Mamoura Diversified Global Holding PJSC
(formerly “Mubadala Development Company PJSC”)

BOARD OF DIRECTORS’ REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018

Mamoura Diversified Global Holding PJSC
(formerly Mubadala Development Company PJSC)

Consolidated financial statements

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BOARD OF DIRECTORS' REPORT

For the year ended 31 December 2018

The Board of Directors is pleased to present the consolidated financial statements for the year ended 31 December 2018, covering the overall performance of Mamoura Diversified Global Holding PJSC (the "Company" or "MDGH"), formerly known as Mubadala Development Company PJSC, and its subsidiaries (together the "Group").

The renaming of the Company, effective 26th May 2019, further clarifies the Mubadala Investment Company PJSC group structure as part of ongoing organisational development and asset and debt optimisation (*see note 4*) following its formation in 2017. Assets held by the Company and its subsidiaries span a broad range of sectors and geographies.

Financial Highlights

During the year, several assets and liabilities moved from the International Petroleum Investment Company PJSC ("IPIC) to the Company *(see note 4)* as part of ongoing corporate structure optimisation following the formation of Mubadala Investment Company PJSC in 2017.

The financial position and performance of the Company as at and for the year ended 2018 is not comparable to 2017 largely due to the aforementioned organisational development and asset and debt optimisation.

Revenue was AED 132,692 million in 2018 compared to AED 34,629 million in 2017.

Profit for the year attributable to the owner of the Group was AED 3,263 million in 2018 compared to AED 858 million in 2017.

Total comprehensive income attributable to the owner of the Group was AED 2,321 million in 2018 compared to AED 2,179 million in 2017.

Total assets were AED 399,465 million in 2018, compared to AED 298,715 million in 2017. Total liabilities were AED 173,171 million in 2018, compared to AED 93,255 million in 2017.

For and on behalf of the Board of Directors,

Waleed Al Mokarrab Al Muhairi
Chairman

Carlos Obeid
Group Chief Financial officer

Date: 27 May 2019

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF

MAMOURA DIVERSIFIED GLOBAL HOLDING PJSC (FORMERLY MUBADALA DEVELOPMENT COMPANY PJSC)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Mamoura Diversified Global Holding PJSC (formerly "Mubadala Development Company PJSC") ("MDGH" or "the Company") and its subsidiaries (together the "Group"), comprising of the consolidated statement of financial position as at 31 December 2018 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 2018, 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.

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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 semiconductor manufacturing plants and related business in Malta and Dresden. These plants represent cash generating units (CGUs) with a carrying value of AED 40,071 million as of 31 December 2018. On 27 August 2018, the Group realigned its wafer fabrication business technology portfolio and accordingly, the 7nm technology program was put on indefinite hold. The decision to transform the business and continuing losses were considered as indicators of impairment and accordingly management has performed an impairment test with respect to these CGUs. Based on the outcome of this impairment test, management concluded that carrying amount of the CGU is recoverable and that recoverable amount, determined based on estimated fair value less costs to sell, exceed the carrying value at the reporting date. In addition, the Group has written off certain tools and equipment at these semiconductor facilities that could not be repurposed to other product lines to their recoverable amount. An impairment of AED 1,874 million was recorded on these tools and equipment based on their estimated fair value less costs to sell. 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 13,067 million as at 31 December 2018. 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 2018, 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 16 for further information on impairment assessment of the CGUs and notes 16, 17 and 41 of the consolidated financial statements for details on impairment assessment of oil and gas assets.	With respect to impairment assessment of the semiconductor facilities, we obtained an understanding and walked through the Group's process and related controls within the impairment assessment process to identify any impairment of property, plant and equipment and intangible assets and the provisions required against them, if any. We also examined support and evaluated the underlying data and assumptions used by management and its expert in determining the expected future revenue, costs, volume, capital expenditure, relevant discount rates and other inputs. We have also verified the fair value of certain tools and equipment by validating actual sale price, comparable sales price and inputs used by management's expert in determining the fair value. 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 and sensitivities of those assumptions as we consider them likely to be important to users of the consolidated financial statements given the estimation uncertainty of the recoverable amounts.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF

MAMOURA DIVERSIFIED GLOBAL HOLDING PJSC (FORMERLY MUBADALA DEVELOPMENT COMPANY PJSC) continued

Report on the Audit of the Consolidated Financial Statements continued

Key audit matter	*How our audit addressed the area of focus*
Transfer of assets, liabilities and businesses ("the Transfers") between entities under common control During the year, as part of Group's restructuring activities and based on the instructions of the Shareholder of the Company, certain assets, liabilities and businesses were transferred between the Company and other entities under common control. The Transfers between entities under common control were recognised at the carrying amounts, except for financial assets and liabilities measured at fair value, which were recognised at fair value in the books of transferee. The Group 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 Group has accounted for the Transfers under the "pooling of interest" method and predecessor accounting is applied. This was important to our audit due to the magnitude of the assets, liabilities and businesses transferred as part of the Transfers. Refer to note 4 for further information on transfers between entities under common control.	Our audit procedures included, among others, reviewing transfer agreements and legal documents to validate the date of transfer and control of assets, liabilities and businesses. We have also reviewed and evaluated accounting aspects in relation to transfer of businesses at carrying amount, considering these were carried out between entities under common control. With respect to financial assets and liabilities recognised at fair value in the books of transferee, we have reviewed the accounting considerations in accordance with IFRSs to evaluate the appropriateness of accounting for such transfers. We also assessed the disclosures relating to the transfers as we consider them likely to be important to users of the consolidated financial statements given the significance and nature of the transfers.

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 2018, 40% are classified as Level 3 in the fair value hierarchy as the valuations were based on unobservable inputs. Level 3 financial assets include investment in quoted and unquoted equity securities, investment funds, convertible bonds and debt securities. Due to the absence of observable inputs, the valuations 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 in the valuation process and hence 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 39 (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.

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MAMOURA DIVERSIFIED GLOBAL HOLDING PJSC (FORMERLY MUBADALA DEVELOPMENT COMPANY PJSC) continued

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 24 to the consolidated financial statements, the Group had deferred tax assets of AED 5,943 million at 31 December 2018 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.

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.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF

MAMOURA DIVERSIFIED GLOBAL HOLDING PJSC (FORMERLY MUBADALA DEVELOPMENT COMPANY PJSC) continued

Report on the Audit of the Consolidated Financial Statements continued

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.

- 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.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF

MAMOURA DIVERSIFIED GLOBAL HOLDING PJSC (FORMERLY MUBADALA DEVELOPMENT COMPANY PJSC) continued

Report on the Audit of the Consolidated Financial Statements continued

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

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.

Report on Other Legal and Regulatory Requirements

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 4, 5, 7, 20, 22 (b) and 39 (d) to the consolidated financial statements and include purchases and investments made by the Group during the year ended 31 December 2018;

vi) note 35 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 2018, 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 2018.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF

MAMOURA DIVERSIFIED GLOBAL HOLDING PJSC (FORMERLY MUBADALA DEVELOPMENT COMPANY PJSC) continued

Further, as required by the Decree of the Chairman of the Abu Dhabi Accountability Authority No. (1) of 2017 pertaining to Auditing the Financial Statements of Subject Entities, we report that based on the information provided to us, nothing has come to our attention that causes us to believe that the Company has not complied, in all material respects, with the law of establishment of the Company and relevant provisions of the applicable laws, resolutions and circulars organising the Company's operations, which would have a material impact on the consolidated financial statements of the Group as at 31 December 2018.

for ERNST & YOUNG

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

27 May 2019
Abu Dhabi

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	***2018 AED millions***	*2017 AED millions*
CONTINUING OPERATIONS			
Revenue	10	**132,692**	34,629
Cost of sales	11	**(120,319)**	(33,090)
Gross profit		**12,373**	1,539
Research, development and exploration expenses	12	**(3,772)**	(3,786)
General and administrative expenses	13	**(12,997)**	(5,801)
Investment income *(net)*	14	**5,898**	1,994
Share of results of equity accounted investees	20 (b)	**3,010**	4,134
Other income *(net)*	15	**2,337**	1,207
Reversals / (impairment losses) of financial assets at amortised cost *(net)*	39 (a)	**29**	(524)
Impairment of investments in equity accounted investees *(net)*		**(186)**	(20)
Profit / (loss) before net finance expense and taxes		**6,692**	(1,257)
Finance income		**1,442**	1,275
Finance costs		**(2,808)**	(1,972)
Net foreign exchange gains / (losses)		**5**	(238)
Net finance expenses		**(1,361)**	(935)
Profit / (loss) before income tax from continuing operations		**5,331**	(2,192)
Income tax (expense) / benefit *(net)*	24	**(1,589)**	265
Profit / (loss) for the year from continuing operations		**3,742**	(1,927)
DISCONTINUED OPERATIONS			
(Loss) / profit for the year from discontinued operations	6	**(544)**	2,910
Profit for the year		**3,198**	983
Profit for the year attributable to the:			
Owner of the Group		**3,263**	858
Non-controlling interests		**(65)**	125
		3,198	983

