196
Profit / (loss) for the year attributable to the Owner of the Group	(1,568,061)	1,324,889	(243,172)	1,159,298	(2,400,085)	(1,240,787)	1,013,086	33,752	1,046,838	996,274	3,875,496	148,498	5,020,268	(1,263,469)	3,319,678
Total comprehensive income / (loss) attributable to the Owner of the Group [2]	(1,823,783)	1,233,033	(590,750)	1,765,589	(2,130,253)	(364,664)	1,013,425	(213,015)	800,410	998,738	4,369,771	148,245	5,516,754	(1,261,881)	4,099,869
Total comprehensive income / (loss) attributable to the Owner of the Group excluding impairments and fair value movements on investment properties and financial investments [2]	(8,525,218)	1,379,189	(7,146,029)	1,135,445	477,153	1,612,598	1,116,458	67,147	1,183,605	1,248,158	794,916	150,232	2,193,306	(1,207,506)	(3,364,026)

[1] Non-current assets consist of property, plant and equipment, intangible assets and investment properties.

[2] For reconciliation between ‘Total comprehensive income / (loss) attributable to the Owner of the Group’ and ‘Total comprehensive income / (loss) attributable to the Owner of the Group excluding impairments and fair value movements on investment properties and financial investments’, refer to page 54.

Notes to the consolidated financial statements *(continued)*

4 Operating segments *(continued)*

	Technology 31-Dec-15 AED'000	Industry 31-Dec-15 AED'000	Technology and Industry 31-Dec-15 AED'000	Aerospace and Defence Services 31-Dec-15 AED'000	Information and Communications Technology 31-Dec-15 AED'000	Aerospace and Engineering Services 31-Dec-15 AED'000	Oil & Gas and Energy 31-Dec-15 AED'000	Renewable Energy 31-Dec-15 AED'000	Energy 31-Dec-15 AED'000	Real Estate and Infrastructure 31-Dec-15 AED'000	Mubadala Capital 31-Dec-15 AED'000	Healthcare 31-Dec-15 AED'000	Emerging Sectors 31-Dec-15 AED'000	Corporate 31-Dec-15 AED'000	Consolidated 31-Dec-15 AED'000
Revenues from external customers	18,421,007	1,178,173	**19,599,180**	1,460,630	1,754,513	**3,215,143**	4,493,429	477,696	**4,971,125**	804,109	-	1,112,617	**1,916,726**	**5,227**	**29,707,401**
Finance (expense) / income *(net)*	(163,776)	(123,005)	**(286,781)**	(91,987)	(206,664)	**(298,651)**	(267,459)	(69,067)	**(336,526)**	197,989	(99,871)	330	**98,448**	**(268,487)**	**(1,091,997)**
Total assets	79,158,707	28,211,370	**107,370,077**	14,358,272	14,127,798	**28,486,070**	11,217,757	7,977,665	**19,195,422**	28,547,509	35,345,209	5,608,532	**69,501,250**	**21,811,429**	**246,364,248**
Total liabilities	18,913,205	3,886,197	**22,799,402**	5,637,600	6,005,461	**11,643,061**	4,757,056	2,780,135	**7,537,191**	5,678,223	1,330,336	230,890	**7,239,449**	**23,175,467**	**72,394,570**
Investments in equity accounted investees	558,129	13,938,805	**14,496,934**	4,435,506	2,980,213	**7,415,719**	316,852	910,650	**1,227,502**	7,295,008	3,415,505	-	**10,710,513**	**1,841,847**	**35,692,515**
Depreciation and amortisation	8,330,587	114,573	**8,445,160**	244,024	435,505	**679,529**	1,729,390	119,300	**1,848,690**	79,152	1,112	83,853	**164,117**	**59,686**	**11,197,182**
Additions to non-current assets [1]	14,613,355	1,770,543	**16,383,898**	394,062	520,042	**914,104**	1,523,438	344,729	**1,868,167**	291,057	300,683	124,153	**715,893**	**106,824**	**19,988,886**
Share of results of equity accounted investees	(463,200)	1,015,680	**552,480**	374,773	291,126	**665,899**	1,077,171	1,158	**1,078,329**	691,241	423,176	-	**1,114,417**	**277,405**	**3,688,530**
Profit / (loss) for the year attributable to the Owner of the Group	(4,894,301)	1,165,610	**(3,728,691)**	966,427	730,098	**1,696,525**	629,895	64,199	**694,094**	994,205	2,358,617	33,387	**3,386,209**	**(884,834)**	**1,163,303**
Total comprehensive income / (loss) attributable to the Owner of the Group [2]	(4,774,596)	1,116,094	**(3,658,502)**	718,763	948,077	**1,666,840**	650,035	(44,390)	**605,645**	996,273	(69,018)	25,450	**952,705**	**(886,918)**	**(1,320,230)**
Total comprehensive income / (loss) attributable to the Owner of the Group excluding impairments and fair value movements on investment properties and financial investments [2]	(4,496,412)	1,168,783	**(3,327,629)**	1,629,796	739,657	**2,369,453**	1,119,926	35,381	**1,155,307**	1,245,814	1,867,383	37,615	**3,150,812**	**(1,046,857)**	**2,301,086**

[1] Non-current assets consist of property, plant and equipment, intangible assets and investment properties.

[2] For reconciliation between 'Total comprehensive income / (loss) attributable to the Owner of the Group' and 'Total comprehensive income / (loss) attributable to the Owner of the Group excluding impairments and fair value movements on investment properties and financial investments', refer to page 54.

Notes to the consolidated financial statements *(continued)*

4 Operating segments *(continued)*

Reconciliation between 'total comprehensive income / (loss) attributable to the Owner of the Group' and 'total comprehensive income / (loss) attributable to the Owner of the Group excluding impairments and fair value movements on investment properties and financial investments' is as follows:

	2016 AED'000	2015 AED'000
Total comprehensive income / (loss) attributable to the Owner of the Group	**4,099,869**	(1,320,230)
Impairment of available for sale financial assets *(see note 11)*	**581,337**	-
Impairment of property, plant and equipment *(net) (see note 13)*	**21,572**	268,800
Impairment of intangible assets	**6,042**	145,367
Net change in the fair value of derivatives - not designated for hedge accounting *(see note 11)*	**(1,039,456)**	(683,635)
Non-controlling interest on derivatives used as economic hedges	**24,322**	30,371
Change in fair value of investment properties *(net) (see note 15)*	**82,908**	(39,051)
Impairment of equity accounted investees	**152,973**	163,750
Impairment of loans and receivables *(net)*	**3,314,420**	2,714,184
Fair value gain on derecognition of an equity accounted investee *(see note 16(a))*	**(3,904,479)**	-
Cumulative gain on available for sale financial assets reclassified from equity to profit or loss *(net) (see note 8)*	**(216,002)**	(329,823)
Net foreign exchange loss / (gain) *(see note 12)*	**78,438**	(40,732)
Foreign exchange impact on deferred tax	**291,129**	301,602
(Gain) / loss on disposal of property, plant and equipment *(see note 8) (net)*	**(72,377)**	87,619
Realised gain on financial assets at fair value through profit or loss *(net) (see note 8)*	**(105,249)**	(211,066)
Unrealised gain on financial assets at fair value through profit or loss *(net) (see note 11)*	**(4,922,274)**	(2,726,383)
Movements in other comprehensive income – attributable to the Owner of the Group	**(780,191)**	2,483,533
Discontinued operations adjustments	**25,054**	675,929
Others	**(1,002,062)**	780,851
Total comprehensive (loss) / income attributable to the Owner of the Group excluding impairments and fair value movements on investment properties and financial investments	**(3,364,026)**	2,301,086

Notes to the consolidated financial statements *(continued)*

4 Operating segments *(continued)*

Geographical information

In presenting information on the basis of geographical areas, revenue is based on the geographical location of customers.

Geographical information

	For the year ended 31 Dec 2016 Revenue AED'000	**As of 31 Dec 2016 Non-current assets [1] AED'000**	For the year ended 31 Dec 2015 Revenue AED'000	As of 31 Dec 2015 Non-current assets [1] AED'000
United Arab Emirates *(country of domicile)*	**6,155,320**	**23,323,165**	5,562,269	22,483,292
United States of America	**7,292,209**	**40,429,897**	8,877,851	45,323,422
Singapore	**6,461,439**	**6,693,190**	5,868,909	7,470,675
Taiwan	**1,630,354**	**-**	1,571,141	-
Thailand	**1,397,354**	**1,423,285**	1,413,029	1,745,486
Malaysia	**1,366,009**	**609,157**	381,493	609,295
China	**1,362,795**	**-**	629,726	-
State of Qatar	**985,768**	**3,693,821**	1,140,897	3,611,007
United Kingdom	**829,497**	**1,522,827**	747,652	1,910,664
Ireland	**586,882**	**-**	496,407	29,889
Germany	**387,876**	**10,332,768**	495,326	11,426,372
Indonesia	**381,367**	**967,291**	538,700	1,113,301
Bahrain	**219,265**	**359,987**	383,743	356,273
Switzerland	**170,708**	**484,312**	186,437	3,021,303
Finland	**26,080**	**141,414**	24,915	155,321
Columbia	**-**	**1,590,543**	-	1,466,607
Brazil	**2,852**	**1,061,887**	-	264,456
Others	**2,215,226**	**1,449,478**	1,388,906	1,504,884
	31,471,001	**94,083,022**	29,707,401	102,492,247

[1] Segment non-current assets are based on the geographical location of the assets and consist of property, plant and equipment, intangible assets and investment properties.

Major customers

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

	2016 AED'000	2015 AED'000
Technology	**3,824,811**	4,561,425

Notes to the consolidated financial statements *(continued)*

5 Subsidiaries

These consolidated financial statements include the financial performance and position of the following significant subsidiaries:

Subsidiaries	Domicile	Ownership interest 2016	2015	Principal business activities
GlobalFoundries Inc. ("GF")	Cayman Islands	**100%**	100%	Focus on semiconductor wafer fabrication services and technologies, and manufacturing a broad range of semiconductor devices
Dolphin Investment Company LLC	UAE	**100%**	100%	Involved in managing investments, which are engaged in development, production, procurement and sale of hydrocarbons and related products
Liwa Energy Limited LLC	UAE	**100%**	100%	Involved in managing investments, which are engaged in exploration, development and production of hydrocarbons
Abu Dhabi Future Energy Company PJSC ("ADFEC")	UAE	**100%**	100%	Focus on achieving the Government of Abu Dhabi's vision of transforming Abu Dhabi into a global leader in sustainable new energy technologies
Al Yah Satellite Communications Company PJSC	UAE	**100%**	100%	Leasing of satellite communication capacity to the UAE Armed Forces and other customers
MDC Oil and Gas Holding LLC	UAE	**100%**	100%	Involved in exploration, development and production of hydrocarbons
Mubadala Petroleum (SE Asia) Limited [1]	Singapore	**100%**	100%	Involved in exploration, development and production of hydrocarbons
Abu Dhabi Finance PJSC	UAE	**52%**	52%	Operate as a finance company and is primarily engaged in mortgage lending
Mubadala Capital LLC	UAE	**100%**	100%	Involved in investing in various sectors, including financial, energy, healthcare, industrial, consumers and auto with a regional focus on North America and Western Europe
Al Hikma Development Company PJSC	UAE	**51%**	51%	Engaged in the execution, management and supervision of construction, projects and the provision of facilities management services
Manhal Development Company PJSC	UAE	**51%**	51%	Engaged in the execution, management and supervision of construction, projects and the provision of facilities management services
Al Maqsed Development Company PJSC	UAE	**75%**	75%	Engaged in the execution, management and supervision of construction, projects and the provision of facilities management services
Treasury Holding Company LLC	UAE	**100%**	100%	Placement of deposits, hedge execution to manage foreign exchange and other market risk exposures and debt raising
National Central Cooling Company PJSC ("Tabreed") [2]	UAE	**33.2%**	33.2%	Supply of chilled water
Nile Acquisition Holding Company Limited ("NAHCL") [3]	Cayman Islands	**66.2%**	66.2%	Engaged in the business of acquiring, holding, administering and exploiting music copyrights and related publishing rights in musical compositions throughout the world
Alsowah Square Properties LLC	UAE	**100%**	100%	Involved in land and real estate business, which includes real estate enterprises investment, development, construction, acquisition, selling and management
AAV Limited	Cayman Islands	**100%**	100%	Involved in the business of owning companies in Colombia that have acquired concessions, licences and titles for the mining of gold and other precious metals

5 Subsidiaries *(continued)*

[1] Subsidiary of Beta Investment Company LLC.

[2] The mandatory convertible bonds held by the Group in Tabreed are assessed to provide rights incidental to an ownership interest in the equity of the investee. Accordingly, on the basis of an effective controlling equity interest, Tabreed has been consolidated to the extent of 82 percent *(2015: 82 percent)* with the remaining 18 percent *(2015: 18 percent)* attributed to the non-controlling interest holders.

[3] Holding company of equity accounted investee, DH Publishing Limited.

(a) Disposals

(i) Disposal of a subsidiary

During the year, the Group disposed of 80 percent of its interest in SR Technics HoldCo I GmbH, an aircraft maintenance, repair and overhaul company. Following the disposal, the Group's remaining shareholding of 20 percent has been classified as a fair value though profit or loss investment.

The total value of assets and liabilities of the subsidiary disposed of and recorded in the consolidated financial statements on the date of disposal, and the cash flow effects of the disposal were:

	AED'000
Cash and cash equivalents	**137,093**
Current assets	**1,466,804**
Current liabilities	**(1,246,956)**
Net current assets (A)	**356,941**
Non-current assets	**2,703,396**
Non-current liabilities	**(2,699,499)**
Net non-current assets (B)	**3,897**
Sale consideration	**931,340**
Less: carrying value of the net assets disposed (A) + (B)	**(360,838)**
	570,502
Fair value of 20 percent retained interest [1]	**232,835**
Selling expenses	**(27,615)**
Hedging and other reserves reclassified to profit or loss	**47,790**
Foreign currency translation reserve reclassified to profit or loss	**232,430**
Gain on disposal of a subsidiary *(see note 8)*	**1,055,942**

[1] This has been classified as fair value through profit or loss investment.

Notes to the consolidated financial statements *(continued)*

5 Subsidiaries *(continued)*

(a) Disposals *(continued)*

(i) Disposal of a subsidiary *(continued)*

The results of operations of the subsidiary are set out below:

	1 January to 30 November 2016 AED'000	1 January to 31 December 2015 AED'000
Revenue from sale of goods and services	**3,498,034**	4,344,338
Cost of sale of goods and services	**(3,130,484)**	(3,904,244)
Gross profit	**367,550**	440,094
Other operating income	**42,752**	59,106
Other expenses	**(468,900)**	(1,248,628)
Net loss before tax	**(58,598)**	(749,428)
Income tax (expense) / benefit	**(3,000)**	102,112
Loss for the year from discontinued operations	**(61,598)**	(647,316)

The net cash flows of the subsidiary are presented below:

	2016 AED'000	2015 AED'000
Net cash (used in) / generated from operating activities	**(19,839)**	42,153
Net cash generated from investing activities	**3,450**	75
Net cash used in financing activities	**(6,028)**	(60,398)
Net cash outflow	**(22,417)**	(18,170)

(ii) Disposal of working interest

The Group recognised a net gain of AED 80,997 thousand on disposal of certain working interest *(see note 8)*.

5 Subsidiaries *(continued)*

(b) Non-wholly owned subsidiaries

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Subsidiaries	Principal place of business	Ownership interest held by non-controlling interests		(Loss) / profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2016	2015	**2016 AED'000**	2015 AED'000	**2016 AED'000**	2015 AED'000
NAHCL	Cayman Islands	**33.8%**	33.8%	**(90,192)**	91,291	**326,092**	482,445
Tabreed	UAE	**18%**	18%	**75,389**	54,699	**822,347**	775,397

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	NAHCL		Tabreed	
	2016 AED'000	2015 AED'000	**2016 AED'000**	2015 AED'000
Current assets	**-**	-	**1,062,020**	941,893
Non-current assets	**771,686**	1,234,419	**7,599,373**	7,290,931
Current liabilities	**1,175,614**	1,175,614	**1,078,648**	865,373
Non-current liabilities	**-**	-	**3,144,654**	3,141,685
Revenue	**-**	-	**1,279,853**	1,171,850
(Loss) / profit	**(176,649)**	55,724	**371,702**	348,011
Total comprehensive (loss) / income	**(176,649)**	55,724	**374,128**	363,137
Net cash generated from operating activities	**-**	-	**553,508**	604,931
Net cash (used in) / generated from investing activities	**-**	-	**(199,662)**	9,195
Net cash used in financing activities	**-**	-	**(157,331)**	(585,938)
Net cash flow	**-**	-	**196,515**	28,188
Dividends paid to non-controlling interests	**-**	-	**36,027**	31,946

6 Revenue from sale of goods and services

	2016 AED'000	2015 AED'000
Sale of semiconductor wafers	**20,180,075**	18,421,007
Sale of hydrocarbons	**3,762,485**	4,491,642
Aircraft maintenance and repairs, components leasing and sales	**1,571,224**	1,091,121
Medical services	**1,403,621**	1,107,778
Satellite capacity leasing revenue	**1,276,024**	1,253,494
Revenue from supply of chilled water	**844,286**	780,537
Revenue from information technology services	**396,370**	434,649
Finance lease income	**314,170**	311,842
Revenue from supply of renewable energy	**264,032**	322,402
Service concession revenue	**195,083**	182,261
Others	**1,263,631**	1,310,668
	31,471,001	29,707,401

Notes to the consolidated financial statements *(continued)*

7 Cost of sales of goods and services

	2016 AED'000	2015 AED'000
Depreciation of property, plant and equipment	**11,629,530**	9,726,486
Raw materials	**6,293,002**	4,372,024
Staff costs	**4,798,621**	4,430,969
Maintenance	**2,534,018**	2,179,271
Write-down of excess and obsolete inventories to their estimated net realisable value and provision for inventory *(net)*	**1,759,475**	2,240,624
Amortisation of intangible assets	**324,241**	212,707
Others	**4,493,766**	5,976,733
	31,832,653	29,138,814

8 Other income *(net)*

	2016 AED'000	2015 AED'000
Gain on disposal of subsidiaries and working interest *(net) (see note 5(a))*	**1,136,939**	326,731
Finance income from loans	**248,187**	248,813
Liabilities written back	**242,006**	-
Cumulative gain on available for sale financial assets reclassified from equity to profit or loss *(net)*	**216,002**	329,823
Realised gain on financial assets at fair value through profit or loss *(net)*	**105,249**	211,066
Gain / (loss) on disposal of property, plant and equipment *(net)*	**72,377**	(87,619)
Others	**1,285,898**	545,817
	3,306,658	1,574,631

9 Research and development expenses

	2016 AED'000	2015 AED'000
Staff costs	**1,532,306**	1,321,853
Depreciation of property, plant and equipment	**551,593**	395,393
Amortisation of intangible assets	**317,640**	185,387
Others	**779,553**	1,153,610
	3,181,092	3,056,243

Notes to the consolidated financial statements *(continued)*

10 Other general and administrative expenses

	2016	2015
	AED'000	AED'000
Staff costs	**3,316,074**	3,081,298
Office expenses	**855,922**	796,852
Depreciation of property, plant and equipment	**402,884**	415,283
Amortisation of intangible assets	**265,288**	254,660
Others	**1,132,629**	1,123,841
	5,972,797	5,671,934

11 Income from financial investments *(net)*

	2016	2015
	AED'000	AED'000
Financial assets / liabilities at fair value through profit or loss		
Unrealised gain on financial assets at fair value through profit or loss *(net)*	**4,922,274**	2,726,383
Net change in the fair value of derivatives – not designated for hedge accounting	**1,039,456**	683,635
	5,961,730	3,410,018
Available for sale financial assets		
Impairment losses	**(581,337)**	-
	5,380,393	3,410,018

Dividend income from financial assets at fair value through profit or loss was AED 241,565 thousand *(2015: AED 254,915 thousand)*, dividend income from available for sale financial assets was AED 540,123 thousand *(2015: AED 677,976 thousand)*.

