Mubadala Development Company PJSC

BOARD OF DIRECTORS' REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2017

Mubadala Development Company PJSC

Consolidated financial statements

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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 2017 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 2017, 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.

Report on the Audit of the Consolidated Financial Statements continued

Key audit matter	*How our audit addressed the area of focus*
Impairment assessment of property, plant and equipment and intangible assets	
The Group owns and operates a semiconductor facility in Malta, New York. This facility represents a cash generating unit (CGU) with a carrying value of AED 35,207,824 thousand as of 31 December 2017. This CGU has incurred operating losses in past years and expects to incur losses during the next few years as the semiconductor facility has not yet reached its planned capacity. Management has 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 that value in use exceeds the carrying value at the reporting date. Therefore, this CGU is not impaired.	With respect to impairment assessment of the semiconductor facility, we obtained an understanding and walked through the Group's controls over the impairment assessment process to assess the design of the key controls in place which identify any impairment against property, plant and equipment and intangible assets and the provisions required against them, if any. We evaluated management's judgement in classification of this asset as a single CGU for the purpose of the impairment assessment. We also evaluated the underlying data and assumptions used by management in determining the expected future cash flows, relevant discount rates, and other inputs.
In addition to above, the Group has interests in oil and gas assets. 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 12,721,504 thousand as at 31 December 2017. Review of impairment assessment was important to our audit due to the magnitude of assets' carrying values as compared to the total value of property, plant and equipment and intangible assets as at 31 December 2017, as well as the judgements and estimates involved in the assessment of the recoverable amounts of the assets. The significant assumptions include expectations for sales and margin, future capital expenditures, forecast of global oil prices, estimation of oil and gas reserves, discount rates and overall market and economic conditions. Refer to note 12 for further information on impairment assessment of the CGU and notes 12, 13 and 36 of the consolidated financial statements for details on impairment assessment of oil and gas assets.	With respect to impairment assessment of oil and gas assets, 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 the 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, estimated by management's experts, with external data. We also performed audit procedures to assess the mathematical integrity of the impairment models and performed sensitivity analysis. We also assessed the disclosures relating to the assumptions as we consider them likely to be important to users of the consolidated financial statements given the estimation uncertainty of the recoverable amounts.

Report on the Audit of the Consolidated Financial Statements continued

Key audit matter	*How our audit addressed the area of focus*
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 14 for further information on investment properties.	Our audit procedures included, among others, involving 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 in this section) and the valuation methodologies used by the Group. Our work focused on the largest two properties, located in Abu Dhabi, covering 66% of the total value of investment properties as of 31 December 2017. 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. We also assessed the disclosures relating to the assumptions as we consider them likely to be important to users of the consolidated financial statements given the estimation uncertainty and sensitivity of the valuations.

Key audit matter	*How our audit addressed the area of focus*
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 2017, 39% 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 include 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).	Our audit procedures comprised, among others, assessing the methodology and the valuation models and inputs used to value those financial assets and analysing the audited financial statements of the significant unquoted funds. Further, we have involved 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.

Report on the Audit of the Consolidated Financial Statements continued

Key audit matter	*How our audit addressed the area of focus*
Recoverability of deferred tax assets	
As disclosed in note 33 to the consolidated financial statements, the Group had deferred tax assets of AED 5,856,058 thousand at 31 December 2017 relating to overseas tax jurisdictions. 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 Group bases its estimate of future taxable income based on detailed forecast calculations. The assumptions include expectations for sales and margin, future capital expenditures, taxable income and overall market and economic conditions.	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 changes in tax laws and taxable income. We have also evaluated management's assessment of recoverability of deferred tax asset relating to a subsidiary located in Thailand, whereby deferred tax are deductible only upon liquidation. Our tax specialists have assisted us in evaluating the appropriateness of tax computations, including computations of deferred tax assets and assessing the appropriateness of 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.

Report on the Audit of the Consolidated Financial Statements 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.

Report on the Audit of the Consolidated Financial Statements 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

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 notes 5, 6, 16 and 17 to the consolidated financial statements and include purchases and investments made by the Group during the year ended 31 December 2017;

vi) note 31 reflects the material 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 2017, any of the applicable provisions of its Articles of Association or of the UAE Federal Law No. (2) of 2015 which would have a material impact on its activities or its consolidated financial position as at 31 December 2017.

For Ernst & Young

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

24 April 2018
Abu Dhabi

Mubadala Development Company PJSC

BOARD OF DIRECTORS' REPORT
For the year ended 31 December 2017

The Board of Directors is pleased to present the consolidated financial statements for the year ended 31 December 2017, covering the overall performance of the Group.

Financial Highlights

Revenues were AED 34.6 billion in 2017 compared to AED 30.3 billion in 2016.

Profit for the year attributable to the owner of the Group was AED 858 million in 2017 compared to AED 3.3 billion in 2016, primarily driven by decrease in fair value of financial investments due to global equity market volatility.

Total comprehensive income attributable to the owner of the Group was AED 2.2 billion in 2017, compared to AED 4.1 billion in 2016.

Total assets were AED 298.7 billion in 2017, compared to AED 248.3 billion in 2016.

Total liabilities were AED 93.3 billion in 2017, compared to AED 63.3 billion in 2016.

On 19 January 2017, the President, His Highness Sheikh Khalifa bin Zayed Al Nahyan, as the ruler of Abu Dhabi, issued a law creating Mubadala Investment Company PJSC, a company wholly owned by the government of Abu Dhabi and comprising of the assets of Mubadala Development Company PJSC and International Petroleum Company PJSC.

Mubadala Development Company PJSC and International Petroleum Investment Company PJSC remain legal entities with ongoing reporting obligations under the umbrella of the new Mubadala Investment Company Group.

For and on behalf of the Board of Directors,

Chairman	*Group Chief Financial officer*
Waleed Al Mokarrab Al Muhairi	*Carlos Obeid*

Date: 24 April 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	*2017* *AED'000*	*2016* *AED'000*
Continuing operations			
Revenue	8	**34,628,830**	30,271,021
Cost of sales	9	**(32,674,800)**	(31,387,250)
Gross profit / (loss)		**1,954,030**	(1,116,229)
Share of results of associates and joint ventures	16	**4,134,202**	3,066,830
Government grant income		**416,198**	734,346
Dividend income from equity securities		**1,237,624**	781,688
Fair value gain on derecognition of an equity accounted investee	16(a)	**-**	3,904,479
Other income *(net)*		**127,686**	2,226,987
Research and development expenses	10	**(3,734,620)**	(3,209,492)
Exploration costs		**(80,979)**	(125,910)
General and administrative expenses	11	**(5,608,300)**	(5,514,221)
(Loss) / profit before unrealised fair value changes, impairments, net finance expense and taxes		**(1,554,159)**	748,478
Unrealised fair value gains from financial investments *(net)*		**1,823,212**	5,380,393
Decrease in fair value of investment properties *(net)*	14	**(403,213)**	(82,908)
Impairment of property, plant and equipment *(net)*	12	**(406,831)**	(21,572)
Impairment of loans and receivables *(net)*		**(523,666)**	(3,294,860)
Impairment of intangible assets	13	**(308,650)**	(6,042)
Impairment of investments in associates and joint ventures		**(19,910)**	(152,973)
(Loss) / profit before net finance expense and taxes		**(1,393,217)**	2,570,516
Finance income		**1,275,254**	899,956
Finance expense		**(1,972,286)**	(1,872,486)
Net foreign exchange loss		**(238,248)**	(78,438)
Net finance expense		**(935,280)**	(1,050,968)
(Loss) / profit before income tax from continuing operations		**(2,328,497)**	1,519,548
Income tax benefit *(net)*	33	**265,283**	332,262
(Loss) / profit for the year from continuing operations		**(2,063,214)**	1,851,810
Discontinued operations			
Profit for the year from discontinued operations	7	**3,046,684**	1,493,638
Profit for the year		**983,470**	3,345,448

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME continued
For the year ended 31 December 2017

	2017	*2016*
	AED'000	*AED'000*
Other comprehensive income		
Items that may be reclassified to profit or loss in subsequent periods		
Increase / (decrease) in fair value of available-for-sale financial assets *(net)*	**666,190**	(42,900)
Cumulative gain on available-for-sale financial assets reclassified from equity to profit or loss *(net)*	**-**	365,335
Effective portion of changes in fair values of cash flow hedges and other reserves *(net of tax)*	**255,371**	96,688
Exchange difference on translation of foreign operations	**134,501**	32,118
Share of other comprehensive loss of associates and joint ventures	**(109,964)**	(101,055)
	946,098	350,186
Other comprehensive income from discontinued operations	**389,197**	363,844
Other comprehensive income for the year, net of income tax	**1,335,295**	714,030
Total comprehensive income for the year	**2,318,765**	4,059,478
Profit for the year	**983,470**	3,345,448
Less: profit attributable to non-controlling interests	**(125,290)**	(25,770)
Profit for the year attributable to the Owner of the Group	**858,180**	3,319,678
Total comprehensive income for the year	**2,318,765**	4,059,478
Less: total comprehensive (income) / loss attributable to non-controlling interests	**(139,171)**	40,391
Total comprehensive income for the year attributable to the Owner of the Group	**2,179,594**	4,099,869

The attached notes 1 to 41 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	Notes	***2017 AED'000***	*2016 AED'000*
ASSETS			
Non-current assets			
Property, plant and equipment	12	**93,477,166**	78,448,222
Intangible assets	13	**13,133,069**	7,705,863
Investment properties	14	**7,709,708**	7,928,937
Investments in associates	16(a)	**13,817,401**	10,639,453
Investments in joint ventures	16(b)	**23,311,554**	25,638,806
Other financial investments	17	**28,789,637**	43,255,564
Loans receivable	18	**7,692,679**	8,707,870
Trade receivables	20	**154,857**	238,721
Other receivables and prepayments	21	**8,464,475**	11,907,760
Finance lease receivables	22	**2,390,003**	4,963,572
Deferred tax assets	33	**5,856,058**	2,327,315
Total non-current assets		**204,796,607**	201,762,083
Current assets			
Inventories	19	**15,664,924**	7,801,595
Other financial investments	17	**13,334,093**	1,719,458
Loans receivable	18	**1,705,028**	899,013
Trade receivables	20	**12,939,658**	4,374,993
Other receivables and prepayments	21	**33,866,281**	19,447,209
Finance lease receivables	22	**105,097**	334,468
Cash and cash equivalents	23	**16,302,979**	11,971,020
Total current assets		**93,918,060**	46,547,756
TOTAL ASSETS		**298,714,667**	248,309,839

CONSOLIDATED STATEMENT OF FINANCIAL POSITION continued
As at 31 December 2017

	Notes	*2017* *AED'000*	*2016* *AED'000*
EQUITY AND LIABILITIES			
Equity			
Share capital	29	**56,135,590**	28,600,000
Application for share capital	31(e)	**-**	26,522,670
Additional shareholder contributions	31(f)	**123,155,278**	123,155,278
Shareholder current account	6	**17,533,025**	-
Retained earnings		**2,314,299**	1,455,290
Other reserves	30	**4,517,821**	3,196,407
Government grants	34(b)(i)	**367,350**	367,350
Total equity attributable to the Owner of the Group		**204,023,363**	183,296,995
Non-controlling interests		**1,437,007**	1,697,930
Total equity		**205,460,370**	184,994,925
Non-current liabilities			
Interest bearing borrowings	27	**41,812,193**	31,148,413
Derivative financial liabilities	26	**741,674**	903,445
Other liabilities	25	**5,274,483**	7,811,019
Provisions	28	**4,436,383**	2,126,415
Deferred tax liabilities	33	**2,699,749**	551,990
Total non-current liabilities		**54,964,482**	42,541,282
Current liabilities			
Interest bearing borrowings	27	**8,703,899**	4,193,803
Trade payables		**12,905,069**	3,854,113
Income tax payable	33	**458,723**	310,849
Derivative financial liabilities	26	**249,302**	534,810
Provisions	28	**300,751**	240,488
Other liabilities	25	**15,672,071**	11,639,569
Total current liabilities		**38,289,815**	20,773,632
Total liabilities		**93,254,297**	63,314,914
TOTAL EQUITY AND LIABILITIES		**298,714,667**	248,309,839

Waleed Al Mokarrab Al Muhairi
Chairman

Carlos Obeid
Group Chief Financial Officer

The attached notes 1 to 41 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December

	Share capital AED '000 (note 29)	*Application for share capital AED '000 (note 31(e))*	*Additional shareholder contributions AED '000 (note 31(f))*	*Shareholder current account AED '000*	*Retained earnings*[1] *AED '000*	*Other reserves AED '000 (note 30)*	*Government grants AED '000 (note 34(b)(i))*	*Total equity attributable to the Owner of the Group AED '000*	*Non-controlling interest AED '000*	*Total AED '000*
At 1 January 2016	28,600,000	18,367,500	123,155,278	-	(875,755)	2,416,216	367,350	172,030,589	1,939,089	173,969,678
Profit for the year	-	-	-	-	3,319,678	-	-	3,319,678	25,770	3,345,448
Increase in fair value of available-for-sale financial assets *(net)*	-	-	-	-	-	322,435	-	322,435	-	322,435
Exchange difference on translation of foreign operations	-	-	-	-	-	32,118	-	32,118	-	32,118
Effective portion of changes in fair values of cash flow hedges and other reserves *(net of tax)*	-	-	-	-	-	96,688	-	96,688	-	96,688
Share of other comprehensive loss of associates and joint ventures	-	-	-	-	-	(101,055)	-	(101,055)	-	(101,055)
Other comprehensive income / (loss) from discontinued operations	-	-	-	-	-	430,005	-	430,005	(66,161)	363,844
Total other comprehensive income / (loss)	-	-	-	-	-	780,191	-	780,191	(66,161)	714,030
Total comprehensive income	-	-	-	-	3,319,678	780,191	-	4,099,869	(40,391)	4,059,478
Dividends paid	-	-	-	-	-	-	-	-	(56,382)	(56,382)
Additions to application for share capital	-	8,155,170	-	-	-	-	-	8,155,170	-	8,155,170
Movements in additional shareholder contributions	-	-	-	-	-	-	-	-	18,327	18,327
Acquisition of non-controlling interest	-	-	-	-	(15,310)	-	-	(15,310)	10,467	(4,843)
Other movements	-	-	-	-	(973,323)	-	-	(973,323)	(173,180)	(1,146,503)
At 31 December 2016	**28,600,000**	**26,522,670**	**123,155,278**	**-**	**1,455,290**	**3,196,407**	**367,350**	**183,296,995**	**1,697,930**	**184,994,925**

[1] Includes statutory reserve of certain subsidiaries registered in UAE, which is not distributable.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY continued

For the year ended 31 December

	Share capital AED '000 (note 29)	*Application for share capital AED '000 (note 31(e))*	*Additional shareholder contributions AED '000 (note 31(f))*	*Shareholder current account AED '000*	*Retained earnings[1] AED '000*	*Other reserves AED '000 (note 30)*	*Government grants AED '000 (note 34(b)(i))*	*Total equity attributable to the Owner of the Group AED '000*	*Non-controlling interest AED '000*	*Total AED '000*
At 1 January 2017	28,600,000	26,522,670	123,155,278	-	1,455,290	3,196,407	367,350	183,296,995	1,697,930	184,994,925
Profit for the year	-	-	-	-	858,180	-	-	858,180	125,290	983,470
Increase in fair value of available-for- sale financial assets *(net)*	-	-	-	-	-	666,190	-	666,190	-	666,190
Exchange difference on translation of foreign operations	-	-	-	-	-	134,501	-	134,501	-	134,501
Effective portion of changes in fair values of cash flow hedges and other reserves *(net of tax)*	-	-	-	-	-	255,371	-	255,371	-	255,371
Share of other comprehensive loss of associates and joint ventures	-	-	-	-	-	(109,964)	-	(109,964)	-	(109,964)
Other comprehensive income from discontinued operations	-	-	-	-	-	375,316	-	375,316	13,881	389,197
Total other comprehensive income	-	-	-	-	-	1,321,414	-	1,321,414	13,881	1,335,295
Total comprehensive income	-	-	-	-	858,180	1,321,414	-	2,179,594	139,171	2,318,765
Transfers from entities under common control *(net) (see note 6)*	-	-	-	17,533,025	-	-	-	17,533,025	712,711	18,245,736
Dividends paid	-	-	-	-	-	-	-	-	(133,449)	(133,449)
Additions to application for share capital	-	1,012,920	-	-	-	-	-	1,012,920	-	1,012,920
Transfer to share capital *(see note 29 and 31(e))*	27,535,590	(27,535,590)	-	-	-	-	-	-	-	-
Contribution by non-controlling interest	-	-	-	-	-	-	-	-	215,442	215,442
Derecognition of non-controlling interest upon divestment of stake in a subsidiary *(see note 7)*	-	-	-	-	-	-	-	-	(1,194,798)	(1,194,798)
Other movements	-	-	-	-	829	-	-	829	-	829
At 31 December 2017	**56,135,590**	**-**	**123,155,278**	**17,533,025**	**2,314,299**	**4,517,821**	**367,350**	**204,023,363**	**1,437,007**	**205,460,370**

[1] Includes statutory reserve of certain subsidiaries registered in UAE, which is not distributable.