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME continued
For the year ended 31 December 2018

	Notes	***2018 AED millions***	*2017 AED millions*
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods			
Exchange difference on translation of foreign operations		**(920)**	135
Loss on hedge of net investments in foreign operations *(net)*	34	**(474)**	-
Share of other comprehensive income / (loss) of equity accounted investees		**349**	(110)
Effective portion of changes in fair value of cash flow hedges and other reserves *(net of tax)*		**60**	255
Increase in fair value of available-for-sale financial assets *(net)*		**-**	666
		(985)	946
Other comprehensive income from discontinued operations		**-**	389
Other comprehensive (loss) / income for the year, net of income tax		**(985)**	1,335
Total comprehensive income for the year		**2,213**	2,318
Total comprehensive income for the year attributable to the:			
Owner of the Group		**2,321**	2,179
Non-controlling interests		**(108)**	139
		2,213	2,318

The attached notes 1 to 44 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Notes	*2018 AED millions*	*2017 AED millions*
ASSETS			
Non-current assets			
Property, plant and equipment	16	**129,741**	93,477
Intangible assets	17	**18,534**	13,133
Investment properties	18	**7,942**	7,710
Investments in equity accounted investees	20(a)	**68,899**	37,129
Other receivables and prepayments	21	**13,322**	11,009
Other financial assets	22	**43,726**	36,483
Defined benefit plan assets	23	**239**	-
Deferred tax assets	24	**5,943**	5,856
Total non-current assets		**288,346**	204,797
Current assets			
Inventories	25	**19,571**	15,665
Trade receivables	26	**17,837**	12,940
Other receivables and prepayments	21	**43,104**	33,971
Other financial assets	22	**5,195**	15,039
Cash and cash equivalents	27	**24,623**	16,303
		110,330	93,918
Assets classified as held for sale		**789**	-
Total current assets		**111,119**	93,918
TOTAL ASSETS		**399,465**	298,715
EQUITY AND LIABILITIES			
Equity			
Share capital	33	**56,136**	56,136
Additional shareholder contributions	35(d)	**123,155**	123,155
Shareholder current account	4	**27,024**	17,533
Retained earnings		**7,571**	732
Other reserves	34	**411**	6,100
Government grants	38(b)(i)	**367**	367
Total equity attributable to the Owner of the Group		**214,664**	204,023
Non-controlling interests	8	**11,630**	1,437
Total equity		**226,294**	205,460

CONSOLIDATED STATEMENT OF FINANCIAL POSITION continued
As at 31 December 2018

	Notes	*2018 AED millions*	*2017 AED millions*
EQUITY AND LIABILITIES			
Non-current liabilities			
Interest bearing borrowings	29	**86,728**	41,812
Derivative financial liabilities	30	**1,791**	742
Provisions	31	**5,759**	4,436
Employees' benefit liabilities	23	**2,584**	330
Deferred tax liabilities	24	**6,392**	2,700
Other liabilities	32	**4,390**	4,944
Total non-current liabilities		**107,644**	54,964
Current liabilities			
Interest bearing borrowings	29	**21,421**	8,704
Trade payables		**17,154**	12,905
Income tax payable		**1,192**	459
Derivative financial liabilities	30	**672**	249
Provisions	31	**5,743**	302
Other liabilities	32	**19,345**	15,672
Total current liabilities		**65,527**	38,291
Total liabilities		**173,171**	93,255
TOTAL EQUITY AND LIABILITIES		**399,465**	298,715

Waleed Al Mokarrab Al Muhairi
Chairman

Carlos Obeid
Group Chief Financial Officer

The attached notes 1 to 44 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018

	Share capital AED millions (note 33)	*Application for share capital AED millions*	*Additional shareholder contributions AED millions (note 35(d))*	*Shareholder current account AED million (note 4)*	*Retained earnings AED millions*	*Other reserves AED millions (note 34)*	*Government grants AED millions (note 38(b)(i))*	*Total equity attributable to the Owner of the Group AED millions*	*Non-controlling interests AED millions*	*Total AED millions*
At 1 January 2017	28,600	26,523	123,155	-	(127)	4,779	367	183,297	1,698	184,995
Profit for the year	-	-	-	-	858	-	-	858	125	983
Other comprehensive income for the year	-	-	-	-	-	1,321	-	1,321	14	1,335
Total comprehensive income	-	-	-	-	858	1,321	-	2,179	139	2,318
Transfers from entities under common control *(net) (see note 4)*	-	-	-	17,533	-	-	-	17,533	713	18,246
Dividends paid	-	-	-	-	-	-	-	-	(133)	(133)
Additions to application for share capital	-	1,013	-	-	-	-	-	1,013	-	1,013
Transfer to share capital *(see note 33)*	27,536	(27,536)	-	-	-	-	-	-	-	-
Contribution by non-controlling interest	-	-	-	-	-	-	-	-	215	215
Derecognition of non-controlling interest upon divestment of stake in a subsidiary	-	-	-	-	-	-	-	-	(1,195)	(1,195)
Other movements	-	-	-	-	1	-	-	1	-	1
At 31 December 2017	56,136	-	123,155	17,533	732	6,100	367	204,023	1,437	205,460

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY continued
For the year ended 31 December 2018

	Share capital AED millions (note 33)	*Application for share capital AED millions*	*Additional shareholder contributions AED millions (note 35(d))*	*Shareholder current account AED millions (note 4)*	*Retained earnings AED millions*	*Other reserves AED millions (note 34)*	*Government grants AED millions (note 38(b)(i))*	*Total equity attributable to the Owner of the Group AED millions*	*Non-controlling interests AED millions*	*Total AED millions*
At 1 January 2018	56,136	-	123,155	17,533	732	6,100	367	204,023	1,437	205,460
Adjustments on initial application of IFRS 9 *(note 2e(i))*	-		-	-	3,127	(4,747)	-	(1,620)	-	(1,620)
Adjustments on initial application of IFRS 15 *(note 2e(i))*	-	-	-	-	353	-	-	353	-	353
Adjusted balance at 1 January 2018	56,136	-	123,155	17,533	4,212	1,353	367	202,756	1,437	204,193
Profit / (loss) for the year	-		-	-	3,263	-	-	3,263	(65)	3,198
Other comprehensive loss for the year	-	-	-	-	-	(942)	-	(942)	(43)	(985)
Total comprehensive income / (loss)	-	-	-	-	3,263	(942)	-	2,321	(108)	2,213
Transfers from entities under common control *(net) (see note 4)*	-		-	9,491	-	-	-	9,491	9,811	19,302
Dividends paid	-		-	-	-	-	-	-	(367)	(367)
Acquisition of interests in subsidiaries	-		-	-	-	-	-	-	371	371
Disposal of stake in a subsidiary	-	-	-	-	55	-	-	55	311	366
Contribution by non-controlling interest	-		-	-	-	-	-	-	97	97
Other movements	-	-	-	-	41	-	-	41	78	119
At 31 December 2018	**56,136**	**-**	**123,155**	**27,024**	**7,571**	**411**	**367**	**214,664**	**11,630**	**226,294**

The attached notes 1 to 44 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2018

	Notes	***2018 AED millions***	*2017 AED millions*
Cash flows from operating activities			
Profit / (loss) for the year from continuing operations		**3,742**	(1,927)
(Loss) / profit for the year from discontinued operations		**(544)**	2,910
Adjustments for:			
Depreciation, amortisation and net impairment of property, plant and equipment and intangible assets	16,17	**19,144**	13,480
Investment income *(net)*		**(5,874)**	(1,912)
Finance lease and other income *(net)*		**(1,402)**	(880)
Net impairment charges on investments in equity accounted investees, financial assets at amortised costs and inventories		**319**	479
Gain on disposal of subsidiaries		**-**	(2,778)
Share of results of equity accounted investees	20(b)	**(3,010)**	(4,268)
Net finance expense		**1,361**	935
Income tax expense / (benefit) *(net)*	24	**1,589**	(265)
Net decommissioning and other provisions		**618**	279
		15,943	6,053
Change in inventories		**(1,843)**	659
Change in trade and other receivables and prepayments		**(4,995)**	(5,821)
Change in trade payables and other liabilities		**(2,455)**	(2,544)
Income taxes paid		**(1,412)**	(109)
Net cash generated from / (used in) operating activities		**5,238**	(1,762)
Cash flows from investing activities			
Acquisition of financial investments		**(3,990)**	(20,905)
Proceeds from disposal of financial investments		**14,985**	6,107
Cash inflows resulting from transfers of entities under common control	4	**3,720**	2,406
Acquisition of subsidiaries, joint operation, and equity accounted investees *(net of cash acquired)*		**(8,861)**	(2,699)
Proceeds from disposal of subsidiaries, equity accounted investees, and net assets classified as held for sale *(net of cash disposed)*		**795**	2,853
Net acquisition of non-current assets [1]		**(16,326)**	(9,129)
Loans recovered		**2,027**	2,062
Loans disbursed		**(1,075)**	(1,641)
Dividend income received		**4,300**	3,145
Interest income received		**1,265**	869
Net cash used in investing activities		**(3,160)**	(16,932)