12 Finance income and expense

	2016	2015
	AED'000	AED'000
Finance income		
Interest income	**738,853**	817,411
	738,853	817,411
Finance expense		
Borrowing costs [1]	**(2,017,231)**	(1,950,140)
Net foreign exchange (loss) / gain	**(78,438)**	40,732
	(2,095,669)	(1,909,408)
Net finance expense	**(1,356,816)**	(1,091,997)

[1] The Group incurred transaction costs in relation to securing various long term financing facilities *(see note 26)*. These costs, which include legal consultancy charges, facility arrangement and structuring fees, are deducted from the carrying values of the respective borrowings, and are being amortised using the effective interest method. The amortisation expense is included within the related borrowing costs. The balance of these deferred unamortised costs at 31 December 2016 is AED 371,348 thousand *(2015: AED 402,692 thousand)*.

Notes to the consolidated financial statements *(continued)*

13 Property, plant and equipment

	Land and Buildings [1,2] AED'000	Oil and gas assets AED'000	Plant and office equipment AED'000	Aircraft and aircraft materials AED'000	Computers AED'000	Distribution network AED'000	Capital work in progress AED'000	Others AED'000	Total AED'000
Cost									
At 1 January 2015	17,737,530	19,041,854	53,497,334	5,436,630	1,521,787	1,386,795	22,888,828	99,069	121,609,827
Additions [3]	253,998	1,367,470	196,317	213,281	49,730	108,273	11,732,550	111,670	14,033,289
Acquisition through business combination	356,997	-	1,434,105	-	1,670	-	186,270	518	1,979,560
Disposals	(33,642)	-	(1,244,954)	(151,795)	(65,584)	-	(527,989)	(439)	(2,024,403)
Transfer to intangible assets *(see note 14)*	-	-	-	-	(14,103)	-	(73,666)	(11,904)	(99,673)
Transfer to investment properties *(see note 15)*	(136,405)	-	-	-	-	-	(100,852)	-	(237,257)
Divestment of stake in subsidiaries	(569,997)	-	(386)	-	(130)	-	-	-	(570,513)
Transfer to inventories	-	-	-	-	-	-	(522,642)	-	(522,642)
Transfer to assets classified as held for sale	(269,223)	-	(5,121)	-	-	-	-	(536)	(274,880)
Transfer to finance lease receivables	-	-	-	-	-	-	(22,895)	-	(22,895)
Other transfers	5,204,209	416,978	15,901,955	(185)	203,271	9,586	(21,594,677)	(143,987)	(2,850)
Write off	(49,689)	-	(7,900)	(33)	(18,246)	-	(20,254)	-	(96,122)
Effect of movement in foreign exchange rates	(24,370)	-	(129,579)	(10,900)	(571)	-	1,373	(220)	(164,267)
At 31 December 2015	22,469,408	20,826,302	69,641,771	5,486,998	1,677,824	1,504,654	11,946,046	54,171	133,607,174
At 1 January 2016	**22,469,408**	**20,826,302**	**69,641,771**	**5,486,998**	**1,677,824**	**1,504,654**	**11,946,046**	**54,171**	**133,607,174**
Additions [3]	**164,967**	**728,113**	**436,346**	**598,628**	**35,239**	**20,349**	**4,048,415**	**3,475**	**6,035,532**
Disposals	**(150,224)**	**-**	**(794,306)**	**(336,097)**	**(64,420)**	**-**	**(22,864)**	**(1,061)**	**(1,368,972)**
Transfer to intangible assets *(see note 14)*	**-**	**-**	**-**	**-**	**(7,161)**	**-**	**(41,175)**	**-**	**(48,336)**
Transfer to investment properties *(see note 15)*	**(128,836)**	**-**	**(9,556)**	**-**	**-**	**-**	**-**	**-**	**(138,392)**
Disposal of a subsidiary *(see note 5(a)(i))*	**(17,465)**	**-**	**(346,668)**	**(1,794,832)**	**(5,406)**	**-**	**(7,470)**	**(7,496)**	**(2,179,337)**
Transfer to inventories	**-**	**(517)**	**-**	**-**	**-**	**-**	**(10,397)**	**-**	**(10,914)**
Transfer from assets classified as held for sale	**69,678**	**-**	**5,122**	**-**	**-**	**-**	**-**	**536**	**75,336**
Transfer to finance lease receivables	**-**	**-**	**-**	**-**	**-**	**-**	**(62,115)**	**-**	**(62,115)**
Other transfers	**4,338,955**	**9,445**	**3,825,189**	**10,699**	**211,406**	**181,101**	**(8,614,191)**	**(31,343)**	**(68,739)**
Write off	**(103,659)**	**(3,011,666)**	**(4,942)**	**-**	**(2,822)**	**-**	**(230)**	**-**	**(3,123,319)**
Effect of movement in foreign exchange rates	**3,205**	**-**	**(345,257)**	**45,735**	**687**	**-**	**10,989**	**5**	**(284,636)**
At 31 December 2016	**26,646,029**	**18,551,677**	**72,407,699**	**4,011,131**	**1,845,347**	**1,706,104**	**7,247,008**	**18,287**	**132,433,282**

Notes to the consolidated financial statements *(continued)*

13 Property, plant and equipment *(continued)*

	Land and Buildings [1,2] AED'000	Oil and gas assets AED'000	Plant and office equipment AED'000	Aircraft and aircraft materials AED'000	Computers AED'000	Distribution network AED'000	Capital work in progress AED'000	Others AED'000	Total AED'000
Accumulated depreciation and impairment									
At 1 January 2015	(4,149,772)	(11,764,042)	(17,608,783)	(1,243,508)	(1,163,866)	(128,287)	(1,601,206)	(12,637)	(37,672,101)
Charge for the year [5]	(1,236,007)	(1,634,364)	(7,317,348)	(420,521)	(175,142)	(41,431)	-	(892)	(10,825,705)
Disposals	33,801	-	1,176,515	39,168	65,289	-	356,968	379	1,672,120
Impairment / (reversal of impairment) [4]	19,177	(261,002)	972	-	-	(449)	(27,498)	-	(268,800)
Transfer to assets classified as held for sale	199,021	-	4,666	-	-	-	-	521	204,208
Transfer to investment properties *(see note 15)*	18,196	-	-	-	-	-	-	-	18,196
Divestment of stake in subsidiaries	27,907	-	301	-	130	-	-	-	28,338
Depreciation capitalised	-	(29,248)	(591)	-	(1,079)	-	-	-	(30,918)
Write off	27,107	-	5,784	-	11,980	-	-	-	44,871
Other transfers	(34,204)	(231,762)	(861)	-	165	-	265,924	-	(738)
Effect of movement in foreign exchange rates	21,648	(8)	17,492	11,030	522	-	114	182	50,980
At 31 December 2015	(5,073,126)	(13,920,426)	(23,721,853)	(1,613,831)	(1,262,001)	(170,167)	(1,005,698)	(12,447)	(46,779,549)
At 1 January 2016	**(5,073,126)**	**(13,920,426)**	**(23,721,853)**	**(1,613,831)**	**(1,262,001)**	**(170,167)**	**(1,005,698)**	**(12,447)**	**(46,779,549)**
Charge for the year [5]	**(1,631,309)**	**(1,571,600)**	**(8,989,316)**	**(270,452)**	**(188,829)**	**(43,096)**	**-**	**(1,026)**	**(12,695,628)**
Disposals	**150,195**	**-**	**755,318**	**237,608**	**63,892**	**-**	**-**	**1,061**	**1,208,074**
Impairment / (reversal of impairment) [4]	**-**	**(11,000)**	**6,894**	**-**	**-**	**-**	**(17,466)**	**-**	**(21,572)**
Transfer to / (from) intangible assets *(see note 14)*	**459**	**-**	**(448)**	**-**	**1,382**	**-**	**-**	**-**	**1,393**
Transfer from assets classified as held for sale	**(40,476)**	**-**	**(4,666)**	**-**	**-**	**-**	**-**	**(522)**	**(45,664)**
Transfer to investment properties *(see note 15)*	**48,143**	**-**	**1,008**	**-**	**-**	**-**	**-**	**-**	**49,151**
Disposal of a subsidiary *(see note 5(a)(i))*	**(1,935)**	**-**	**190,770**	**931,765**	**885**	**-**	**-**	**6,472**	**1,127,957**
Depreciation capitalised	**-**	**-**	**(491)**	**-**	**(877)**	**-**	**-**	**-**	**(1,368)**
Write off	**92,710**	**3,011,374**	**7,121**	**-**	**2,982**	**-**	**-**	**-**	**3,114,187**
Other transfers	**8,836**	**-**	**5,456**	**(1,101)**	**-**	**-**	**(260)**	**(25)**	**12,906**
Effect of movement in foreign exchange rates	**222**	**29,775**	**45,245**	**(29,892)**	**(535)**	**-**	**305**	**(67)**	**45,053**
At 31 December 2016	**(6,446,281)**	**(12,461,877)**	**(31,704,962)**	**(745,903)**	**(1,383,101)**	**(213,263)**	**(1,023,119)**	**(6,554)**	**(53,985,060)**
Carrying amounts									
At 1 January 2015	13,587,758	7,277,812	35,888,551	4,193,122	357,921	1,258,508	21,287,622	86,432	83,937,726
At 31 December 2015	17,396,282	6,905,876	45,919,918	3,873,167	415,823	1,334,487	10,940,348	41,724	86,827,625
At 31 December 2016	**20,199,748**	**6,089,800**	**40,702,737**	**3,265,228**	**462,246**	**1,492,841**	**6,223,889**	**11,733**	**78,448,222**

13 Property, plant and equipment *(continued)*

[1] The UAE Armed Forces - General Head Quarters, and the Urban Planning Council have granted certain subsidiaries the right to use plots of land free of charge *(see note 34(a)(ii))*.

[2] Includes plots of land recorded at nominal value, carrying amounts of which are insignificant.

[3] During the year, one of the Group's subsidiary has earned certain investment tax credits amounting to AED 353,225 thousand *(2015: AED 852,035 thousand)*, which have been netted off against additions to property, plant and equipment.

[4] Impairment in the current year primarily arises from oil and gas assets. It includes a provision for impairment recognised for joint operations in Middle East and South East Asia region as the carrying amounts were higher than the recoverable amounts. The recoverable amounts of the CGUs (the oil and gas fields that produce hydrocarbons) were estimated based on their value in use, which was determined with the assistance of internal experts and estimates by discounting the future cash flows from the continuing use of the units and using the following key assumptions:

- cash flows were projected for each field based on the projected production plan of the fields' 2P (proved and probable) reserves;
- oil prices are based on forecasted Brent prices *(2015: forecasted Brent prices)* and are adjusted for quality, transportation fees and regional price differences; and
- a post-tax discount rate of 7.5 – 10.2 percent *(2015: 7.5 - 14 percent)* was applied in determining the recoverable amount of the respective units.

During the year ended 31 December 2016, management performed impairment assessment for one of the major CGU related to wafer fabrication plant. The recoverable amount of the CGU was estimated on the basis of its value in use, which is determined by discounting the future cash flows from the continuing use of wafer fabrication plant. The pre-tax discount rate applied to discount the cash flows was 9.5 percent, operational efficiency of 3 percent, inflation rate of 2 - 3 percent and a negative 2 - 3 percent growth rate was used to extrapolate the cash flows. Management estimated significant increase in future cash flows from sales due to introduction of new technology and ramp up of fabrication plant resulting from new contracts. Future capital expenditures were based on management's estimate of budgeted costs taking into account new contracts and utilization of fabrication plant. Based on the results of the impairment assessment, management concluded that the recoverable amount of the CGU is higher than its carrying value and accordingly no impairment is recorded.

[5] Charge for the year was allocated to cost of sales of goods and services at AED 11,629,530 thousand *(2015: AED 9,726,486 thousand)*, other general and administrative expenses at AED 402,884 thousand *(2015: AED 415,283 thousand)*, research and development expenses at AED 551,593 thousand *(2015: AED 395,393 thousand)*, and allocation to discontinued operations of AED 111,621 thousand *(2015: AED 288,543 thousand)*.

Property, plant and equipment having carrying value of AED 9,710,697 thousand has been pledged as security *(2015: AED* 9,849,486 *thousand)*.

Property, plant and equipment having carrying value of AED 980,476 thousand *(2015: AED* 1,015,409 *thousand)* are held under finance lease.

14 Intangible assets

	Exploration licences AED'000	Trademarks AED'000	Proved and probable oil and gas reserves AED'000	Possible and contingent oil and gas reserves AED'000	Other mining rights AED'000	Goodwill AED'000	Technology, licence and software AED'000	Customer contracts AED'000	Exploration and evaluation assets AED'000	Patents AED'000	Others AED'000	Total AED'000
Cost												
At 1 January 2015	327,306	2,404,032	2,337,952	1,117,984	-	1,086,677	3,049,956	560,595	1,492,291	-	1,440,808	13,817,601
Additions	-	-	-	-	-	-	439,101	-	28,177	-	141,727	609,005
Acquisition through business combinations	-	-	-	-	1,359,069	-	-	470,208	-	1,044,009	-	2,873,286
Disposals	-	-	-	-	-	-	(31,434)	-	-	-	-	(31,434)
Write off	(264,492)	-	-	-	-	-	(34)	-	(602,952)	-	-	(867,478)
Transfer from property, plant and equipment *(see note 13)*	-	-	-	-	-	-	49,286	-	-	-	50,387	99,673
Other transfers	-	-	-	-	-	(85,710)	-	-	-	-	-	(85,710)
Effect of movement in foreign exchange rates	-	(8,228)	-	-	-	(29,390)	(3,828)	(6,585)	5	(2,462)	(323)	(50,811)
At 31 December 2015	62,814	2,395,804	2,337,952	1,117,984	1,359,069	971,577	3,503,047	1,024,218	917,521	1,041,547	1,632,599	16,364,132
At 1 January 2016	**62,814**	**2,395,804**	**2,337,952**	**1,117,984**	**1,359,069**	**971,577**	**3,503,047**	**1,024,218**	**917,521**	**1,041,547**	**1,632,599**	**16,364,132**
Additions	**-**	**-**	**-**	**-**	**8,398**	**-**	**1,114,821**	**-**	**54,182**	**2,278**	**594,645**	**1,774,324**
Disposals	**-**	**-**	**-**	**-**	**-**	**-**	**(66,039)**	**-**	**-**	**(1,635)**	**-**	**(67,674)**
Disposal of a subsidiary *(see note 5(a)(i))*	**-**	**(2,435,588)**				**(20,125)**	**(174,473)**	**(402,490)**	**-**	**-**	**(112,251)**	**(3,144,927)**
Write off	**-**	**-**	**-**	**-**	**-**	**(9,885)**	**-**	**-**	**(14,727)**	**-**	**(3,222)**	**(27,834)**
Transfer from property, plant and equipment *(see note 13)*	**-**	**-**	**-**	**-**	**-**	**-**	**40,444**	**-**	**-**	**-**	**7,892**	**48,336**
Other transfers	**-**	**-**	**-**	**-**	**-**	**1,873**	**260**	**(4,408)**	**-**	**-**	**12,180**	**9,905**
Effect of movement in foreign exchange rates	**-**	**39,784**	**-**	**-**	**-**	**4,628**	**3,402**	**(9,299)**	**-**	**-**	**(8,369)**	**30,146**
At 31 December 2016	**62,814**	**-**	**2,337,952**	**1,117,984**	**1,367,467**	**948,068**	**4,421,462**	**608,021**	**956,976**	**1,042,190**	**2,123,474**	**14,986,408**