The attached notes 1 to 41 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December

	Notes	***2017 AED'000***	*2016 AED'000*
Cash flows from operating activities			
(Loss) / profit for the year from continuing operations		**(2,063,214)**	1,851,810
Profit for the year from discontinued operations		**3,046,684**	1,493,638
Adjustments for:			
Depreciation and amortisation of property, plant and equipment and intangible assets	12,13	**12,763,827**	13,631,847
Government grants income		**(416,198)**	(734,346)
Decrease in fair value of investment properties *(net)*	14	**403,213**	82,908
Impairment of property, plant and equipment and intangible assets	12,13	**715,481**	32,457
Write-down of excess and obsolete inventories to their estimated net realisable value and provision for inventory *(net)*		**(64,662)**	1,667,051
Other income		**420,420**	(1,499,209)
Finance lease income	22	**(138,332)**	(314,170)
Impairment of equity accounted investees		**19,910**	152,973
Impairment of loans and receivables *(net)*		**523,666**	3,317,156
Unrealised fair value gains from financial investments *(net)*		**(1,823,212)**	(5,379,133)
Gain on divestment of subsidiaries	7	**(2,778,310)**	(1,055,942)
Fair value gain on derecognition of an associate	16(a)	-	(3,904,479)
Share of results of associates and joint ventures		**(4,267,921)**	(3,286,196)
Finance income		**(1,275,254)**	(741,133)
Finance expense		**1,972,286**	2,085,324
Net foreign exchange loss		**238,248**	78,456
Income tax benefit		**(265,283)**	(329,262)
Dividend income		**(1,237,624)**	(781,688)
		5,773,725	6,368,062
Change in inventories		**659,288**	(1,266,453)
Change in trade receivables		**(83,704)**	(953,212)
Change in receivables and prepayments		**(5,823,639)**	(1,071,383)
Change in trade payables		**287,680**	1,031,914
Change in other liabilities		**(2,552,571)**	383,674
Finance lease rentals received	22	**86,546**	324,926
Income taxes paid		**(109,478)**	(48,847)
Net cash (used in) / generated from operating activities		**(1,762,153)**	4,768,681

CONSOLIDATED STATEMENT OF CASH FLOWS continued

For the year ended 31 December

	Notes	*2017* *AED'000*	*2016* *AED'000*
Cash flows from investing activities			
Proceeds from disposal of associates and joint ventures		**-**	239,779
Proceeds from disposal of financial investments		**6,106,690**	11,829,194
Acquisition of financial investments		**(20,904,831)**	(9,274,917)
Proceeds from disposal of subsidiaries and net assets classified as held for sale *(net of cash disposed)*		**2,852,707**	964,639
Investment in associates and joint ventures		**(2,698,951)**	(1,380,843)
Distributions received from a joint venture		**37,966**	1,485,785
Acquisition of a subsidiary *(net of cash acquired)*	6(i)	**2,405,948**	-
Acquisition of property, plant and equipment		**(8,467,499)**	(5,790,972)
Acquisition of investment properties		**(256,715)**	(456,716)
Acquisition of intangible assets		**(926,839)**	(1,026,322)
Proceeds from disposal of property, plant and equipment		**472,587**	233,275
Proceeds from disposal of intangible assets		**49,500**	-
Loans recovered		**2,062,433**	4,272,822
Loans disbursed		**(1,640,555)**	(4,390,550)
Dividends received from financial investments		**1,257,951**	791,937
Dividends received from equity accounted investees		**1,849,241**	2,325,648
Interest received		**868,846**	429,807
Net cash (used in) / generated from investing activities		**(16,931,521)**	252,566
Cash flows from financing activities			
Application for share capital	31(e)	**1,012,920**	-
Shareholder current account		**15,286,653**	-
Proceeds from borrowings	27(a)	**16,099,582**	8,214,366
Repayment of borrowings	27(a)	**(8,073,061)**	(13,445,324)
Finance lease rentals paid	27(b)	**(107,758)**	(110,740)
Proceeds from government grants		**604,691**	702,766
Interest paid		**(1,688,597)**	(1,695,021)
Contribution from non-controlling interest		**215,442**	-
Dividends paid to non-controlling interest		**(133,449)**	(56,382)
Net cash generated from / (used in) financing activities		**23,216,423**	(6,390,335)
Net increase / (decrease) in cash and cash equivalents		**4,522,749**	(1,369,088)
Cash and cash equivalents at 1 January		**11,971,020**	13,402,998
Net foreign exchange fluctuation		**(190,790)**	(62,890)
Cash and cash equivalents at 31 December	23	**16,302,979**	11,971,020

The attached notes 1 to 41 form an integral part of these 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 was incorporated on 27 October 2002. The Company’s registered head office is PO Box 45005, Abu Dhabi, UAE.

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.

The Group is engaged in investing 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.

On 19 January 2017, His Highness Sheikh Khalifa Bin Zayed Al Nahyan, as the Ruler of Abu Dhabi, issued a law creating Mubadala Investment Company, a company wholly owned by the Government of Abu Dhabi. Mubadala Investment Company comprises both International Petroleum Investment Company PJSC (“IPIC”) and Mubadala Development Company PJSC (“MDC”) and their respective assets.

The Company is wholly owned by Mubadala Investment Company PJSC (the “Shareholder”) and the ultimate parent is the Government of the Emirate of Abu Dhabi (the “Ultimate parent”).

These consolidated financial statements were authorised for issue by the Board of Directors on 24 April 2018.

2 BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board (“IASB”) and applicable requirements of the UAE Federal Law No.2 of 2015.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for financial instruments at fair value through profit or loss, available-for-sale investments, derivative financial instruments and investment properties that have been measured at fair value and certain non-current assets received as government grants which are stated at nominal value.

(c) Functional and presentation currency

The consolidated financial statements are presented in United Arab Emirates Dirhams, (“AED”) which is the Company’s functional currency. All financial information presented in AED has been rounded to the nearest thousand, unless otherwise stated.

2 BASIS OF PREPARATION continued

(d) Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are 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 / periods are disclosed in note 37.

(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 2017, have been adopted in these consolidated financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Statement of Cash Flows: Disclosure initiative (Amendments to IAS 12)
- Recognition of deferred tax assets for unrealised losses (Amendments to IAS 12)
- Annual Improvements to IFRS Standards 2014–2016 Cycle (Amendments to IFRS 12)

(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)

(a) Classification and measurement

The Group expects to continue measuring at fair value all financial assets currently held at fair value but expects a significant impact on its profit or loss in 2018 on applying the classification and measurement requirements of IFRS 9 for available-for-sale (AFS investments). Gains and losses on re-measurement of AFS securities currently recorded in OCI will, instead, be recorded as fair value through profit or loss, which will increase volatility in recorded profit or loss. The AFS reserve of AED 4,830,323 thousand related to those securities, will be reclassified to retained earnings. Fair value movements on these available-for-sale investments were AED 666,190 thousand during 2017. There was no impairment recorded on these investments during the year. Other than available-for-sale financial assets, the Group does not expect significant changes to its opening retained earnings on application of the standard.

Investment in debt securities held-for-trading and those designated at fair value through profit or loss will continue to be measured at fair value through profit or loss. Therefore, reclassification for these instruments is not required.

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest (“SPPI”). The Company analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9.

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

(b) Impairment
IFRS 9 requires the Group to record expected credit losses on all of its loans and trade receivables, either on a 12 month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses on all loans and trade receivables. The Group does not expect a significant increase in the loss allowance.

(c) Hedge accounting
The Group determined that all existing hedge relationships that are currently designated in effective hedging relationships will continue to qualify for hedge accounting under IFRS 9. The Group has chosen not to retrospectively apply IFRS 9 on transition to the hedges where the Group excluded the forward points from the hedge designation under IAS 39. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of IFRS 9 will not have a significant impact on Group's financial statements.

(d) Other adjustments
In addition to the adjustments described above, on adoption of IFRS 9, other items of the primary financial statements such as deferred taxes, assets held for sale and liabilities associated with them, and investments in associate and joint venture, will be adjusted as necessary. The exchange differences on translation of foreign operations will also be adjusted.

(e) Disclosure
IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses ("ECLs"). The Group's assessment included an analysis to identify data gaps against current processes and the Group is in the process of implementing the system and controls changes that it believes will be necessary to capture the required data.

(f) Transition
Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

The Group will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Difference in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will generally be recognised in retained earnings and reserves as at 1 January 2018.

- The new hedge accounting requirements should generally be applied prospectively. However, The Group has decided to apply the accounting for the forward element of forward contracts retrospectively.

- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application:
  - The determination of the business model within which a financial asset is held;
  - The designation and revocation of previous designations of certain financial assets and financial liabilities measured at fair value through profit or loss; and
  - The designation of certain investments in equity instruments not held-for-trading at fair value through other comprehensive income.

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)

IFRS 15 established a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programme.

(a) Sale of goods
For contracts with customers in which the sale of goods is generally expected to be the only performance obligation, adoption of IFRS 15 is not expected to have significant impact on the Group's revenue and profit or loss. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

For one line of business, the Group has identified that the current revenue recognition policy will change from "a point in time" to "over a period of time". Currently the company recognised revenue from sale of its goods at a point in time when the contractual obligations have been performed and significant risk and reward of ownership of the products have been transferred to the customer, the company has no continuing managerial 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 company. Under the new standard, revenue will be recognised over the production period using the percentage of completion method as the assets created have no alternative use to the company and the company has enforceable rights to payments for work completed to date. However the Group does not expect the change in recognition method to have a significant impact on the revenue and profit or loss of the Group due to the short period of production, thereby not affecting the percentage of completion significantly.

In preparing to adopt IFRS 15, the Group has considered the various elements of revenue including variable consideration (such as rights of return, volume rebates) and warranty obligations.

(b) Rendering of services
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 rejection of the services provided.

Under IFRS 15, the total consideration in the service contract will be allocated to all services based on their stand-alone selling prices. The stand-alone selling prices will be determined based on the list prices at which the Group sells the services in separate transactions.

Based on the Group's assessment, the fair value and the stand-alone selling prices of the services are broadly similar. Therefore, the Group does not expect the application of IFRS 15 to result in significant differences in the timing of revenue recognition for these services.

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) continued

(c) Construction contracts
Contract revenue currently 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. When a claim or variation is recognised, the measure of contract progress or contract price is revised and the cumulative contract position is reassessed at each reporting date.

Based on its assessment, the Group does not expect the application of IFRS 15 to have a significant impact on its consolidated financial statements.

(d) Presentation and disclosure requirements
The presentation and disclosure requirements in IFRS 15 are more detailed than under current IFRS. The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in IFRS 15 are new and the Group has assessed that the impact of some of these disclosures requirements will be significant. In particular, the Group expects that the notes to the financial statements will be expanded because of the disclosure of significant judgements made when determining the transaction price of those contracts that include variable consideration, how the transaction price has been allocated to the performance obligations, and the assumptions made to estimate the stand-alone selling prices of each performance obligation. Also, extended disclosures are expected as a result of the significant judgement made when assessing the contracts where the Group has concluded that: it acts as an agent instead of a principal, there is a significant financing component, and service-type warranties are provided. In addition, as required by IFRS 15, the Group will disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. It will also disclose information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. In 2017 the Group continued testing of appropriate systems, internal controls, policies and procedures necessary to collect and disclose the required information.

(e) Other adjustments
In addition to the major adjustments described above, on adoption of IFRS 15, other items of the primary financial statements such as deferred taxes, assets held for sale and liabilities associated with them, profit or loss after tax for the year from discontinued operations, investments in associate and joint venture, as well as share of profit of an associate and a joint venture, will be affected and adjusted as necessary. Furthermore, exchange differences on translation of foreign operations would also be adjusted.

The recognition and measurement requirements in IFRS 15 are also applicable for recognition and measurement of any gains or losses on disposal of non-financial assets (such as items of property and equipment and intangible assets), when that disposal is not in the ordinary course of business. However, on transition, the effect of these changes is not expected to be material for the Group.

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 IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
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. The Group will apply these amendments when they become effective.

IFRS 16 Leases
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 Transactions 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.

In 2018, the Group will assess the potential effect of IFRS 16 on its consolidated financial statements.

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

Transfers of Investment Property — Amendments to IAS 40
The amendments clarify when an entity should transfer property, including property under construction or development 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 intentions for the use of a property does not provide evidence of a change in use. Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments.

An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with IAS 8 is only permitted if it is possible without the use of hindsight. Effective for annual periods beginning on or after 1 January 2018. Early application of the amendments is permitted and must be disclosed. The Group will apply amendments when they become effective. However, since Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its consolidated financial statements.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration
The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the 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 the transaction date for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis.

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the 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 the transaction date for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis.

Alternatively, an entity may apply the Interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

(i) The beginning of the reporting period in which the entity first applies the interpretation; or
(ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The Interpretation is effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed. However, since the Group's current practice is in line with the Interpretation, the Group does not expect any effect on its consolidated financial statements.

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

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment
The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply interpretation from its effective date. Since the Group operates in a complex multinational tax environment, applying the Interpretation may affect its consolidated financial statements and the required disclosures. In addition, the Group may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis.

Long term interests in associates and joint ventures – Amendments to IAS 28
The amendments clarify that an entity applies IFRS 9 *Financial Instruments* to long term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long term interests). These also clarify that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 *Investments in Associates and Joint Ventures.*

The amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted. If an entity applies those amendments for an earlier period, it must disclose that fact. The Group is currently assessing the impact of this standard.

The below mentioned amendments are not applicable to the Group.

- Annual Improvements 2014-2016 Cycle (issued in December 2016);
- IFRS 2 Classification and Measurement of Share-based Payment Transaction – Amendments to IFRS 2 (applicable for reporting periods beginning on or after 1 January 2018);
- IFRS 17 Insurance Contracts (applicable for reporting periods beginning on or after 1 January 2021); and
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4 (applicable for reporting periods beginning on or after 1 January 2018).

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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(a) Basis of consolidation continued

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

Disposals of interest in entities to parties under common control

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.

Disposals of interest in a subsidiary to an equity accounted investee

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

(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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(a) Basis of consolidation continued

(iii) Business combinations continued

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.

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.

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 in accordance with the pooling of interest method of accounting using predecessor values method. The consolidated financial statements of the combined entities are presented as if the business had been combined from the date when the combining entities were first brought under common control without restating and presenting the prior period. 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 transaction cost 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.

(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% 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.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(a) Basis of consolidation continued

(iv) Investment in associates and joint arrangements continued

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. . In relation to its interests in joint operations, the Group recognises its:

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

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.

In addition, when there has been a change recognised directly in the equity (other than due to other comprehensive income) of the associate or joint venture, the Group recognises its share of any changes, when applicable, in profit or loss and corresponding effect would be reflected in the net carrying value of interest in such investees.

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.

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 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.

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(u)).*

3 SIGNIFICANT ACCOUNTING POLICIES continued

(a) Basis of consolidation continued

(iv) Investment in associates and joint arrangements continued

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

Accounting policies for revenue 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(o).

Revenue 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:

3 SIGNIFICANT ACCOUNTING POLICIES continued

(b) Revenue continued

(i) Sale of goods and services rendered

Revenue other than hydrocarbons, is recognised when the goods are delivered and title has 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.

(iii) Sale of hydrocarbons

Revenue from the sale of hydrocarbons is recognised when the significant risks and rewards of ownership have been transferred, which is when title passes to the customer. This generally occurs when product is physically transferred into a vessel, pipe or other delivery mechanism.

Revenue from the production of hydrocarbons in which the Group has an interest with other producers is recongised based on the Group's share of liftings or offtake arrangements. Lifting or off-take arrangements for hydrocarbons produced by certain of the Group's joint operations are such that each participant may not receive its precise share of the overall production, which is based on the Group's working interest and the terms of the relevant production sharing contracts (also known as "entitlements"). There may be an imbalance between cumulative entitlement and cumulative liftings that is termed as 'underlift' or 'overlift'. Underlift and overlift are valued at market value and included within current assets and current liabilities, respectively. Movements during an accounting period are adjusted through cost of sales such that gross profit is recognised on an entitlements basis.

Where forward sale and purchase contracts for oil or natural gas have been determined to be for trading purposes, the associated sales and purchases are reported net.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(b) Revenue 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.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(b) Revenue 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) Construction contract revenue

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. Variations in contract work are recognised to the extent that it is probable that they will result in revenue and such revenue can be reliably measured, while contract claims and incentive payments are included only to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(b) Revenue continued

(xi) Construction contract revenue continued

Losses on contracts are assessed on an individual contract basis. When it is probable that total contract costs will exceed total contract revenue, total expected loss is recognised as an expense immediately, as soon as foreseen, whether or not work has commenced on these contracts.

Due from customers or contract work-in-progress is stated at cost plus attributable profit, less provision for any anticipated losses and progress payments received and receivable. Where these payments received and receivable for any contract exceed the cost plus attributable profit or less anticipated losses, the excess is shown as due to customers or excess billings.

(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.

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).

3 SIGNIFICANT ACCOUNTING POLICIES continued

(c) Exploration, evaluation and development expenditures continued

Oil and gas exploration, evaluation and development expenditures continued

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.

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.

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(m)(iii))*.

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))* above.

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.

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

(i) Foreign currency transactions 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 (refer IAS 39 paragraph 44).

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.

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(u))* 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. The losses arising from impairment are recognised in the condensed consolidated statement of profit or loss. 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, 20 and 21)*.

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.

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(n))*.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(f) Financial instruments continued

(i) Non-derivative financial assets continued

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.

Financial guarantee contracts
Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recongised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recongised less cumulative amortisation.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(f) Financial instruments continued

(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. 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 (refer IAS 39 paragraph 46). 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.

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%.

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.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(f) Financial instruments continued

(iii) Derivative financial instruments including hedge accounting continued

Cash flow hedges continued
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.

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.

Fair value hedges
The change in the fair value of a hedging derivative is recognised in the consolidated statement of profit or loss. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying value of the hedged item and is also recognised in profit or loss.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the consolidated statement of profit or loss over the remaining term to maturity. Effective interest rate amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in 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.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(f) Financial instruments continued

(iii) Derivative financial instruments including hedge accounting continued

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 Ultimate parent of the 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 the Government in their capacity as the Ultimate parent and therefore treated as equity contribution, or if not, then as a government grant.

Cash contributions represent interest free loans from the Ultimate parent. 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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(g) Government grants continued

Non-monetary government grants accounting

(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.

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.

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 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.