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

CONSOLIDATED STATEMENT OF CASH FLOWS continued
For the year ended 31 December 2018

	Notes	*2018* *AED* *millions*	*2017* *AED* *millions*
Cash flows from financing activities			
Application for share capital		**-**	1,013
Shareholder current account		-	15,287
Proceeds from government grants		**676**	605
Proceeds from borrowings	29(a)	**28,298**	16,100
Repayment of borrowings and finance lease obligations	29	**(21,022)**	(8,181)
Interest paid		**(1,559)**	(1,689)
Contribution from non-controlling interest		**97**	215
Dividends paid to non-controlling interest		**(367)**	(133)
Net cash generated from financing activities		**6,123**	23,217
Net increase in cash and cash equivalents		**8,201**	4,523
Cash and cash equivalents at 1 January		**16,303**	11,971
Net foreign exchange fluctuation		**119**	(191)
Cash and cash equivalents at 31 December	27	**24,623**	16,303

Significant non-cash transactions during the year are disclosed in note 4 of the consolidated financial statements.

The attached notes 1 to 44 form an integral part of these consolidated financial statements.

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Mamoura Diversified Global Holding PJSC, formerly Mubadala Development Company PJSC, ("MDGH" 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.

With effect from 26 May 2019, the name of the Company was changed from Mubadala Development Company PJSC to Mamoura Diversified Global Holding PJSC.

The Company and its subsidiaries (together the "Group") are engaged in investing and managing the investments, primarily in sectors and 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, mining, real estate and infrastructure, financial investments, commercial finance, healthcare, aerospace and defence services, and information and communications technology.

The Company is wholly owned by Mubadala Investment Company PJSC (the "Shareholder" or the "Parent") and the ultimate parent of the Company 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 27 May 2019.

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 the following:

- Certain financial assets and liabilities (including derivative instruments) and investment property – measured at fair value;
- Assets held for sale – measured at fair value less costs to sell;
- Defined benefit pension plans and plan assets measured at fair value; and
- Certain non-current assets received as government grants which are measured 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 millions, unless otherwise stated.

(d) Use of estimates and judgments

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

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

2 BASIS OF PREPARATION continued

(d) Use of estimates and judgments continued

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 adjustments in the subsequent years are disclosed in note 41.

(e) New and revised IFRSs

(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 2018, have been adopted in preparing these consolidated financial statements.

The Group applied IFRS 9 and IFRS 15 for the first time on 1 January 2018. The nature and effect of the changes as a result of adoption of these new accounting standards are described below:

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes 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 Programmes.

(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 did not have a significant impact on the Group's revenue and profit or loss. The Group recognises revenue at a point in time (except as disclosed otherwise) when control of the asset is transferred to the customer, generally on delivery of the goods.

In adopting 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 is recognised in the consolidated statement of comprehensive income 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 is allocated to all services based on their stand-alone selling prices. The stand-alone selling prices are 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 application of IFRS 15 did not result in significant differences in the timing of revenue recognition for these services.

(c) Impact on components of statement of comprehensive income and statement of financial position

The Group has adopted IFRS 15 using the modified retrospective approach. Under this approach, the financial statements are retrospectively adjusted but the cumulative impact is recognised at the date of initial application (1 January 2018).

2 BASIS OF PREPARATION continued

(e) New and revised IFRSs continued

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

IFRS 15 Revenue from Contracts with Customers continued

(c) Impact on components of statement of comprehensive income and statement of financial position continued

The following table shows the adjustments for each individual line item of the consolidated statement of comprehensive income and consolidated statement of financial position. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed has not been recalculated from the numbers provided.

Year ended 31 December 2018	*As reported AED millions*	*IFRS 15 impact AED millions*	*Amounts without the impact of IFRS 15 AED millions*
Revenue	132,692	(952)	131,740
Cost of sales	(120,319)	761	(119,558)
Profit for the period from continuing operations	3,742	(191)	3,551

	31 December 2017 AED millions	*IFRS 15 impact AED millions*	*Balance with the impact of IFRS 15 AED millions*
Other receivables and prepayments (non-current)	11,009	(247)	10,762
Investments in equity accounted investees	37,129	(20)	37,109
Deferred tax assets	5,856	(15)	5,841
Inventories	15,665	(2,454)	13,211
Other receivables and prepayments (current)	33,971	2,907	36,878
Retained earnings	732	353	1,085
Other liabilities (non-current)	4,944	(169)	4,775
Trade payables	12,905	(13)	12,892

2 BASIS OF PREPARATION continued

(e) New and revised IFRSs continued

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

IFRS 9 Financial Instruments

The requirements of IFRS 9 Financial Instruments represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

The new classification and measurement of financial assets are as follows:

		IFRS 9 measurement category		
IAS 39 measurement category	**31 December 2017**	**Fair value through profit or loss**	**Amortised cost**	**Fair value through OCI**
	AED *millions*	**AED** *millions*	**AED** *millions*	**AED** *millions*
Financial assets at amortised cost				
Trade receivables	12,940	1,452	11,488	-
Other receivables	41,435	-	41,435	
Other financial assets	9,425	-	9,425	-
Cash and cash equivalents	16,135	-	16,135	-
Available-for-sale financial assets	6,844	6,835	-	9
Financial investments at fair value through profit or loss	35,253	35,253	-	-
	122,032	43,540	78,483	9

Under IAS 39, some of the Group's quoted equity securities were classified as available-for-sale (AFS) financial assets. Upon transition, the fair value reserve relating to these quoted equity securities amounting to AED 4,831 million, which had been previously recognised in OCI, was adjusted to opening retained earnings.

The assessment of the Group's business model was made at 1 January 2018. The assessment whether the contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances on initial recognition of these assets.

Financial liabilities
The accounting for the Group's financial liabilities remains largely the same as it was under IAS 39.

2 BASIS OF PREPARATION continued

(e) New and revised IFRSs continued

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

IFRS 9 Financial Instruments continued

Impairment
The Group recognises loss allowances for Expected Credit Losses ("ECL") on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- loan receivables;
- trade receivables;
- other receivables; and
- financial guarantee contracts issued

No impairment loss is recognised on equity investments.

The Group measures loss allowances at an amount equal to lifetime ECL, except for those financial instruments on which the counter-party has an investment grade credit rating or credit risk has not increased significantly since their initial recognition, in which case 12-month ECL is measured.

12-month ECL is the portion of ECL that results from default events on a financial instrument that are possible within the 12 months after reporting date.

Measurement of ECL
ECL is probability-weighted estimate of credit losses. It is measured for various categories as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Restructured financial assets
If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL is measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset. The cash shortfalls are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

2 BASIS OF PREPARATION continued

(e) New and revised IFRSs continued

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

IFRS 9 Financial Instruments continued

Credit-impaired financial assets
At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Write-off
Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group has exhausted all legal and remedial efforts to recover from the customers. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Transition to IFRS 9
Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except the comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore, is not comparable to the information presented for 2018 under IFRS 9.

Hedge accounting
At the date of the initial application, all of the Group's existing hedging relationships were eligible to be treated as continuing hedging relationships. The adoption of the hedge accounting requirements of IFRS 9 had no significant impact on the Group's consolidated financial statements.