14 Intangible assets *(continued)*

	Exploration licences AED'000	Trademarks AED'000	Proved and probable oil and gas reserves AED'000	Possible and contingent oil and gas reserves AED'000	Other mining rights AED'000	Goodwill AED'000	Technology, licence and software AED'000	Customer contracts AED'000	Exploration and evaluation assets AED'000	Patents AED'000	Others AED'000	Total AED'000
Accumulated amortisation and impairment												
At 1 January 2015	(320,041)	(567,860)	(2,120,703)	(997,292)	-	(577,850)	(1,272,845)	(246,200)	(558,559)	-	(702,215)	(7,363,565)
Charge for the year [1]	(7,265)	-	(40,824)	(16,913)	-	-	(450,925)	(63,879)	-	(69,815)	(64,774)	(714,395)
Disposals	-	-	-	-	-	-	22,536	-	-	-	-	22,536
Impairment [2]	-	(645,516)	(88,363)	(53,067)	-	(13,592)	-	(47,307)	-	-	9,655	(838,190)
Write off	264,492	-	-	-	-	-	35	-	558,559	-	-	823,086
Other transfers	-	-	-	-	-	-	166	-	-	-	-	166
Effect of movement in foreign exchange rates	-	21,211	(2)	-	-	-	(5,389)	11,246	-	-	8,205	35,271
At 31 December 2015	(62,814)	(1,192,165)	(2,249,892)	(1,067,272)	-	(591,442)	(1,706,422)	(346,140)	-	(69,815)	(749,129)	(8,035,091)
At 1 January 2016	**(62,814)**	**(1,192,165)**	**(2,249,892)**	**(1,067,272)**	**-**	**(591,442)**	**(1,706,422)**	**(346,140)**	**-**	**(69,815)**	**(749,129)**	**(8,035,091)**
Charge for the year [1]	**-**	**-**	**(18,146)**	**(22,868)**	**-**	**-**	**(592,318)**	**(77,242)**	**-**	**(147,913)**	**(77,732)**	**(936,219)**
Disposals	**-**	**-**	**-**	**-**	**-**	**-**	**51,434**	**-**	**-**	**28**	**-**	**51,462**
Impairment [2]	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(4,843)**	**-**	**-**	**(6,042)**	**(10,885)**
Amortisation capitalised	**-**	**-**	**-**	**-**	**-**	**-**	**(16)**	**-**	**-**	**-**	**-**	**(16)**
Disposal of a subsidiary *(see note 5(a)(i))*	**-**	**1,208,130**	**-**	**-**	**-**	**-**	**115,335**	**279,581**	**-**	**-**	**36,310**	**1,639,356**
Transfer from property, plant and equipment *(see note 13)*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,393)**	**(1,393)**
Write off	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,732**	**1,732**
Other transfers	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,577)**	**(2,577)**
Effect of movement in foreign exchange rates	**-**	**(15,965)**	**-**	**-**	**-**	**-**	**6,881**	**16,481**	**-**	**-**	**5,689**	**13,086**
At 31 December 2016	**(62,814)**	**-**	**(2,268,038)**	**(1,090,140)**	**-**	**(591,442)**	**(2,125,106)**	**(132,163)**	**-**	**(217,700)**	**(793,142)**	**(7,280,545)**
Carrying amounts												
At 1 January 2015	7,265	1,836,172	217,249	120,692	-	508,827	1,777,111	314,395	933,732	-	738,593	6,454,036
At 31 December 2015	-	1,203,639	88,060	50,712	1,359,069	380,135	1,796,625	678,078	917,521	971,732	883,470	8,329,041
At 31 December 2016	**-**	**-**	**69,914**	**27,844**	**1,367,467**	**356,626**	**2,296,356**	**475,858**	**956,976**	**824,490**	**1,330,332**	**7,705,863**

14 Intangible assets *(continued)*

[1] Charge for the year was allocated to cost of sales of goods and services at AED 324,241 thousand *(2015: AED 212,707 thousand)*, other general and administrative expenses at AED 265,288 thousand *(2015: AED 254,660 thousand)*, research and development expenses at AED 317,640 thousand *(2015: AED 185,387 thousand)*, exploration costs at AED nil *(2015: AED* 7,266 *thousand)*, and allocation to discontinued operations of AED 29,050 thousand *(2015: AED 54,375 thousand).*

[2] Impairment includes allocation to discontinued operations of AED 4,843 thousand *(2015: AED 692,823 thousand).*

Oil and gas reserves

The recoverable amounts of the CGUs (the producing fields that produce hydrocarbons) were estimated based on their value in use, which was determined with the assistance of independent valuers, as well as by internal estimates. 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 cash generating unit within the Group at which the goodwill is monitored for internal management purposes. Value in use was determined by discounting the future cash flows from the continuing use of the unit and was based on the following key assumptions:

- cash flows were projected for each field based on the projected production plan of the fields' 2P (proved and probable) reserves;
- oil prices are based on forecasted Brent prices *(2015: forecasted Brent prices)* for the year and are adjusted for quality, transportation fees and regional price differences; and
- a post-tax discount rate of 9.2 percent *(2015: 9.2 percent)* was applied in determining the recoverable amount of the respective units.

On the basis of impairment analysis, management concluded that the recoverable amount of these CGUs are higher than their carrying values and accordingly no impairment is recorded.

Goodwill

Intangible assets include goodwill amounting to AED 317,842 thousand *(2015: AED 317,842 thousand)*, arising from acquisition of one of Group's subsidiary. During the year ended 31 December 2016, management performed impairment review for goodwill allocated to certain CGUs based on forecasted cash flows. The recoverable amounts of these CGUs were estimated on the basis of their value in use, which is determined by discounting the future cash flows from the continuing use of wafer fabrication plants. The pre-tax discount rate applied to discount the cash flows was 9.5 percent *(2015: 10 percent)*, operational efficiency of 3 percent *(2015: 3 percent)* and a negative 2 - 3 percent *(2015: negative 2-3 percent)* growth rate was used to extrapolate the cash flows. Based on the results of the goodwill impairment assessment, management concluded that the recoverable amount of these CGUs is higher than their carrying values and no impairment of goodwill is recorded.

The key assumptions used in the value in use calculations are sales prices, discount rates and market share assumptions.

With regard to the assessment of value in use of the businesses, management believes that a reasonable change in any of the above key assumptions would not cause the carrying values of the units to materially exceed their recoverable amounts.

15 Investment properties

	2016 AED'000	2015 AED'000
Investment properties	**7,211,860**	6,973,044
Investment properties under development	**717,077**	362,537
	7,928,937	7,335,581

Movement in investment properties is as follows:

	2016 AED'000	2015 AED'000
At the beginning of the year	**6,973,044**	6,562,450
Additions	**64,895**	36,488
Acquisitions through business combinations	**-**	299,390
Transfer from investment properties under development	**107,039**	-
Transfer from property, plant and equipment *(see note 13)*	**89,241**	118,209
Transfer to inventories	**-**	(20,507)
(Decrease) / increase in fair value *(net)*	**(71,731)**	28,051
Effect of movement in foreign exchange rates	**49,372**	(51,037)
At the end of the year	**7,211,860**	6,973,044

Movement in investment properties under development is as follows:

	2016 AED'000	2015 AED'000
At the beginning of the year	**362,537**	238,601
Additions	**369,210**	157,868
Transfer to investment properties	**(107,039)**	-
Transfer from property, plant and equipment *(see note 13)*	**-**	100,852
Transfer from / (to) inventories	**103,546**	(145,784)
(Decrease) / increase in fair value *(net)*	**(11,177)**	11,000
At the end of the year	**717,077**	362,537

15 Investment properties *(continued)*

Investment properties primarily include Abu Dhabi Global Market ("ADGM") Square Development, Rihan Heights, and Masdar City. Investment properties under development primarily comprise of the Masdar City properties.

All properties are carried at fair value which represents the highest and best use of the properties.

All properties are categorised as level 3 as per IFRS 13 fair value hierarchy. Included within the consolidated statement of comprehensive income is AED 82,908 thousand of fair value loss *(net) (2015: AED 39,051 thousand of fair value gain (net))* which represent unrealised movements on investment properties and investment properties under development.

The investment properties portfolio is valued through a mix of internal valuations and / or independent external valuations. Where external independent valuation is used, the management engages external independent valuation companies, having appropriate recognised professional accreditations and recent experience in the location and category of property being valued. The fair values are based on market values, being the estimated amount that would be received to sell the property in an orderly transaction between market participants at the measurement date. 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.

In relation to the ADGM Square Development, the fair value of the investment property at 31 December 2016 was AED 4,083,221 thousand *(31 December 2015: AED 4,172,186 thousand)*. Due to the softening of the real estate market, the leasing ramp up and effective lease rate assumptions have been revised downward for ADGM Square which has resulted in decrease in the investment property balance during the year.

Having regard to the nature of the property and the lack of comparable market data, the Group has valued the ADGM Square property in the current and prior years based on the residual valuation methodology through a discounted cash flow technique. 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 for operational expenses and construction costs. Operational expenses primarily include servicing and normal repair and maintenance costs for the development. The valuation of the property is primarily based on the management's estimate of expected net effective rentals achievable for this property considering rent abatement periods. Cost of development includes construction costs, other direct project costs and an appropriate share of the overall Al Maryah Island infrastructure works as well as any value enhancing developments.

Investment properties at Rihan Heights represent certain purchased units, which based on the intended commercial use, have been classified as investment property. At 31 December 2016, the Group valued the Rihan Heights units using the income approach through a discounted cash flow technique. Cash flow projections were based on management's estimated future cash inflows, supported by existing leases, current market rents for similar properties and estimated future cash outflows primarily in relation to servicing and repair and maintenance of these units. Based on this valuation the fair value of this investment property as at 31 December 2016 and 31 December 2015 amounts to AED 1,372,519 thousand.

15 Investment properties *(continued)*

Investment properties of ADFEC comprise the Masdar City land and the cost of development of commercial buildings, which includes direct project costs and an appropriate share of the overall city infrastructure works as well as any value enhancing developments. This investment property has been valued by qualified, independent external valuation experts in accordance with International Valuation Standards, using residual valuation methodology through a discounted cash flow technique. Valuation is based on estimated future cash inflows expected for the net lettable area and future cash outflows based on construction contracts already awarded for part of the land and estimate of the development costs where contracts have not yet been awarded. The fair value of the investment property amounts to AED 972,533 thousand *(2015: AED 905,750 thousand)* and the investment properties under development have a fair value of AED 649,243 thousand at 31 December 2016 *(2015: AED 218,674 thousand)*.

The cash flows from the assets are discounted using discount rates ranging from 7 - 10 percent *(2015: 7 - 10 percent)* that reflect current market assessments of the uncertainty in the amount and timing of the cash flows. Capitalisation rates range from 5.9 - 7.5 percent *(2015: 5.9 - 7.5 percent)* have been used.

Sensitivity analysis was conducted for two of the largest assets in the investment property portfolio with an aggregate value of AED 5,455,740 thousand *(2015: AED 5,544,706 thousand)*. The valuation techniques used for these assets are the income approach and the residual value approach. The sensitivity is conducted on the discount / capitalisation rates and rental values, which are AED 1,550 per square metre *(2015: AED 1,500 per square metre)* for office space and AED 113 thousand per one bedroom apartment *(2015: AED 105 thousand per one bedroom apartment)* for residential space.

Sensitivity to significant changes in unobservable inputs:

- A decrease in the capitalisation / discount rate by 10 percent would result in an AED 751,423 thousand *(2015: AED 762,446 thousand)* or 13.8 percent increase in the valuation *(2015: 13.8 percent increase in the valuation)*, whilst an increase in the capitalisation / discount rate by 10 percent would result in an AED 595,919 thousand *(2015: AED 541,555 thousand)* or 10.9 percent decrease in the valuation *(2015: 9.8 percent decrease in the valuation)*; and
- An increase in the rental rates by 10 percent would result in an AED 346,598 thousand *(2015: AED 373,773 thousand)* or 6.4 percent increase in the valuation *(2015: 6.7 percent increase)*, whilst a decrease in the rental rates by 10 percent would result in an AED 328,896 thousand *(2015: AED 294,460 thousand)* or 6 percent decrease in the valuation *(2015: 5.3 percent decrease)*.

There are reasonable interrelationships between the above unobservable inputs as they are determined by market conditions. The existence of an increase in more than one unobservable input would be to magnify the impact on the valuation. However, the impact on the valuation is expected to be mitigated by the interrelationship of these two unobservable inputs moving in opposite directions, for example an increase in rent may be offset by an increase in the discount / capitalisation rate, resulting in no net impact on the valuation.

Details of other plots of lands owned by the Group, which are not recognised and accordingly not included above, are set out in note 34 to these consolidated financial statements.

16 Investments in equity accounted investees

Income from investments in equity accounted investees *(net)*

	2016 AED'000	2015 AED'000
Share of results of jointly controlled entities	**2,357,316**	3,003,393
Share of results of associates	**928,880**	685,137
Gain on disposal of investment in equity accounted investees *(net)*	**255,125**	965,805
Share of equity movements of a jointly controlled entity	**-**	328,436
	3,541,321	4,982,771

(a) Investments in associates

The Group has the following material investments in associates, which are accounted for using the equity method:

Associates	Domicile	Ownership interest % 2016	Ownership interest % 2015	Principal business activity
Aldar Properties PJSC ("Aldar")	UAE	**29.7**	29.7	Development, sales, investment, construction and associated services for real estate
Emirates Integrated Telecommunications Company PJSC ("Du")	UAE	**20.1**	20.1	Provision of telecommunication services

	2016 AED'000	2015 AED'000
Fair values of investments in listed associates		
Aldar	**6,152,786**	5,423,542
Du	**5,700,126**	4,635,896
SMN Power Holding Company S.A.O.G.	**418,683**	435,153
Abu Dhabi Ship Building PJSC ("ADSB")	**239,726**	245,656

Fair values of listed associates are determined based on quoted market prices and accordingly classified under fair value level 1 hierarchy classification as per IFRS 13.

16 Investments in equity accounted investees *(continued)*

(a) Investments in associates *(continued)*

The movements in investment in associates are set out below:

	2016 AED'000	2015 AED'000
At the beginning of the year	**10,718,876**	10,645,644
Additions	**41,627**	10,596
Share of results	**928,880**	685,137
Disposals	**-**	(4,800)
Dividends received	**(614,968)**	(666,027)
Share of movements in hedging and other reserves	**12,849**	11,914
Intercompany (loss) / gain eliminated	**(1,929)**	36,568
Other movements	**(31,425)**	(156)
	11,053,910	10,718,876
Accumulated impairment	**(414,457)**	(360,042)
At the end of the year	**10,639,453**	10,358,834

During the year, primarily due to changes resulting from revisions to a contract with an associate, investment in this associate was derecognised and reclassified as financial asset at fair value through profit or loss. Upon derecognition of the investment in this associate, the fair value of AED 3,904,479 thousand was recognised as a financial asset.

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associates' financial statements (not adjusted for the percentage ownership of the Group) prepared in accordance with IFRSs, except for dividends received, which represent the dividends received by the Group from the associates.

	Aldar 2016 AED'000	Du 2016 AED'000
Current assets	**14,979,945**	**8,617,741**
Non-current assets	**20,581,152**	**9,793,622**
Current liabilities	**8,248,570**	**6,634,419**
Non-current liabilities	**5,429,614**	**3,924,004**
Revenue	**6,237,496**	**12,726,648**
Profit for the year	**2,752,406**	**1,752,556**
Other comprehensive income / (loss)	**15,660**	**(10,005)**
Total comprehensive income	**2,768,066**	**1,742,551**
Dividends received by the Group	**233,946**	**303,539**

Notes to the consolidated financial statements *(continued)*

16 Investments in equity accounted investees *(continued)*

(a) Investments in associates *(continued)*

Reconciliation of the above summarised financial information to the carrying amount of the interest in the above associates recognised in the consolidated financial statements:

	Aldar 2016 AED'000	**Du 2016 AED'000**
Net assets	**21,882,913**	**7,852,940**
Ownership %	**29.7%**	**20.1%**
Group's share of net assets on basis of ownership interest	**6,505,790**	**1,578,392**
Reconciling items		
Goodwill, intangible assets and net tangible assets fair value adjustments arising from purchase price allocation	**243,485**	**1,524,337**
Amortisation of purchase price allocation	**(25,608)**	**(421,910)**
Other adjustments	**30,538**	**(14,962)**
Carrying amount	**6,754,205[1]**	**2,665,857**
Fair value of investment	**6,152,786[1]**	**5,700,126**

[1] Considering the long term and strategic nature of the Group's investment in Aldar, management estimates fair value of Aldar based on intrinsic value of its underlying assets. The intrinsic value, which is determined based on publicly available information, is significantly higher than the market value as at 31 December 2016.

	Aldar 2015 AED'000	Du 2015 AED'000
Current assets	15,972,973	8,292,029
Non-current assets	20,167,703	9,648,341
Current liabilities	10,030,702	5,488,720
Non-current liabilities	6,110,185	4,632,994
Revenue	4,585,540	12,337,048
Profit for the year	2,559,867	1,941,353
Other comprehensive income	26,873	4,279
Total comprehensive income	2,586,740	1,945,632
Dividends received by the Group	210,552	396,128

Notes to the consolidated financial statements *(continued)*

16 Investments in equity accounted investees *(continued)*

(a) Investments in associates *(continued)*

Reconciliation of the above summarised financial information to the carrying amount of the interest in the above associates recognised in the consolidated financial statements:

	Aldar 2015 AED'000	Du 2015 AED'000
Net assets	19,999,789	7,818,656
Ownership %	29.7%	20.1%
Group's share of net assets on basis of ownership interest	5,945,937	1,568,422
Reconciling items		
Goodwill, intangible assets and net tangible assets fair value adjustments arising from purchase price allocation	243,485	1,524,337
Amortisation of purchase price allocation	(23,073)	(343,330)
Other adjustments	(1,068)	(76,287)
Carrying amount	6,165,281	2,673,142
Fair value of investment	5,423,542	4,635,896

Aggregate information of associates that are not individually material:

	2016 AED'000	2015 AED'000
Group's share of loss	**(180,778)**	(369,994)
Group's share of other comprehensive income *(net)*	**13,063**	9,846
Group's share of total comprehensive loss *(net)*	**(167,715)**	(360,148)
Total carrying amount of Group's share of individually immaterial associates	**1,219,391**	1,520,411

Notes to the consolidated financial statements *(continued)*

16 Investments in equity accounted investees *(continued)*

(b) Investments in jointly controlled entities

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

Jointly controlled entities	Domicile	Ownership interest % 2016	2015	Principal business activity
Emirates Defence Industries Company ("EDIC")	UAE	**60**	60	Integrated national defence manufacturing and services platform, providing world-class facilities, technology and support services
Emirates Global Aluminium PJSC ("EGA")	UAE	**50**	50	Develop, construct, operate, finance and maintain aluminium smelter
TM Mining Ventures SL ("Matsa")	Spain	**50**	50	Operation of mining concessions in Spain relating to the extraction and processing of copper, lead, zinc and silver
PSA Fundo De Investimento EM Participacoes ("FIP")	Brazil	**47.3**	47.3	Port operations

Although the Group holds more than 50 percent or less than 50 percent of the share capital in some of the jointly controlled entities, as the decisions of relevant activities require unanimous consent along with other joint venture partners, these are treated as jointly controlled entities.