(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.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(h) Finance income and expenses continued

(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 arrangements 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.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or recognised in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(j) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable;
- In accordance with the legislation applicable to companies operating in the oil and gas industry, the excise tax on oil and gas sales is recorded as part of the selling price and as an addition to cost under "Revenue" and "Cost of sales" respectively, in the consolidated statement of comprehensive income;
- Receivables and payables that are stated with the amount of sales tax included; and
- The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

(k) Investment tax credits

The Group accounts for investment tax credits using the cost-reduction approach. Investment tax credits related to the acquisition of assets are deducted from the related assets with depreciation calculated on the net amount. Investment tax credits related to current expenses are included in the determination of profit or loss for the period.

(l) 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.

(m) 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 property, plant and equipment acquired in a business combination is stated at fair value as at the date of acquisition.

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.

The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

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.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(m) Property, plant and equipment continued

(i) Recognition and measurement continued

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. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. 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) 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, plant and office equipment	2 - 50 years and above
Aircraft engines and spares	10 - 30 years
Computers	2 - 10 years
Distribution network	50 years and above
Others	3 - 10 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate *(see note 37(b))*.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(m) Property, plant and equipment continued

(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.

(n) 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 value 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) Brands and trademarks

Acquired brands and 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

(n) Intangible assets continued

(iv) Other intangible assets

Other intangible assets, which includes patents, customer contracts and other intangible assets, have finite useful lives 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)*. 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 - 20 years
Others	3 – 48 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

(o) 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.

Amounts paid to purchase investment properties are initially recorded as advances on investment properties and the related capital commitments are disclosed in the commitments and contingencies. When the investment property recognition criteria are met, advances on investment properties are reclassified to investment properties.

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.

(p) 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.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(p) Leases continued

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.

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 statement of financial position 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 recognised on a straight-line basis over the lease term.

(q) Inventories

For inventories other than petrochemicals and 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.

In case of refinery products, the costs are allocated to income in proportion to the selling price of the related products due to the complexity of allocating production costs to each item. Cost also comprises directly attributable productions costs and a proportionate share of fixed and variable overhead production costs. Allocated overhead costs are primarily calculated based on normal capacity utilisation. Financing costs are not included in production costs.

For inventories of finished goods, work-in-progress and raw materials relating to petrochemicals cost is determined on first-in first-out basis (FIFO method).

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.

The Group assesses the net realisable value of the inventories at the end of each year and recognises the appropriate loss if this value is lower than the carrying amount. When the circumstances that previously caused inventories to be written down no longer exist or when there is clear evidence of an increase in net realisable value because of changed economic circumstances, the amount of the write-down is reversed.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated selling expenses.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(r) 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.

(s) Provisions and contingent liabilities

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.

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.

Legal provisions
The Group is involved in litigation from time-to-time in the ordinary course of business. At each reporting date, the Group evaluates litigation matters and review with the Group's legal department and external counsel, the status of various outstanding legal cases and, where appropriate, establish provisions and disclose any contingent liabilities as required by IAS 37, Provisions, Contingent Liabilities and Contingent Assets. In order to make an assessment for legal provisions and contingent liabilities, the Group considers various factors including, but not limited to, reviewing, on a case-by-case basis, the underlying facts of pending or threatened litigation, the Group's history with prior claims, the actual or possible claim assessment by internal and external counsel and the status of negotiations.

Based on the Group's overall assessment of the case, if the Group believes it is probable that an outflow of resources will be required to settle the obligation, the Group then determines whether a reliable estimate can be made. If so, the Group makes an estimate of the provision under various scenarios, ranging from best case to worst case. The Group uses the "best estimate" outcome and records a provision in the consolidated financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(s) Provisions and contingent liabilities continued

Contingent liabilities
Contingent liabilities are possible obligations, whose existence will only be confirmed by future events not wholly within the Group's control or present obligation where it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognised in the consolidated financial statements but are disclosed unless the possibility of an outflow of economic resources is considered remote. Also, to the extent any information required is not disclosed because it is not practicable to do so, that fact is stated.

If disclosure of some or all of the information is expected to prejudice seriously the Group's position in a dispute with other parties on the subject matter of a provision or contingent liability, the Group does not disclose such information, but does disclose the general nature of the dispute, together with the fact that, and the reason why, the information has not been disclosed.

(t) 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.

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.

The cost of defined contribution benefits is expensed as earned by employees. Certain group companies also provide medical care and life insurance to eligible retirees and their dependents. These benefits are unfunded and are expensed as the employees provide service.

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

(t) 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.

Re-measurements 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.

(u) 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. ‘Significant’ is to be evaluated against the original cost of the investment and ‘prolonged’ against the period in which the fair value has been below its original cost.

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

3 SIGNIFICANT ACCOUNTING POLICIES continued

(u) Impairment continued

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

An impairment loss in respect of a financial asset measured at 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. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. 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").

3 SIGNIFICANT ACCOUNTING POLICIES continued

(u) Impairment continued

Non-financial assets continued
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.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

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.

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.

(v) 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.

3 SIGNIFICANT ACCOUNTING POLICIES

(w) 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 re-measurement 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 coordinated 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.

(x) 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

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** - is 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.

- **Manufacturing and Mining** - is focused on the development of a metals related cluster in Abu Dhabi and internationally, creating global industrial champions in priority areas such as aluminum (including securing upstream resources carbon, bauxite and alumina, key raw materials in the creation of aluminum) and mining (including base metals such as copper and zinc, and precious metals such as gold).

- **Aerospace and Defence** - Aerospace is focused on developing a world class manufacturing and services business, through partnerships with leading original equipment manufacturers (OEMs). Defence acts as a consolidation vehicle bringing all UAE defence activities under one integrated national defence services and manufacturing platform.

- **Information and Communications Technology ("ICT")** - is focused on bringing high-tech ICT services and capabilities to the UAE and positioning Abu Dhabi and the UAE as a regional ICT hub.

- **Renewables and Utilities** - Renewables is focused on creating a global platform in clean energy and sustainable development contributing to the diversification of the economy of Abu Dhabi through the advancement of new technologies and innovation. The Utilities sector provide the requirements for sustainable and innovative district cooling, power generation, transmission, and water solutions by establishing and managing a portfolio of utilities businesses globally.

- **Petroleum and Petrochemicals** - 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. It includes upstream, midstream and downstream investments.

- **Real Estate and Infrastructure** - is focused on residential, commercial and retail real estate developments and investments and luxury hotels both in Abu Dhabi and internationally. It is also engaged in developing, owning and operating concession based infrastructure, educational and other facilities.

- **Capital** - Capital is 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** - Healthcare is 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.

4 OPERATING SEGMENTS continued

In order to maximise portfolio synergies and asset management, Mubadala reorganised some of its internal business units and asset reporting lines which has resulted in a change to the composition of certain reportable segments. Technology and Industry was renamed as ‘Technology, Manufacturing and Mining’ with ‘Utilities’ assets moving into the ‘Aerospace, Renewables and ICT’ segment. ‘Renewables and Utilities’ business units and their respective assets were merged into the ‘Aerospace, Renewables and ICT’ segment. The ‘Energy’ business unit was renamed to ‘Petroleum and Petrochemicals’ with ‘Renewables’ assets moving to ‘Aerospace, Renewables and ICT’ segment. Emerging sectors was renamed as ‘Alternative Investments and Infrastructure’.

	Technology AED’000	*Manufacturing and Mining AED’000*	*Technology Manufacturing and Mining AED’000*	*Aerospace and Defence Services AED’000*	*Information, and Communication Technology AED’000*	*Renewables and Utilities AED’000*	*Aerospace, Renewables and ICT AED’000*	*Petroleum and Petrochemicals AED’000*	*MREI and Infrastructure AED’000*	*Capital AED’000*	*Healthcare AED’000*	*Alternative Investment and Infrastructure AED’000*	*Corporate AED’000*	*Consolidated AED’000*
For the year ended 31 December 2017														
Revenues from continuing operations	**22,684,761**	**-**	**22,684,761**	**2,523,164**	**1,734,718**	**571,147**	**4,829,029**	**4,074,948**	**1,133,303**	**114,218**	**1,735,508**	**2,983,029**	**57,063**	**34,628,830**
Revenues from discontinued operations	**-**	**-**	**-**	**-**	**-**	**779,432**	**779,432**	**-**	**-**	**-**	**-**	**-**	**-**	**779,432**
Depreciation and amortisation	**10,227,349**	**6,512**	**10,233,861**	**271,461**	**419,144**	**108,692**	**799,297**	**1,376,099**	**88,040**	**18,572**	**99,281**	**205,893**	**70,255**	**12,685,405**
Share of results of equity accounted investees	**10,438**	**1,707,860**	**1,718,298**	**92,734**	**292,156**	**258,546**	**643,436**	**1,096,306**	**495,654**	**178,085**	**-**	**673,739**	**2,423**	**4,134,202**
Finance (expense) / income / *(net)*	**(325,024)**	**67,845**	**(257,179)**	**(69,715)**	**(159,294)**	**5,808**	**(223,201)**	**(113,865)**	**145,126**	**244,046**	**566**	**389,738**	**(730,773)**	**(935,280)**
(Loss) / profit for the year attributable to the Owner of the Group (continuing operations)	**(6,169,285)**	**1,696,063**	**(4,473,222)**	**(155,317)**	**418,687**	**270,923**	**534,293**	**1,163,143**	**28,047**	**2,336,840**	**221,926**	**2,586,813**	**(1,999,531)**	**(2,188,504)**
Profit for the year attributable to the Owner of the Group (discontinued operations)	**-**	**-**	**-**	**-**	**-**	**2,037,739**	**2,037,739**	**-**	**-**	**1,008,945**	**-**	**1,008,945**	**-**	**3,046,684**
Total comprehensive (loss) / income for the year attributable to the Owner of the Group	**(5,974,327)**	**1,504,520**	**(4,469,807)**	**(134,415)**	**490,245**	**2,481,828**	**2,837,658**	**1,139,206**	**26,893**	**4,422,704**	**221,926**	**4,671,523**	**(1,998,986)**	**2,179,594**
Additions to non-current assets	**7,859,053**	**87,795**	**7,946,848**	**210,603**	**223,807**	**385,834**	**820,244**	**854,015**	**136,895**	**11,346**	**141,600**	**289,841**	**32,536**	**9,943,484**
At 31 December 2017														
Investments in equity accounted investees	**243,841**	**15,189,820**	**15,433,661**	**357,633**	**3,274,500**	**4,169,466**	**7,801,599**	**2,407,398**	**8,791,620**	**2,636,564**	**-**	**11,428,184**	**58,113**	**37,128,955**
Total assets	**74,542,228**	**20,811,185**	**95,353,413**	**7,002,968**	**9,817,190**	**11,219,235**	**28,039,393**	**64,288,986**	**29,885,723**	**44,465,076**	**9,704,236**	**84,055,035**	**26,977,840**	**298,714,667**
Total liabilities	**21,932,971**	**1,458,407**	**23,391,378**	**3,798,943**	**4,477,771**	**2,129,560**	**10,406,274**	**33,050,580**	**15,993,911**	**1,735,086**	**572,441**	**18,301,438**	**8,104,627**	**93,254,297**

4 OPERATING SEGMENTS continued

	Technology AED'000	Manufacturing and Mining AED'000	Technology Manufacturing and Mining AED'000	Aerospace and Defence Services AED'000	Information, and Communication Technology AED'000	Renewables and Utilities AED'000	Aerospace, Renewables and ICT AED'000	Petroleum and Petrochemicals AED'000	MREI and Infrastructure AED'000	Capital AED'000	Healthcare AED'000	Alternative Investment and Infrastructure AED'000	Corporate AED'000	Consolidated AED'000
For the year ended 31 December 2016														
Revenues from continuing operations	20,180,075	-	**20,180,075**	1,837,900	1,677,336	477,093	**3,992,329**	**3,736,061**	893,020	34,779	1,422,216	**2,350,015**	**12,541**	**30,271,021**
Revenues from discontinued operations	-	-	**-**	3,498,034	-	1,286,670	**4,784,704**	**-**	-	-	-	**-**	**-**	**4,784,704**
Depreciation and amortisation	10,705,313	9,827	**10,715,140**	257,008	425,662	108,066	**790,736**	**1,638,115**	86,452	5,321	84,825	**176,598**	**49,653**	**13,370,242**
Share of results of equity accounted investees	(335,156)	1,005,450	**670,294**	(49,981)	295,063	142,591	**387,673**	**959,063**	831,990	171,420	-	**1,003,410**	**46,390**	**3,066,830**
Finance (expense) / income *(net)*	(357,103)	84,797	**(272,306)**	(84,111)	(172,931)	(63,908)	**(320,950)**	**(173,812)**	165,348	23,748	526	**189,622**	**(473,522)**	**(1,050,968)**
(Loss) / profit for the year attributable to the Owner of the Group (continuing operations)	(1,607,726)	1,003,855	**(603,871)**	160,632	(2,395,763)	(2,425)	**(2,237,556)**	**1,013,086**	1,040,877	3,714,780	148,498	**4,904,155**	**(1,249,774)**	**1,826,040**
Profit for the year attributable to the Owner of the Group (discontinued operations)	-	-	**-**	994,344	-	396,877	**1,392,121**	**-**	-	102,417	-	**102,417**	**-**	**1,493,638**
Total comprehensive (loss) / profit for the year attributable to the Owner of the Group	(1,863,449)	901,193	**(962,256)**	1,761,266	(2,125,931)	158,491	**(206,174)**	**1,013,425**	1,043,341	4,311,472	148,245	**5,503,058**	**(1,248,184)**	**4,099,869**
Additions to non-current assets	4,161,539	135,297	**4,296,836**	716,375	324,732	759,615	**1,800,722**	**1,178,683**	125,459	689,447	102,425	**917,331**	**50,389**	**8,243,961**
At 31 December 2016														
Investment in equity accounted investees	207,974	13,748,603	**13,956,577**	4,461,570	3,236,022	2,202,883	**9,900,475**	**168,952**	8,052,989	4,105,613	-	**12,158,602**	**93,653**	**36,278,259**
Total assets	82,251,103	20,512,285	**102,763,388**	11,441,383	10,070,032	16,263,224	**37,774,639**	**9,911,209**	30,331,384	44,433,281	8,148,522	**82,913,187**	**14,947,416**	**248,309,839**
Total liabilities	19,584,718	1,402,119	**20,986,837**	3,513,773	4,807,814	6,482,226	**14,803,813**	**4,189,852**	5,764,298	1,659,298	431,584	**7,855,180**	**15,479,232**	**63,314,914**

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 2017 Revenue AED'000	***As at 31 Dec 2017 Non-current assets [1] AED'000***	*For the year ended 31 Dec 2016 Revenue AED'000*	*As at 31 Dec 2016 Non-current assets [1] AED'000*
United Arab Emirates *(country of domicile)*	**5,605,101**	**19,375,006**	4,928,990	23,323,165
United States of America	**8,320,621**	**39,520,478**	7,292,209	40,429,897
Singapore	**7,313,157**	**6,883,570**	6,461,439	6,693,190
Malaysia	**2,732,008**	**749,535**	1,366,009	609,157
Taiwan	**1,698,685**	**-**	1,630,354	-
Thailand	**1,579,093**	**919,069**	1,397,354	1,423,285
United Kingdom	**1,452,822**	**1,640,700**	829,497	1,522,827
China	**1,186,511**	**-**	1,362,795	-
State of Qatar	**1,178,278**	**3,600,819**	985,768	3,693,821
Germany	**402,575**	**8,936,512**	387,876	10,332,768
Indonesia	**380,553**	**830,935**	381,367	967,291
Switzerland	**228,408**	**472,732**	170,708	484,312
Brazil	**78,504**	**1,750,025**	2,852	1,061,887
Ireland	**30,384**	**-**	586,882	-
Finland	**25,034**	**131,217**	26,080	141,414
Bahrain	**530**	**-**	219,265	359,987
Spain	**-**	**21,186,635**	-	-
Columbia	**-**	**2,972,401**	-	1,590,543
Others	**2,416,566**	**5,350,309**	2,241,576	1,449,478
	34,628,830	**114,319,943**	30,271,021	94,083,022

[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 with customers individually exceeding 10% of the Group's revenue is set out below:

	2017 AED'000	*2016 AED'000*
Technology	**8,749,256**	3,824,811

5 SUBSIDIARIES

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

		Ownership interest		
Subsidiaries	***Domicile***	***2017***	*2016*	***Principal business activities***
Compañía Española de Petróleos, S.A.U. ("CEPSA") [1]	Spain	**100%**	-	Involved in exploration and extraction of crude oil, the production of petrochemical and energy products, asphalts, lubricants and polymers, their distribution and marketing, as well as gas distribution and electricity generation
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
Sanad Aero Solutions Holding LLC	UAE	**100%**	100%	Involved in investing in leasing, trading aircraft engines and components
Abu Dhabi Future Energy Company PJSC ("Masdar")	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 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
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

[1] See note 6(i).

6 TRANSFER OF ASSETS FROM / TO ENTITIES UNDER COMMON CONTROL

(i) Transfer of Compañía Española de Petróleos, S.A.U. ("CEPSA") from an entity under common control

On 31 December 2017, the Shareholder of the Company instructed International Petroleum Investment Company ("IPIC"), an entity under common control to transfer its 100% ownership interest in CEPSA to a subsidiary of the Company, as part of a group restructuring activity. The total consideration of AED 25,384,981 thousand outstanding is recorded as *'Shareholder current account'* within equity.

CEPSA is an integrated business group which operates in the oil and gas industry globally. It is engaged in business activities related to the exploration and extraction of crude oil, the production of petrochemical and energy products, asphalts, lubricants and polymers, distribution and marketing, as well as gas distribution and electricity generation.

6 TRANSFER OF ASSETS FROM / TO ENTITIES UNDER COMMON CONTROL continued

(i) Transfer of Compañía Española de Petróleos, S.A.U. ("CEPSA") from an entity under common control continued

The Company has not applied "IFRS 3 *Business Combinations*" since the business combination has been effected between companies under common control and therefore, is excluded from the scope of the said IFRS.

The Company has accounted for the effect of the acquisition of CEPSA under the "pooling of interest" method and predecessor accounting is applied.