IFRS 9 impact on components of consolidated statement of financial position

The following table summarises the impact of transition to IFRS 9 on the opening balance of reserves and retained earnings:

	Impact of adopting IFRS 9 on opening balance		
	Retained earnings AED millions	*Fair value reserves AED millions*	*Hedging reserves AED millions*
Reclassification of investment securities (debt and equity) from AFS to FVTPL	4,831	(4,831)	-
Remeasurement of impairment under IFRS 9 under ECL	(1,626)	-	-
Other movements	(78)	-	84
Impact at 1 January 2018	3,127	(4,831)	84

2 BASIS OF PREPARATION continued

(e) New and revised IFRSs continued

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

IFRS 9 Financial Instruments continued

The following shows the closing financial position as at 31 December 2017 and re-measurement of the same in accordance with IFRS 9:

	31 December 2017 AED millions	*Re-measurement AED millions*	*1 January 2018 AED millions*
Property, plant and equipment (cash flow hedging gains / losses)	93,477	84	93,561
Investment in equity accounted investees	37,129	(1,218)	35,911
Trade receivables	12,940	(29)	12,911
Other financial assets	51,522	(513)	51,009
Deferred tax assets	5,856	18	5,874
Interest bearing borrowings	50,516	(53)	50,463
Deferred tax liabilities	2,700	15	2,715
Retained earnings	732	3,127	3,859
Other reserves	6,100	(4,747)	1,353

Other amendments

The below mentioned amendments and interpretations apply for the first time in 2018, but do not have a material impact on the consolidated financial statements of the Group:

- Amendments to IAS 40 Investment Property
- IFRIC 22 Foreign currency transactions and advance consideration
- 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);
- 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)

2 BASIS OF PREPARATION continued

(e) New and revised IFRSs continued

(ii) New and revised IFRS 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 16 Leases (effective for annual periods beginning on or after 1 January 2019)
IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of 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 current 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, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

Transition to IFRS 16
The Group plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. The Group plans to apply the practical expedient to grandfather the assessment of which transactions are or contain leases. It plans to apply IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 will not be reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 will be applied only to contracts entered into or changed after 1 January 2019.

At transition, lease liabilities will be measured at the present value of the remaining lease payments discounted at the respective Company's incremental borrowing rate as at 1 January 2019. Right-to-use assets will be measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.
The Group has elected to apply the following exemptions available in IFRS 16 to leases previously classified as operating leases, which are as follows:

i. Apply the exemption not to recognize right-to-use assets and liabilities for lease contracts for which the lease terms ends within 12 months as of the date of initial application or for which the underlying asset is of low value or has a value when new of USD 5,000 (AED 18,368) or less;
ii. Adjust the right-to-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review;
iii. Apply a single discount rate to portfolio of leases with similar characteristic;
iv. Exclude initial direct costs from measuring the right-to-use asset at the date of initial application; and
v. Use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

2 BASIS OF PREPARATION continued

(e) New and revised IFRSs continued

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

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

During 2018, the Group has performed a detailed impact assessment of IFRS 16 which is summarised as follows:

Impact on the consolidated statement of financial position as at 31 December 2018:

	AED millions
Assets	
Increase in property, plant and equipment (right-of-use assets)	6,594
Decrease in receivables and prepayments	(33)
Total	**6,561**
Liabilities	
Increase in lease liabilities	6,604
Increase in deferred tax liabilities	9
Decrease in trade and other payables	(54)
Total	**6,559**
Equity	
Retained earnings	**2**

Impact on the consolidated statement of profit or loss for the year ended 31 December 2018:

	AED millions
Increase in depreciation expense	335
Decrease in operating lease expense	(385)
Increase finance costs	65
Increase income tax expense	12
Net decrease in profit or loss	**27**

Amendment to IFRS 9, Financial instruments (effective for annual periods beginning on or after 1 January 2019)

This amendment confirms that when a financial liability measured at amortised cost is modified without resulting in derecognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument.

2 BASIS OF PREPARATION continued

(e) New and revised IFRSs continued

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

Annual improvements 2015 – 2017 (effective for annual periods beginning on or after 1 January 2019)

These amendments include changes to the following standards:

- IFRS 3 Business combinations - a company remeasures its previously held interest in a joint operation when it obtains control of the business;
- IFRS 11 Joint arrangements - a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business;
- IAS 12 Income taxes - a company accounts for all income tax consequences of dividend payments in the same way; and
- IAS 23 Borrowing costs - a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The Group does not expect the amendments to have significant impact on its consolidated financial statements.

Long term interests in associates and joint ventures – Amendments to IAS 28 (effective for annual periods beginning on or after 1 January 2019)

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 does not expect the amendments to have significant impact on its consolidated financial statements.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment (effective for annual periods beginning on or after 1 January 2019)

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; and
- How an entity considers changes in facts and circumstances

2 BASIS OF PREPARATION continued

(e) New and revised IFRSs 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 (effective for annual periods beginning on or after 1 January 2019) continued

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.

The Group is currently assessing the impact of this interpretation.

Amendments to IAS 1 and IAS 8 (applicable for reporting periods beginning on or after 1 January 2020)

The amendments to IAS 1 Presentation of financial statements, and IAS 8 Accounting policies, changes in accounting estimates and errors, and consequential amendments to other IFRSs:

i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
ii) clarify the explanation of the definition of material; and
iii) incorporate some of the guidance in IAS 1 about immaterial information.

The Group does not expect the amendments to have significant impact on its consolidated financial statements.

Amendments to IFRS 3 Business combinations (applicable for reporting periods beginning on or after 1 January 2020)

This amendment revises the definition of a business. The amended definition emphasises that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others.

The Group is currently assessing the impact of this interpretation.

IFRS 17 Insurance Contracts (applicable for reporting periods beginning on or after 1 January 2021)

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

The Group does not expect a significant impact of IFRS 17 on its consolidated financial statements.

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 becomes the initial carrying amount for the purposes of subsequent accounting for the retained interests as an associate, joint venture or financial asset.

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 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 subsidiary 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 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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(a) Basis of consolidation continued

(iv) Business combinations with 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.

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

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.

A business transaction is said to have commercial substance when it is expected that the future cash flows of a business will change as a result of the transaction. A change in cash flows is considered to be when there is a significant change in any one of the following (not including tax considerations):

- Risk: such as experiencing an increase in the risk that inbound cash flows will not occur as the result of a transaction;
- Timing: such as a change in the timing of cash inflows received as the result of a transaction;
- Amount: such as a change in the amount paid as the result of a transaction

(v) 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 20% or more.

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. A joint arrangement is an arrangement which the Group has joint control with other parties. 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 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

(v) 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.

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 IFRS 9), 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.

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 treated 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 and liabilities over the acquisition cost, after reassessment, is recognised immediately in profit or loss representing gain on acquisition.

After application of equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in 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(t))*.

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 IFRS 9. 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.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(a) Basis of consolidation continued

(v) Investment in associates and joint arrangements continued

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.

(vi) 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

Revenue primarily includes income from sale of semiconductor wafers, petroleum and petrochemical products, aircraft maintenance and repairs, components leasing and sale, satellite capacity leasing revenue and medical services. Revenue from such sales is recognised as follows:

(i) 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 for customer contracts where the Group is manufacturing products for which there is no alternative use and for which the Group has an enforceable right to payment including a reasonable profit or work-in-progress inventory is recognised over time (i.e. as we manufacture the product) based on the percentage of completion calculated as costs incurred over total expected costs. Under IFRS 15 its non-recurring engineering services are a distinct performance obligation, separate from wafer production and accordingly, revenue from these services will be recognised over time (i.e. as the services are performed) instead of over the expected wafer production period

The adoption of IFRS 15 resulted in the establishment of contract asset (unbilled accounts receivable) and contract liability (deferred income) balance sheet accounts and in the reclassification to these new accounts from certain asset and liability accounts.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(b) Revenue continued

(ii) Petroleum and petrochemicals

Revenue from the sale of petroleum and petrochemicals products in which the Group has an interest with other producers is recognised 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 a) market value b) cost or c) lower of market value and cost, depending on the contractual terms of arrangement requiring physical settlement or cash balancing. Movements during an accounting period are adjusted through cost of sales.

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.

(iii) Aircraft maintenance and repairs

The Group is in the business of leasing and trading aircraft engines and components.

Revenue from contracts with customers in relation to maintenance and repair of aircrafts and related components is recognised over time. The Group measures progress towards complete satisfaction of a performance obligation using the input method which considers the basis of the entity's efforts or inputs to the satisfaction of the performance obligation (for example: resources consumed, labour hours expended, costs incurred, time elapsed) relative to the total expected inputs to the satisfaction of that performance obligation.

Revenue from contracts with customers for sale of composite aero-structure parts and provision of services is recognised at a point in time at which the performance obligations are met.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty.

Revenue arising from operating lease and access agreements is measured at the fair value of the consideration received. The Group recognises income from lease and access agreements on a straight-line basis over the agreement terms. The access agreements have a single performance obligation, the transaction price is fixed based on a monthly access fee rate, and the single performance obligation is met over the access agreement term.

(iv) Satellite capacity leasing revenue

The Group is in the business of leasing of satellite communication capacity and providing managed services to customers. Satellite capacity lease payments are recorded on a straight-line basis over the term of the contract concerned. Managed services revenue represents end-to-end integrated satellite communication and managed services provided to customers. Revenue is recognised in consolidated statement of comprehensive income in proportion to the stage of completion of the transaction at the reporting date.

(v) 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 and insurance denials. Revenue is recognised in the accounting period in which services are provided.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(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 the consolidated statement of comprehensive income 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).