Notes to the consolidated financial statements *(continued)*

16 Investments in equity accounted investees *(continued)*

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

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

	2016 **AED'000**	2015 AED'000
At the beginning of the year	**24,607,363**	19,782,408
Additions	**1,404,981**	8,987,949
Eliminated intercompany gain on disposals	**-**	(1,592,313)
Share of results	**2,357,316**	3,003,393
Disposals	**(22,299)**	(2,928,255)
Dividends received	**(1,710,680)**	(1,924,903)
Share of movements in foreign currency translation reserves	**(202,730)**	(364,200)
Share of movements in hedging and other reserves	**(104,107)**	1,021
Share of equity movements of a jointly controlled entity	**-**	328,436
Exchange fluctuation	**(41,966)**	57,303
Intercompany income eliminated	**(135,201)**	(84,289)
Distributions received	**(1,485,785)**	-
Redemption of preference share	**-**	(674,455)
Write back of amounts due to a jointly controlled entity [1]	**992,854**	-
Other movements	**375,289**	15,268
	26,035,035	24,607,363
Accumulated impairment	**(396,229)**	(299,153)
At the end of the year	**25,638,806**	24,308,210
***Disclosed as*:**		
Investment in jointly controlled entities	**25,638,806**	25,333,681
Amounts due to a jointly controlled entity [1]	**-**	(1,025,471)
	25,638,806	24,308,210

[1] In relation to one of the jointly controlled entities, the Group has written back an amount due to jointly controlled entity of AED 992,854 thousand during the year since the Group has no further constructive obligation to contribute to losses beyond the carrying amount of the investment. The Group's unrecognised share of losses for jointly controlled entities the year amounted to AED 2,334,740 thousand *(2015: AED 335,385 thousand)* and cumulative unrecognised share of losses amounted to AED 4,956,430 thousand *(2015: AED 2,621,690 thousand).*

16 Investments in equity accounted investees *(continued)*

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

Summarised financial information in respect of each of the Group's material jointly controlled entities is set out below. The summarised financial information below represents amounts shown in the jointly controlled entities' financial statements (not adjusted for the percentage ownership of the Group) prepared in accordance with IFRSs, except for dividends received, which represent the dividends received by the Group from the jointly controlled entities.

	Matsa 2016 AED'000	FIP 2016 AED'000	EDIC 2016 AED'000	EGA 2016 AED'000
Current assets	365,491	993,796	2,497,023	9,798,797
Non-current assets	3,407,150	16,826,270	5,769,070	46,007,765
Current liabilities	690,305	1,968,920	2,140,595	3,144,171
Non-current liabilities	2,111,641	13,219,666	185,530	29,751,918
Revenue	1,856,749	728,360	1,305,383	17,072,790
Profit / (loss) for the year	258,624	(720,711)	(762,951)	2,080,349
Other comprehensive (loss) / income	(204,394)	-	-	1,859
Total comprehensive income / (loss)	54,230	(720,711)	(762,951)	2,082,208
Cash and cash equivalents	49,809	59,239	671,316	3,185,800
Current financial liabilities (excluding trade and other payables and provisions)	369,202	1,251,623	-	551,899
Non-current financial liabilities (excluding trade and other payables and provisions)	1,891,454	13,202,126	-	29,368,633
Depreciation	284,294	152,533	34,964	2,342,503
Amortisation	25,872	-	1,754	31,861
Interest income	63	9,761	4,462	82,816
Interest expense	2,418	388,300	1,360	630,653
Income tax (expense) / benefit	(83,096)	350,702	-	(12,963)
Dividends received by the Group	-	-	-	-

Reconciliation of the above summarised financial information to the carrying amount of the interest in the above jointly controlled entities recognised in the consolidated financial statements:

	Matsa 2016 AED'000	FIP 2016 AED'000	EDIC 2016 AED'000	EGA 2016 AED'000
Net assets	970,695	2,631,480	5,939,968	22,910,473
Ownership %	50%	47.3%	60%	50%
Group's share of net assets on basis of ownership interest	485,348	1,244,295	3,563,981	11,455,237
Reconciling items				
Increase to net asset carrying values (purchase price allocation adjustments / recognition of unrealized gain)	1,055,155	-	408,123	548,456
Impairment	-	(163,750)	-	-
Contribution by the Group	-	-	565,546	-
Contribution by other shareholders	-	-	(315,186)	-
Other adjustments	(49,014)	12,565	(86,650)	253,419
Carrying amount	1,491,489	1,093,110	4,135,814	12,257,112

16 Investments in equity accounted investees *(continued)*

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

	Matsa 2015 AED'000	FIP 2015 AED'000	EDIC 2015 AED'000	EGA 2015 AED'000
Current assets	826,168	483,778	720,096	10,478,368
Non-current assets	3,440,581	16,937,573	5,428,816	43,932,215
Current liabilities	667,873	521,283	371,827	2,510,750
Non-current liabilities	2,525,056	13,994,711	3,466	30,837,899
Revenue	287,232	2,785	555,875	18,699,260
Profit for the year	5,178	294,287	64,646	1,888,858
Other comprehensive (loss) / income	(25,716)	-	-	11,472
Total comprehensive (loss) / income	(20,538)	294,287	64,646	1,900,330
Cash and cash equivalents	15,198	-	485,099	4,025,346
Current financial liabilities (excluding trade and other payables and provisions)	354,147	431,720	82,400	216,252
Non-current financial liabilities (excluding trade and other payables and provisions)	2,179,207	13,314,041	-	30,556,916
Depreciation	63,770	1,300	9,106	2,345,825
Amortisation	3,602	-	40,148	31,800
Interest income	14	20,294	2,907	50,101
Interest expense	5,957	44,504	703	824,617
Income tax expense	1,646	607,670	-	6,369
Dividends received by the Group	-	-	-	-

Reconciliation of the above summarised financial information to the carrying amount of the interest in the above jointly controlled entities recognised in the consolidated financial statements:

	Matsa 2015 AED'000	FIP 2015 AED'000	EDIC 2015 AED'000	EGA 2015 AED'000
Net assets	1,073,820	2,905,357	5,773,619	21,061,934
Ownership %	50%	47.3%	60%	50%
Group's share of net assets on basis of ownership interest	536,910	1,373,798	3,464,171	10,530,967
Reconciling items				
Increase to net asset carrying values (purchase price allocation adjustments)	1,061,761	-	51,472	624,286
Contribution by the Group	-	-	616,839	-
Other adjustments	(81,468)	86,572	-	253,420
Carrying amount	1,517,203	1,460,370	4,132,482	11,408,673

16 Investments in equity accounted investees *(continued)*

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

Aggregate information of jointly controlled entities that are not individually material:

	2016 AED'000	2015 AED'000
Group's share of profit	**1,794,738**	2,007,653
Group's share of other comprehensive loss *(net)*	**(205,570)**	(357,223)
Group's share of total comprehensive income *(net)*	**1,589,168**	1,650,430
Total carrying amount of share of individually immaterial jointly controlled entities	**6,661,281**	6,814,953

Impairment losses on investments in equity-accounted investees

After application of the equity method of accounting, for equity accounted investees which are unquoted, the Group determines whether it is necessary to recognise any additional impairment loss on the carrying value of the investment in equity-accounted investees by comparing its recoverable amount with the higher of value in use or fair value less costs to sell with its carrying amount. Based on existence of indicators for impairments in certain equity accounted investees, management has performed an impairment assessment for such investments.

In determining the value in use of the investment, the Group estimates:

- its share of the present value of the estimated future cash flows expected to be generated by the equity accounted investee, including the cash flows from the operations of the equity accounted investees and the proceeds from the ultimate disposal of the investment; or

- the present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

For equity accounted investees which are quoted, the Group determines whether it is necessary to recognise any additional impairment loss on the carrying value of the investment in equity-accounted investees by comparing its quoted price in active market, taking into account the performance of investee and other factors.

17 Financial investments

	2016 AED'000	2015 AED'000
Fair value through profit or loss financial assets		
Financial assets designated at FVTPL		
Quoted investments		
Equity securities	**23,008,858**	9,404,180
Debt securities	**2,026,827**	2,102,744
Unquoted investments		
Convertible bonds	**1,643,763**	1,460,758
Equity securities	**2,938,662**	1,863,588
Investment funds	**5,890,740**	5,102,590
Derivative assets	**1,940,952**	98,621
	37,449,802	20,032,481
Financial assets held for trading		
Quoted investments		
Equity securities	**901,024**	2,103,153
Debt securities other than convertible bonds	**586,495**	338,803
Derivative assets	**2,654**	62,492
	1,490,173	2,504,448
Total of fair value through profit or loss financial assets	**38,939,975**	22,536,929
Available for sale financial assets		
Quoted investments		
Equity securities	**5,976,222**	6,009,116
Unquoted investments		
Equity securities	**58,825**	59,526
Total of available for sale financial assets	**6,035,047**	6,068,642
Financial investments	**44,975,022**	28,605,571
Disclosed as:		
Current portion	**1,719,458**	2,520,808
Non-current portion	**43,255,564**	26,084,763
	44,975,022	28,605,571

During the year, the Group acquired shares amounting to AED 17,386,353 thousand *(2015: AED 4,670,239 thousand).*

Notes to the consolidated financial statements *(continued)*

17 Financial investments *(continued)*

a) Financial assets at fair value through profit or loss

The fair value of quoted securities is arrived at, based on the closing bid price of the shares in the capital markets, except for certain quoted equity securities for which fair value is based on a valuation technique based on unobservable inputs due to lack of an active market. Fair values of the funds are provided by the fund manager.

The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instrument for non-options derivatives and option pricing models or quotes from counterparties for options derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contract, derived from readily available market data. Interest rate swaps are measured at the present value of estimated future cash flow and are discounted based on the applicable yield curves derived from quoted interest rates. Swaps which are not traded through clearing firm or an exchange are valued on the basis of the latest available counterparty valuation.

The fair value of bonds and convertible bonds are determined with reference to quoted market prices. Where such prices are not available valuation is performed based on discounted cash flows analysis using applicable yield curves for the duration of the investment.

b) Available for sale financial assets

The fair value of quoted securities 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 profit or loss.

18 Loans receivable

	2016 AED'000	2015 AED'000
Loans to jointly controlled entities	**8,890,219**	11,509,387
Loans to entities under common control	**161,273**	166,572
Loans to associates	**3,260**	32,572
Loans to related parties	**9,054,752**	11,708,531
Less: allowance for impairment [1,2]	**(2,348,245)**	(430,405)
Loans to related parties *(net)*	**6,706,507**	11,278,126
Loans to third parties [1]	**3,857,806**	5,579,696
Less: allowance for impairment [1,2]	**(957,430)**	(3,050,216)
Loans to third parties *(net)*	**2,900,376**	2,529,480
	9,606,883	13,807,606
***Disclosed as*:**		
Current portion	**899,013**	1,343,899
Non-current portion	**8,707,870**	12,463,707
	9,606,883	13,807,606

18 Loans receivable *(continued)*

[1] Loan to a third party of AED 2,903,009 thousand, which had been fully provided for in prior years, was written off during the year resulting in decline in loans to third parties and related allowance for impairment balances.

[2] Allowances for impairment of AED 2,018,357 thousand and AED 851,171 thousand were made during the year against loans to related parties and loans to third parties respectively *(2015: AED nil)*, after netting of an amount due to jointly controlled entity of AED 992,854 thousand, due to exchange rate fluctuations adversely impacting expected cash flows available in the underlying entities to repay these loan balances.

As of 31 December 2016, the fair value of the real estate held as collateral against the loans is AED 2,007,000 thousand *(2015: AED 1,992,000 thousand).*

Loans to related parties

In addition to the loans impaired during the year, significant loans to related parties include the following:

Loans given to a joint venture, in the amount of AED 4,166,277 thousand *(2015: AED 4,549,014 thousand),* which carry interest at EIBOR plus margin and are repayable on demand. Partial repayment took place in December 2015 and cash reinvested in the joint venture.

Loans given to a joint venture, in the amount of AED 880,905 thousand *(2015: 924,987 thousand)* with 5 percent interest per annum *(2015: 5 percent interest per annum).*

Loans to third parties

In addition to the loans impaired during the year, significant loans to third parties include commercial loans amounting to AED 1,099,785 thousand *(2015: AED 1,084,619 thousand)*, which carry interest at varying rates and having different maturities. The Group holds collateral against these commercial loans in the form of security interests over physical assets, corporate and personal guarantees.

19 Inventories

	2016	2015
	AED'000	AED'000
Work in progress	**4,988,551**	4,502,645
Land held for sale *(see note 34(a)(i))*	**2,773,951**	2,942,940
Raw materials and consumables	**617,012**	774,452
Drilling materials	**536,973**	680,509
Maintenance spares	**278,898**	488,637
Properties held for sale	**293,999**	300,760
Others	**394,959**	441,894
	9,884,343	10,131,837
Less: provision for obsolescence	**(2,082,748)**	(2,166,220)
	7,801,595	7,965,617

Notes to the consolidated financial statements *(continued)*

19 Inventories *(continued)*

The movement in provision for inventory obsolescence during the year is as follows:

	2016 AED'000	2015 AED'000
At the beginning of the year	**2,166,220**	637,878
Provision during the year	**3,131,964**	3,107,304
Provision reversal during the year	**(1,464,913)**	(871,909)
Write off	**(1,752,896)**	(706,781)
Effect of movement in foreign exchange rates	**2,373**	(272)
At the end of the year	**2,082,748**	2,166,220

20 Receivables and prepayments

	2016 AED'000	2015 AED'000
Non-current portion		
Service concession receivables [1]	**4,820,017**	5,497,883
Restricted and long term deposits [2]	**1,524,917**	1,534,056
Trade receivables	**238,721**	207,176
Amounts due from related parties *(see note 31(d))*	**3,561,733**	-
Other receivables and advances	**2,001,092**	2,092,707
	12,146,480	9,331,822
Current portion		
Restricted and long term deposits [2]	**8,893,444**	10,885,204
Amounts due from related parties *(see note 31(d))*	**4,902,038**	6,731,764
Trade receivables	**4,804,422**	3,882,755
Prepaid expenses	**511,857**	1,009,462
Service concession receivables [1]	**912,291**	954,019
Receivables against government grants *(see note 34(b))*	**474,969**	268,467
Other receivables	**4,404,836**	5,047,272
	24,903,857	28,778,943
Less: allowance for impairment	**(1,081,654)**	(923,627)
	23,822,203	27,855,316

[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. Service concession receivables will be recovered over the respective concession periods of the universities *(see note 37)*. Service concession receivables include provisions for impairment of AED 239,339 thousand *(2015: AED nil)*.

[2] Long term deposits represent deposits with original maturity of more than three months.

21 Finance lease receivables

Movement in the finance lease receivables during the year is as follows:

	2016 **AED'000**	2015 AED'000
At the beginning of the year	**5,088,244**	4,993,088
Additions	**-**	92,801
Transfer from inventories	**165,094**	-
Transfer from property, plant and equipment	**98,804**	22,895
Finance lease income	**314,170**	311,842
Write off	**(43,346)**	-
Lease rentals received	**(324,926)**	(332,382)
At the end of the year	**5,298,040**	5,088,244

Future minimum lease receivables under the finance lease together with the present value of the net minimum lease receivables are as follows:

	2016		2015	
	Minimum lease payments AED'000	**Present value of payments AED'000**	Minimum lease payments AED'000	Present value of payments AED'000
Within one year	**352,128**	**334,468**	344,856	333,770
After one year but not more than five years	**1,522,908**	**1,232,633**	1,438,262	1,189,166
After five years	**12,274,242**	**3,730,939**	11,091,515	3,565,308
Total	**14,149,278**	**5,298,040**	12,874,633	5,088,244
Less: unearned finance income	**(8,851,238)**	**-**	(7,786,389)	-
Present value of minimum lease payments	**5,298,040**	**5,298,040**	5,088,244	5,088,244

Finance lease receivables are presented in the consolidated statement of financial position as follows:

	2016 **AED'000**	2015 AED'000
Current	**334,468**	333,770
Non-current	**4,963,572**	4,754,474
	5,298,040	5,088,244

No guaranteed residual value to the benefit of the lessor is assumed for the purpose of the above calculation.

The finance lease receivables at the end of the reporting period are neither past due nor impaired.

22 Cash and cash equivalents

	2016 AED'000	2015 AED'000
Bank balances:		
- deposit accounts	**5,381,594**	9,232,191
- call and current accounts	**6,586,152**	4,164,380
Cash in hand	**3,274**	6,427
Cash and cash equivalents for the purpose of the consolidated statement of cash flows	**11,971,020**	13,402,998

Bank balances are placed with commercial banks and are short-term in nature. Deposit and call accounts earn interest at prevailing market rates. Bank balances include AED 3,992,204 thousand *(2015: AED 6,071,460 thousand)* held with entities under common control *(see note 31(d))*. The Group's exposure to credit, currency and interest rate risk related to cash and cash equivalents is disclosed in note 35.

23 Operating lease arrangements

Operating lease receivables are primarily within the Industry, Real Estate and Infrastructure, and Aerospace and Engineering Services segments. The maturity profile of the non-cancellable operating lease receivables is as follows:

	2016 AED'000	2015 AED'000
Within one year	**845,868**	783,842
After one year but not more than five years	**3,402,723**	2,808,875
After five years	**5,089,090**	4,989,984
	9,337,681	8,582,701

24 Payables and accruals

	2016 AED'000	2015 AED'000
Trade payables	**3,854,115**	2,822,201
Accruals	**3,173,006**	3,923,123
Unearned revenue	**2,405,729**	3,109,128
Amounts due to related parties *(see note 31(d))*	**842,257**	786,249
Deposit from the Shareholder [1] *(see note 31(d))*	**701,149**	693,270
Advances from the Shareholder *(see note 31(d))*	**533,852**	748,000
Provision for staff terminal benefits	**342,475**	276,487
Other payables	**3,898,086**	4,215,777
	15,750,669	16,574,235

[1] Deposit from the Shareholder has original maturity of less than three months and at the reporting date carries an annual effective interest rate of 1.15 percent *(2015: 0.74 percent).*

The Group's exposure to currency, liquidity and interest rate risk related to payables and accruals is disclosed in note 35.

Notes to the consolidated financial statements *(continued)*

25 Financial liabilities at fair value

	2016 AED'000	2015 AED'000
Derivatives designated and effective as hedging instruments carried at fair value [1]		
Interest rate swaps	**220,792**	344,603
Foreign exchange forward contracts	**-**	7,773
	220,792	352,376
Financial liabilities designated at fair value through profit or loss		
Interest rate / cross currency swaps	**753,627**	838,012
Foreign exchange forward contracts	**297,748**	15,722
Equity options	**-**	3,355
	1,051,375	857,089
Financial liabilities held for trading		
Equity options	**12**	15,421
Equity swaps	**8,620**	9,369
Exchange traded securities [2]	**157,456**	295,422
	166,088	320,212
Financial liabilities at fair value	**1,438,255**	1,529,677
Disclosed as:		
Current portion	**534,810**	460,869
Non-current portion	**903,445**	1,068,808
	1,438,255	1,529,677

[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.

Foreign exchange forward contracts

The Group uses foreign currency forward contracts to hedge certain forecasted expenses and future cash flow for capital expenditures denominated in foreign currencies, primarily the Euro, Singapore Dollar and Yen, to mitigate the risks associated with changes in foreign currency exchange rates.

Interest rate swaps

The Group also has obligation to pay interest at variable rates (LIBOR + margin and EIBOR + margin) in connection with some borrowing transactions. To hedge variability in interest rates, the Group entered into economic hedges by acquiring interest rate swaps.