In accordance with "IFRS 10 *Consolidated Financial Statements*", the Company has elected to consolidate the income, expenses, assets and liabilities of CEPSA from the date of acquisition in the consolidated financial statements. Accordingly, for the year ended 31 December 2017, no income and expenses have been recognised in these consolidated financial statements. The financial position of CEPSA has been consolidated on a line-by-line basis.

If the business combination had taken place at 1 January 2017, the Group's revenue would have been AED 110,203,458 thousand and the Group's profit for the year would have been AED 3,954,034 thousand.

The assets and liabilities acquired, which were recognised at the carrying amounts previously in the books of IPIC, are set out below:

	At 31 December 2017 AED' 000
Property, plant and equipment	**20,852,622**
Intangible assets	**6,091,120**
Investment in equity accounted investees	**2,255,098**
Deferred tax assets	**3,358,767**
Inventories	**8,491,094**
Trade and other receivables	**10,290,402**
Loans receivable	**1,006,872**
Other financial investments	**135,256**
Cash and cash equivalents	**2,405,948**
Total assets	**54,887,179**
Interest bearing borrowings	**(9,984,198)**
Derivative financial liabilities	**(80,613)**
Trade payables	**(8,929,456)**
Other liabilities	**(4,918,816)**
Income tax payable	**(66,740)**
Provisions	**(2,500,631)**
Deferred tax liabilities	**(2,309,033)**
Total liabilities	**(28,789,487)**

6 TRANSFER OF ASSETS FROM / TO ENTITIES UNDER COMMON CONTROL continued

(i) Transfer of Compañía Española de Petróleos, S.A.U. ("CEPSA") from an entity under common control continued

	At 31 December 2017 AED' 000
Total identifiable net assets at carrying value	**26,097,692**
Non-controlling interests	**(712,711)**
Net assets acquired	**25,384,981**
Consideration credited to Shareholder current account	**25,384,981**

(ii) Transfer of other assets to / from entities under common control

During 2017, the Shareholder of the Company instructed the Company to transfer 100% of its ownership interests in certain assets to another entity under common control of the Shareholder and additionally instructed IPIC to transfer certain property, plant and equipment to the Company. The total net consideration outstanding of AED 7,851,956 thousand, is recorded as *'Shareholder current account'* within equity.

The assets and liabilities which were transferred out at the carrying amounts (except financial assets which were transferred at fair value), are set out below:

	At 31 December 2017 AED' 000
Investment in equity accounted investees	**6,492,195**
Other receivables and prepayments	**351,267**
Loans receivable	**664,366**
Other financial investments	**17,879,511**
Cash and cash equivalents	**32,230**
Total assets	**25,419,569**
Other liabilities	**(16,464,696)**
Total liabilities	**(16,464,696)**
Net assets transferred out	**(8,954,873)**
Property, plant and equipment	**1,102,917**
Asset transferred in	**1,102,917**
Consideration debited to Shareholder current account	**(7,851,956)**

7 DISCONTINUED OPERATIONS

(i) National Central Cooling Company PJSC ("Tabreed")

On 30 July 2017, the Group sold 40% of its interest in Tabreed to Kahrabel FZE, a subsidiary of ENGIE Group, a French-based district cooling energy company. The gain on disposal and the net profit from the Group's investment in Tabreed has been presented as discontinued operations since the requirements of IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations* were met. Following the disposal, the Group's remaining 42% holding in Tabreed has been classified as an investment in an associate.

The results of operations of Tabreed are set out below:

	1 January 2017 to 30 July 2017 AED'000	*1 January 2016 to 31 December 2016 AED'000*
Revenue	**779,432**	1,286,670
Cost of sales	**(407,268)**	(673,489)
Gross profit	**372,164**	613,181
Other operating income	**81,626**	102,202
Other expenses	**(248,835)**	(318,506)
Profit for the period / year	**204,955**	396,877

The net cash flows of the subsidiary are presented below:

	2017 AED'000	*2016 AED'000*
Net cash generated from operating activities	**322,020**	553,508
Net cash used investing activities	**(107,108)**	(199,662)
Net cash used in financing activities	**(251,515)**	(157,331)

7 DISCONTINUED OPERATIONS continued

(i) National Central Cooling Company PJSC ("Tabreed") continued

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

	At 30 July 2017 AED'000
Current assets	**470,506**
Cash and cash equivalents	**500,153**
Non-current assets	**7,303,527**
Current liabilities	**(872,977)**
Non-current liabilities	**(3,227,818)**
Non-controlling interests	**(833,394)**
Net assets	**3,339,997**
Sale consideration – net of selling expenses	**2,813,903**
Fair value of 41.85% retained interest	**2,329,832**
Hedging and other reserves reclassified to profit or loss	**29,046**
Gain on disposal of 40% interest in Tabreed	**1,832,784**
Add: profit for the period	**204,955**
Profit for the period from discontinued operations	**2,037,739**

(ii) Nile Acquisition Holdings Company Limited ("Nile Holdings")

On 31 March 2017, the Group disposed of its controlling stake in Nile Holdings, the holding company of DH Publishing Limited.

The results of operations of Nile Holdings are set out below:

	1 January 2017 to 31 March 2017 AED'000	*1 January 2016 to 31 December 2016 AED'000*
Profit for the period / year	**63,419**	102,417

7 DISCONTINUED OPERATIONS continued

(ii) Nile Acquisition Holdings Company Limited ("Nile Holdings") continued

The net cash flows of Nile Holdings are presented below:

	1 January 2017 to 31 March 2017 AED'000	*1 January 2016 to 31 December 2016 AED'000*
Net cash generated from operating activities	**63,419**	102,417

Profit for the period from discontinued operations is listed below:

	31 March 2017 AED'000
Sale consideration – net of selling expenses	**2,141,976**
Less: carrying value of net assets disposed	**(1,139,611)**
Foreign currency translation reserve reclassified to profit or loss	**(418,243)**
Non-controlling interests	**361,404**
Gain on disposal of Nile Holdings	**945,526**
Add: profit for the period	**63,419**
Profit for the period from discontinued operations	**1,008,945**

(iii) Take off Top Luxco SA ("SR Technics")

During 2016, the Group disposed 80% of its interest in SR Technics, an aircraft maintenance, repair and overhaul company. Following the disposal, the Group's remaining shareholding of 20% has been classified as a fair value though profit or loss investment.

The results of operations of SR Technics are set out below:

	1 January to 30 November 2016 AED'000
Revenue	3,498,034
Cost of sales	(3,130,484)
Gross profit	367,550
Other operating income	42,752
Other expenses	(468,900)
Net loss before tax	(58,598)
Income tax expense	(3,000)
Loss for the period	(61,598)

7 DISCONTINUED OPERATIONS continued

(iii) Take off Top Luxco SA ("SR Technics") continued

The net cash flows of SR Technics are presented below:

	2016 *AED'000*
Net cash used in operating activities	(19,839)
Net cash generated from investing activities	3,450
Net cash used in financing activities	(6,028)

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

	At 30 November 2016 *AED'000*
Cash and cash equivalents	137,093
Current assets	1,466,804
Current liabilities	(1,246,956)
Net current assets	356,941
Non-current assets	2,703,396
Non-current liabilities	(2,699,499)
Net non-current assets	3,897

	2016 *AED'000*
Sale consideration	931,340
Less: carrying value of the net assets disposed	(360,838)
	570,502
Fair value of 20% 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 SR Technics	1,055,942
Add: loss for the period	(61,598)
Profit for the period from discontinued operations	994,344

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

8 REVENUE

	2017	*2016*
	AED'000	*AED'000*
Sale of semiconductor wafers	**22,684,761**	20,180,075
Sale of hydrocarbons	**4,101,776**	3,762,485
Revenue from aircraft maintenance and repairs, components leasing and sales	**2,251,465**	1,571,224
Revenue from medical services	**1,723,946**	1,403,621
Satellite capacity leasing revenue	**1,358,908**	1,276,024
Other revenue	**2,507,974**	2,077,592
	34,628,830	30,271,021

9 COST OF SALES

	2017	*2016*
	AED'000	*AED'000*
Depreciation of property, plant and equipment *(see note 12)*	**10,910,662**	11,514,993
Raw materials consumed	**6,134,821**	6,247,711
Staff costs	**4,905,463**	4,890,702
Maintenance costs	**2,909,074**	2,528,961
Amortisation of intangible assets *(see note 13)*	**349,587**	331,287
Other costs	**7,465,193**	5,873,596
	32,674,800	31,387,250

10 RESEARCH AND DEVELOPMENT EXPENSES

	2017	*2016*
	AED'000	*AED'000*
Staff costs	**1,697,318**	1,547,174
Materials cost	**562,790**	477,858
Depreciation of property, plant and equipment *(see note 12)*	**472,830**	551,593
Amortisation of intangible assets *(see note 13)*	**314,450**	317,640
Other expenses	**687,232**	315,227
	3,734,620	3,209,492

11 GENERAL AND ADMINISTRATIVE EXPENSES

	2017	*2016*
	AED'000	*AED'000*
Staff costs	**3,016,109**	3,112,595
Depreciation of property, plant and equipment *(see note 12)*	**405,272**	396,487
Amortisation of intangible assets *(see note 13)*	**232,604**	258,242
Other expenses	**1,954,315**	1,746,897
	5,608,300	5,514,221

12 PROPERTY, PLANT AND EQUIPMENT

	Land [1,2] *AED'000*	*Oil and gas assets AED'000*	*Buildings 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 2016	43,443	20,826,302	92,067,736	5,486,998	1,677,824	1,504,654	11,946,046	54,171	133,607,174
Additions	2,815	728,113	598,498	598,628	35,239	20,349	4,048,415	3,475	6,035,532
Disposals	-	-	(944,530)	(336,097)	(64,420)	-	(22,864)	(1,061)	(1,368,972)
Transfer to intangible assets *(see note 13)*	-	-	-	-	(7,161)	-	(41,175)	-	(48,336)
Transfer to investment properties *(see note 14)*	-	-	(138,392)	-	-	-	-	-	(138,392)
Divestment of a subsidiary *(see note 7)*	(14,229)	-	(349,904)	(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	-	-	74,800	-	-	-	-	536	75,336
Transfer to finance lease receivables	-	-	-	-	-	-	(62,115)	-	(62,115)
Other movements	(1,610)	9,445	8,165,754	10,699	211,406	181,101	(8,614,191)	(31,343)	(68,739)
Write off	-	(3,011,666)	(108,601)	-	(2,822)	-	(230)	-	(3,123,319)
Effect of movement in foreign exchange rates	168	-	(342,220)	45,735	687	-	10,989	5	(284,636)
At 31 December 2016	30,587	18,551,677	99,023,141	4,011,131	1,845,347	1,706,104	7,247,008	18,287	132,433,282
Accumulated depreciation and impairment									
At 1 January 2016	-	(13,920,426)	(28,794,979)	(1,613,831)	(1,262,001)	(170,167)	(1,005,698)	(12,447)	(46,779,549)
Charge for the year [4]	-	(1,571,600)	(10,620,625)	(270,452)	(188,829)	(43,096)	-	(1,026)	(12,695,628)
Disposals	-	-	905,513	237,608	63,892	-	-	1,061	1,208,074
Impairment *(net of reversals)* [3]	-	(11,000)	6,894	-	-	-	(17,466)	-	(21,572)
Transfer to / (from) intangible assets *(see note 13)*	-	-	11	-	1,382	-	-	-	1,393
Transfer from assets classified as held for sale	-	-	(45,142)	-	-	-	-	(522)	(45,664)
Transfer to investment properties *(see note 14)*	-	-	49,151	-	-	-	-	-	49,151
Divestment of a subsidiary *(see note 7)*	-	-	188,835	931,765	885	-	-	6,472	1,127,957
Depreciation capitalised	-	-	(491)	-	(877)	-	-	-	(1,368)
Write off	-	3,011,374	99,831	-	2,982	-	-	-	3,114,187
Other movements	-	-	14,292	(1,101)	-	-	(260)	(25)	12,906
Effect of movement in foreign exchange rates	-	29,775	45,467	(29,892)	(535)	-	305	(67)	45,053
At 31 December 2016	-	(12,461,877)	(38,151,243)	(745,903)	(1,383,101)	(213,263)	(1,023,119)	(6,554)	(53,985,060)
Carrying amounts									
At 1 January 2016	43,443	6,905,876	63,272,757	3,873,167	415,823	1,334,487	10,940,348	41,724	86,827,625
At 31 December 2016	30,587	6,089,800	60,871,898	3,265,228	462,246	1,492,841	6,223,889	11,733	78,448,222

12 PROPERTY, PLANT AND EQUIPMENT continued

	Land [1,2] *AED'000*	*Oil and gas assets AED'000*	*Buildings 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 2017	**30,587**	**18,551,677**	**99,023,141**	**4,011,131**	**1,845,347**	**1,706,104**	**7,247,008**	**18,287**	**132,433,282**
Additions	**79**	**548,748**	**822,083**	**90,517**	**63,442**	**12,775**	**7,425,637**	**1,641**	**8,964,922**
Transfer from entities under common control *(see note 6)*	**1,644,076**	**4,949,394**	**29,911,064**	**-**	**212,702**	**-**	**3,809,973**	**324,596**	**40,851,805**
Disposals	**-**	**-**	**(1,308,441)**	**(51,941)**	**(8,712)**	**-**	**(241,077)**	**-**	**(1,610,171)**
Transfer (to) / from intangible assets *(see note 13)*	**-**	**-**	**(3,699)**	**-**	**-**	**-**	**165,228**	**-**	**161,529**
Divestment of a subsidiary *(see note 7)*	**-**	**-**	**(2,385,600)**	**-**	**-**	**(1,744,679)**	**(145,440)**	**(105)**	**(4,275,824)**
Transfer from inventories	**-**	**87,830**	**-**	**-**	**-**	**-**	**-**	**-**	**87,830**
Transfer from assets classified as held for sale	**-**	**-**	**53,251**	**-**	**-**	**-**	**-**	**-**	**53,251**
Other movements	**22,924**	**396,774**	**4,814,843**	**-**	**134,522**	**25,800**	**(5,375,855)**	**(1,347)**	**17,661**
Write off	**-**	**(213)**	**(1,770)**	**-**	**(7,136)**	**-**	**(3,532)**	**(5)**	**(12,656)**
Effect of movement in foreign exchange rates	**59**	**-**	**139,427**	**-**	**(75)**	**-**	**(3,272)**	**-**	**136,139**
At 31 December 2017	**1,697,725**	**24,534,210**	**131,064,299**	**4,049,707**	**2,240,090**	**-**	**12,878,670**	**343,067**	**176,807,768**
Accumulated depreciation and impairment									
At 1 January 2017	**-**	**(12,461,877)**	**(38,151,243)**	**(745,903)**	**(1,383,101)**	**(213,263)**	**(1,023,119)**	**(6,554)**	**(53,985,060)**
Transfer from entities under common control *(see note 6)*	**-**	**(3,502,230)**	**(15,081,891)**	**-**	**(115,579)**	**-**	**-**	**(196,566)**	**(18,896,266)**
Charge for the year [4]	**-**	**(1,320,153)**	**(10,145,152)**	**(183,517)**	**(189,462)**	**(27,979)**	**-**	**(923)**	**(11,867,186)**
Disposals	**-**	**-**	**1,239,832**	**5,370**	**8,618**	**-**	**-**	**-**	**1,253,820**
Impairment *(net of reversals)* [3]	**-**	**(93,425)**	**(288,407)**	**-**	**(4,017)**	**-**	**(20,596)**	**(386)**	**(406,831)**
Transfer from assets classified as held for sale	**-**	**-**	**(8,169)**	**-**	**-**	**-**	**-**	**-**	**(8,169)**
Divestment of a subsidiary *(see note 7)*	**-**	**-**	**347,574**	**-**	**-**	**243,668**	**-**	**(372)**	**590,870**
Write off	**-**	**-**	**9,897**	**-**	**7,138**	**-**	**-**	**5**	**17,040**
Other movements	**-**	**-**	**(178)**	**-**	**(1,158)**	**(2,426)**	**5,521**	**116**	**1,875**
Effect of movement in foreign exchange rates	**-**	**-**	**(30,801)**	**-**	**24**	**-**	**82**	**-**	**(30,695)**
At 31 December 2017	**-**	**(17,377,685)**	**(62,108,538)**	**(924,050)**	**(1,677,537)**	**-**	**(1,038,112)**	**(204,680)**	**(83,330,602)**
Carrying amounts									
At 31 December 2017	**1,697,725**	**7,156,525**	**68,955,761**	**3,125,657**	**562,553**	**-**	**11,840,558**	**138,387**	**93,477,166**

12 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 *(see note 34 (a)(i))*.

[3] Impairment *(net of reversals)* in the current year primarily arises from oil and gas assets. It includes a provision for impairment *(net of reversals)* 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 *(2016: forecasted Brent prices)* and are adjusted for quality, transportation fees and regional price differences; and
- a post-tax discount rate of 8.5 – 9.4% *(2016: 7.5 – 10.2%)* was applied in determining the recoverable amount of the respective units.

During the year ended 31 December 2017, management performed impairment assessment for a major wafer fabrication plant. The recoverable amount of this 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 9.3%, operational efficiency of 3%, inflation rate of 2 - 3% and a negative 2 - 3% 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.

[4] Depreciation charge for the year was allocated as follows:

	2017 ***AED'000***	*2016* *AED'000*
Cost of sales *(see note 9)*	**10,910,662**	11,514,993
General and administrative expenses *(see note 11)*	**405,272**	396,487
Research and development expenses *(see note 10)*	**472,830**	551,593
Discontinued operations	**78,422**	232,555
	11,867,186	12,695,628

Property, plant and equipment having carrying value of AED 3,713,131 thousand *(2016: AED 3,760,909 thousand)* has been pledged as security *(see note 27(a))*.

Property, plant and equipment having carrying value of AED 897,006 thousand *(2016: AED 980,476 thousand)* are held under finance lease.