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.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(c) Exploration, evaluation and development expenditures continued

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.

(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 fair value through other comprehensive income 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.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(e) Foreign currency continued

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisitions, are translated to the 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.

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. Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. A trade receivable without a significant financing component is initially measured at the transaction price.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(f) Financial instruments continued

ii. Classification and subsequent measurement

Financial assets
On initial recognition, a financial asset is classified as measured at:

- Financial assets at amortised cost;
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at fair value through profit or loss

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing such financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Assessment whether contractual cash flows are solely payments of principal and interest
For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(f) Financial instruments continued

ii. Classification and subsequent measurement continued

Financial assets continued

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses

Financial assets at FVTPL, excluding designated hedging instruments	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method, less impairment losses. Interest income, foreign exchange gains and losses and impairment charges are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment losses are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

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 is approximately equal to fair value.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(f) Financial instruments continued

ii. Classification and subsequent measurement continued

Financial liabilities
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

Loans and borrowings
Loans and borrowings are recognised initially at fair value, net of directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate ("EIR") method.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(f) Financial instruments continued

Fair value measurement continued

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.

Derecognition

Financial assets
The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities
The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting
Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Derivative financial instruments and hedge accounting
The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss. The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates and certain derivatives and non-derivative financial liabilities as hedges of foreign exchange risk on a net investment in a foreign operation.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(f) Financial instruments continued

Derivative financial instruments and hedge accounting continued

Cash flow hedges
When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The Group designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts ('forward points') is separately accounted for as a cost of hedging and recognised in a costs of hedging reserve within equity.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognised.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

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

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the EIR method. The EIR amortisation may begin as soon as an adjustment exists and 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.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(f) Financial instruments continued

Derivative financial instruments and 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.

Hedges of a net investment
Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the consolidated statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in other comprehensive income is transferred to the consolidated statement of profit or loss.

(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.

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

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

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

Non-monetary government grants 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.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(g) Government grants continued

Non-monetary government grants accounting continued

(i) Land continued

Furthermore, for certain plots of land based on their current or intended use, it is certain that no future economic benefits will flow to the Group from use of such lands. These are not 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.

(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 depending on whether foreign currency movements are in a net gain or net loss position.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(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.

(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;
- 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.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(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 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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(m) Property, plant and equipment continued

(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
Others	3 - 10 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate *(see note 41(b))*.

(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.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(n) Intangible assets continued

(i) Goodwill continued

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.

(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.

Greenhouse gas emission allowances
In the absence of a current IFRS standard or interpretation on accounting for greenhouse gas emission allowances, the following principles have been applied:

- Emission rights granted free of charge are accounted for at market price prevailing at the beginning of the year to which it relates and are recognised with a credit to other liabilities;
- Emission rights acquired from the market are measured at acquisition cost;
- Liabilities resulting from potential differences between available quotas and quotas to be delivered at the end of the compliance period are accounted for as liabilities and measured at acquisition cost; and
- Spot market transactions are recognised in income at cost.

Emission rights are recognised as non-amortisable intangible assets and are derecognised when they are delivered, transferred to third parties or expire. At the end of the compliance period the Group delivers CO_2 emission rights equal to the volume of emissions made during the year. If the net realisable value of the emissions rights is less than their carrying amount, the value of the emission rights owned will be reduced to market value.

(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.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(n) Intangible assets continued

(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
Patents	7 - 20 years
Technology, licence and software	2 - 10 years
Customer contracts	3 - 15 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.

(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 consolidated statement of comprehensive income 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 consolidated statement of comprehensive income in the period in which the property is derecognised.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(o) Investment properties continued

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.

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

3 SIGNIFICANT ACCOUNTING POLICIES continued

(p) Leases continued

Group as lessor
Leases where the Group transfers substantially all of the risks and benefits of ownership of the asset through its contractual arrangements to the customer are considered as a finance lease. The amounts due from the lessee are recorded in the consolidated 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.

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.

(r) 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.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(r) Provisions and contingent liabilities continued

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.

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.

(s) 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 statement of the comprehensive income. 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.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(s) Staff terminal benefits and pensions continued

Entities domiciled in UAE continued
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.

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 consolidated statement of comprehensive income.

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 consolidated statement of comprehensive income. 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.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(t) Impairment

i. Non-derivative financial assets

Financial instruments and contract assets
The Group recognises loss allowances for ECLs on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and
- contract assets.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- the debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(t) Impairment continued

i. Non-derivative financial assets continued

Credit-impaired financial assets
At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

The loss allowance for debt investments at FVOCI is recognised in profit or loss and reduces the fair value loss otherwise recognised in OCI.

Presentation of allowance for ECL in the statement of financial position continued
Write-off
The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

ii. 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) 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.

(v) 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.

(w) 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 Investment Committee 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 9)*.

4 TRANSFERS FROM / TO ENTITIES UNDER COMMON CONTROL

Subsequent to the merger between the Company and International Petroleum Investment Company ("IPIC"), IPIC has transferred certain assets to the Company and the Company has transferred certain assets and liabilities to other entities owned by Mubadala Investment Company PJSC (MIC), including (a) the transfer of Compañía Española de Petróleos S.A.U. ("CEPSA") from IPIC to the Group on 31 December 2017 *(see note 4(iv))*, (b) the transfer of Arzanah Real Estate LLC ("Arzanah") from the Group to another wholly owned subsidiary of MIC on 2 August 2018 *(see note 4 (iii))* and (c) the transfer of the following assets to the Company during 2018:

- IPIC's 100% owned subsidiary NOVA Chemicals Corporation (NOVA) *(see note 4 (i))*;
- IPIC's 64% owned subsidiary Borealis AG (Borealis) *(see note 4(ii))*;
- IPIC's 24.9% owned associate OMV AG (OMV) *(see note 4(iii))*; and
- IPIC's investment of 12.9% of Oil Search Limited (Oil Search) and 20.8% of Cosmo Energy Holdings Co, Ltd. (Cosmo Energy) *(see note 4(iii))*

In addition, certain liabilities have been transferred from IPIC to the Company pursuant to consent solicitations directed at the relevant IPIC liability holders. The liabilities include the following:

(a) unsecured bonds listed on the London Stock Exchange ("Notes") issued by IPIC as follows:
- US $1,500,000,000 5.000% Notes due 2020;
- Euro1,250,000,000 5.875% Notes due 2021;
- US $1,500,000,000 5.500% Notes due 2022;
- Euro 850,000,000 3.625% Notes due 2023;
- GBP 550,000,000 6.875% Notes due 2026;
- US $750,000,000 6.875% Notes due 2041; and
- US $700,000,000 3.386% Notes due 2021

(b) unsecured unlisted corporate revolving credit facilities amounting to:
- Euro 800,000,000 revolving credit facility agreement dated 28 June 2016 between, among others, IPIC as borrower and Unicredit S.p.A. as agent; and
- Euro 500,000,000 revolving credit facility agreement dated 30 June 2016 between, among others, IPIC as borrower and National Bank of Abu Dhabi PJSC as agent;

(c) cross-currency interest rates swaps issued by IPIC as follows:
- Pay Euro 846,165,804 Receive US $900,000,000 cross currency swaps due 2022;
- Pay Euro 642,523,365 Receive GBP 550,000,000 cross currency swaps due 2026; and
- Pay Euro 423,131,623 Receive US $450,000,000 cross currency swaps due 2041

The Company has not applied IFRS 3 Business Combinations (see above transfers) since the business combination has been effected between companies under common control and therefore, is excluded from the scope of the said IFRS. Accordingly, the value of the net assets transferred were recorded in the Shareholder current account within equity and is summarised as follows:

	2018 AED millions	*2017 AED millions*
At 1 January	**17,533**	-
Net assets transferred in (*see note 4 (i), 4 (ii) and 4 (iv)*)	**29,935**	25,385
Net assets transferred out (*see note 4 (iii) and 4 (iv)*))	**(1,723)**	(7,852)
Other net assets transferred in (*see note 4 (iii)*)	**15,866**	-
Liabilities transferred in (*see note 4 (iii)*)	**(34,587)**	-
At 31 December	**27,024**	17,533

4 TRANSFERS FROM / TO ENTITIES UNDER COMMON CONTROL continued

(i) Transfer of NOVA Chemicals Corporation ("NOVA") from International Petroleum Investment Company ("IPIC")

Effective 30 December 2018, the Shareholder of the Company instructed IPIC (an entity under common control) to transfer its 100% ownership interest in NOVA to a subsidiary of the Company, as part of the Parent's group restructuring activities.

NOVA is engaged in polyethylene and expandable polystyrene resins, which are used in a wide range of applications including rigid and flexible packaging, containers, plastic bags, plastic pipe, consumer electronics, building and construction materials, housewares and other industrial and consumer goods.