Notes to the consolidated financial statements *(continued)*

25 Financial liabilities at fair value *(continued)*

[2] The Group sells securities that it does not own and therefore, it will be obliged to purchase such securities at a future date ("short selling"). When the Group sells a security short, an amount equal to the proceeds received is recorded as a liability and is subsequently adjusted to the current market value of the securities sold short. Upon the closing of the short position, the difference between the proceeds originally received and the cost of the securities purchased to close the short position is recognised as a realised gain or loss. This is disclosed on the consolidated statement of financial position in liabilities under financial liabilities at fair value through profit or loss. These positions are shown as financial liabilities at fair value through profit or loss until they are realised, when they are shown in the profit or loss as net gain or loss on financial liabilities at fair value through profit or loss. The theoretical risk of loss from short sales is unlimited.

The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instrument for non-optional derivatives and option pricing models or quotes from counterparties for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contract derived from readily available market data. Interest rate and currency swaps are measured at the present value of future cash flow estimated and discounted based on the applicable yield curves derived from quoted interest rates.

26 Interest bearing borrowings

	2016 **AED'000**	2015 AED'000
Unsecured bank loans	**2,576,700**	6,235,760
Unsecured corporate bonds	**-**	2,752,886
Secured bank loans	**1,055,821**	975,510
Unsecured loans	**407,891**	347,245
Secured bonds	**22,758**	19,445
Current portion	**4,063,170**	10,330,846
Secured bank loans	**9,795,495**	11,031,746
Unsecured corporate bonds	**9,886,429**	8,058,659
Unsecured bank loans	**8,154,412**	8,443,188
Unsecured loans	**1,926,449**	2,302,485
Secured loans	**136,337**	146,940
Secured bonds	**127,558**	149,714
Non-current portion	**30,026,680**	30,132,732

Notes to the consolidated financial statements *(continued)*

26 Interest bearing borrowings *(continued)*

Terms and debt repayment schedule

Particulars	Entity name / Project name	Currency	Nominal interest rate	Repayment period	31 Dec 2016 Carrying Amount AED '000	31 Dec 2015 Carrying Amount AED '000
Current						
Secured bank loan [1]	Al Hikma Development Company PJSC (UAE University)	USD	LIBOR + margin	2017	**130,462**	122,797
Secured bank loan [1]	Manhal Development Company PJSC (Sorbonne University)	USD	LIBOR + margin	2017	**50,094**	49,237
Secured bank loan [1]	Manhal Development Company PJSC (Sorbonne University)	AED	EIBOR + margin	2017	**16,698**	16,412
Secured bank loan [1]	Al Maqsed Development Company PJSC (Zayed University)	USD	LIBOR + margin	2017	**43,992**	57,006
Secured bank loan [1]	Al Maqsed Development Company PJSC (Zayed University)	AED	EIBOR + margin	2017	**80,443**	104,348
Secured bank loan [2]	National Central Cooling Company PJSC (Tabreed)	USD / AED / OMR	LIBOR / EIBOR + margin / Fixed coupon	2017	**342,712**	189,021
Secured bank loan	Strata Manufacturing PJSC	USD	LIBOR + margin		**-**	56,319
Secured bank loan [18]	SR Technics	CHF / EUR / USD	LIBOR + margin		**-**	22,759
Secured bank loan [3]	Sanad Aero 1 Limited	USD	LIBOR + margin	2017	**70,003**	67,014
Secured bank loan [4]	Sanad Aero Solutions Investment LLC	USD	LIBOR + margin	2017	**16,034**	21,043
Secured bank loan [5]	Sanad Aero Ireland 1 Limited	USD	LIBOR + margin	2017	**61,682**	59,572
Secured bank loan [6]	Sanad Aero II Limited	USD	LIBOR + margin	2017	**51,437**	49,273
Secured bank loan [7]	Sanad Aero Ireland 2 Limited	USD	LIBOR + margin	2017	**11,741**	11,278
Secured bank loan [8]	Sanad Aero Ireland 3 Limited	USD	LIBOR + margin	2017	**16,742**	16,113
Secured bank loan [9]	Sanad Aero Ireland 4 Limited	USD	LIBOR + margin	2017	**15,126**	14,585
Secured bank loan [10]	Sanad Aero III Limited	USD	LIBOR + margin	2017	**22,897**	-
Secured bank loan [11]	Abu Dhabi Future Energy Company PJSC (London Array)	GBP	LIBOR + margin	2017	**77,782**	82,922
Secured bank loan [12]	Injazat Data Systems LLC	AED	EIBOR + margin	2017	**28,852**	27,373
Secured bank loan [16]	Abu Dhabi Finance PJSC (Private)	AED	EIBOR + margin	2017	**19,125**	8,438
Secured bonds [13]	GlobalFoundries Inc.	USD	LIBOR + margin	2017	**22,758**	19,445
Unsecured bank loan	Mubadala Development Company PJSC – Revolving credit facility	USD	LIBOR + margin		**-**	3,489,825
Unsecured bank loan	Al Yah Satellite Communications Company PJSC	USD	LIBOR + margin	2017	**324,937**	295,080
Unsecured bank loan	Global Foundries - Atradius term loan	USD	LIBOR + margin	2017	**631,952**	334,204
Unsecured bank loan	Global Foundries - EXIM guaranteed loan	USD	LIBOR + margin		**-**	211,057
Unsecured bank loan	Global Foundries - EXIM term loan	USD	Fixed coupon	2017	**713,804**	606,439
Unsecured bank loan	MDC - GMTN B.V. - Commercial Paper	USD / GBP	Fixed coupon	2017	**906,006**	1,299,155
Unsecured loan	GlobalFoundries Inc.	USD	Fixed coupon	2017	**13,617**	-
Unsecured loan [14]	Manhal Development Company PJSC (Sorbonne University)	AED	Fixed coupon		**-**	15,193
Unsecured loan [14]	Al Maqsed Development Company PJSC (Zayed University)	AED	Fixed coupon		**-**	19,000
Unsecured loan [14]	Al Hikma Development Company PJSC (UAE University)	AED	Fixed coupon	2017	**89,323**	24,010
Unsecured loan	Dolphin Investment Company LLC	USD	LIBOR + margin / Fixed coupon	2017	**291,372**	250,646
Unsecured loan	The Specialist Diabetes Treatment and Research Centre LLC	AED	Fixed coupon	2017	**3,579**	3,396
Unsecured loan (deposits)	Abu Dhabi Finance PJSC (Private)	AED	EIBOR + margin	2017	**10,000**	35,000
Unsecured corporate bond	MDC - GMTN B.V. - Corporate Bond 2016	USD	Fixed coupon		**-**	2,752,886
Current total					**4,063,170**	10,330,846

Notes to the consolidated financial statements *(continued)*

26 Interest bearing borrowings *(continued)*

Terms and debt repayment schedule *(continued)*

Particulars	Entity name / Project name	Currency	Nominal interest rate	Repayment period	31 Dec 2016 Carrying amount AED '000	31 Dec 2015 Carrying amount AED '000
Non-current						
Secured bank loan [1]	Al Hikma Development Company PJSC (UAE University)	USD	LIBOR + margin	2018-2022	**646,665**	777,128
Secured bank loan [1]	Manhal Development Company PJSC (Sorbonne University)	USD	LIBOR + margin	2018-2028	**521,216**	571,310
Secured bank loan [1]	Manhal Development Company PJSC (Sorbonne University)	AED	EIBOR + margin	2018-2028	**173,739**	190,437
Secured bank loan [1]	Al Maqsed Development Company PJSC (Zayed University)	USD	LIBOR + margin	2018-2035	**864,423**	985,143
Secured bank loan [1]	Al Maqsed Development Company PJSC (Zayed University)	AED	EIBOR + margin	2018-2035	**1,580,508**	1,803,260
Secured bank loan [18]	SR Technics	CHF / EUR / USD	LIBOR + margin		**-**	635,159
Secured bank loan [3]	Sanad Aero 1 Limited	USD	LIBOR + margin	2018-2026	**413,486**	483,489
Secured bank loan [4]	Sanad Aero Solutions Investments LLC	USD	LIBOR + margin		**-**	28,839
Secured bank loan [5]	Sanad Aero Ireland 1 Limited	USD	LIBOR + margin	2018-2024	**220,654**	282,336
Secured bank loan [6]	Sanad Aero II Limited	USD	LIBOR + margin	2018-2029	**384,100**	435,537
Secured bank loan [7]	Sanad Aero Ireland 2 Limited	USD	LIBOR + margin	2018-2024	**85,091**	96,832
Secured bank loan [8]	Sanad Aero Ireland 3 Limited	USD	LIBOR + margin	2018-2023	**153,687**	170,429
Secured bank loan [9]	Sanad Aero Ireland 4 Limited	USD	LIBOR + margin	2018-2022	**90,324**	105,450
Secured bank loan [10]	Sanad Aero III Limited	USD	LIBOR + margin	2018-2028	**401,593**	-
Secured bank loan	Strata Manufacturing PJSC	USD	LIBOR + margin		**-**	286,255
Secured bank loan [15]	Strata Manufacturing PJSC	AED	EIBOR + margin	2019-2026	**222,609**	-
Secured bank loan	Strata Manufacturing PJSC	AED	EIBOR + margin	2019	**73,143**	-
Secured bank loan [2]	National Central Cooling Company PJSC (Tabreed)	USD / AED / OMR	LIBOR / EIBOR + margin / Fixed coupon	2018-2031	**2,887,187**	2,808,286
Secured bank loan [11]	Abu Dhabi Future Energy Company PJSC (London Array)	GBP	LIBOR + margin	2018-2025	**778,257**	1,022,253
Secured bank loan [12]	Injazat Data Systems LLC	AED	EIBOR + margin	2018-2024	**254,188**	283,040
Secured bank loan [16]	Abu Dhabi Finance PJSC (Private)	AED	EIBOR + margin	2018-2020	**44,625**	66,563
Secured bonds [13]	GlobalFoundries Inc.	USD	LIBOR + margin	2018-2021	**127,558**	149,714
Secured loan [17]	Fifty Seventh Investment Company (Trafigura Ventures)	USD	LIBOR + margin	2018	**136,337**	146,940
Unsecured bank loan	Al Yah Satellite Communications Company PJSC	USD	LIBOR + margin	2018-2022	**2,044,600**	2,373,137
Unsecured bank loan	Al Yah Satellite Communications Company PJSC	USD	LIBOR + margin	2019	**238,778**	-
Unsecured bank loan	Mubadala Treasury Holding Company LLC - EIB term loan	EUR	EURIBOR + margin	2019	**908,475**	938,320
Unsecured bank loan	Mubadala Treasury Holding Company LLC - EIB term loan	EUR	EURIBOR + margin	2020	**1,158,851**	1,196,921
Unsecured bank loan	Global Foundries - Atradius term loan	USD	LIBOR + margin	2018-2021	**1,642,371**	1,025,427
Unsecured bank loan	Global Foundries - EXIM guaranteed loan	USD	LIBOR + margin		**-**	775
Unsecured bank loan	Global Foundries - EXIM term loan	USD	Fixed coupon	2018-2020	**2,161,337**	2,908,608
Unsecured loan	Global Foundries	USD	Fixed coupon	2018	**13,617**	-
Unsecured loan	Dolphin Investment Company LLC	USD	Fixed coupon	2021	**1,347,501**	1,346,479
Unsecured loan	Dolphin Investment Company LLC	USD	LIBOR + margin / Fixed coupon	2018-2019	**512,690**	805,085
Unsecured loan	The Specialist Diabetes Treatment and Research Centre LLC	AED	Fixed coupon	2018-2020	**17,641**	21,235
Unsecured loan [14]	Al Maqsed Development Company PJSC (Zayed University)	AED	Fixed coupon		**-**	6,175
Unsecured loan [14]	Al Hikma Development Company PJSC (UAE University)	AED	Fixed coupon		**-**	88,511
Unsecured loan (deposits)	Abu Dhabi Finance PJSC (Private)	AED	EIBOR + margin	2020	**35,000**	35,000
Unsecured corporate bond	MDC - GMTN B.V. - JPY Private Placement	JPY	Fixed coupon	2031	**468,421**	455,445
Unsecured corporate bond	MDC - GMTN B.V. - EUR Private Placement	EUR	Fixed coupon	2018	**308,594**	318,493
Unsecured corporate bond	MDC - GMTN B.V. - Corporate Bond 2019	USD	Fixed coupon	2019	**1,830,889**	1,828,193
Unsecured corporate bond	MDC - GMTN B.V. - Corporate Bond 2021	USD	Fixed coupon	2021	**2,744,500**	2,741,954
Unsecured corporate bond	MDC - GMTN B.V. - Corporate Bond 2022	USD	Fixed coupon	2022	**2,720,636**	2,714,574
Unsecured corporate bond	MDC - GMTN B.V. - Corporate Bond 2023	USD	Fixed coupon	2023	**1,813,389**	-
Non-current total					**30,026,680**	30,132,732
Total					**34,089,850**	40,463,578

26 Interest bearing borrowings *(continued)*

[1] The purpose of these loans is to fund university projects *(see note 37)*. These 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 authorised 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.

[2] These loans are secured by pledges of plant and equipment with a carrying value of AED 4,427,000 thousand *(2015: AED 4,411,438 thousand)* and trade debtors. In addition, the loans are also secured by pledges of fixed deposits.

[3] This loan is secured by aircraft engines, with a carrying value of AED 802,989 thousand *(2015: AED 853,121 thousand)*.

[4] This loan is secured by aircraft engines, with a carrying value of AED 79,537 thousand *(2015: AED 161,610 thousand)*.

[5] This loan is secured against aircraft components with a carrying value of AED 482,446 thousand *(2015: AED 516,820 thousand)*.

[6] This loan is secured against aircraft components with a carrying value of AED 582,290 thousand *(2015: AED 622,929 thousand)*.

[7] This loan is secured against aircraft components with a carrying value of AED 146,697 thousand *(2015: AED 158,315 thousand).*

[8] This loan is secured against aircraft engines with a carrying value of AED 239,254 thousand *(2015: AED 246,512 thousand)*.

[9] This loan is secured against aircraft components with a carrying value of AED 141,414 thousand *(2015: AED 155,321 thousand)*.

26 Interest bearing borrowings *(continued)*

[10] This loan is secured against aircraft engines with a carrying value of AED 520,325 thousand.

[11] This loan facility is secured by pledge over the shares and bank balances of Masdar Energy UK Limited and Masdar Energy BV.

[12] This loan is secured through assignment of contracts with clients of value not less than the outstanding amount of loan, the assignment of the building having a carrying value of AED 339,080 thousand *(2015: AED 354,253 thousand)*, all risk insurance policy taken out in relation to the building; and any legally assignable rights that may arise over the building.

[13] In 2013, GlobalFoundries entered into an infrastructure development reimbursement arrangement with Saratoga County (NY) Industrial Development Agency, which is underwritten by an investment bank and cash collateralised by GlobalFoundries with a AED 203,336 thousand *(2015: AED 219,212 thousand)* letter of credit.

[14] These loans have been provided by non-controlling interest shareholders and are repayable subject to certain conditions being met, the availability of cash flows and approval by the board of directors.

[15] These loans are secured by pledges of property, plant and equipment with a carrying value of AED 426,877 thousand.

[16] This loan is secured by receivables with a carrying value of AED 64,000 thousand *(2015: AED 75,000 thousand)*, post-dated cheques plus direct debit systems with a carrying value of AED 8,000 thousand *(2015: AED 8,000 thousand)* and 15 percent of the drawn amount placed as a deposit under lien with an entity under common control *(2015: 20 percent of the drawn amount placed as a deposit under lien with an entity under common control)*.

[17] This loan is secured by equity securities with a fair value of AED 1,055,879 thousand *(2015: AED 1,045,424 thousand)*.

[18] The entity has been disposed of during the year *(see note 5(a)(i))*.

Movement in interest bearing borrowings during the year is as follows:

	2016 **AED'000**	2015 AED'000
At the beginning of the year	**40,463,578**	41,288,824
Additions	**8,214,366**	10,228,715
Repayments	**(13,445,324)**	(10,666,602)
Acquired through business combination	**-**	77,190
Disposal / deconsolidation of subsidiaries	**(700,877)**	(177,493)
Foreign exchange fluctuations and other movements	**(441,893)**	(287,056)
At the end of the year	**34,089,850**	40,463,578

27 Other liabilities

	2016 AED'000	2015 AED'000
Decommissioning liabilities	**1,970,658**	1,975,884
Advances from the Shareholder *(see note 31(d))*	**1,230,503**	1,109,000
Advances from a related party *(see note 31(d))*	**1,068,988**	1,068,988
Notes payable	**1,237,970**	1,237,970
Unearned revenue	**606,311**	1,558,225
Amounts due to related parties *(see note 31(d))*	**3,898**	161,624
Others	**2,813,213**	2,067,874
	8,931,541	9,179,565

The movement in decommissioning liabilities is set out below:

	2016 AED'000	2015 AED'000
At the beginning of the year	**1,975,884**	797,913
Additions	**163,813**	1,121,003
Reversals	**(263,394)**	(4,052)
Unwinding of discount	**103,958**	64,245
Foreign exchange fluctuations	**(9,603)**	(3,225)
	1,970,658	1,975,884

28 Obligation under finance lease

Future minimum lease payments under finance leases together with the present value of the minimum lease payments are as follows:

	2016		2015	
	Minimum lease payments AED'000	**Present value of payments AED'000**	Minimum lease payments AED'000	Present value of payments AED'000
Within one year	**247,466**	**130,633**	244,207	130,799
After one year but not more than five years	**861,271**	**510,114**	834,423	486,532
After five years	**778,664**	**611,619**	768,471	589,473
Total	**1,887,401**	**1,252,366**	1,847,101	1,206,804
Less: future finance charges	**(635,035)**	**-**	(640,297)	-
Present value of minimum lease payments	**1,252,366**	**1,252,366**	1,206,804	1,206,804

Obligation under finance lease is presented in the consolidated statement of financial position as follows:

	2016 AED'000	2015 AED'000
Current	**130,633**	130,799
Non-current	**1,121,733**	1,076,005
	1,252,366	1,206,804

For assets held under finance lease, refer to note 13.

29 Share capital

	2016 AED'000	2015 AED'000
Authorised, issued and fully paid up:		
28,600,000 equity shares *(2015: 28,600,000 equity shares)* of AED 1,000 each	**28,600,000**	28,600,000

30 Reserves

Statutory reserve

As required by the UAE Federal Law No. 2 of 2015, 10 percent of the Group's net profit is transferred to a non-distributable statutory reserve until the amount of the statutory reserve equals 50 percent of the Company's paid up share capital. During the year, the Group has transferred AED 331,968 thousand *(2015: AED 141,108 thousand)* to the statutory reserve.

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available for sale financial assets until the investments are derecognised or impaired.