13 INTANGIBLE ASSETS

	Exploration licences and mining rights AED'000	*Trademarks AED'000*	*Oil and gas reserves 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 2016	1,421,883	2,395,804	3,455,936	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)
Divestment of a subsidiary *(see note 7)*	-	(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 12)*	-	-	-	-	40,444	-	-	-	7,892	48,336
Other movements	-	-	-	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	1,430,281	-	3,455,936	948,068	4,421,462	608,021	956,976	1,042,190	2,123,474	14,986,408
Accumulated amortisation and impairment										
At 1 January 2016	(62,814)	(1,192,165)	(3,317,164)	(591,442)	(1,706,422)	(346,140)	-	(69,815)	(749,129)	(8,035,091)
Charge for the year [1]	-	-	(41,014)	-	(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)
Divestment of a subsidiary *(see note 7)*	-	1,208,130	-	-	115,335	279,581	-	-	36,310	1,639,356
Transfer from property, plant and equipment *(see note 12)*	-	-	-	-	-	-	-	-	(1,393)	(1,393)
Write off	-	-	-	-	-	-	-	-	1,732	1,732
Other movements	-	-	-	-	-	-	-	-	(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)	-	(3,358,178)	(591,442)	(2,125,106)	(132,163)	-	(217,700)	(793,142)	(7,280,545)
Carrying amounts										
At 1 January 2016	1,359,069	1,203,639	138,772	380,135	1,796,625	678,078	917,521	971,732	883,470	8,329,041
At 31 December 2016	1,367,467	-	97,758	356,626	2,296,356	475,858	956,976	824,490	1,330,332	7,705,863

13 INTANGIBLE ASSETS continued

	Exploration licences and mining rights AED'000	*Trademarks AED'000*	*Oil and gas reserves 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 2017	**1,430,281**	**-**	**3,455,936**	**948,068**	**4,421,462**	**608,021**	**956,976**	**1,042,190**	**2,123,474**	**14,986,408**
Additions	**-**	**-**	**-**	**-**	**512,518**	**-**	**181,202**	**-**	**28,127**	**721,847**
Transfer from an entity under common control *(see note 6(i))*	**-**	**1,685,293**	**14,318,098**	**2,126,732**	**893,874**	**-**	**2,222,450**	**135,676**	**2,622,680**	**24,004,803**
Disposals	**-**	**-**	**-**	**-**	**(197,304)**	**-**	**-**	**-**	**(49,500)**	**(246,804)**
Write off	**(44,446)**	**-**	**-**	**-**	**(2,053)**	**-**	**-**	**-**	**-**	**(46,499)**
Transfer from / (to) property, plant and equipment *(see note 12)*	**-**	**-**	**-**	**-**	**4,921**	**-**	**(166,851)**	**-**	**401**	**(161,529)**
Other movements	**-**	**-**	**(5,283)**	**9,888**	**169**	**-**	**49,379**	**-**	**(43,314)**	**10,839**
Effect of movement in foreign exchange rates	**-**	**-**	**-**	**16,640**	**-**	**-**	**-**	**-**	**4,946**	**21,586**
At 31 December 2017	**1,385,835**	**1,685,293**	**17,768,751**	**3,101,328**	**5,633,587**	**608,021**	**3,243,156**	**1,177,866**	**4,686,814**	**39,290,651**
Accumulated amortisation and impairment										
At 1 January 2017	**(62,814)**	**-**	**(3,358,178)**	**(591,442)**	**(2,125,106)**	**(132,163)**	**-**	**(217,700)**	**(793,142)**	**(7,280,545)**
Transfer from an entity under common control *(see note 6(i))*	**-**	**-**	**(13,842,691)**	**(646,817)**	**(547,505)**	**-**	**(2,040,026)**	**(15,805)**	**(820,839)**	**(17,913,683)**
Charge for the year [1]	**-**	**-**	**(34,890)**	**-**	**(572,736)**	**(71,299)**	**-**	**(148,883)**	**(68,833)**	**(896,641)**
Disposals	**-**	**-**	**-**	**-**	**197,304**	**-**	**-**	**-**	**-**	**197,304**
Impairment	**-**	**-**	**-**	**-**	**(23,070)**	**-**	**(13,554)**	**-**	**(272,026)**	**(308,650)**
Write off	**44,446**	**-**	**-**	**-**	**1,055**	**-**	**-**	**-**	**-**	**45,501**
Other movements	**-**	**-**	**-**	**-**	**47**	**-**	**-**	**-**	**-**	**47**
Effect of movement in foreign exchange rates	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(915)**	**(915)**
At 31 December 2017	**(18,368)**	**-**	**(17,235,759)**	**(1,238,259)**	**(3,070,011)**	**(203,462)**	**(2,053,580)**	**(382,388)**	**(1,955,755)**	**(26,157,582)**
Carrying amounts										
At 31 December 2017	**1,367,467**	**1,685,293**	**532,992**	**1,863,069**	**2,563,576**	**404,559**	**1,189,576**	**795,478**	**2,731,059**	**13,133,069**

13 INTANGIBLE ASSETS continued

[1] Charge for the year was allocated as follows:

	2017	*2016*
	AED'000	*AED'000*
Cost of sales *(see note 9)*	**349,587**	331,287
General and administrative expenses *(see note 11)*	**232,604**	258,242
Research and development expenses *(see note 10)*	**314,450**	317,640
Discontinued operations	**-**	29,050
	896,641	936,219

[2] In 2016, impairment included AED 4,843 thousand allocation to discontinued operations.

Goodwill

Intangible assets include goodwill amounting to AED 209,023 thousand (*2016: AED 317,842 thousand*) arising from the acquisition of one of the Group's subsidiaries in the prior years. During the year ended 31 December 2017, management performed an 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 9.3% (*2016: 9.5%*), operational efficiency of 3% (*2016: 3%*) and a negative 2 - 3% (*2016: negative 2 - 3%*) 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 regards 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.

14 INVESTMENT PROPERTIES

	2017 ***AED'000***	*2016* *AED'000*
Investment properties	**7,579,906**	7,211,860
Investment properties under development	**129,802**	717,077
	7,709,708	7,928,937

Movement in investment properties is as follows:

	2017 ***AED'000***	*2016* *AED'000*
At 1 January	**7,211,860**	6,973,044
Additions	**13,201**	64,895
Transfer from investment properties under development	**762,955**	107,039
Transfer from property, plant and equipment *(see note 12)*	**-**	89,241
Decrease in fair value *(net)*	**(403,213)**	(71,731)
Effect of movement in foreign exchange rates	**(4,897)**	49,372
At 31 December	**7,579,906**	7,211,860

Movement in investment properties under development is as follows:

	2017 ***AED'000***	*2016* *AED'000*
At 1 January	**717,077**	362,537
Additions	**243,514**	369,210
Transfer to finance lease receivable *(see note 22)*	**(67,834)**	**-**
Transfer to investment properties	**(762,955)**	(107,039)
Transfer from inventories	-	103,546
Decrease in fair value *(net)*	**-**	(11,177)
At 31 December	**129,802**	717,077

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

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

All properties are categorised level 3 as per IFRS 13 fair value hierarchy. Included within profit or loss AED 403,213 thousand of fair value loss *(net) (2016: AED 82,908 thousand of fair value loss (net))* being net decrease in fair value of investment properties.

14 INVESTMENT PROPERTIES continued

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 discounted 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.

ADGM Square Development
In relation to the ADGM Square Development (formerly known as Sowwah Square), the fair value of the investment property at 31 December 2017 was AED 3,725,789 thousand *(31 December 2016: AED 4,083,221 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.

Rihan Heights
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 2017, 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 2017 and 31 December 2016 amounted to AED 1,372,519 thousand.

Sensitivity analysis for the above mentioned properties with an aggregate value of AED 5,098,308 thousand *(2016: AED 5,455,740 thousand).* The valuation techniques used for these assets are the income approach and residual method. The sensitivity is conducted on the discount/capitalisation rates, as discussed above, and rental values, which are AED 1,500 - 1,600 per square metre *(2016: AED 1,550 per square metre)* for office space and AED 104 thousand per one bedroom apartment *(2016: AED 113 thousand per one bedroom apartment)* for residential space.

14 INVESTMENT PROPERTIES continued

Rihan Heights continued
Sensitivity to significant changes in unobservable inputs:

- A decrease in the capitalisation/discount rate by 10% would result in a AED 782,740 thousand *(2016: AED 751,423 thousand)* or 15.4% increase in the valuation *(2016: 13.8% increase)*, whilst an increase in the capitalisation/discount rate by 10% would result in a AED 601,394 thousand *(2016: AED 595,919 thousand)* or 11.8% decrease in the valuation *(2016: 10.9% decrease)*;

- An increase in the rental rates by 10% would result in a AED 293,830 thousand *(2016: AED 346,598 thousand)* or 4.7% increase in the valuation *(2016: 6.4% increase)*, whilst a decrease in the rental rates by 10% would result in a AED 293,830 thousand *(2016: AED 328,896 thousand)* or 4.7% decrease in the valuation *(2016: 6.0% 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.

Investment properties of Masdar
Investment properties of Masdar comprise 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 1,735,488 thousand *(2016: AED 972,533 thousand)* and the investment properties under development have a fair value of AED 129,802 thousand *(2016: AED 649,243 thousand)*.

The cash flows from the assets are discounted using discount rates ranging from 7 - 10% *(2016: 7 - 10%)* 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% *(2016: 5.9 - 7.5%)* have been used.

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.

15 INTEREST IN JOINT OPERATIONS

The Group has joint ownership and control of certain oil and gas assets through exploration, development and/or production sharing agreements entered into with other parties, for the exploitation of mineral rights, under concession agreements with the governments of the respective countries in which such operations are conducted. The Group's share of the assets, liabilities, income and expenses in such joint operations are recognised in the consolidated financial statements. Details of significant joint operations and certain wholly controlled concession assets are set out below.

15 INTEREST IN JOINT OPERATIONS continued

Contract area	*Description*	***Group's working interest As at 31 December***	
		2017	*2016*
		%	*%*
Concession block in Oman			
Block 53	Production stage	**15.00**	15.00
Concession block in Qatar			
Qatar - North Field	Production stage	**51.00**	51.00
Concession blocks in Indonesia			
Sebuku PSC	Production stage	**70.00**	70.00
West Sebuku PSC	Exploration stage	**75.50**	75.50
Concession blocks in Thailand			
B5/27	Production stage	**100.00**	100.00
G1/48	Production stage	**60.00**	60.00
G6/48	Exploration stage	**30.00**	30.00
G11/48	Production stage	**67.50**	67.50
Concession blocks in Vietnam			
07/03 PSC	Development stage	**21.25**	21.25
135/136 PSC	Exploration stage	**20.00**	20.00
Concession block in Malaysia			
SK320 PSC	Exploration stage	**55.00**	55.00
Concession blocks in Algeria			
RKF	Exploration and production stage	**100.00**	-
Ourhoud	Exploration and production stage	**39.76**	-
Timimoun	Exploration and production stage	**11.25**	-
BMS	Exploration and production stage	**45.00**	-
Rhourde Rouni II	Exploration stage	**100.00**	-
Concession blocks in Colombia			
Tiple	Exploration stage	**70.00**	-
Garibay	Exploration stage	**50.00**	-
Jilguero	Exploration and production stage	**57.86**	-
Puntero - Manatus	Exploration and production stage	**70.00**	-
Puntero - Onca	Exploration and production stage	**100.00**	-
Merecure	Exploration stage	**70.00**	-
El Porton	Exploration stage	**50.00**	-
Llanos 22	Exploration and production stage	**55.00**	-
Balay	Exploration and production stage	**30.00**	-
Cpo 14	Exploration stage	**37.50**	-
Cpo 12	Exploration stage	**42.80**	-
Rio Paez	Exploration and production stage	**16.67**	-
San Jacinto	Exploration stage	**16.67**	-
PPN	Exploration stage	**30.00**	-
Caracara	Research and production stage	**70.00**	-
CPR Espinal	Research and production stage	**16.67**	-

15 INTEREST IN JOINT OPERATIONS continued

Contract Area	*Description*	*Group's working interest As at 31 December 2017 %*	*2016 %*
Concession blocks in Peru			
Block 127	Exploration stage	**80.00**	-
Block 114	Exploration stage	**60.00**	-
Block 130	Exploration stage	**100.00**	-
Block 131	Exploration and production stage	**100.00**	-
Concession blocks in Spain			
Rodaballo	Exploration and production stage	**15.00**	-
Casablanca	Exploration and production stage	**7.40**	-
Montanazo	Exploration and production stage	**7.25**	-
Boqueron	Exploration and production stage	**4.50**	-
Concession blocks in Brazil			
Block CE-M-717	Exploration stage	**50.00**	-
Block CE-M-665	Exploration stage	**50.00**	-

Contract areas wherein the Group's effective working interest is at 100% are included in the details of joint operations for presentation purposes only in order to disclose a list of significant contract areas being held by the Group as at the end of the reporting period. They are not to be construed as joint operations since there are no joint operating contracts with other partners at the end of the reporting period.

16 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES

Share of results of equity accounted investees

	2017 AED'000	*2016 AED'000*
Share of results of joint ventures	**3,185,079**	2,235,104
Share of results of associates	**949,123**	831,726
	4,134,202	3,066,830

(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 % 2017**	2016	**Principal business activity**
Aldar Properties PJSC ("Aldar")	UAE	**29.75**	29.73	Development, sales, investment, construction and associated services for real estate
Emirates Integrated Telecommunications Company PJSC ("Du")	UAE	**20.11**	20.11	Provision of telecommunication services
National Central Cooling PJSC ("Tabreed")	UAE	**41.85**	-	Supply of chilled water

16 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES continued

(a) Investments in associates continued

During 2016, 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 the Group's share of profits and dividends received.

	Aldar 2017 AED'000	*Du 2017 AED'000*	*Tabreed 2017 AED'000*
Revenue	**6,180,676**	**13,004,372**	**619,996**
Profit for the year	**2,005,935**	**1,711,786**	**159,653**
Other comprehensive income	**8,025**	**14,400**	**14,081**
Total comprehensive income	**2,013,960**	**1,726,186**	**173,734**
Group's share of profit	**593,827**	**272,970**	**50,969**
Dividends received by the Group	**257,341**	**312,588**	**-**
Current assets	**15,880,101**	**7,911,559**	**1,210,385**
Non-current assets	**20,516,825**	**9,919,877**	**7,485,232**
Current liabilities	**(10,316,071)**	**(7,290,158)**	**(809,675)**
Non-current liabilities	**(2,845,690)**	**(2,503,340)**	**(3,088,922)**
Net assets	**23,235,165**	**8,037,938**	**4,797,020**

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

	Aldar 2017 AED'000	*Du 2017 AED'000*	*Tabreed 2017 AED'000*
Net assets	**23,235,165**	**8,037,938**	**4,797,020**
Ownership %	**29.75%**	**20.11%**	**41.85%**
Group's share of net assets on basis of ownership interest	**6,912,462**	**1,616,429**	**2,007,553**
Reconciling items:			
Purchase price allocation adjustments *(net)*	**215,341**	**1,016,145**	**-**
Other adjustments	**(35,349)**	**(2,956)**	**372,404**
Carrying amount	**7,092,454**[1]	**2,629,618**	**2,379,957**
Market value of investments	**5,146,817**[1]	**4,688,813**	**2,068,444**

16 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES continued

(a) Investments in associates continued

[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 2017.

	Aldar 2016 AED'000	*Du 2016 AED'000*
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
Group's share of profit	818,290	352,439
Dividends received by the Group	233,946	303,539
Current asset	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)
Net assets	21,882,913	7,852,940

Reconciliation of the above summarised financial information to the carrying amount of the interests 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 %	29.73%	20.11%
Group's share of net assets on basis of ownership interest	6,505,790	1,579,226
Reconciling items		
Purchase price allocation adjustments *(net)*	217,877	1,102,427
Other adjustments	30,538	(15,796)
Carrying amount	6,754,205[1]	2,665,857
Fair value of investment	6,152,786	5,700,126

16 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES continued

(a) Investments in associates continued

Aggregate information of associates that are not individually material:

	2017 AED'000	*2016 AED'000*
Group's share of profit / (loss)	**31,357**	(180,778)
Group's share of other comprehensive income *(net)*	**20,621**	13,063
Group's share of total comprehensive income / (loss)	**51,978**	(167,715)
Group's share of carrying amount	**1,715,372**	1,219,391

(b) Investments in joint ventures

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

Joint ventures	**Domicile**	**Ownership interest %**		**Principal business activity**
		2017	2016	
Emirates Global Aluminium PJSC ("EGA")	UAE	50.00	50.00	Develop, construct, operate, finance and maintain aluminium smelter
TM Mining Ventures SL ("Matsa")	Spain	50.00	50.00	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	49.23	47.30	Port operations
Emirates Defence Industries Company ("EDIC")	UAE	-	60.00	Integrated national defence manufacturing and services platform, providing world-class facilities, technology and support services

On 31 December 2017, the Shareholder of the Company instructed Mubadala to transfer its ownership interest in EDIC to an entity under common control as part of a Group restructuring activity. The total consideration of AED 4,357,037 thousand is recorded as *'Shareholder current account'* within equity *(see note 6(ii))*.

Although the Group holds more than 50% or more of the share capital in some of the joint ventures, as the relevant activities require unanimous consent along with other joint venture partners, these are treated as joint ventures.

16 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES continued

(b) Investments in joint ventures continued

Summarised financial information in respect of each of the Group's material joint ventures is set out below. The summarised financial information below represents amounts shown in the joint ventures financial statements (not adjusted for the percentage ownership of the Group) prepared in accordance with IFRSs, except for the Group's share of profit and dividends received.