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. Accordingly, the value of the net assets transferred of AED 12,526 million was recorded in 'Shareholder current account' within equity.

The Company has accounted for the effect of the acquisition of NOVA 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 NOVA from the date of acquisition in the consolidated financial statements. Accordingly, for the year ended 31 December 2018, no income and expenses have been recognised in these consolidated financial statements.

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 2018 AED millions
Property, plant and equipment	**24,492**
Intangible assets	**1,619**
Investment in equity accounted investees	**808**
Deferred tax assets	**174**
Inventories	**1,718**
Trade and other receivables	**3,047**
Defined benefit plan assets	**239**
Other financial investments	**200**
Cash and cash equivalents	**3,415**
Total assets	**35,712**
Interest bearing borrowings	**(11,290)**
Derivative financial liabilities	**(59)**
Trade and other payables	**(2,292)**
Provisions	**(6,050)**
Other liabilities	**(153)**
Employee's benefit liabilities	**(406)**
Deferred tax liabilities	**(2,936)**
Total liabilities	**(23,186)**
Net assets acquired	**12,526**
Consideration credited to Shareholder current account	**12,526**

4 TRANSFERS FROM / TO ENTITIES UNDER COMMON CONTROL continued

(ii) Transfer of Borealis AG ("Borealis") from IPIC

Effective 30 December 2018, the Shareholder of the Company instructed IPIC (an entity under common control) to transfer its 64% ownership interest in Borealis to a subsidiary of the Company, as part of the Parent's group restructuring activities.

Borealis is engaged in Polyolefins and Base Chemicals business. Within Polyolefins, Borealis focuses on three specific market sectors i.e. infrastructure, automotive and advanced packaging. Base Chemicals include the product range phenol and aromatics, feedstock and olefins, melamine and fertiliser.

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. Accordingly, the value of the net assets transferred of AED 17,409 million was recorded in 'Shareholder current account' within equity. The Company has accounted for the effect of the acquisition of Borealis 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 Borealis from the date of acquisition in the consolidated financial statements. Accordingly, for the year ended 31 December 2018, no income and expenses have been recognised in these consolidated financial statements.

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 2018 AED millions
Property, plant and equipment	**12,157**
Intangible assets	**1,876**
Investment in equity accounted investees	**15,815**
Deferred tax assets	**197**
Inventories	**5,047**
Trade and other receivables	**5,708**
Other financial investments	**877**
Cash and cash equivalents	**305**
Total assets	**41,982**
Interest bearing borrowings	**(5,802)**
Derivative financial liabilities	**(368)**
Trade payables	**(5,208)**
Provisions	**(302)**
Other liabilities	**(282)**
Employees' benefit liabilities	**(1,796)**
Deferred tax liabilities	**(1,004)**
Total liabilities	**(14,762)**
Total identifiable net assets at carrying value	**27,220**
Non-controlling interests	**(9,811)**
Net assets acquired	**17,409**
Consideration credited to Shareholder current account	**17,409**

4 TRANSFERS FROM / TO ENTITIES UNDER COMMON CONTROL continued

(iii) Transfer of other assets and liabilities to / from entities under common control

During 2018, the Shareholder of the Company instructed the Company to transfer 100% of its ownership interests in certain assets and liabilities to another entity under common control of the Shareholder as part of the Parent's group restructuring activities.

Transfer of Arzanah
The transfer of assets and liabilities from the Company to another entity under common control was done at the carrying amounts in the books of the Company as set out below:

	At 31 December 2018 AED millions
Property, plant and equipment	**76**
Inventories	**1,694**
Total assets	**1,770**
Other liabilities	**(47)**
Total liabilities	**(47)**
Net assets transferred out at carrying value	**(1,723)**
Consideration debited to Shareholder current account	**(1,723)**

Transfer of other assets and liabilities
Additionally, the Shareholder instructed IPIC to transfer its ownership interest in certain assets and liabilities to the Company. The transfer of other assets and liabilities from IPIC to the Company was recognised as set out below:

	At 31 December 2018 AED millions
Non-derivative financial instruments	**5,466**
Investment in equity accounted investees	**10,400**
Total assets transferred in at carrying value	**15,866**
Derivative financial liabilities	**(1,747)**
Interest bearing borrowings	**(32,840)**
Total liabilities transferred in at fair value	**(34,587)**
Net liabilities transferred in	**(18,721)**
Consideration debited to Shareholder current account	**(18,721)**

4 TRANSFERS FROM / TO ENTITIES UNDER COMMON CONTROL continued

(iv) Transfer of Compañía Española de Petróleos, S.A.U. ("CEPSA") from IPIC during 2017

Effective 31 December 2017, the Shareholder of the Company instructed IPIC, an entity under common control to transfer its 100% ownership interest in CEPSA to a subsidiary of the Company, as part of the Parent's group restructuring activities.

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.

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. Accordingly, the value of the net assets transferred of AED 25,385 million was recorded to *'Shareholder current account'* within equity.

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.

If the business combination had taken place at 1 January 2017, the Group's revenue would have been AED 110,203 million in 2017 and the Group's profit for the year ended 31 December 2017 would have been AED 3,954 million.

4 TRANSFERS FROM / TO ENTITIES UNDER COMMON CONTROL continued

(iv) Transfer of Compañía Española de Petróleos, S.A.U. ("CEPSA") from IPIC during 2017 continued

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

	At 31 December 2017 AED millions
Property, plant and equipment	20,853
Intangible assets	6,091
Investment in equity accounted investees	2,255
Deferred tax assets	3,359
Inventories	8,491
Trade and other receivables	10,291
Loans receivable	1,007
Other financial investments	135
Cash and cash equivalents	2,406
Total assets	**54,888**
Interest bearing borrowings	(9,984)
Derivative financial liabilities	(81)
Trade payables	(8,929)
Other liabilities	(4,919)
Income tax payable	(67)
Provisions	(2,501)
Deferred tax liabilities	(2,309)
Total liabilities	**(28,790)**
Total identifiable net assets at carrying value	26,098
Non-controlling interests	(713)
Net assets acquired	**25,385**
Consideration credited to Shareholder current account	**25,385**

5 TRANSFERS FROM / TO ENTITIES UNDER COMMON CONTROL continued

(v) Transfer of other assets to / from entities under common control during 2017

During 2017, the Shareholder of the Company instructed the Company to transfer 100% of its ownership interests in certain assets and liabilities 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 7,852 million, was 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 millions
Investment in equity accounted investees	6,492
Other receivables and prepayments	351
Loans receivable	664
Other financial investments	17,880
Cash and cash equivalents	32
Total assets	**25,419**
Other liabilities	(16,465)
Total liabilities	**(16,465)**
Net assets transferred out	**(8,954)**
Property, plant and equipment	1,102
Asset transferred in	**1,102**
Consideration debited to Shareholder current account	**(7,852)**

5 MATERIAL BUSINESS COMBINATIONS

(i) Acquisition of interest in Shorouk

On 20 June 2018, Mubadala Petroleum (Shorouk) Limited acquired a 10% interest from IEOC Production B.V. in the rights, privileges, interest, duties, and obligations in the Shorouk.

The acquisition has been accounted for as a joint operation under IFRS 11 *Joint Arrangement* and the assets, liabilities, revenues and expenses relating to the Group's interest in the acquisition are recognised line-by-line in the consolidated financial statements.

The following table summarises the recognised amounts of assets and liabilities acquired at the acquisition date:

	Fair value 20 June 2018 AED millions
Assets	
Property, plant and equipment	**2,623**
Intangible assets	**1,773**
Inventories	**6**
Trade receivables	**84**
Total assets	**4,486**
Liabilities	
Provisions	**(33)**
Other liabilities	**(704)**
Total liabilities	**(737)**
Net assets acquired	**3,749**
Interest expense related to acquisition recorded as transaction cost	**22**
Purchase consideration	**3,771**
Net cash flow on acquisition	**(3,771)**

No contingent liability related to the acquisition exists as at the reporting date.

5 MATERIAL BUSINESS COMBINATIONS continued

(ii) Acquisition of Amana Holdings Limited

On 10 September 2018, the Group acquired a 77.14% interest in Amana Healthcare Medical and Rehabilitation Hospital LLC, Amana Home Health Care Center LLC and Long Term Medical and Rehabilitation Hospital LLC (together referred to as "Amana"), a provider of long-term care and post-acute rehabilitation. In accordance with IFRS 10 Consolidated Financial Statements, the Group has consolidated the income, expenses, assets and liabilities of Amana from the date of acquisition in the consolidated financial statements.