Foreign currency translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the Company's net investment in foreign operations.

Hedging reserve

Hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedges related to hedged transactions that have not yet affected profit or loss.

Pension reserve

Pension reserve comprises the cumulative actuarial gains and losses arising from measurement of defined benefit obligations and plan assets related to pension schemes operated by one of the Group's subsidiary for its employees in Switzerland, UK and Ireland, which has been disposed of during the year *(see note 5(a)(i))*.

31 Significant transactions and balances with related parties

(a) Identity of related parties

The Group has a related party relationship with its Shareholder, joint ventures and associates *(see note 16)*, and with its directors, executive officers and parties which are under common control of the above parties.

(b) Transactions with key management personnel

Key management personnel compensation is as follows:

	2016 AED'000	2015 AED'000
Key management personnel		
Short term benefits	**175,970**	217,961
Post-employment benefits	**28,594**	37,009
	204,564	254,970

31 Significant transactions and balances with related parties *(continued)*

(c) *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 during the year were as follows:

	2016	2015
	AED'000	AED'000
Revenue		
Associates	**1,327,225**	4,196,386
Entities under common control	**2,114,822**	2,091,943
Jointly controlled entities	**579,179**	495,031
Shareholder	**203,725**	239,932
	4,224,951	7,023,292
Interest income		
Entities under common control	**410,654**	493,129
Jointly controlled entities	**124,605**	161,235
Shareholder	**29,994**	33,374
Associates	**-**	527
	565,253	688,265
Income from provision of manpower, project management and consultancy services		
Jointly controlled entities	**153,486**	229,678
Entities under common control	**846**	-
	154,332	229,678
Purchase of goods and services		
Jointly controlled entities	**710,811**	651,178
Entities under common control	**724,156**	216,915
Associates	**141,664**	102,352
	1,576,631	970,445
Interest bearing borrowings repaid		
Jointly controlled entities	**334,989**	511,810
Entities under common control	**462,820**	439,505
	797,809	951,315
Interest bearing borrowings drawn from entities under common control	**289,093**	727,268

Notes to the consolidated financial statements *(continued)*

31 Significant transactions and balances with related parties *(continued)*

(c) *Other related party transactions* (continued)

	2016 AED'000	2015 AED'000
Loans given		
Jointly controlled entities	**2,981,307**	3,795,654
Associates	**48,097**	34,181
Entity under common control	**161,273**	-
	3,190,677	3,829,835
Loans recovered		
Jointly controlled entities	**3,974,007**	5,622,870
Associates	**75,685**	1,837
	4,049,692	5,624,707
Interest expense		
Entities under common control	**297,213**	290,428
Jointly controlled entities	**146,558**	163,804
Associates	**1,260**	-
	445,031	454,232
Assets transferred from an associate	**-**	108,000
Shareholder reimbursements for recoverable projects	**-**	922,115
Sale of subsidiaries		
Jointly controlled entities	**-**	543,572
Associates	**-**	466,018
	-	1,009,590
Sale of a jointly controlled entity to a jointly controlled entity	**-**	5,012,963
Cash calls paid to jointly controlled entities for joint operations	**1,208,770**	1,563,095
Other miscellaneous transactions		
Jointly controlled entities	**8,555**	395,952
Entities under common control	**10,700**	48,011
Associates	**12,934**	12,515
	32,189	456,478

31 Significant transactions and balances with related parties *(continued)*

(d) Related party balances

	2016 AED'000	2015 AED'000
Amounts due to related parties [1] *(see notes 24 and 27)*		
Jointly controlled entities	**562,672**	523,034
Entities under common control	**195,479**	341,681
Associates	**45,020**	44,832
Shareholder	**42,984**	38,326
	846,155	947,873

[1] Includes amounts due to related parties except for amounts due to jointly controlled entities, disclosed under note 16(b).

	2016 AED'000	2015 AED'000
Advances from related parties		
Shareholder *(see notes 24 and 27)*	**1,764,355**	1,857,000
Entity under common control *(see note 27)*	**1,068,988**	1,068,988
	2,833,343	2,925,988
Amounts due from related parties *(see note 20)*		
Shareholder	**6,689,158**	4,207,171
Entities under common control	**1,272,236**	988,134
Associates	**49,782**	828,217
Jointly controlled entities	**452,595**	708,242
	8,463,771	6,731,764
Deposit from the Shareholder *(see note 24)*	**701,149**	693,270
Bank balances with entities under common control *(see note 22)*	**3,992,204**	6,071,460
Loans to related parties *(see note 18)*		
Jointly controlled entities	**6,541,974**	11,078,982
Entities under common control	**161,273**	166,572
Associates	**3,260**	32,572
	6,706,507	11,278,126

31 Significant transactions and balances with related parties *(continued)*

(d) Related party balances *(continued)*

	2016 AED'000	2015 AED'000
Preferred securities of a jointly controlled entity *(see note 17)*	**2,026,827**	2,102,744
Service concession receivables *(see note 20)*		
Entities under common control	**5,330,068**	5,976,276
Shareholder	**402,240**	475,626
	5,732,308	6,451,902
Interest bearing borrowings		
Entities under common control	**5,548,174**	5,877,257
Jointly controlled entities	**2,240,887**	2,555,099
Associates	**21,220**	24,631
	7,810,281	8,456,987
Finance lease receivables		
Entities under common control	**2,455,717**	2,493,383
Jointly controlled entities	**868,338**	793,859
	3,324,055	3,287,242

(e) Additional shareholder contributions [1]

	2016 AED'000	2015 AED'000
At the beginning of the year	**123,155,278**	141,522,778
Reduction against application for share capital *(see note 31(f))*	**-**	(18,367,500)
At the end of the year	**123,155,278**	123,155,278

[1] Additional shareholder contributions represent interest free loans from the Shareholder. As per the terms of the agreements for the amounts received from 2008 to 2013, 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 agreements specify that, on dissolution of the Company, the rights, benefits and obligations in the residual net assets and liabilities, attached to these loans, 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 are presented within equity.

(f) Application for share capital

During the year, the Shareholder transferred equity shares of a certain entity amounting to AED 8,155,170 thousand to the Group as an equity contribution. Furthermore, in 2014, the Shareholder contributed equity contribution in cash of AED 18,367,500 thousand *(see note 31(e))*. The Company is in the process of issuing share capital for these contributions.

32 Commitments and contingent liabilities

Commitments and contingencies
Commitments and contingencies at the end of the reporting period are as follows:

	2016 AED'000	2015 AED'000
Capital commitments		
Commitments for equity investments	**10,944,463**	11,510,561
Commitments for acquisition of property, plant and equipment	**8,766,029**	9,548,172
Unfunded loan commitments	**385,459**	15,014
Contingent liabilities [1]	**1,521,058**	2,028,443
	21,617,009	23,102,190

Operating lease commitments – Group as a lessee
The operating lease commitments of the Group are as follows:

	2016 AED'000	2015 AED'000
Within one year	**490,883**	626,981
After one year but not more than five years	**1,591,251**	1,972,020
After five years	**981,617**	1,880,331
Total	**3,063,751**	4,479,332

In addition to the above, the Group's share, in the capital commitments made jointly with other venturers relating to its joint ventures, and contingencies of its joint ventures and associates, is as follows:

	2016 AED'000	2015 AED'000
Capital commitments		
Commitments for acquisition of property, plant and equipment	**6,329,755**	10,341,236
Commitment to provide loans	**1,297,355**	3,197,096
Operating lease commitments	**146,563**	595,295
Contingent liabilities [1]	**4,892,698**	3,928,530
	12,666,371	18,062,157

[1] Contingent liabilities include bank guarantees, performance bonds, advance payment bonds and completion guarantees.

Notes to the consolidated financial statements *(continued)*

32 Commitments and contingent liabilities *(continued)*

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

	2016 AED'000	2015 AED'000
Due in less than one year	**110,506**	299,726
Later than one year but not later than five years	**-**	138,425
At 31 December	**110,506**	438,151

A subsidiary of the Group has production bonus commitments that range from AED 37,837 thousand *(2015: AED 63,552 thousand)* to AED 223,349 thousand *(2015: AED 267,431 thousand)* 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.

33 Income tax

	2016 AED'000	2015 AED'000
Income tax recognised in profit or loss:		
Current tax expense		
On taxable profit of the year	**(195,115)**	(98,008)
Adjustment in respect of prior years' current tax	**14,005**	3,582
	(181,110)	(94,426)
Deferred tax benefit / (expense)		
Origination and reversal of temporary differences	**18,941**	1,258,806
Reduction in tax rate	**-**	8,556
Impact of tax losses and tax credits carry forwards	**593,097**	78,411
Deferred tax adjustment on depreciation, depletion and amortisation	**(171,394)**	153,462
Deferred tax effect on impairment	**48,000**	-
Foreign exchange difference	**21,728**	(301,602)
Net deferred tax benefit	**510,372**	1,197,633
Income tax benefit recognised in profit or loss[1]	**329,262**	1,103,207

[1] Income tax benefit includes tax benefit from discontinued operations of AED 2,999 thousand *(2015: tax expense of AED 102,112 thousand)*.

The United Arab Emirates does not enforce any domestic income tax decrees and, therefore, the domestic tax rate is nil. Income tax is calculated at tax rates prevailing in the respective jurisdictions, and primarily arises from Takeoff Top Luxco SA, GlobalFoundires Inc. and Mubadala Petroleum (SE Asia) Limited.

33 Income tax *(continued)*

The total income tax recognised in profit or loss for the year can be reconciled to the results from continuing operations as follows:

	2016 AED'000	2015 AED'000
Income from continuing operations *(before income tax)*	**3,074,785**	1,057,297
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(22,550)**	(26,520)
Effect of income that is exempt from taxation	**(243,969)**	142,269
Effect of expenses that are not deductible in determining taxable Profit	**459,534**	(330,126)
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	**326,289**	1,300,667
Effect of previously unrecognised and unused tax losses and deductible temporary differences now recognised as deferred tax assets	**(881)**	(42,802)
Effect on deferred tax balances due to the change in tax rate	**-**	8,556
Effect of tax credits	**(101,115)**	117,951
Others	**(102,051)**	(70,370)
	315,257	1,099,625
Adjustments recognised in the current year in relation to the current tax of prior years	**14,005**	3,582
Income tax benefit recognised in profit or loss[1]	**329,262**	1,103,207

[1] Income tax benefit includes tax benefit from discontinued operations of AED 2,999 thousand *(2015: tax expense of AED 102,112 thousand)*.

Current tax liabilities

	2016 AED'000	2015 AED'000
Income tax payable	**310,849**	171,880

Deferred income tax assets and liabilities

	2016 AED'000	2015 AED'000
Deferred tax assets	**2,327,315**	2,011,162
Deferred tax liabilities	**(551,990)**	(981,612)
Net deferred tax assets	**1,775,325**	1,029,550

33 Income tax *(continued)*

Deferred income tax assets and liabilities *(continued)*

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

	2016 AED'000	2015 AED'000
At the beginning of the year	**1,029,550**	933,855
Tax benefit recognised in profit or loss	**509,852**	1,197,633
Fair value adjustments arising from business combinations	**-**	(1,091,038)
Foreign currency adjustments	**9,278**	(2,738)
Other adjustments	**226,645**	(8,162)
At the end of the year	**1,775,325**	1,029,550

Subject to the agreement of the relevant tax authorities, the Group's unrecognised tax losses, investment allowances or unrecovered cost pools in various jurisdictions as at 31 December 2016 amounted to AED 32,461,654 thousand *(2015: AED 20,233,399 thousand)* and are available for offset against future taxable income. These losses, allowances and cost pools have expiry periods up to unlimited carry forward period. The Group has not recognised a deferred tax asset of AED 8,199,041 thousand *(2015: AED 6,671,358 thousand)* in relation to these losses as it is not probable that these losses will be utilised.

The decision to recognise deferred tax assets was due to sufficient evidence to support the realisation of those benefits based upon anticipated future taxable income mainly resulting from a new joint venture to be entered into by one of the Group's subsidiary. The Group has recognised deferred tax assets since management believes that it is probable that future taxable profits will be available to realise the deferred tax assets. In arriving at the conclusion on recoverability of deferred tax assets, management has determined that the Group has intention and ability to maintain and expand the manufacturing capacity and operations in the jurisdictions to which the deferred tax assets relate to.

Deferred tax liabilities in certain jurisdictions 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.

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 recognise any income, expense, tax asset or liability for either current or deferred taxation in relation to these operations.

At 31 December 2016, there was no recognised deferred tax liability for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future *(2015: AED nil)*.

Notes to the consolidated financial statements *(continued)*

33 Income tax *(continued)*

Recognised deferred tax assets and liabilities are attributable to:

	Assets		Liabilities		Net	
	2016	2015	**2016**	2015	**2016**	2015
	AED'000	AED'000	**AED'000**	AED'000	**AED'000**	AED'000
Property, plant and equipment	**(5,529,417)**	46,187	**(625,473)**	(5,236,711)	**(6,154,890)**	(5,190,524)
Intangible assets	**-**	-	**(110,157)**	(360,086)	**(110,157)**	(360,086)
Fair value through profit or loss investments	**-**	-	**(13,802)**	(11,344)	**(13,802)**	(11,344)
Derivatives	**-**	-	**-**	(3,221)	**-**	(3,221)
Other assets	**3,361,599**	7,048	**(15,574)**	(18,010)	**3,346,025**	(10,962)
Other liabilities	**-**	112,773	**(12,146)**	(11,344)	**(12,146)**	101,429
Payables and accruals	**815,741**	723,804	**-**	-	**815,741**	723,804
Tax losses recognised	**3,397,160**	4,928,771	**232,061**	(39,964)	**3,629,221**	4,888,807
Others	**282,232**	937,306	**(6,899)**	(45,659)	**275,333**	891,647
Tax assets / (liabilities)	**2,327,315**	6,755,889	**(551,990)**	(5,726,339)	**1,775,325**	1,029,550

Income tax recognised in other comprehensive income:

	2016			2015		
	Before tax	**Tax (expense) / benefit**	**Net of tax**	Before tax	Tax (expense) / benefit	Net of tax
	AED'000	**AED'000**	**AED'000**	AED'000	AED'000	AED'000
Net change in fair value of available for sale financial assets	**(42,900)**	**-**	**(42,900)**	(1,825,079)	-	(1,825,079)
Cumulative loss / (gain) on available for sale financial assets reclassified from equity to profit or loss	**365,335**	**-**	**365,335**	(329,823)	-	(329,823)
Effective portion of changes in fair value of cash flow hedges and other reserves	**43,691**	**7,696**	**51,387**	265,066	(47,166)	217,900
Net change in translation reserve	**(232,552)**	**-**	**(232,552)**	(62,671)	-	(62,671)
Share of effective portion of changes in fair values of hedging instruments and other reserves of equity accounted investees	**(91,258)**	**-**	**(91,258)**	12,935	-	12,935
Share of movements in translation reserve of equity accounted investees	**(202,730)**	**-**	**(202,730)**	(364,200)	-	(364,200)
Net movement in defined benefit plan	**1,087,382**	**(220,634)**	**866,748**	(327,260)	67,088	(260,172)
	926,968	**(212,938)**	**714,030**	(2,631,032)	19,922	(2,611,110)

Notes to the consolidated financial statements *(continued)*

34 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 [12,13]	**Carrying amount as at 31 Dec 2016 AED '000**	Carrying amount as at 31 Dec 2015 AED '000	Currently classified as [11]
Future economic benefits certain					
Madinat Zayed [1]	2008	26,909,776	-	-	PPE
Healthpoint	2006	179,486	-	-	PPE
Military City	2009	12,242,393	-	-	PPE
Al Maryah Island [2]	2006	697,864	**49,947**	31,222	PPE
New Headquarter	2004	102,675	-	-	PPE
Parking lot - New Headquarter	2009	70,000	-	-	PPE
Hai Al Dawoody	2009	1,076	-	-	PPE
Hamran	2009	1,076	-	-	PPE
Masdar City Land - own use [6,7]	2008	2,283,359	-	-	PPE
Masdar City Land - Visitor Centre, and Eco Villa [6]	2008	119,415	-	-	PPE
Arzanah land	2006	13,302,119	**1,944,109**	1,944,109	Inventory
Al Maryah Island - Plots for sale [2]	2006	4,115,157	**446,540**	508,086	Inventory
Masdar City Land: [6]					
Phase 1 - remaining portion [9]	2008	4,471,205	**288,985**	385,935	Inventory
Phases 2 & 5 [9]	2008	25,833,105	**94,317**	104,810	Inventory
Al Maryah Island – ADGM Square Development [2]	2006	506,414	-	-	IP
New Fish Market	2006	484,448	**12,761**	14,182	IP
Old Fish Market Land - New York Institute of Technology	2006	163,877	-	-	IP
Masdar City Land: [6]					
Commercial use [8]	2008	537,986	**206,951**	206,951	IP
MI Neighborhood and Accelerator	2008	743,549	**103,546**	-	IPUD
		92,764,980			
Future economic benefits uncertain / no future economic benefits [3]					
Masdar City Phase 1 - Recreational Plots	2008	490,739	-	-	N/A
Masdar City Land (remaining portion) [5]	2008	23,776,104	-	-	N/A
Madinat Zayed [1]	2008	116,202,049	-	-	N/A
Masdar Institute of Science and Technology [10]	2008	356,813	-	-	N/A
Al Reem Island - Sorbonne University [4]	2006	1,001,934	-	-	N/A
Al Maryah Island - Cleveland Clinic [2]	2006	1,007,158	-	-	N/A
Al Maryah Island (remaining portion) [2]	2006	4,907,950	-	-	N/A
Plot P48 Abu Dhabi Island	2013	131,014	-	-	N/A
Plot P52 Abu Dhabi Island	2014	622,323	-	-	N/A
Khalifa City - Zayed University [4]	2006	8,207,745	-	-	N/A
East Al Reem Island	2006	3,609,265	-	-	N/A
Al Falah- Plot 5	2008	1,599,939	-	-	N/A
Al Falah- Plot 3	2007	23,079,801	-	-	N/A
Others	2004-2009	61,244,799	-	-	N/A
		246,237,633			

Notes to the consolidated financial statements *(continued)*

34 Government grants *(continued)*

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

(i) Land (continued)

[1] Madinat Zayed land has been identified and used for the purpose of construction and operation of a solar power station which would generate revenue by selling electricity to the national grid. Currently one plant of 100 MW has been constructed and became operational in 2014. This occupies a land area of 26,909,776 square feet and is classified as property, plant and equipment at nominal value. There is currently no agreement or commitment to construct any further solar power stations on this site and as a result the unutilised area of land covering 116,202,049 square feet has been classified as future economic benefits uncertain.