	EGA 2017 AED'000	*Matsa 2017 AED'000*	*FIP 2017 AED'000*
Revenue	**20,469,997**	**2,423,140**	**1,163,288**
Profit for the year	**3,306,241**	**498,939**	**147,045**
Other comprehensive loss	**(74,520)**	**(313,370)**	**-**
Total comprehensive income	**3,231,721**	**185,569**	**147,045**
Group's share of profit	**1,592,676**	**191,015**	**75,447**
Current assets	**15,458,058**	**678,438**	**182,771**
Non-current assets	**49,173,706**	**3,437,948**	**16,644,782**
Current liabilities	**(4,326,526)**	**(976,924)**	**(591,180)**
Non-current liabilities	**(34,404,823)**	**(2,121,639)**	**(13,090,501)**
Net assets	**25,900,415**	**1,017,823**	**3,145,872**

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

	EGA 2017 AED'000	*Matsa 2017 AED'000*	*FIP 2017 AED'000*
Net assets	**25,900,415**	**1,017,823**	**3,145,872**
Ownership %	**50%**	**50%**	**49.23%**
Group's share of net assets on basis of ownership interest	**12,950,208**	**508,912**	**1,548,713**
Reconciling items:			
Purchase price allocation adjustments *(net)*	**472,625**	**1,060,969**	**-**
Other adjustments	**253,419**	**(56,312)**	**(157)**
Carrying amount	**13,676,252**	**1,513,569**	**1,548,556**

16 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES continued

(b) Investments in joint ventures continued

Summarised financial information in respect of each of the Group's material joint ventures is set out below. The summarised financial information below represents amounts shown in the joint ventures financial statements (not adjusted for the percentage ownership of the Group) prepared in accordance with IFRSs, except for the Group's share of profit and dividends received.

	EGA 2016 AED'000	*EDIC 2016 AED'000*	*Matsa 2016 AED'000*	*FIP 2016 AED'000*
Revenue	17,072,790	1,305,383	1,856,749	728,360
Profit / (loss) for the year	2,080,349	(762,951)	258,624	(720,711)
Other comprehensive income / (loss)	1,859	-	(204,394)	-
Total comprehensive income / (loss)	2,082,208	(762,951)	54,230	(720,711)
Group's share of profit	905,926	457,771	99,524	(340,788)
Current assets	9,798,797	2,497,023	365,491	993,796
Non-current assets	46,007,765	5,769,070	3,407,150	16,826,270
Current liabilities	(3,144,171)	(2,140,595)	(690,305)	(1,968,920)
Non-current liabilities	(29,751,918)	(185,530)	(2,111,641)	(13,219,666)
Net assets	22,910,473	5,939,968	970,695	2,631,480

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

	EGA 2016 AED'000	*EDIC 2016 AED'000*	*Matsa 2016 AED'000*	*FIP 2016 AED'000*
Net assets	22,910,473	5,939,968	970,695	2,631,480
Ownership %	50%	60%	50%	47.28%
Group's share of net assets on basis of ownership interest	11,455,237	3,563,981	485,348	1,244,164
Reconciling items:				
Increase to net asset carrying values (purchase price allocation adjustments / recognition of unrealised gain)	548,456	408,123	1,055,155	-
Impairment	-	-	-	(163,750)
Other adjustments	253,419	163,710	(49,014)	12,696
Carrying amount	12,257,112	4,135,814	1,491,489	1,093,110

16 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES continued

(b) Investments in joint ventures continued

Aggregate information of joint ventures that are not individually material:

	2017 AED'000	*2016 AED'000*
Group's share of profit	**1,389,359**	1,794,738
Group's share of other comprehensive income / (loss) *(net)*	**97,316**	(205,570)
Group's share of total comprehensive income *(net)*	**1,486,675**	1,589,168
Group's share of carrying amount	**6,573,177**	6,661,281

17 OTHER FINANCIAL INVESTMENTS

	2017 AED'000	*2016 AED'000*
Fair value through profit or loss financial assets		
Financial assets designated at FVTPL		
Quoted investments	**19,976,688**	25,035,685
Unquoted investments	**12,610,673**	12,414,117
	32,587,361	37,449,802
Financial assets held-for-trading		
Quoted investments	**2,645,233**	1,490,173
Unquoted investments	**20,431**	-
Total of fair value through profit or loss financial assets	**35,253,025**	38,939,975
Available-for-sale financial assets		
Quoted investments	**6,623,953**	5,976,222
Unquoted investments	**220,161**	58,825
Total of available-for-sale financial assets	**6,844,114**	6,035,047
Financial assets held-to-maturity		
Unquoted investments	**26,591**	-
	42,123,730	44,975,022
***Disclosed as*:**		
Current	**13,334,093**	1,719,458
Non-current	**28,789,637**	43,255,564
	42,123,730	44,975,022

17 OTHER 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

	2017	*2016*
	AED'000	*AED'000*
Loans to joint ventures	**6,702,359**	8,890,219
Loans to entities under common control	**122,094**	161,273
Loans to associates	**64,908**	3,260
Loans to related parties[1]	**6,889,361**	9,054,752
Less: allowance for impairment [1]	**(97,265)**	(2,348,245)
Loans to related parties *(net) (see note 31(d))*	**6,792,096**	6,706,507
Loans to third parties [1]	**2,712,349**	3,857,806
Less: allowance for impairment [1]	**(106,738)**	(957,430)
Loans to third parties *(net)*	**2,605,611**	2,900,376
	9,397,707	9,606,883
***Disclosed as*:**		
Current	**1,705,028**	899,013
Non-current	**7,692,679**	8,707,870
	9,397,707	9,606,883

18 LOANS RECEIVABLE continued

[1]Loan to a related party and loan to a third party amounting to AED 2,348,245 thousand and AED 928,376 thousand respectively, which had been fully provided for in prior years, were written off during the year resulting in decline in loans to related parties and third parties and related allowances for impairment.

As of 31 December 2017, the fair value of the real estate held as collateral against the loans is AED 2,326,000 thousand *(2016: AED 2,007,000 thousand).*

Loans to related parties
Loans to related parties include loan given to a joint venture, in the amount of AED 3,681,390 thousand *(2016: AED 4,166,277 thousand)*, which carry interest at EIBOR plus margin and are repayable on demand.

Loans to third parties
Loans given to third parties include commercial loans amounting to AED 1,198,199 thousand *(2016: AED 1,099,785 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

	2017 AED'000	*2016 AED'000*
Finished goods	**4,092,176**	338,895
Work in progress	**3,804,739**	4,988,551
Land held for sale *(see note 34(a)(i))*	**2,496,151**	2,746,151
Goods in transit	**1,545,666**	-
Raw materials and consumables	**3,146,111**	278,117
Drilling materials	**394,518**	536,973
Maintenance spares	**993,695**	278,898
Properties held for sale	**294,797**	293,999
Others	**414,370**	422,759
	17,182,223	9,884,343
Less: provision for obsolescence	**(1,517,299)**	(2,082,748)
	15,664,924	7,801,595

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

	2017 AED'000	*2016 AED'000*
At 1 January	**2,082,748**	2,166,220
Provision made during the year	**2,324,362**	3,131,964
Provision reversed during the year	**(2,389,024)**	(1,464,913)
Write off	**(522,526)**	(1,752,896)
Effect of movement in foreign exchange rates	**21,739**	2,373
At 31 December	**1,517,299**	2,082,748

20 TRADE RECEIVABLES

	2017 *AED'000*	*2016* *AED'000*
Trade receivables	**13,809,070**	4,593,150
Receivable against sale of land	**410,409**	449,994
	14,219,479	5,043,144
Less: allowance for impairment	**(1,124,964)**	(429,430)
	13,094,515	4,613,714
Disclosed as:		
Current	**12,939,658**	4,374,993
Non-current	**154,857**	238,721
	13,094,515	4,613,714

21 OTHER RECEIVABLES AND PREPAYMENTS

	2017 *AED'000*	*2016* *AED'000*
Amounts due from related parties	**16,059,253**	8,440,679
Restricted and long term deposits [1]	**12,430,266**	10,418,361
Service concession receivables [2]	**5,276,103**	5,732,308
Receivables against government grants *(see note 34(b))*	**630,889**	474,969
Other receivables	**8,803,273**	6,940,876
	43,199,784	32,007,193
Less: allowance for impairment	**(869,028)**	(652,225)
	42,330,756	31,354,968
Disclosed as:		
Current	**33,866,281**	19,447,209
Non-current	**8,464,475**	11,907,760
	42,330,756	31,354,969

[1] Includes long term deposits amounting to AED 11,205,899 thousand (*2016: AED 9,636,404 thousand*) which represent deposits with original maturity of more than three months.

[2] Service concession receivables primarily represent receivables from related parties *(see note 31)*, on account of services relating to the construction of buildings for certain universities and facility management services (*see note 31(d)*. Service concession receivables will be recovered over the respective concession periods of the universities *(see note 38)*.

22 FINANCE LEASE RECEIVABLES

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

	2017	*2016*
	AED'000	*AED'000*
At 1 January	**5,298,040**	5,088,244
Additions	**10,125**	-
Transfer from investment properties under development *(see note 14)*	**67,834**	-
Transfer from inventories	**-**	165,094
Transfer from property, plant and equipment	**-**	98,804
Finance lease income	**138,332**	314,170
Write off	**(49,691)**	(43,346)
Lease rentals received	**(86,546)**	(324,926)
Divestment of a subsidiary [1]	**(2,850,671)**	-
Other movements	**(32,323)**	-
At 31 December	**2,495,100**	5,298,040

[1] Relates to finance leases of Tabreed which ceased to be a subsidiary during the year *(see note 7(i))*.

	2017	*2016*
	AED'000	*AED'000*
Disclosed as:		
Current	**105,097**	334,468
Non-current	**2,390,003**	4,963,572
	2,495,100	5,298,040

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

	2017		*2016*	
	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	**107,920**	**105,097**	352,128	334,468
After one year but not more than five years	**531,948**	**454,104**	1,522,908	1,232,633
After five years	**8,322,243**	**1,935,899**	12,274,242	3,730,939
Total	**8,962,111**	**2,495,100**	14,149,278	5,298,040
Less: unearned finance income	**(6,467,011)**	**-**	(8,851,238)	-
Present value of minimum lease payments	**2,495,100**	**2,495,100**	5,298,040	5,298,040

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.

23 CASH AND CASH EQUIVALENTS

	2017	*2016*
	AED'000	*AED'000*
Bank balances:		
- deposit accounts	**11,082,469**	5,381,594
- call and current accounts	**5,052,592**	6,586,152
Cash in hand	**167,918**	3,274
Cash and cash equivalents for the purpose of the consolidated statement of cash flows	**16,302,979**	11,971,020

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 14,895,951 thousand *(2016: AED 3,992,204 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.

24 OPERATING LEASE ARRANGEMENTS

The maturity profile of the non-cancellable operating lease receivables is as follows:

	2017	*2016*
	AED'000	*AED'000*
Within one year	**631,375**	845,868
After one year but not more than five years	**2,298,964**	3,402,723
After five years	**1,003,818**	5,089,090
	3,934,157	9,337,681

The maturity profile of the non-cancellable operating lease receivables as at 31 December 2017 included AED 4,483,203 thousand relating to operations discontinued in 2017 *(see note 7(i))*.

25 OTHER LIABILITIES

	2017	*2016*
	AED'000	*AED'000*
Accruals	**3,739,962**	3,173,006
Advances, loans and deposits from related parties *(see note 31(d))*	**3,519,852**	3,534,492
Amounts due to related parties *(see note 31(d))*	**1,124,203**	846,155
Other taxes payable	**1,578,497**	15,902
Unearned revenue	**1,458,994**	2,405,729
Staff costs payable	**1,343,248**	680,122
Deferred government grants	**718,512**	989,394
Provision for staff terminal benefits	**329,536**	369,607
Other liabilities	**7,133,751**	7,436,181
	20,946,555	19,450,588

25 OTHER LIABILITIES continued

	2017 AED'000	2016 AED'000
Disclosed as:		
Current	**15,672,071**	11,639,569
Non-current	**5,274,483**	7,811,019
	20,946,554	19,450,588

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

26 DERIVATIVE FINANCIAL LIABILITIES

	2017 AED'000	2016 AED'000
Fair value hedge		
Interest rate swaps	**139,346**	220,792
Cash flow hedge		
Commodity swaps	**15,322**	-
Financial liabilities designated at fair value		
Interest rate swaps	**615,381**	753,627
Commodity options	**83,579**	-
Currency forwards	**21,510**	297,748
	720,470	1,051,375
Financial liabilities held-for-trading		
Exchange traded securities	**50,547**	157,456
Currency swaps	**45,203**	-
Commodity options	**10,724**	-
Currency forwards	**9,364**	-
Equity swaps	**-**	8,620
Equity options	**-**	12
	115,838	166,088
Financial liabilities at fair value	**990,976**	1,438,255
Disclosed as:		
Current	**249,302**	534,810
Non-current	**741,674**	903,445
	990,976	1,438,255

26 DERIVATIVE FINANCIAL LIABILITIES 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-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.

27 INTEREST BEARING BORROWINGS

	2017 ***AED'000***	*2016* *AED'000*
Borrowings	**49,238,070**	34,089,850
Obligations under finance lease	**1,278,022**	1,252,366
	50,516,092	35,342,216

(a) Borrowings

	2017 ***AED'000***	*2016* *AED'000*
Unsecured bank loans	**7,011,871**	2,576,700
Secured bank loans	**690,509**	1,055,821
Unsecured loans	**385,351**	407,891
Unsecured corporate bonds	**352,493**	-
Secured loans	**195,271**	-
Secured bonds	**26,492**	22,758
Current	**8,661,987**	4,063,170
Unsecured bank loans	**16,702,584**	8,154,412
Unsecured corporate bonds	**15,087,189**	9,886,429
Secured bank loans	**6,605,579**	9,795,495
Unsecured loans	**1,586,021**	1,926,449
Secured loans	**493,039**	136,337
Secured bonds	**101,671**	127,558
Non-current	**40,576,083**	30,026,680

27 INTEREST BEARING BORROWINGS continued

(a) Borrowings continued

Borrowings at the reporting date, analysed by each significant sub-group of companies, are as follows:

	2017 AED'000	*2016 AED'000*
Corporate	**19,805,475**	12,859,761
CEPSA	**9,975,415**	-
Global Foundries Inc.	**7,665,418**	5,327,013
Al Maqsed Development Company PJSC	**2,522,281**	2,569,365
Al Yah Satellite Communications Company PJSC	**2,412,347**	2,608,314
Other subsidiaries	**6,857,134**	10,725,397
	49,238,070	34,089,850

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

	2017 AED'000	*2016 AED'000*
At 1 January	**34,089,850**	40,463,578
Additions	**16,099,582**	8,214,366
Repayments	**(8,073,061)**	(13,445,324)
Transfer from an entity under common control *(see note 6(i))*	**9,975,413**	-
Divestment of subsidiaries	**(3,282,858)**	(700,877)
Foreign exchange fluctuations and other movements	**429,144**	(441,893)
At 31 December	**49,238,070**	34,089,850

The summary terms of outstanding loans are as follows:

Particulars	*Currency*	*Nominal interest rate*	*Year of maturity*	***Carrying value 2017 AED'000***	*Carrying value 2016 AED'000*
Secured bank loans	AED	EIBOR + margin	2018-2035	**2,354,783**	5,549,155
Secured bank loans	USD	LIBOR + margin	2018-2035	**4,069,230**	4,396,157
Secured bank loans	BRL	BRAZILIAN LIBOR + margin	2018-2021	**24,381**	-
Secured bank loans	GBP	LIBOR + margin	2018-2025	**847,694**	856,040
Secured bank loans	OMR	Fixed	-	**-**	49,964
Unsecured bank loans	EUR	EURIBOR + margin / fixed	2018-2025	**4,528,705**	2,067,326
Unsecured bank loans	USD	LIBOR + margin / fixed	2018-2026	**17,505,275**	8,528,111
Unsecured bank loans	GBP	Fixed	-	**-**	135,675
Unsecured bank loans	CNY	PBOC + margin	2018-2024	**1,622,777**	-
Unsecured bank loans	BRL	BRAZILIAN + margin / fixed	2018-2025	**57,698**	-
Secured bonds	USD	LIBOR + margin	2018-2021	**128,163**	150,316
Unsecured bonds	EUR	Fixed	2018	**352,494**	308,594
Unsecured bonds	JPY	Fixed	2031	**486,432**	468,421
Unsecured bonds	USD	Fixed	2019-2029	**14,600,756**	9,109,414
Secured loans	USD	LIBOR + margin / fixed	2018-2027	**688,310**	163,569
Unsecured loans	USD	LIBOR + margin / fixed	2018-2021	**1,860,189**	2,151,564
Unsecured loans	AED	Fixed	2018-2021	**111,183**	155,544
				49,238,070	34,089,850

27 INTEREST BEARING BORROWINGS continued

(a) Borrowings continued

The secured bank loans are secured over property, plant and equipment, letters of credit and equity securities with carrying amount of AED 3,713,131 thousand, AED 282,860 thousand and AED 1,055,879 thousand respectively (*2016: AED 3,760,909 thousand, AED 203,336 thousand, and AED 1,055,879 thousand respectively)*. In addition to this, certain loans are secured through pledges on project proceeds (receivables), a net investment in joint operations, shares and bank balances.

(b) Obligations under finance lease

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

	2017		*2016*	
	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	**164,776**	**41,913**	247,466	130,633
After one year but not more than five years	**1,047,359**	**695,268**	861,271	510,114
After five years	**661,810**	**540,841**	778,664	611,619
Total	**1,873,945**	**1,278,022**	1,887,401	1,252,366
Less: future finance charges	**(595,923)**	**-**	(635,035)	-
Present value of minimum lease payments	**1,278,022**	**1,278,022**	1,252,366	1,252,366

	2017 AED'000	*2016 AED'000*
Disclosed as:		
Current	**41,912**	130,633
Non-current	**1,236,110**	1,121,733
	1,278,022	1,252,366

For property, plant and equipment held under finance lease, refer to note 12.