The following table summarises the recognised amounts of assets and liabilities acquired at the acquisition date:

	Provisional fair value 10 September 2018 AED millions
Assets	
Property, plant and equipment	**17**
Trade receivables	**62**
Other receivables and prepayments	**38**
Cash and cash equivalents	**12**
Total assets	**129**
Liabilities	
Trade and other payables	**(32)**
Provisions	**(15)**
Other liabilities	**(6)**
Total liabilities	**(53)**
Net assets acquired	**76**
Non-controlling interest [1]	**(304)**
Goodwill and intangible assets acquired [2]	**1,253**
Purchase consideration	**1,025**
Cash and cash equivalents acquired	**(12)**
Net cash flow on acquisition	**(1,013)**

[1] Non-controlling interest is measured as the non-controlling interest's proportionate share of Amana's net identifiable assets.

[2] As at the date of approval of these consolidated financial statements, purchase price allocation exercise, to arrive at the fair values of the underlying assets and liabilities of Amana has not been completed.

From the date of transfers and acquisitions to 31 December 2018, the transferred *(see note 4)* and acquired entities *(see note 5)* have contributed AED 4,370 million to the Group's revenue and AED 1,935 million to Group's profit for the year ended 31 December 2018. If the above mentioned transfers and acquisitions had taken place on 1 January 2018, the Group's consolidated revenue would have been AED 186,397 million and the Group's consolidated profit for the year would have been AED 6,549 million.

6 DISCONTINUED OPERATIONS

(i) GLOBALFOUNDRIES (Chengdu) Integrated Circuit Manufacturing Co., Limited

In 2018, one of the Company's subsidiary ceased its operations in China due to changes in market conditions that made it no longer financially feasible to continue to develop the project. The Company impaired the net assets of the operation as the carrying value of the assets would not be recovered. Net loss from the discontinued operations in China amounted to AED 544 million *(2017: net loss of AED 136 million)*.

(ii) 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 was 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 was 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 millions
Revenue	779
Cost of sales	(407)
Gross profit	372
Other operating income	82
Other expenses	(249)
Profit for the period	205

The net cash flows of the subsidiary are presented below:

Net cash generated from operating activities	322
Net cash used investing activities	(107)
Net cash used in financing activities	(252)

6 DISCONTINUED OPERATIONS continued

(ii) 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 as follows:

	At 30 July 2017 AED millions
Current assets	470
Cash and cash equivalents	500
Non-current assets	7,304
Current liabilities	(873)
Non-current liabilities	(3,228)
Non-controlling interests	(833)
Net assets	3,340
Sale consideration – net of selling expenses	2,814
Fair value of 41.85% retained interest	2,330
Hedging and other reserves reclassified to profit or loss	29
Gain on disposal of 40% interest in Tabreed	1,833
Add: profit for the period	205
Profit for the period from discontinued operations	2,038

6 DISCONTINUED OPERATIONS continued

(iii) 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 millions
Profit for the period	63

The net cash flows of Nile Holdings are presented below:

	1 January 2017 to 31 March AED millions
Net cash generated from operating activities	63

Profit for the period from discontinued operations is listed below:

	31 March 2017 AED millions
Sale consideration – net of selling expenses	2,142
Less: carrying value of net assets disposed	(1,140)
Foreign currency translation reserve reclassified to profit or loss	(418)
Non-controlling interests	361
Gain on disposal of Nile Holdings	945
Add: profit for the period	63
Profit for the period from discontinued operations	1,008

7 MATERIAL SUBSIDIARIES

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

		Ownership interest		
Subsidiaries	***Domicile***	***2018***	*2017*	***Principal business activities***
Compañía Española de Petróleos, S.A.U. ("CEPSA") [1]	Spain	**100%**	100%	Engaged 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
Borealis AG ("Borealis") [1]	Austria	**64%**	-	Engaged in Polyolefins and Base Chemicals business. Within Polyolefins, Borealis focuses on three specific market sectors i.e. infrastructure, automotive and advanced packaging. Base Chemicals include the product range phenol and aromatics, feedstock and olefins, melamine and fertiliser
NOVA Chemicals Corporation ("NOVA") [1]	New Brunswick, Canada	**100%**	-	Engaged in polyethylene and expandable polystyrene resins, which are used in a wide range of applications including rigid and flexible packaging, containers, plastic bags, plastic pipe, consumer electronics, building and construction materials, housewares and other industrial and consumer goods
Dolphin Investment Company LLC	UAE	**100%**	100%	Engaged in managing investments, which are engaged in development, production, procurement and sale of hydrocarbons and related products
MDC Oil and Gas Holding LLC	UAE	**100%**	100%	Engaged in exploration, development and production of hydrocarbons
GlobalFoundries Inc. ("GF")	Cayman Islands	**100%**	100%	Focused on semiconductor wafer fabrication services and technologies, and manufacturing a broad range of semiconductor devices
Al Yah Satellite Communications Company PJSC	UAE	**100%**	100%	Leasing of satellite communication capacity to the UAE Armed Forces and other customers
Alsowah Square Properties LLC ("ADGM Square Development")	UAE	**100%**	100%	Involved in land and real estate business, which includes real estate enterprises investment, development, construction, acquisition, selling and management
Aerospace Turbine Services & Solutions LLC	UAE	**100%**	100%	Engaged in aircraft maintenance, repairs, components leasing and sales
Abu Dhabi Future Energy Company PJSC ("Masdar")	UAE	**100%**	100%	Focused on achieving the Government of Abu Dhabi's vision of transforming Abu Dhabi into a global leader in sustainable new energy technologies

[1] See note 4(ii)

8 MATERIAL PARTLY-OWNED SUBSIDIARY

The table below shows details of material partly-owned subsidiary of the Group which has material non-controlling interests ("NCI"):

		2018			2017	
	Principal place of business	*Ownership interest held by NCI %*	*Loss allocated to NCI AED millions*	*Accumulated NCI AED millions*	*Profit allocated to NCI AED millions*	*Accumulated NCI AED millions*
Subsidiary:						
Borealis[1]	Austria	**36.00**	**-**	**9,811**	-	-
Others			**(65)**	**1,819**	125	1,437

Summarised financial information in respect of the Group's material subsidiary that has a material non-controlling interest is set out below. The below represents amounts before intra-group eliminations.

	2018 AED millions
Summarised statement of financial position:	
Non-current assets	**30,302**
Current assets	**11,196**
Non-current liabilities	**(6,273)**
Current liabilities	**(8,520)**
Non-controlling interests	**(62)**

[1] See note 4.

9 OPERATING SEGMENTS

The Group has five reportable segments, which represent four business platforms and one corporate segment. The business platforms are responsible for the screening, due diligence, development and implementation of all business ideas, investment opportunities, acquisitions and disposals. 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:

Petroleum and Petrochemicals
The Petroleum & Petrochemicals platform comprises a global portfolio of assets active across the full oil and gas value chain, including upstream, midstream and downstream. Through this portfolio the platform is focused on maximizing long-term value and contributing to the ongoing diversification objectives of the UAE, including the development of its downstream sector, while effectively managing risks and creating resilience across a range of commodity prices. Upstream exploration and production projects are geared towards low-cost oil plays and increasing the proportion of gas production. In midstream, the focus is on investments in pipeline infrastructure, which provide financial returns largely insulated from commodity prices. In downstream, refining and petrochemicals projects are targeted towards growing or premium markets in which the deployment of proprietary technologies and operating expertise of portfolio companies, coupled with competitive feedstock, can provide a commercial advantage.

Technology, Manufacturing and Mining
Technology, Manufacturing and Mining is focused on pure-play semiconductor foundries, development of a metals related cluster in Abu Dhabi and internationally as well as mining activities. Semiconductor foundries offer 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. On the other hand, Metals sector is focused on creating global industrial champions in priority areas such as aluminium (including securing upstream resources carbon, bauxite and alumina, key raw materials in the creation of aluminium). Mining activities include extraction of base metals such as copper and zinc, and precious metals such as gold.

Aerospace, Renewables and Information Communications and Technology ("ICT")
Aerospace, Renewables and ICT platform is focused on developing a world class manufacturing and services business, through partnerships with leading original equipment manufacturers (OEMs) and also 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. They are also focused on bringing high-tech ICT services and capabilities to the UAE and positioning Abu Dhabi and the UAE as a regional ICT hub.

Alternative Investments and Infrastructure
Alternative Investments and Infrastructure is focused around real estate and infrastructure projects along with healthcare and investing activities. This platform's real estate activities revolve around residential, commercial and retail real estate developments and investments and luxury hotels both in Abu Dhabi and internationally including developing, owning and operating concession based infrastructure, educational and other facilities. This also covers Group's financial investments 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. Furthermore, this platform is involved in 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
This segment is responsible for developing and driving 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 insurance and financing.