[2] On Al Maryah Island, out of the total unsold land area of 11,579,133 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 506,414 square feet of land has been allocated to Abu Dhabi Global Market Square which has been recognised as investment property. The Group identified and earmarked certain plots of land for sale at Al Maryah Island. Accordingly, these plots of land with a land area of 4,115,157 square feet have been classified as inventory.

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. Al Maryah Island includes approximately five million square feet of land earmarked for roads and waterfront for common public use.

The Government of Abu Dhabi has granted Mubadala the right to use Plots P48 and P52 on Abu Dhabi Island for the purpose of constructing bridges between Al Maryah Island and Abu Dhabi Island.

[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 revert to the Government of Abu Dhabi. 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 recognised by 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] Under the reassessed development strategy for the Masdar City Project (“the Project”), the Group’s subsidiary Abu Dhabi Future Energy Company (“ADFEC”), whilst developing a small number of key assets itself, will also act as the master developer for the Project providing all infrastructure and delivering serviced plots for development by third parties. With the revisions to the master plan and overall development strategy it is difficult to reliably determine the future overall Project development cost and associated income streams. In addition, as the economic viability of each individual plot will have to be determined before commencement of construction work, the overall economic benefit to be derived from the Project and the timing thereof, cannot be reasonably determined at this time.

[6] The overall masterplan of Masdar City has been updated. Some of the land areas originally allocated to certain projects have been divided into a number of newly allocated plots and, where there is certainty of use, classified as future economic benefit certain, with the remainder being classified under future economic benefits uncertain.

Notes to the consolidated financial statements *(continued)*

34 Government grants *(continued)*

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

(i) Land (continued)

Lease agreements have been signed for a total land area of 3,041,665 square feet *(2015: 2,246,213 square feet)* and these agreements have been classified as finance leases based on assessment by management of the terms of the agreements. The carrying value of the finance lease receivable is AED 346,752 thousand *(2015: AED 316,000 thousand)*.

[7] The portion of land of Masdar City relating to these buildings has been recognised as property, plant and equipment at nominal value based on the expectation that these building will be used by ADFEC and the Group to carry out their operations.

[8] These plots of land have been recognised as investment property based on their commercial use.

[9] A detailed masterplan has been approved for Phases 1, 2 and 5 of Masdar City, for which it is ADFEC's responsibility to complete the infrastructure development. The remaining plots with an area of 30,304,310 square feet, that are not being used by ADFEC or Mubadala to carry out their operations or being used for commercial use, are carried as Inventory at an amount of AED 383,302 thousand *(2015: AED 490,745 thousand)*.

[10] Construction of Masdar Institute of Science and Technology building is complete and the building has been handed over. Legal title to the building is in the process of being transferred to ADEC. There is no envisaged future economic benefits accruing to ADFEC from the underlying land and accordingly this parcel of land has been classified in the no future economic benefits category.

[11] In the above table, PPE stands for Property, Plant and Equipment, IP stands for Investment Property and IPUD stands for Investment Property under Development.

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

[13] Land areas reported above exclude land portfolio leased out as finance lease.

(ii) Use of land for construction of buildings

The UAE Armed Forces - General Head Quarters and the Urban Planning Council have granted certain subsidiaries, the right to use certain plots of land, owned by these parties, free of charge.

(b) Monetary government grants

i) During 2006, the Group received an amount of USD 100,000 thousand, equivalent to AED 367,350 thousand, from the Government of Abu Dhabi for investment in Masdar Clean Tech Fund L.P. (the “Fund”) registered in the Cayman Islands. Since this is a monetary grant for investments in other business enterprises, this amount has been credited directly to the consolidated statement of changes in equity.

ii) Monetary grants include grants received / acquired to compensate the Group for expenses to be incurred, these are initially recognised in the consolidated statement of financial position as a deferred liability. Subsequent to initial recognition, such grants are released to profit or loss as government grant income on a systematic basis.

Furthermore, monetary grants include grants related to assets, which are received to compensate for cost of assets. Such assets are carried at cost, less the value of grants received.

The Group has certain grants and allowances from Government bodies outside UAE, which are primarily provided in connection with construction and operation of the Group’s wafer manufacturing facilities, employment and research and development.

Notes to the consolidated financial statements *(continued)*

34 Government grants *(continued)*

(b) Monetary government grants *(continued)*

During the year, movement in government grants was as follows:

	2016 AED'000	2015 AED'000
At the beginning of the year	**1,245,670**	1,557,301
Additions	**459,447**	496,753
Amortised during the year	**(734,346)**	(798,248)
Other movements	**18,623**	(10,136)
At the end of the year	**989,394**	1,245,670
Disclosed as:		
Current	**325,977**	316,187
Non-current	**663,417**	929,483
	989,394	1,245,670

The Group receives grants primarily in relation to construction and operation of wafer manufacturing facilities, employment and research and development. Certain investment grants are subject to forfeiture in declining amounts over the life of the agreement if the Group does not maintain certain agreed employment levels and fulfill other conditions specified in the relevant subsidy documents. In addition, certain investment allowances are repayable in full if investment or other conditions of the applicable regulations are met over a specified period of time. Accordingly, should the Group fail to meet the terms and conditions of the respective investment grants and allowances, the Group may in the future be required to make repayments of investment grants and allowances. For receivables against government grants *(see note 20)*.

35 Financial instruments

Overview

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

- credit risk
- liquidity risk
- market 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 detailed below.

Financial 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 analyse 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, Risk and Compliance 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, investment securities and other financial assets.

Loans and 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 39 percent *(2015: 36 percent)* of the receivables and 70 percent *(2015: 82 percent)* of loans receivables are from related parties which are primarily parties under common control of the Company's Shareholder, jointly controlled entities and associates. However, this concentration of credit risk is mitigated by the fact that the overall exposure is being spread over a 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 or the Investment Committee as per delegation of authority. As adequate background checks and financial and legal due diligence are conducted, the risk that the counterparty to the financial instrument will fail to meet its contractual obligations is low.

Guarantees
The Group 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 *(see note 32)*.

Notes to the consolidated financial statements *(continued)*

35 Financial instruments *(continued)*

Financial risk management framework *(continued)*

(a) Credit risk *(continued)*

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 is set out below:

	2016 AED'000	2015 AED'000
Financial investments at fair value through profit or loss		
Debt securities	**2,026,827**	2,102,744
Convertible bonds	**1,643,763**	1,460,758
Debt securities held for trading	**586,495**	338,803
Derivative assets	**1,943,606**	161,113
Receivables		
Service concession receivables	**5,732,309**	6,451,902
Due from related parties	**7,862,304**	6,731,674
Other receivables	**4,237,729**	5,024,246
Trade receivables	**4,513,535**	2,644,929
Restricted and long term deposits	**10,418,361**	12,419,260
Receivable against sale of land	**187,657**	559,898
Contract work in progress	**258,547**	415,857
Loans receivable	**9,606,883**	13,807,606
Finance lease receivables	**5,298,040**	5,088,244
Cash at bank	**11,967,746**	13,396,571
	66,283,802	70,603,605

For movement in service concession receivables, refer to note 20.

For collateral held against loans receivable, refer to note 18. The ageing of the loans receivable is as follows:

	2016		2015	
	Gross AED'000	**Impairment AED'000**	Gross AED'000	Impairment AED'000
Neither past due nor impaired	**9,486,473**	**-**	9,716,580	-
Not past due but impaired	**3,288,600**	**(3,288,600)**	7,437,244	(3,464,996)
Past due 0 – 120 days	**104,934**	**(1,990)**	32,740	(1,288)
Past due 121 – 180 days	**2,052**	**(287)**	-	-
Past due above 180 days	**30,499**	**(14,798)**	101,663	(14,337)
	12,912,558	**(3,305,675)**	17,288,227	(3,480,621)

Approximately 71 percent *(2015: 76 percent)* of loans neither past due nor impaired are loans receivable from related parties.

Notes to the consolidated financial statements *(continued)*

35 Financial instruments *(continued)*

Financial risk management framework *(continued)*

(a) Credit risk *(continued)*

Exposure to credit risk (continued)

The ageing of the financial assets, other than loans receivable is as follows:

	2016		2015	
	Gross AED'000	**Impairment AED'000**	Gross AED'000	Impairment AED'000
Neither past due nor impaired	**48,629,193**	**-**	50,952,412	-
Not past due but impaired	**6,182,300**	**(423,294)**	393,122	(251,306)
Past due 0 – 120 days	**668,338**	**(31,700)**	4,591,780	(34,299)
Past due 121 – 180 days	**126,945**	**(52,429)**	271,955	(26,524)
Past due above 180 days	**2,391,136**	**(813,570)**	1,469,868	(571,009)
	57,997,912	**(1,320,993)**	57,679,137	(883,138)

The entities within the Group have their respective policies to deal with creditworthy customers. Geographically, there is relatively higher concentration of credit risk in United Arab Emirates, Europe and North America.

The movement in allowance for impairment in respect of loans, trade receivables and other financial assets during the year is as follows:

	2016		2015	
	Impairment on loans receivables AED'000	**Impairment on receivables AED'000**	Impairment on loans receivables AED'000	Impairment on receivables AED'000
At the beginning of the year	**3,480,621**	**883,138**	1,186,364	639,724
Provision during the year *(net)*	**2,870,970**	**443,450**	2,309,207	303,006
Effect of exchange rate difference	**(142,907)**	**78,677**	(11,021)	(2,104)
Written off during the year	**(2,903,009)**	**(84,272)**	(3,929)	(57,488)
At the end of the year	**3,305,675**	**1,320,993**	3,480,621	883,138

(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 in the form of short-term liquid assets 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 *(continued)*

35 Financial instruments *(continued)*

Financial risk management framework *(continued)*

(b) Liquidity risk *(continued)*

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

		2016					2015				
	Notes	**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
Non - derivative financial liabilities											
Trade and other payables		**5,083,649**	**(5,083,649)**	**(5,083,649)**	**-**	**-**	3,213,126	(3,594,070)	(3,594,070)	-	-
Interest bearing borrowings	*26*	**34,089,850**	**(41,692,396)**	**(5,199,277)**	**(24,467,822)**	**(12,025,297)**	40,463,578	(42,995,705)	(11,134,492)	(20,611,734)	(11,249,479)
Obligation under finance lease	*28*	**1,252,366**	**(1,887,401)**	**(247,466)**	**(861,271)**	**(778,664)**	1,206,804	(1,847,101)	(244,207)	(834,423)	(768,471)
Amounts due to a jointly controlled entity	*16*	**-**	**-**	**-**	**-**	**-**	1,025,471	(1,025,471)	(1,025,471)	-	-
Other liabilities		**4,492,769**	**(4,761,463)**	**-**	**(4,042,010)**	**(719,453)**	4,084,930	(4,124,914)	-	(3,230,018)	(894,896)
Derivative financial liabilities											
Derivatives designated and effective as hedging instruments carried at fair value											
Interest rate swaps	25	**220,792**	**(230,432)**	**(71,962)**	**(154,621)**	**(3,849)**	344,603	(550,283)	(116,757)	(310,460)	(123,066)
Foreign exchange forward contracts	25	**-**	**-**	**-**	**-**	**-**	7,773	(7,773)	(7,773)	-	-
Financial liabilities designated at fair value through profit or loss											
Interest rate swaps	25	**753,627**	**(1,115,892)**	**(136,647)**	**(706,042)**	**(273,203)**	838,012	(2,925,459)	(187,892)	(1,704,884)	(1,032,683)
Foreign exchange forward contracts	25	**297,748**	**(297,748)**	**(297,748)**	**-**	**-**	15,722	(15,722)	(15,722)	-	-
Equity options	25	**-**	**-**	**-**	**-**	**-**	3,355	(3,355)	(3,355)	-	-
Financial liabilities held for trading											
Equity options	25	**12**	**(12)**	**(12)**	**-**	**-**	15,421	(15,421)	(15,421)	-	-
Equity swaps	25	**8,620**	**(8,620)**	**(8,620)**	**-**	**-**	9,369	(9,369)	(9,369)	-	-
Exchange traded securities	25	**157,456**	**(157,456)**	**(157,456)**	**-**	**-**	295,422	(295,422)	(295,422)	-	-
Total financial liabilities		**46,356,889**	**(55,235,069)**	**(11,202,837)**	**(30,231,766)**	**(13,800,466)**	51,523,586	(57,410,065)	(16,649,951)	(26,691,519)	(14,068,595)

The total undrawn borrowing facilities as at the reporting date amount to AED 10,018,629 thousand *(2015: AED 4,984,072 thousand).*
To the extent that interest is based on floating rates, the undiscounted amount is derived from spot rates at the reporting date. For the derivative instruments, where the payable or receivable is not fixed, the amount disclosed has been determined by reference to the spot rates at the reporting date.

Notes to the consolidated financial statements *(continued)*

35 Financial instruments *(continued)*

Financial risk management framework *(continued)*

(b) Liquidity risk *(continued)*

The maturity profile of the financial assets is as follows:

		2016					2015				
	Notes	**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
Financial assets											
Trade and other receivables		**33,214,300**	**42,980,217**	**24,020,137**	**8,046,506**	**10,913,574**	34,252,251	45,186,678	25,941,176	6,898,491	12,347,011
Loans receivable	*18*	**9,606,883**	**9,652,971**	**899,013**	**2,851,013**	**5,902,945**	13,807,606	14,352,781	1,427,219	6,977,878	5,947,684
Finance lease receivables	*21*	**5,298,040**	**14,149,278**	**352,128**	**1,522,908**	**12,274,242**	5,088,244	12,874,633	344,856	1,438,262	11,091,515
Cash and cash equivalents	*22*	**11,971,020**	**11,971,020**	**11,971,020**	**-**	**-**	13,402,998	13,402,998	13,402,998	-	-
Financial assets at fair value through profit or loss	*17*	**38,939,975**	**38,939,975**	**1,719,458**	**37,220,517**	**-**	22,536,929	22,536,929	2,520,808	20,016,121	-
Available for sale financial assets	*17*	**6,035,047**	**6,035,047**	**-**	**6,035,047**	**-**	6,068,642	6,068,642	-	6,040,621	28,021
Total financial assets		**105,065,265**	**123,728,508**	**38,961,756**	**55,675,991**	**29,090,761**	95,156,670	114,422,661	43,637,057	41,371,373	29,414,231

35 Financial instruments *(continued)*

Financial risk management framework *(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 profit or loss 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 optimising 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), British Pound (GBP), Swiss Francs (CHF) and Singapore Dollar (SGD).

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 Group 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.

Exposure to currency risk

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

	2016			
	EUR'000	**GBP'000**	**CHF'000**	**SGD'000**
Fair value through profit or loss financial assets	**259,360**	**2,003,435**	**64,600**	**-**
Available for sale financial assets	**-**	**-**	**-**	**-**
Trade and other receivables	**64,664**	**13,144**	**12**	**-**
Loans receivable	**297,884**	**74,194**	**-**	**-**
Cash and cash equivalents	**64,174**	**20,313**	**3,159**	**23,959**
Trade and other payables	**(17,897)**	**(10,174)**	**(139)**	**(79)**
Interest bearing borrowings	**(615,077)**	**(218,805)**	**-**	**-**
Obligations under finance lease	**(117,621)**	**-**	**-**	**(140,743)**
Financial liabilities at fair value	**-**	**(10,824)**	**-**	**-**
Other liabilities	**-**	**-**	**-**	**-**
Net exposure	**(64,513)**	**1,871,283**	**67,632**	**(116,863)**

Notes to the consolidated financial statements *(continued)*

35 Financial instruments *(continued)*

Financial risk management framework *(continued)*

(c) Market risk *(continued)*

Currency risk *(continued)*

Exposure to currency risk (continued)

	2015			
	EUR'000	GBP'000	CHF'000	SGD'000
Fair value through profit or loss financial assets	81,093	121,868	-	-
Available for sale financial assets	26	-	-	-
Trade and other receivables	51,700	22,210	36,875	42,729
Loans receivable	180,262	157,414	-	-
Cash and cash equivalents	75,150	115,402	49,802	31,809
Other assets	-	-	-	-
Trade and other payables	(51,695)	(22,141)	(103,676)	(29)
Interest bearing borrowings	(642,967)	(204,191)	(5,428)	-
Obligations under finance lease	(114,340)	-	(2,422)	(98,400)
Financial liabilities at fair value	-	(7,234)	(915)	-
Other liabilities	-	-	(308)	-
Net exposure	(420,771)	183,328	(26,072)	(23,891)

The following significant exchange rates were applied during the year:

	2016			
	EUR – AED	**GBP – AED**	**CHF – AED**	**SGD - AED**
Closing rate	**3.8628**	**4.5324**	**3.6043**	**2.5388**
Average rate	**4.0653**	**4.9781**	**3.7293**	**2.6612**

	2015			
	EUR – AED	GBP – AED	CHF – AED	SGD - AED
Closing rate	3.9897	5.4124	3.6650	2.5893
Average rate	4.0780	5.6145	3.8219	2.6735

35 Financial instruments *(continued)*

Financial risk management framework *(continued)*

(c) Market risk *(continued)*

Currency risk *(continued)*

Sensitivity analysis

A 10 percent strengthening of the AED against the EUR, GBP, CHF and SGD at 31 December would have increased / (decreased) equity and consolidated profit or loss for the year by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis for 2015.

31 December 2016	**Equity AED'000**	**Profit / (loss) AED'000**
EUR	**-**	**(71,650)**
GBP	**-**	**(848,143)**
CHF	**-**	**(24,376)**
SGD	**-**	**29,669**

31 December 2015	Equity AED'000	Profit / (loss) AED'000
EUR	(10)	68,199
GBP	-	(99,048)
CHF	-	9,556
SGD	-	6,186

A 10 percent weakening of the AED against EUR, GBP, CHF and SGD at 31 December would have had an equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

35 Financial instruments *(continued)*

Financial risk management framework *(continued)*

(c) Market risk *(continued)*

Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. 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 swaps.

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

	2016 AED'000	2015 AED'000
Fixed rate instruments		
Financial assets	**31,008,550**	34,694,550
Financial liabilities	**(21,544,724)**	(20,334,176)
	9,463,826	14,360,374
Variable rate instruments		
Financial assets	**6,914,445**	8,729,172
Financial liabilities	**(19,660,400)**	(20,700,694)
	(12,745,955)	(11,971,522)

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 market interest rates would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ("100bp") 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 the same basis for 2015.

	Profit / (loss)	
	100bp Increase	**100bp Decrease**
31 December 2016		
In thousands of AED		
Variable rate instruments	**4,499**	**(4,499)**
31 December 2015		
In thousands of AED		
Variable rate instruments	12,029	(12,029)

35 Financial instruments *(continued)*

Financial risk management framework *(continued)*

(c) Market risk *(continued)*

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 Investment Committee or Board of Directors based on the delegation of authority.