The movement in finance lease obligations is set out below:

	2017 AED'000	*2016 AED'000*
At 1 January	**1,252,366**	1,206,804
Transfer from an entity under common control *(see note 6(i))*	**8,785**	-
Additions	**63,647**	220,764
Interest expense on leases	**(20,809)**	(19,025)
Rental paid	**(107,758)**	(110,740)
Foreign exchange difference	**87,856**	(35,300)
Other movements	**(6,065)**	(10,137)
At 31 December	**1,278,022**	1,252,366

28 PROVISIONS

The movement in provisions during the year is set out below:

	2017		
	Decommissioning liabilities AED' 000	***Other provisions AED' 000***	***Total AED' 000***
At 1 January	**1,970,658**	**396,247**	**2,366,905**
Transfer from an entity under common control *(see note 6(i))*	**635,642**	**1,864,989**	**2,500,631**
Additions	**90,948**	**189,408**	**280,356**
Reversals	**-**	**(977)**	**(977)**
Provisions utilised	**(14,466)**	**(63,270)**	**(77,736)**
Unwinding of discount	**33,292**	**-**	**33,292**
Foreign exchange and other movements	**22,058**	**(387,395)**	**(365,337)**
At 31 December	**2,738,132**	**1,999,002**	**4,737,134**

	2017 AED'000	*2016 AED'000*
Disclosed as:		
Current	**300,751**	240,488
Non-current	**4,436,383**	2,126,415
	4,737,134	2,366,903

29 SHARE CAPITAL

	2017 AED'000	*2016 AED'000*
Authorised, issued and fully paid up:		
56,135,590,000 equity shares of AED 1 each *(2016: 28,600,000 equity shares of AED 1,000 each)*	**56,135,590**	28,600,000

During the year, additional 27,535,590,000 shares were issued and fully paid up *(see note 31(f))*.

30 OTHER RESERVES

	Fair value reserve AED '000	*Foreign currency translation reserve AED '000*	*Pension reserve AED '000*	*Hedging and other reserve AED '000*	*Total AED '000*
At 1 January 2016	3,841,698	143,483	(866,748)	(702,217)	2,416,216
Increase in fair value of available-for-sale financial assets (net)	322,435	-	-	-	322,435
Exchange difference on translation of foreign operations	-	32,118	-	-	32,118
Effective portion of changes in fair values of cash flow hedges and other reserves (net of tax)	-	-	-	96,688	96,688
Share of other comprehensive loss of associates and joint ventures	-	(6,837)	-	(94,218)	(101,055)
Other comprehensive income / (loss) from discontinued operations	-	(394,402)	866,748	(42,341)	430,005
At 31 December 2016	4,164,133	(225,638)	-	(742,088)	3,196,407

	Fair value reserve AED '000	***Foreign currency translation reserve AED '000***	***Pension reserve AED '000***	***Hedging and other reserve AED '000***	***Total AED '000***
At 1 January 2017	**4,164,133**	**(225,638)**	**-**	**(742,088)**	**3,196,407**
Increase in fair value of available-for-sale financial assets *(net)*	**666,190**	**-**	**-**	**-**	**666,190**
Exchange difference on translation of foreign operations	**-**	**134,501**	**-**	**-**	**134,501**
Effective portion of changes in fair values of cash flow hedges and other reserves *(net of tax)*	**-**	**-**	**-**	**255,371**	**255,371**
Share of other comprehensive loss of associates and joint ventures	**-**	**-**	**-**	**(109,964)**	**(109,964)**
Other comprehensive income / (loss) from discontinued operations	**-**	**404,681**	**-**	**(29,365)**	**375,316**
At 31 December 2017	**4,830,323**	**313,544**	**-**	**(626,046)**	**4,517,821**

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.

Hedging and other 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.

31 SIGNIFICANT TRANSACTIONS AND BALANCES WITH RELATED PARTIES

(a) Identity of related parties

The Group has a related party relationship with its Shareholder, Ultimate parent, 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:

	2017 AED'000	*2016 AED'000*
Key management personnel		
Short term benefits	**167,020**	175,970
Post-employment benefits	**27,885**	28,594
	194,905	204,564

(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 (other than those disclosed in note 6 and 16) were as follows:

	2017 AED'000	*2016 AED'000*
Revenue		
Entities under common control	**2,263,338**	2,114,822
Joint ventures	**558,660**	579,179
Ultimate parent	**209,777**	203,725
Associates	**92,976**	1,327,225
Others	**81,723**	-
	3,206,474	4,224,951
Interest income		
Entities under common control	**390,618**	410,654
Joint ventures	**209,304**	124,605
Ultimate parent	**24,610**	29,994
Associates	**659**	-
	625,191	565,253
Income from provision of manpower, project management and consultancy services		
Joint ventures	**207,983**	153,486
Entities under common control	**6,795**	846
	214,778	154,332

31 SIGNIFICANT TRANSACTIONS AND BALANCES WITH RELATED PARTIES continued

(c) Other related party transactions continued

	2017 AED'000	*2016 AED'000*
Purchase of goods and services		
Joint ventures	**687,957**	710,811
Entities under common control	**191,138**	724,156
Associates	**46,742**	141,664
	925,837	1,576,631
Interest bearing borrowings repaid		
Entities under common control	**493,396**	462,820
Joint ventures	**339,333**	334,989
	832,729	797,809
Interest bearing borrowings drawn from entities under common control	**520,054**	289,093
Loans given		
Joint ventures	**856,987**	2,981,307
Associates	**9,184**	48,097
Entities under common control	**1,002**	161,273
	867,173	3,190,677
Loans recovered		
Joint ventures	**1,507,427**	3,974,007
Associates	**-**	75,685
	1,507,427	4,049,692
Interest expense		
Entities under common control	**268,521**	297,213
Joint ventures	**126,350**	146,558
Associates	**-**	1,260
	394,871	445,031
Ultimate parent reimbursements for recoverable projects	**1,466,667**	-
Transfer of CEPSA from an entity under common control *(see note 6(i))*	**25,384,981**	-
Transfer of other assets to entities under common control (net) *(see note 6(ii))*	**(7,851,956)**	-
Cash calls paid to joint ventures for joint operations	**751,080**	1,208,770

31 SIGNIFICANT TRANSACTIONS AND BALANCES WITH RELATED PARTIES continued

(c) Other related party transactions continued

	2017 AED'000	*2016 AED'000*
Other miscellaneous transactions		
Joint ventures	**82,880**	8,555
Entities under common control	**19,394**	10,700
Associates	**1,264**	12,934
	103,538	32,189

(d) Related party balances

	2017 AED'000	*2016 AED'000*
Amounts due to related parties *(see note 25)*		
Joint ventures	**539,257**	562,672
Entities under common control	**472,149**	195,479
Associates	**59,079**	45,020
Ultimate parent	**53,676**	42,984
Others	**42**	-
	1,124,203	846,155
Advances from related parties *(see note 25)*		
Ultimate parent	**1,624,178**	1,764,355
Entities under common control	**1,075,894**	1,068,988
	2,700,072	2,833,343
Amounts due from related parties (net)		
Ultimate parent	**7,914,861**	6,689,158
Entities under common control	**5,841,504**	808,494
Shareholder	**804,507**	-
Joint ventures	**756,948**	452,595
Associates	**133,266**	49,782
Others	**11,874**	-
	15,462,960	8,000,029
Loans and deposits from related parties *(see note 25)*		
Ultimate parent	**711,803**	701,149
Joint ventures	**83,777**	-
Associates	**24,200**	-
	819,780	701,149
Bank balances with entities under common control *(see note 23)*	**14,895,951**	3,992,204

31 SIGNIFICANT TRANSACTIONS AND BALANCES WITH RELATED PARTIES continued

(d) ***Related party balances*** continued

	2017	*2016*
	AED'000	*AED'000*
Loans to related parties (net) *(see note 18)*		
Joint ventures	**6,605,094**	6,541,974
Entities under common control	**122,094**	161,273
Associates	**64,908**	3,260
	6,792,096	6,706,507
Preferred securities of a joint venture	**2,026,827**	2,026,827
Service concession receivables *(see note 21)*		
Entities under common control	**4,950,367**	5,330,068
Ultimate parent	**325,736**	402,240
	5,276,103	5,732,308
Interest bearing borrowings		
Entities under common control	**4,783,250**	5,548,174
Joint ventures	**1,918,717**	2,240,887
Associates	**17,656**	21,220
	6,719,623	7,810,281
Finance lease receivables		
Entities under common control	**1,295,295**	2,455,717
Joint ventures	**947,701**	868,338
	2,242,996	3,324,055

(e) ***Application for share capital***

Application for share capital balance relates to equity contributions made by the Shareholder to the Company. The movement during the year is as follows:

	2017	*2016*
	AED'000	*AED'000*
At 1 January	**26,522,670**	18,367,500
Additions	**1,012,920**	8,155,170
Issuance of share capital *(see note 29)*	**(27,535,590)**	-
At 31 December	**-**	26,522,670

31 SIGNIFICANT TRANSACTIONS AND BALANCES WITH RELATED PARTIES continued

(f) Additional shareholder contributions

Additional shareholder contributions as at 31 December 2017 represented interest free loans from the Government of Abu Dhabi. 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.

On 19 January 2017, these loans were transferred by the Government of the Emirate of Abu Dhabi to the Shareholder as part of the merger *(see note 1).*

32 COMMITMENTS AND CONTINGENT LIABILITIES

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

	2017 AED'000	*2016 AED'000*
Capital commitments		
Commitments for capital expenditure	**20,133,513**	8,766,029
Commitments for equity investments	**3,976,852**	10,944,463
Unfunded loan commitments	**77,630**	385,459
Exploration commitments	**81,115**	110,506
Contingent liabilities [1]	**10,919,268**	1,521,058
	35,188,378	21,727,515

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

	2017 AED'000	*2016 AED'000*
Within one year	**1,213,140**	490,883
After one year but not more than five years	**3,805,427**	1,591,251
After five years	**2,179,501**	981,617
	7,198,068	3,063,751

32 COMMITMENTS AND CONTINGENT LIABILITIES continued

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:

	2017 *AED'000*	*2016* *AED'000*
Capital commitments		
Commitments for capital expenditure	**6,866,855**	6,329,755
Commitment to provide loans	**931,206**	1,297,355
Operating lease commitments	**174,359**	146,563
Contingent liabilities [1]	**3,540,875**	4,892,698
	11,513,295	12,666,371

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

A subsidiary of the Group has production bonus commitments that range from AED 36,000 thousand *(2016: AED 37,837 thousand)* to AED 221,512 thousand *(2016: AED 223,349 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

	2017 *AED'000*	*2016* *AED'000*
Income tax recognised in profit or loss:		
Current tax expense		
On taxable profit of the year	**(113,832)**	(195,115)
Adjustment in respect of prior years' current tax	**11,089**	14,005
	(102,743)	(181,110)
Deferred tax benefit / (expense)		
Origination and reversal of temporary differences	**35,906**	18,941
Reduction in tax rate	**13,779**	-
Impact of tax losses and tax credits carry forwards	**(151,005)**	593,097
Deferred tax adjustment on depreciation, depletion and amortisation	**23,419**	(171,394)
Deferred tax effect on impairment	**-**	48,000
Foreign exchange difference	**445,927**	21,728
Net deferred tax benefit	**368,026**	510,372
Income tax benefit recognised in profit or loss[1]	**265,283**	329,262

[1] In 2016, income tax benefit includes tax expense from discontinued operations of AED 3,000 thousand.

33 INCOME TAX continued

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, GlobalFoundires Inc. and Mubadala Petroleum (SE Asia) Limited.

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

	2017 AED'000	*2016 AED'000*
Income from continuing operations *(before income tax)*	**1,767,038**	3,074,785
Effect of different tax rates of subsidiaries operating in other jurisdictions	**44,585**	(22,550)
Effect of income that is exempt from taxation	**111,361**	(243,969)
Effect of expenses that are not deductible in determining taxable profit	**(131,140)**	459,534
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	**(319,407)**	326,289
Effect of previously unrecognised and unused tax losses and deductible temporary differences now recognised as deferred tax assets	**12,312**	(881)
Effect on deferred tax balances due to the change in tax rate	**16,924**	-
Effect of tax credits	**136,821**	(101,115)
Others	**382,738**	(102,051)
	254,194	315,257
Adjustments recognised in the current year in relation to the current tax of prior years	**11,089**	14,005
Net income tax benefit recognised in profit or loss[1]	**265,283**	329,262

[1] In 2016, income tax benefit includes tax expense from discontinued operations of AED 3,000 thousand.

Current tax liabilities

	2017 AED'000	*2016 AED'000*
Income tax payable	**458,723**	310,849

Deferred tax assets and liabilities

	2017 AED'000	*2016 AED'000*
Deferred tax assets	**5,856,058**	2,327,315
Deferred tax liabilities	**(2,699,749)**	(551,990)
Net deferred tax assets	**3,156,309**	1,775,325

33 INCOME TAX continued

Deferred tax assets and liabilities continued

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

	2017 ***AED'000***	*2016* *AED'000*
At 1 January	**1,775,325**	1,029,550
Transfer from an entity under common control *(see note 6(i))*	**1,049,734**	-
Tax benefit recognised in profit or loss	**368,025**	509,852
Foreign currency adjustments	**(11,723)**	9,278
Other adjustments	**(25,052)**	226,645
At 31 December	**3,156,309**	1,775,325

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 2017 amounted to AED 35,376,299 thousand *(2016: AED 32,461,654 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 7,325,529 thousand *(2016: AED 8,199,041 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. 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 assets recognised as of 31 December 2017 in relation to CEPSA includes deferred tax assets relating to tax effect of the impairment of oil and gas assets pertaining to one of the Group's subsidiary located in Thailand, which is deductible only upon liquidation of investment, as per Spanish corporate income tax laws. The Group has recognised such deferred tax assets since management believes that those deferred tax assets are recoverable. In arriving at the conclusion on recoverability of deferred tax assets, management has determined the Group's intention to liquidate the investment.

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 2017, 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 *(2016: AED nil).*

33 INCOME TAX continued

Recognised deferred tax assets and liabilities are attributable to:

	2017			*2016*		
	Assets 2017 AED'000	***Liabilities 2017 AED'000***	***Net 2017 AED'000***	*Assets 2016 AED'000*	*Liabilities 2016 AED'000*	*Net 2016 AED'000*
Property, plant and equipment	**(2,957,365)**	**(1,248,567)**	**(4,205,932)**	(5,529,417)	(625,473)	(6,154,890)
Intangible assets	**2,691**	**(91,134)**	**(88,443)**	-	(110,157)	(110,157)
Fair value through profit or loss investments	**(13,564)**	**-**	**(13,564)**	-	(13,802)	(13,802)
Derivatives	**(27,390)**	**-**	**(27,390)**	-	-	-
Other assets	**4,363,921**	**(12,360)**	**4,351,561**	3,361,599	(15,574)	3,346,025
Other liabilities	**749,816**	**(274,483)**	**475,333**	815,741	(12,146)	803,595
Tax losses recognised	**1,214,158**	**153,571**	**1,367,729**	3,397,160	232,061	3,629,221
Others	**2,532,791**	**(1,226,776)**	**1,297,015**	282,232	(6,899)	275,333
Tax assets / (liabilities)	**5,856,058**	**(2,699,749)**	**3,156,309**	2,327,315	(551,990)	1,775,325

Income tax recognised in other comprehensive income:

	2017			*2016*		
	Before tax AED'000	***Tax (expense) / benefit AED'000***	***Net of tax AED'000***	*Before tax AED'000*	*Tax (expense) / benefit AED'000*	*Net of tax AED'000*
Net change in fair value of available-for-sale financial assets	**666,190**	**-**	**666,190**	(42,900)	-	(42,900)
Cumulative loss on available-for-sale financial assets reclassified from equity to profit or loss	**-**	**-**	**-**	365,335	-	365,335
Effective portion of changes in fair value of cash flow hedges and other reserves	**287,268**	**(31,897)**	**255,371**	88,992	7,696	96,688
Net change in translation reserve	**134,501**	**-**	**134,501**	32,118	-	32,118
Share of other comprehensive loss of associates and joint ventures	**(109,964)**	**-**	**(109,964)**	(101,055)	-	(101,055)
Other comprehensive income from discontinued operations	**389,197**	**-**	**389,197**	584,478	(220,634)	363,844
	1,367,192	**(31,897)**	**1,335,295**	926,968	(212,938)	714,030

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 2017 AED '000***	*Carrying amount as at 31 Dec 2016 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**	49,947	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
Arzanah land	2006	13,302,119	**1,694,109**	1,944,109	Inventory
Al Maryah Island - Plots for sale [2]	2006	4,115,157	**446,540**	446,540	Inventory
Al Maryah Island – ADGM Square Development [2]	2006	506,413	-	-	IP
New Fish Market	2006	484,448	**11,438**	12,761	IP
Old Fish Market Land - New York Institute of Technology	2006	163,877	-	-	IP
Masdar City Land [6,9]	2008	24,696,878	**355,502**	355,502	Inventory
Masdar City Land [6,7]	2008	2,402,774	-	-	PPE
Masdar City Land [6,8]	2008	1,281,535	**310,497**	310,497	IP
		87,157,547			
Future economic benefits uncertain / no future economic benefits [3]					
Masdar City Land [5]	2008	27,834,046	-	-	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
		249,804,836			

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 11,234,542 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 506,413 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 (“Masdar”), 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.

34 GOVERNMENT GRANTS continued

(a) Non-monetary government grants continued

(i) *Land* continued

Lease agreements have been signed for a total land area of 11,410,005 square feet *(2016: 11,342,116 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 330,676 thousand *(2016: AED 346,752 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 Masdar 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 Masdar's responsibility to complete the infrastructure development. The remaining plots with an area of 24,696,878 square feet *(2016: 30,304,310 square feet)* that are not being used by Masdar or Mubadala to carry out their operations or being used for commercial use, are carried as inventory at an amount of AED 355,502 thousand *(2016: AED 355,502 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 Masdar 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.

[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 the Emirate 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.

34 GOVERNMENT GRANTS continued

(b) Monetary government grants continued

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.

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 21)*.

35 FINANCIAL RISK MANAGEMENT

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.

35 FINANCIAL RISK MANAGEMENT continued

Financial risk management framework continued

(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 42% *(2016: 39 %)* of the receivables and 72% *(2016: 70%)* of loans receivables are from related parties which are primarily parties under common control of the Company's Shareholder, joint ventures 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).*

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:

	2017 AED'000	*2016 AED'000*
Financial investments at fair value through profit or loss		
Debt securities	**2,151,703**	2,613,322
Convertible bonds	**1,681,618**	1,643,763
Derivative assets	**1,516,198**	1,943,606
Receivables		
Due from related parties	**15,429,444**	7,862,304
Restricted and long term deposits	**12,430,266**	10,418,361
Trade and other receivables	**24,020,690**	14,929,777
Loans receivable	**9,397,707**	9,606,883
Finance lease receivables	**2,495,100**	5,298,040
Cash at bank	**16,135,062**	11,967,746
	85,257,788	66,283,802

35 FINANCIAL RISK MANAGEMENT continued

Financial risk management framework continued

(a) Credit risk continued

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

	2017		*2016*	
	Gross AED'000	***Impairment AED'000***	*Gross AED'000*	*Impairment AED'000*
Neither past due nor impaired	**9,210,978**	**-**	9,486,473	-
Not past due but impaired	**308,689**	**(186,595)**	3,288,600	(3,288,600)
Past due 0 – 120 days	**46,631**	**(1,461)**	104,934	(1,990)
Past due 121 – 180 days	**13,007**	**(760)**	2,052	(287)
Past due above 180 days	**22,405**	**(15,188)**	30,499	(14,798)
	9,601,710	**(204,004)**	12,912,558	(3,305,675)

Approximately 70% *(2016: 71%)* of loans neither past due nor impaired are loans receivable from related parties.

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

	2017		*2016*	
	Gross AED'000	***Impairment AED'000***	*Gross AED'000*	*Impairment AED'000*
Neither past due nor impaired	**67,086,937**	-	48,629,193	-
Not past due but impaired	**5,954,795**	**(357,600)**	6,182,300	(423,294)
Past due 0 – 120 days	**2,223,342**	**(79,212)**	668,338	(31,700)
Past due 121 – 180 days	**247,498**	**(56,750)**	126,945	(52,429)
Past due above 180 days	**2,580,839**	**(1,739,767)**	2,391,136	(813,570)
	78,093,411	**(2,233,329)**	57,997,912	(1,320,993)

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

35 FINANCIAL RISK MANAGEMENT continued

Financial risk management framework continued

(a) Credit risk continued

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

	2017		*2016*	
	Impairment on loans receivables AED'000	***Impairment on receivables AED'000***	*Impairment on loans receivables AED'000*	*Impairment on receivables AED'000*
At 1 January	**3,305,675**[1]	**1,320,993**	3,480,621	883,138
Transfer from entity under common control	**115,815**	**618,776**	-	-
Provision during the year *(net)*	**61,907**	**461,759**	2,870,970	443,450
Effect of exchange rate difference	**244,111**	**-**	(142,907)	78,677
Written off during the year	**(3,522,732)**[1]	**(168,200)**	(2,903,009)	(84,272)
At 31 December	**204,776**	**2,233,328**	3,305,675	1,320,993

[1]Primarily represents write off relating of provision included in opening balance relating to a loan to a joint venture.

(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.

35 FINANCIAL RISK MANAGEMENT continued

(b) *Liquidity risk* continued

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

		2017					2016				
	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*
Trade payables		**12,905,069**	**(12,905,069)**	**(12,905,069)**	**-**	**-**	5,083,649	(5,083,649)	(5,083,649)	-	-
Interest bearing borrowings	*27*	**50,516,092**	**(56,479,978)**	**(9,980,682)**	**(31,422,988)**	**(15,076,308)**	35,342,216	(43,579,799)	(5,446,744)	(25,329,093)	(12,803,962)
Other liabilities		**10,478,654**	**(10,741,595)**	**(7,863,917)**	**(1,560,413)**	**(1,317,265)**	4,492,769	(4,761,463)	-	(4,042,010)	(719,453)
Derivative financial liabilities	26	**990,975**	**(996,835)**	**(341,139)**	**(435,015)**	**(220,681)**	1,438,254	(1,810,158)	(672,444)	(860,663)	(277,051)
Total financial liabilities		**74,890,790**	**(81,123,477)**	**(31,090,807)**	**(33,418,416)**	**(16,614,254)**	46,356,888	(55,235,069)	(11,202,837)	(30,231,766)	(13,800,466)

The total undrawn borrowing facilities as at the reporting date amount to AED 20,003,962 thousand *(2016: AED 10,018,629 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.

The maturity profile of the financial assets is as follows:

		2017					*2016*				
	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		**52,331,391**	**62,786,021**	**46,141,539**	**6,371,499**	**10,272,983**	33,214,300	42,980,217	24,020,137	8,046,506	10,913,574
Loans receivable	*18*	**9,397,707**	**11,059,519**	**959,890**	**3,872,230**	**6,227,399**	9,606,883	9,652,971	899,013	2,851,013	5,902,945
Finance lease receivables	*22*	**2,495,100**	**8,962,111**	**107,920**	**531,948**	**8,322,243**	5,298,040	14,149,278	352,128	1,522,908	12,274,242
Cash and cash equivalents	*23*	**16,302,979**	**16,302,979**	**16,302,979**	**-**	**-**	11,971,020	11,971,020	11,971,020	-	-
Financial assets at fair value through profit or loss	*17*	**35,253,025**	**35,253,025**	**13,201,131**	**13,715,335**	**8,336,559**	38,939,975	38,939,975	1,719,458	37,220,517	-
Available-for-sale financial assets	*17*	**6,844,114**	**6,844,114**	**127,977**	**6,691,984**	**24,153**	6,035,047	6,035,047	-	6,035,047	-
Investment held-to-maturity	*17*	**26,591**	**26,591**	**21,937**	**4,654**	**-**	-	-	-	-	-
Total financial assets		**122,650,907**	**141,234,360**	**76,863,373**	**31,187,650**	**33,183,337**	105,065,265	123,728,508	38,961,756	55,675,991	29,090,761

35 FINANCIAL RISK MANAGEMENT continued

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's 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
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency), interest bearing borrowings, financial assets at fair value through profit or loss and the Group's net investments in foreign subsidiaries.

The following table demonstrates the sensitivity of AED to a reasonably possible 10% increase against the following foreign currencies, with all other variables held constant, on the Group's profit and equity. The impact of translating the net assets of foreign operations into AED and USD is excluded from the sensitivity analysis.

31 December 2017	***Effect on Equity AED'000***	***Effect on profit before tax AED'000***
EUR	**(2,077)**	**681,975**
GBP	**-**	**(1,064,060)**
CHF	**-**	**(117,026)**
SGD	**-**	**52,542**

31 December 2016	*Effect on Equity AED'000*	*Effect on profit Before tax AED'000*
EUR	-	(71,650)
GBP	-	(848,143)
CHF	-	(24,376)
SGD	-	29,669

The effect of a decrease in AED against the above foreign currencies is expected to be equal but opposite impact.

The movement in equity will offset the translation of the foreign operations to the Group's functional currency.

35 FINANCIAL RISK MANAGEMENT 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:

	2017 AED'000	*2016 AED'000*
Fixed rate instruments		
Financial assets	**31,288,334**	31,008,550
Financial liabilities	**(35,707,440)**	(21,544,724)
	(4,419,106)	9,463,826
Variable rate instruments		
Financial assets	**9,214,907**	6,914,445
Financial liabilities	**(17,204,433)**	(19,660,400)
	(7,989,526)	(12,745,955)

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 2016.

	Profit / (loss)	
	100bp Increase AED'000	***100bp Decrease*** *AED'000*
31 December 2017		
Variable rate instruments	**(79,895)**	**79,895**
31 December 2016		
Variable rate instruments	4,499	(4,499)

35 FINANCIAL RISK MANAGEMENT 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% 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 2017		
Effect of change in equity portfolio of the Group	**(1,105,653)**	**(331,198)**
31 December 2016		
Effect of change in equity portfolio of the Group	(1,321,689)	(232,574)

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

	Effect on profit or loss AED'000	*Effect on equity AED'000*
31 December 2017		
Effect of change in equity portfolio of the Group	**1,105,653**	**331,198**
31 December 2016		
Effect of change in equity portfolio of the Group	1,255,815	298,449

(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 RISK MANAGEMENT continued

(d) Fair value continued

As at 31 December 2017

	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	**19,976,688**	**19,976,688**	**16,967,263**	**-**	**3,009,425**
Unquoted investments	**12,610,673**	**12,610,673**	**-**	**1,546,628**	**11,064,045**
Financial assets held-for-trading					
Quoted investments	**2,645,233**	**2,645,233**	**2,623,954**	**21,279**	**-**
Unquoted investments	**20,431**	**20,431**	**-**	**20,431**	**-**
Available-for-sale financial assets					
Quoted investments	**6,623,953**	**6,623,953**	**6,623,953**	**-**	**-**
Unquoted investments[1]	**220,161**				
Held-to-maturity investments					
Unquoted investments[1]	**26,591**				
	42,123,730				
Financial assets not measured at fair value					
Receivables	**51,917,602**	**51,917,602**			
Loans receivable	**9,397,707**	**9,397,707**			
Finance lease receivables	**2,495,100**	**2,495,100**			
Cash and cash equivalents	**16,302,979**	**16,302,979**			
	80,113,388	**80,113,388**			
Financial liabilities measured at fair value					
Fair value hedge					
Interest rate swaps	**139,346**	**139,346**	**-**	**139,346**	**-**
Cash flow hedge					
Commodity swaps	**15,321**	**15,321**	**-**	**15,321**	**-**
Financial liabilities designated at fair value					
Interest rate swaps	**615,381**	**615,381**	**-**	**615,381**	**-**
Commodity options	**83,579**	**83,579**	**-**	**83,579**	**-**
Currency forwards	**21,510**	**21,510**	**-**	**21,510**	**-**
Financial liabilities held-for-trading					
Commodity options	**10,724**	**10,724**	**-**	**10,724**	**-**
Currency forwards	**9,364**	**9,364**	**-**	**9,364**	**-**
Currency swaps	**45,203**	**45,203**	**-**	**45,203**	**-**
Exchange traded securities	**50,547**	**50,547**	**50,547**	**-**	**-**
	990,975	**990,975**			
Financial liabilities not measured at fair value					
Trade payables	**12,905,069**	**12,905,069**			
Obligation under finance lease	**1,278,022**	**1,278,022**			
Other liabilities	**8,643,279**	**8,643,279**			
Interest bearing borrowings	**49,238,070**	**49,591,309**	**15,048,033**	**-**	**34,543,276**
	72,064,440	**72,417,679**			

35 FINANCIAL RISK MANAGEMENT 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	25,035,685	25,035,685	22,539,120	-	2,496,565
Unquoted investments	12,414,117	12,414,117	-	1,940,952	10,473,165
Financial assets held-for-trading					
Quoted investments	1,490,173	1,490,173	1,487,519	2,654	-
Available-for-sale financial assets					
Quoted investments	5,976,222	5,976,222	5,976,222	-	-
Unquoted investments[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	60,090,243			
Financial liabilities measured at fair value					
Fair value hedge					
Interest rate swaps	220,792	220,792	-	220,792	-
Financial liabilities designated at fair value					
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	1,438,255			
Financial liabilities not measured at fair value					
Trade payables	3,854,113	3,854,113			
Obligation under finance lease	1,252,366	1,252,366			
Other liabilities	5,722,305	5,722,305			
Interest bearing borrowings	34,089,850	34,579,381	9,598,945	-	24,980,436
	44,918,634	45,408,165			

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

35 FINANCIAL RISK MANAGEMENT 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%, exit cap rates of 4.6% and rent growth rates of 2%, 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% and risk premium of 1.75%
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, strike price, custom volatility of 56%, risk free rate 2.1% and a dilution factor of 93%
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 RISK MANAGEMENT continued

(d) Fair value continued

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

	2017 AED'000	*2016 AED'000*
At 1 January	**12,969,730**	10,529,680
Additions during the year	**22,170,836**	2,713,640
Increase / (decrease) in fair value recognised in profit or loss *(net)* [1]	**1,492,517**	880,070
Disposals during the year	**(22,559,613)**	(1,153,660)
At 31 December	**14,073,470**	12,969,730

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

(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.

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, shareholder current account, Government grants, and non-controlling interest.

	2017 AED'000	*2016 AED'000*
Interest bearing borrowings *(see note 27(a))*	**49,238,070**	34,089,850
Obligation under finance lease *(see note 27(b))*	**1,278,022**	1,252,366
Less: cash and cash equivalents *(see note 23)*	**(16,302,979)**	(11,971,020)
Net debt	**34,213,113**	23,371,196
Total capital	**205,460,370**	184,994,925
Total capital and net debt	**239,673,483**	208,366,121
Gearing ratio	**14%**	11%

36 OTHER RISK MANAGEMENT OBJECTIVES AND POLICIES

Risks relating to changes in the legislation applicable to activities and/or the industry
The activities carried on by the Group are subject to various legislations. The changes that might arise could affect the structure under which activities are performed and the results generated by operations.

Industrial risks, prevention and safety
The Group ensures that the safety control system applied is in accordance with international specifications. Also in place are action procedures that reflect the standards developed in accordance with best practices, which ensure the maximum possible level of safety, paying special attention to the elimination of risk at source. The objective of this system is ongoing improvement in risk reduction, focused on various activities, such as work planning, the analysis and monitoring of corrective actions derived from incidents and accidents, internal audits, periodic inspections of the facilities and supervision of maintenance work and operations.

Environmental risks
Certain activities of companies within the Group, may give rise to an impact on the environment through emissions into the air, water, soil and ground water and also through the handling and treatment of waste. In this connection, the Group ensures that all its industrial plants are awarded their integrated environmental permits, which involve rigorous control over their processes with the aim of minimizing impact on the environment. Further, the Group's objective is to minimize the impact of its activities on the environment where it operates its industrial plants, which is reflected in internal environmental protection policies of the group companies and is regulated by the relevant authorities.

37 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

(a) Significant accounting judgements

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

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 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 and de-facto control on listed securities. 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.

37 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS continued

(a) Significant accounting judgements continued

Classification of investments continued
For assessing joint control, the Group has considered the contractual 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% 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.

Acquisition date of business combination
As detailed in note 6(i), the Shareholder of the Company instructed IPIC to transfer its 100% ownership interest in CEPSA to the Company on 31 December 2017. The group has determined that it has gained control over CEPSA as of 31 December 2017 considering that it has the right to direct the relevant activities as of that date. Management has determined that the remaining formalities for the legal completion of the transfer is not substantive in nature.

(b) Significant estimates and assumptions

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

Quantities of proved oil and gas reserves
Depreciation on certain property, plant and equipment is estimated based on oil and gas reserves. The level of estimated commercial reserves is a key determinant in assessing whether the carrying value of any of the Group’s development and production assets has been impaired. 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.

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(u))*. 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. 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.

37 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS continued

(b) Significant estimates and assumptions continued

Impairment losses and determination of fair values continued
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated 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. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Uncertain tax positions
Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. As of 31 December 2017, the Group has recognised a balance of AED 5,856,058 thousand *(2016: 2,327,315 thousand)* as deferred tax asset. The uncertain tax positions, for example tax disputes, are accounted for by applying the most likely amount. The most likely amount is the single most likely amount in a range of realistically possible options. The Group evaluates the unit of account related to the uncertain tax positions on a case-by-case basis.

Provision for decommissioning
The Group recognised a provision for decommissioning obligations associated with its manufacturing facilities. In determining the amount of the provision, assumptions and estimates are made in relation to discount rates, the expected cost to dismantle and remove the facility, restore the site, and the expected timing of those obligations.

Legal claims and contingencies
When assessing the possible outcomes of legal claims and contingencies, the Group rely on the opinions of the legal counsel. The opinions of the Group's legal counsel are based on the best of their professional judgment and take into consideration the current stage of the proceedings and legal experience accumulated with respect to the various matters. As the results of the claims may ultimately be determined by courts, or otherwise settled, they may be different from such estimates. Further details on legal claims and contingencies are disclosed in note 32.

37 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS continued

(b) Significant estimates and assumptions continued

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(m(iii))* for details of the estimated useful lives of property, plant and equipment.

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.

38 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 Council	25 years	September 2010	Abu Dhabi Education
Zayed University Council	25 years	August 2011	Abu Dhabi Education

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.

39 SIGNIFICANT NON-CASH TRANSACTIONS

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

Current year
On 31 December 2017, the Shareholder of the Company instructed IPIC to transfer CEPSA to the Company as part of a group restructuring activity. The total consideration of AED 25,384,981 thousand is recorded as *'Shareholder current account'* within equity.

On 31 December 2017, the Shareholder of the Company instructed Mubadala and other entities under common control to transfer certain other assets to / from entities under common control, as part of a Group restructuring activity. The total consideration of AED 7,851,956 thousand is recorded as *'Shareholder current account'* within equity.

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

40 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.

41 SUBSEQUENT EVENTS

On 18 February 2018, CEPSA signed agreement with Abu Dhabi National Oil Company (ADNOC) to acquire 20% stake in two of Abu Dhabi's offshore fields under development; Umm Lulu, which is part of the former ADMA offshore concession and Sateh Al Razboot (SARB). As per the agreement, CEPSA contributed a participation fee of AED 5.5 billion (USD 1.5 billion) to enter the concession, which has a term of 40 years.

On 11 March 2018, the Group has agreed to buy 10% stake in Egypt's Shorouk concession, (which is in the Mediterranean area containing the Zohr gas field) from Eni S.p.A for AED 3,431 million (USD 934 million). The completion of the transaction is subject to the fulfilment of certain conditions as defined in the agreement.