The primary goal of the Group's investment strategy is to maximise 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 actively monitors commodity price risks and enters into commodity swaps and other available contracts to mitigate such risks. The Group does not enter into physical commodity contracts other than to meet the Group's expected usage and sale requirements; such contracts are not settled net.

The following table demonstrates the sensitivity of the Group's equity and profit or loss to a 5 percent 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 2016		
Effect of change in equity portfolio of the Group	**(1,321,689)**	**(232,574)**
31 December 2015		
Effect of change in equity portfolio of the Group	(642,840)	(232,573)

The following table demonstrates the sensitivity of the Group's equity and profit or loss to a 5 percent 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 2016		
Effect of change in equity portfolio of the Group	**1,255,815**	**298,449**
31 December 2015		
Effect of change in equity portfolio of the Group	575,367	300,046

(d) Fair value

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy, which analyses financial instruments carried at fair value by valuation method. The different levels are 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 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

35 Financial instruments *(continued)*

Financial risk management framework *(continued)*

(d) *Fair value (continued)*

As at 31 December 2016

	Carrying amount AED'000	Fair value AED'000	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000
Financial assets measured at fair value					
Financial assets designated at FVTPL					
Quoted investments					
Equity securities	**23,008,858**	**23,008,858**	**22,539,120**	**-**	**469,738**
Debt securities	**2,026,827**	**2,026,827**	**-**	**-**	**2,026,827**
Un-quoted investments					
Convertible bonds	**1,643,763**	**1,643,763**	**-**	**-**	**1,643,763**
Equity securities	**2,938,662**	**2,938,662**	**-**	**-**	**2,938,662**
Investment funds	**5,890,740**	**5,890,740**	**-**	**-**	**5,890,740**
Derivative assets	**1,940,952**	**1,940,952**	**-**	**1,940,952**	**-**
Financial assets held for trading					
Quoted investments					
Equity securities	**901,024**	**901,024**	**901,024**	**-**	**-**
Debt securities other than convertible bonds	**586,495**	**586,495**	**586,495**	**-**	**-**
Derivative assets	**2,654**	**2,654**	**-**	**2,654**	**-**
Available for sale financial assets					
Quoted investments					
Equity securities	**5,976,222**	**5,976,222**	**5,976,222**	**-**	**-**
Un-quoted investments					
Equity securities [1]	**58,825**				
	44,975,022				
Financial assets not measured at fair value					
Receivables and prepayments	**33,214,300**	**33,214,300**			
Loans receivable	**9,606,883**	**9,606,883**			
Finance lease receivables	**5,298,040**	**5,298,040**			
Cash and cash equivalents	**11,971,020**	**11,971,020**			
	60,090,243				
Financial liabilities measured at fair value					
Derivatives designated and effective as hedging instruments carried at fair value					
Interest rate swaps	**220,792**	**220,792**	**-**	**220,792**	**-**
Financial liabilities designated at fair value through profit or loss					
Interest rate swaps	**753,627**	**753,627**	**-**	**753,627**	**-**
Foreign exchange forward contracts	**297,748**	**297,748**	**-**	**297,748**	**-**
Financial liabilities held for trading					
Equity options	**12**	**12**	**-**	**12**	**-**
Equity swaps	**8,620**	**8,620**	**-**	**8,620**	**-**
Exchange traded securities	**157,456**	**157,456**	**157,456**	**-**	**-**
	1,438,255				
Financial liabilities not measured at fair value					
Trade and other payables	**5,083,649**	**5,083,649**			
Obligation under finance lease	**1,252,366**	**1,252,366**			
Other liabilities	**4,492,769**	**4,492,769**			
Interest bearing borrowings	**34,089,850**	**34,579,381**	**9,598,945**	**-**	**24,980,436**
	44,918,634				

Notes to the consolidated financial statements *(continued)*

35 Financial instruments *(continued)*

Financial risk management framework *(continued)*

(d) Fair value (continued)

As at 31 December 2015

	Carrying amount AED'000	Fair value AED'000	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000
Financial assets measured at fair value					
Financial assets designated at FVTPL					
Quoted investments					
Equity securities	9,404,180	9,404,180	9,404,180	-	-
Debt securities	2,102,744	2,102,744	-	-	2,102,744
Un-quoted investments					
Convertible bonds	1,460,758	1,460,758	-	-	1,460,758
Equity securities	1,863,588	1,863,588	-	-	1,863,588
Investment funds	5,102,590	5,102,590	-	-	5,102,590
Derivative assets	98,621	98,621	-	98,621	-
Financial assets held for trading					
Quoted investments					
Equity securities	2,103,153	2,103,153	2,103,153	-	-
Debt securities other than convertible bonds	338,803	338,803	338,803	-	-
Derivative assets	62,492	62,492	-	62,492	-
Available for sale financial assets					
Quoted investments					
Equity securities	6,009,116	6,009,116	6,009,116	-	-
Un-quoted investments					
Equity securities [1]	59,526				
	28,605,571				
Financial assets not measured at fair value					
Receivables and prepayments	34,252,251	34,252,251			
Loans receivable	13,807,606	13,807,606			
Finance lease receivables	5,088,244	5,088,244			
Cash and cash equivalents	13,402,998	13,402,998			
	66,551,099				
Financial liabilities measured at fair value					
Derivatives designated and effective as hedging instruments carried at fair value					
Interest rate swaps	344,603	344,603	-	344,603	-
Foreign exchange forward contracts	7,773	7,773	-	7,773	-
Financial liabilities designated at fair value through profit or loss					
Interest rate swaps	838,012	838,012	-	838,012	-
Foreign exchange forward contracts	15,722	15,722	-	15,722	-
Equity options	3,355	3,355	-	3,355	-
Financial liabilities held for trading					
Equity options	15,421	15,421	-	15,421	-
Equity swaps	9,369	9,369	-	9,369	-
Exchange traded securities	295,422	295,422	295,422	-	-
	1,529,677				
Financial liabilities not measured at fair value					
Trade and other payables	3,213,126	3,213,126			
Obligation under finance lease	1,206,804	1,206,804			
Amounts due to a jointly controlled entity	1,025,471	1,025,471			
Other liabilities	4,084,930	4,084,930			
Interest bearing borrowings	40,463,578	41,143,653	10,717,682	-	30,425,971
	49,993,909				

[1] Unquoted equity investments are carried at cost less impairment, since no reliable measure of fair value is available.

Notes to the consolidated financial statements *(continued)*

35 Financial instruments *(continued)*

Financial risk management framework *(continued)*

(d) Fair value *(continued)*

There were no transfers between Level 1 and 2 during the year.

The following table shows the valuation techniques used in measuring Level 1, Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

Type of financial asset / liability	Valuation techniques and key inputs	Significant unobservable inputs
Financial assets designated at FVTPL -Unquoted convertible bonds	Combination of market and income approach	Discount rate of 6.2 percent, exit cap rates of 4.8 percent and rent growth rates of 4.1 percent, taking into account management's experience and knowledge of market conditions of the specific industries
Financial assets designated at FVTPL – Debt securities	Discounted cash flows (DCF)	Discount rate of 12.1 percent and a marketability discount of 20 percent
Investment funds designated at FVTPL	Combination of market and income approach	Net assets value provided by the fund manager taking into consideration management experience and knowledge of market conditions
Derivative assets designated at FVTPL	Market approach. Value is based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates	N/A
Derivative assets designated at FVTPL - warrants	Black Scholes model embedded in Bloomberg terminal	Share price, warrant term, 3 year historic volatility, discount rate of 16 percent and application of dilution factor
Debt securities other than convertible bonds held for trading	Market approach	N/A
Financial assets held for trading - Quoted equity securities	Quoted bid prices in an active market	N/A
Available for sale investments - Quoted equity securities	Quoted bid prices in an active market	N/A
Interest rate and foreign exchange forward contracts designated for hedging	Net present value of estimated cash flows, based on forward interest rates (from observable yield curves at the end of the reporting period)	N/A
Interest rate swaps and foreign exchange forward contracts designated at FVTPL	Net present value of estimated cash flows, based on forward interest rates (from observable yield curves at the end of the reporting period)	N/A
Exchange traded securities held for trading	Quoted bid prices in an active market	N/A

35 Financial instruments *(continued)*

Financial risk management framework *(continued)*

(d) Fair value *(continued)*

The following table demonstrates the movement in the level 3 of fair value hierarchy:

	2016			
	Convertible bonds AED'000	**Equity securities AED'000**	**Investments funds AED'000**	**Debt securities AED'000**
At the beginning of the year	**1,460,758**	**1,863,588**	**5,102,590**	**2,102,744**
Additions during the year	**-**	**1,431,781**	**1,281,859**	**-**
Increase / (decrease) in fair value recognised in profit or loss *(net)* [1]	**183,005**	**150,067**	**622,915**	**(75,917)**
Disposals during the year	**-**	**(37,036)**	**(1,116,624)**	**-**
At the end of the year	**1,643,763**	**3,408,400**	**5,890,740**	**2,026,827**

	2015			
	Convertible bonds AED'000	Equity securities AED'000	Investments funds AED'000	Debt securities AED'000
At the beginning of the year	1,133,817	462,487	4,499,372	826,340
Additions during the year	-	784,261	1,348,064	343,400
Increase in fair value recognised in profit or loss *(net)* [1]	326,941	161,583	387,472	933,004
Disposals during the year	-	(9,957)	(1,132,318)	-
Transfer out of Level 1 to Level 3 [2]	-	465,214	-	-
At the end of the year	1,460,758	1,863,588	5,102,590	2,102,744

[1] Includes increase in fair value recognised in profit or loss, attributable to assets held at the reporting date. The total net increase in fair value was recorded in 'Income from financial investments *(net)*' in the consolidated statement of comprehensive income.

[2] During the previous year, management changed the valuation method of one of its investments in equity securities from quoted prices to a valuation technique based on unobservable inputs, due to lack of an active market for that securities.

35 Financial instruments *(continued)*

Financial risk management framework *(continued)*

(e) Capital management

The Board of Directors' 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 the maintenance of specific debt to equity ratios. Furthermore, the Company and its subsidiaries incorporated in the UAE are subject to certain requirements of the UAE Federal Law No. 2 of 2015 to maintain a statutory reserve *(see note 30)*, which they are compliant with.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio within a range to meet the business needs of the Group. The Group includes within net debt, interest bearing borrowings and finance lease less cash and cash equivalents. Capital includes issued share capital, reserves, additional shareholder contributions, Government grants, and non-controlling interest.

	2016 **AED'000**	2015 AED'000
Interest bearing borrowings *(see note 26)*	**34,089,850**	40,463,578
Obligation under finance lease *(see note 28)*	**1,252,366**	1,206,804
Less: cash and cash equivalents *(see note 22)*	**(11,971,020)**	(13,402,998)
Net debt	**23,371,196**	28,267,384
Total capital	**184,994,925**	173,969,678
Total capital and net debt	**208,366,121**	202,237,062
Gearing ratio	**11%**	14%

36 Significant 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 estimates and judgments that have the most significant effect on the amounts of assets and liabilities recognised 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) Significant accounting estimates

Impairment losses and determination of fair values

The Group reviews its investments in equity accounted investees, financial investments and receivables to assess impairment losses at each reporting date *(see note 3(s))*. The Group's credit risk is primarily attributable to its unquoted available for sale investments, trade and other receivables and other items disclosed in note 35(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. Refer to notes 13 and 14 for key impairment assumptions on property, plant and equipment, and intangible assets.

Determination of fair values

Refer to notes 15, 17, 25 and 35 for determination of fair values of investment properties and financial instruments.

Estimated useful lives of property, plant and equipment

The 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 utilisation 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.

Quantities of proved oil and gas reserves

Depreciation on certain property, plant and equipment is estimated on the basis of oil and gas reserves. There are numerous uncertainties inherent in estimating quantities of proved and probable oil reserves. Oil reserve engineering is a subjective process of estimating underground volumes of oil that cannot be precisely measured, and estimates of other engineers might differ materially from the estimates utilised 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 oil and gas that are ultimately recovered. The Group's share of the oil and gas reserves that may be ultimately recovered from the joint ventures is subject to the production sharing agreements.

Forecast prices

Commodity prices for the first five years are estimated by management based on the forecasted prices and benchmarked against estimates made by third parties and inflating thereafter, again in line with the market view.

36 Significant accounting estimates and judgments *(continued)*

a) Significant accounting estimates *(continued)*

Discount rate

Discount rates represent the weighted average cost of capital derived from current market inputs and assessment of the risks specific to each asset / CGU / liability, taking into consideration the time value of money and individual risks that have not been incorporated in the cash flow estimates.

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.

Business combinations

Accounting for the acquisition of a business requires the allocation of the purchase price to the various assets and liabilities of the acquired business. For most assets and liabilities, the purchase price allocation is accomplished by recording the asset or liability at its estimated fair value. Determining the fair value of assets acquired and liabilities assumed requires judgment by management and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, the useful lives of licences and other assets and market multiples. The Group's management uses all available information to make these fair value determinations.

Income taxes

The Group entities operate in various tax jurisdictions. In determining taxable income for financial statement reporting purposes, management must make certain estimates and judgments specific to taxation issues. These estimates and judgments are applied in the calculation of certain tax liabilities and in the determination of the recoverability of deferred tax assets, which arise from temporary differences between the recognition of assets and liabilities for tax and financial statement reporting purposes.

A deferred tax asset is recognised 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 utilised. Management assesses the likelihood that whether the Group will be able to recover deferred tax assets. If recovery is not probable, the deferred tax assets are derecognised. Past performance, and future expected taxable income are considered in determining whether to recognise the deferred tax assets or not.

Net realisable value of land held for sale

Land held for sale is carried at lower of cost or net realisable value ("NRV"). NRV in respect of land under development is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs of completion and less an estimate of the time value of money to the completion date.

The carrying value of one of the significant land held for sale was AED 1,944,109 thousand *(2015: AED 1,944,109 thousand).* At 31 December 2016, the Group engaged an external expert to determine the NRV of the land held for sale. NRV was based on estimated selling price of AED 4,819,907 thousand *(2015:AED 4,819,907 thousand)* from which infrastructure, selling and other related cost estimates were deducted to get to residual value. Profit on gross development value was estimated at 15 percent and selling costs were estimated at 1.5 percent of the value. Based on this exercise, the NRV of the land held for sale as at 31 December 2016 was determined to be higher than the carrying amount.

36 Significant accounting estimates and judgments *(continued)*

b) Significant judgments

Classification of investments

The Group's principal activity is in investing and managing investments through different holdings in investees. The Group applies significant judgement with respect to the classification of investments with respect to control (including de-facto control), joint control and significant influence exercised on those investments or an investment is simply a financial investment.

For assessing control, the Group has considered power over the investee, exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect its returns. In case, where the Group has less than majority of the voting or similar rights in in an investee, the Group has considered all relevant facts and circumstances in assessing whether it has power over an investee, including the contractual arrangement with the other vote holders of the investee. Management's assessment considered the Group's ability to exercise control in the event of a deadlock situation with other vote holders and in situations where the Group holds convertible instruments, the Group has considered potential voting rights.

For assessing joint control, the Group has considered the contractually agreement of sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. For the purpose of assessing whether a joint arrangement is a joint venture or joint operation, the Group has considered whether it has joint control on rights to the net assets of the arrangements, in which case these are treated as joint ventures or rights to the assets, and obligations for the liabilities, relating to the arrangement, in which case these are treated as joint operations.

For assessing significant influence, the Group has considered the ability to participate in the financial and operating policy decisions of the investee. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of investee. The Group has further considered the extent of representation on the board of directors, including the ability of other vote holder to operate the investee without regard to the views of the Group, or equivalent governing body of the investee, participation in policy-making processes, including participation in decisions about dividends or other distributions, material transactions between the Group and its investee, interchange of managerial personnel and provision of essential technical information.

Possibility of future economic benefits from land received as government grants

Refer to notes 3(g) and 34 for a description of judgments and estimates used to ascertain the possibility of future economic benefits from land received as government grants.

Decommissioning liabilities

Management periodically assesses the numerous uncertainties inherent in estimating the decommissioning and other environmental liabilities, including judgements relating to cost estimation and the timing of these costs *(see note 27).*

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 judgements 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 the 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.

36 Significant accounting estimates and judgments *(continued)*

b) Significant judgments *(continued)*

Revenue recognition for construction contract

Revenue from construction contracts is recognised 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 recognised may increase or decrease from period to period.

Recognition of fair valuation gain for financial instruments acquired by equity accounted investee

During September 2016, one of the equity accounted investee of the Group has acquired certain financial instruments and management determined that the fair value of those instruments on initial recognition differ from the transaction price. The resulting gain was deferred at initial recognition as these securities are valued using level 3 inputs which are mainly discounted cash flows resulting from throughput fee directly related to commodity volume and prices. Subsequently due to significant changes in major inputs to the underlying valuation, management has recognised the deferred gain in consolidated statement of comprehensive income. Management believes that the changes in those inputs can impact any market participant's basis of fair valuing similar asset.

37 Service concession arrangements

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

University	**Concession period**	**Commenced from**	**Grantor**
UAE University	25 years	August 2011	UAE University
Sorbonne University	25 years	September 2010	Abu Dhabi Education Council
Zayed University	25 years	August 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. 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.

38 Significant non-cash transactions

The Group entered into the following investing and financing non-cash transactions which are not reflected in the consolidated statement of cash flows:

Current year

The Shareholder transferred equity shares of a certain entity amounting to AED 8,155,170 thousand to the Group as an equity contribution.

Notes to the consolidated financial statements *(continued)*

38 Significant non-cash transactions *(continued)*

Prior year

A loan given to a third party was partially settled in kind through the transfer of shareholding interest in certain gold mining and real estate companies of AED 1,634,634 thousand.

The Group transferred the control of three wholly owned subsidiaries and a jointly controlled entity to EDIC amounting to AED 3,964,222 thousand.

39 Comparative figures

Certain comparative figures have been reclassified, wherever necessary, to conform to the presentation adopted in the consolidated financial statements. These reclassifications were not significant and have no impact on the total assets, total liabilities, total equity and profit of the Group.

40 Subsequent events

On 19th January 2017, His Highness Sheikh Khalifa Bin Zayed Al Nahyan, as the Ruler of Abu Dhabi, issued a law creating the Mubadala Investment Company, a company wholly owned by the Government of Abu Dhabi. Mubadala Investment Company will comprise both the International Petroleum Investment Company ("IPIC") and Mubadala Development Company ("MDC") and their respective assets. This law formalises the June 29, 2016 announcement that IPIC and Mubadala would merge, a strategic decision intended to create an international investment powerhouse for Abu Dhabi.