9 OPERATING SEGMENTS continued

	Petroleum and Petrochemicals AED millions	*Technology, Manufacturing and Mining AED millions*	*Aerospace, Renewables and ICT AED millions*	*Alternative Investment and Infrastructure AED millions*	*Corporate AED millions*	*Total AED millions*
For the year ended 31 December 2018						
Revenues from contracts with customers	**100,880**	**22,768**	**4,422**	**2,572**	**-**	**130,642**
Other revenue	**-**	**-**	**1,305**	**671**	**74**	**2,050**
Total revenue	**100,880**	**22,768**	**5,727**	**3,243**	**74**	**132,692**
Depreciation and amortisation, *(net)*	**4,376**	**10,513**	**903**	**189**	**91**	**16,072**
Share of results of equity accounted investees	**1,295**	**766**	**703**	**246**	**-**	**3,010**
(Finance cost) / finance income *(net)*	**(683)**	**(471)**	**(263)**	**95**	**(39)**	**(1,361)**
Profit / (loss) for the year attributable to the Owner of the Group (continuing operations)	**5,920**	**(4,884)**	**1,329**	**3,148**	**(1,706)**	**3,807**
Loss for the year attributable to the Owner of the Group (discontinued operations)	**-**	**(544)**	**-**	**-**	**-**	**(544)**
Total comprehensive income / (loss) for the year attributable to the Owner of the Group	**4,821**	**(5,234)**	**1,371**	**3,055**	**(1,692)**	**2,321**
Additions to non-current assets [1]	**11,256**	**4,648**	**1,250**	**197**	**68**	**17,419**
At 31 December 2018						
Investments in equity accounted investees	**30,669**	**19,077**	**7,071**	**12,021**	**61**	**68,899**
Total assets	**173,900**	**59,523**	**29,057**	**71,613**	**65,372**	**399,465**
Total liabilities	**75,677**	**32,333**	**9,480**	**26,196**	**29,485**	**173,171**
For the year ended 31 December 2017						
Revenues from continuing operations	4,075	22,685	4,829	2,983	57	34,629
Revenues from discontinued operations	-	-	779	-	-	779
Depreciation and amortisation, *(net)*	1,376	10,234	799	206	71	12,686
Share of results of equity accounted investees	1,096	1,718	644	674	2	4,134
(Finance cost) / finance income *(net)*	(114)	(257)	(223)	390	(731)	(935)
Profit / (loss) for the year attributable to the Owner of the Group (continuing operations)	1,163	(4,337)	535	2,587	(2,000)	(2,052)
(Loss) / profit for the year attributable to the Owner of the Group (discontinued operations)	-	(136)	2,038	1,008	-	2,910
Total comprehensive income / (loss) for the year attributable to the Owner of the Group	1,139	(4,470)	2,838	4,672	(2,000)	2,179
Additions to non-current assets [1]	854	7,947	821	290	32	9,944
At 31 December 2017						
Investments in equity accounted investees	2,407	15,434	7,802	11,428	58	37,129
Total assets	64,289	95,353	28,039	84,055	26,979	298,715
Total liabilities	33,051	23,391	10,407	18,301	8,105	93,255

[1] Additions to non-current assets includes additions to property, plant and equipment, intangible assets and investment properties.

9 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 2018	***As at 31 Dec 2018***	*For the year ended 31 Dec 2017*	*As at 31 Dec 2017*
	Revenue AED millions	***Non-current assets [1] AED millions***	*Revenue AED millions*	*Non-current assets [1] AED millions*
United Arab Emirates *(country of domicile)*	**8,077**	**27,535**	5,605	19,375
Spain	**56,074**	**20,031**	-	21,187
United States of America	**14,360**	**40,236**	8,321	39,520
Singapore	**6,925**	**5,787**	7,313	6,884
Germany	**911**	**8,299**	403	8,937
Egypt	**429**	**4,807**	13	-
Canada	**53**	**18,898**	111	108
Austria	**156**	**4,453**	193	-
Others	**45,707**	**26,171**	12,670	18,309
	132,692	**156,217**	34,629	114,320

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

Major customers

In 2018, none of the customers individually exceeded 10% of Groups revenue. In 2017, revenue with customers individually exceeding 10% of the Group's revenue was AED 8,749 million and was part of the Technology, manufacturing and mining operating segment.

10 REVENUE

	2018 Revenue from contract with customers AED millions	**2018** Other revenue AED millions	**2018** Total revenue AED millions	*2017* Total Revenue AED millions
Revenue from refining and distribution activities	**76,815**	**-**	**76,815**	-
Revenue from semiconductor wafers	**22,768**	**-**	**22,768**	22,685
Revenue from petrochemicals	**11,304**	**-**	**11,304**	-
Revenue from sale of gas and power	**3,461**	**-**	**3,461**	-
Revenue from exploration and production activities	**9,290**	**-**	**9,290**	4,102
Revenue from aircraft maintenance and repairs, components leasing and sales	**2,512**	**172**	**2,684**	2,251
Revenue from medical services	**1,769**	**-**	**1,769**	1,724
Revenue from satellite capacity leasing	**947**	**496**	**1,443**	1,359
Others	**1,776**	**1,382**	**3,158**	2,508
	130,642	**2,050**	**132,692**	34,629

	2018 AED millions
Timing of revenue recognition	
Over a period of time	**27,294**
Single point in time	**103,348**
Revenue from contracts with customers	**130,642**

11 COST OF SALES

	2018 AED millions	*2017* AED millions
Raw materials consumed	**83,260**	5,032
Depreciation of property, plant and equipment *(see note 16)*	**12,979**	10,911
Staff costs	**6,268**	4,905
Maintenance costs	**3,648**	2,909
Impairment of property, plant and equipment *(see note 16)*	**2,228**	183
Impairment of intangible assets *(see note 17)*	**309**	232
Amortisation of intangible assets *(see note 17)*	**788**	350
Other costs	**10,839**	8,568
	120,319	33,090

12 RESEARCH, DEVELOPMENT AND EXPLORATION EXPENSES

	2018 AED millions	*2017 AED millions*
Staff costs	**1,596**	1,693
Depreciation of property, plant and equipment *(see note 16)*	**556**	473
Amortisation of intangible assets *(see note 17)*	**516**	314
Materials cost	**486**	564
Other exploration cost	**172**	55
Other expenses	**446**	687
	3,772	3,786

13 GENERAL AND ADMINISTRATIVE EXPENSES

	2018 AED millions	*2017 AED millions*
Staff costs	**4,775**	3,016
Selling, distribution and transportation costs	**3,839**	18
Depreciation of property, plant and equipment *(see note 16)*	**889**	405
Amortisation of intangible assets *(see note 17)*	**344**	233
Impairment of intangible assets *(see note 17)*	**55**	77
Impairment of property, plant and equipment *(see note 16)*	**16**	224
Other expenses	**3,079**	1,828
	12,997	5,801

14 INVESTMENT INCOME *(net)*

	2018 AED millions	*2017 AED millions*
Fair value gains from derivative and non-derivative financial instruments *(net)*	**4,978**	1,077
Dividend income from equity investments	**1,222**	1,237
Fair value loss from investment properties *(net)*	**(326)**	(403)
Other investment income	**24**	83
	5,898	1,994

15 OTHER INCOME *(net)*

	2018 AED millions	*2017 AED millions*
Government grant income	**415**	416
Income on settlement of insurance claims	**400**	-
Gain on disposal of property, plant and equipment and intangibles assets *(net)*	**242**	96
Gain on disposal of equity accounted investee	**315**	230
Other income	**965**	465
	2,337	1,207

16 PROPERTY, PLANT AND EQUIPMENT

	Land [1] *AED millions*	*Oil and gas assets AED millions*	*Buildings plant, and office equipment AED millions*	*Aircraft and aircraft materials AED millions*	*Computers AED millions*	*Distribution network AED millions*	*Capital work in progress AED millions*	*Others AED millions*	*Total AED millions*
Cost									
At 1 January 2017	31	18,552	99,023	4,011	1,845	1,706	7,247	18	132,433
Additions	-	549	822	91	63	13	7,425	2	8,965
Transfer from entities under common control *(see note 4)*	1,644	4,949	29,912	-	213	-	3,810	324	40,852
Disposals	-	-	(1,308)	(52)	(9)	-	(241)	-	(1,610)
Transfer (to) / from intangible assets *(see note 17)*	-	-	(4)	-	-	-	166	-	162
Divestment of a subsidiary *(see note 6)*	-	-	(2,386)	-	-	(1,745)	(146)	-	(4,277)
Transfer from inventories	-	88	-	-	-	-	-	-	88
Transfer from assets classified as held for sale	-	-	53	-	-	-	-	-	53
Other movements	23	396	4,815	-	135	26	(5,376)	(1)	18
Write off	-	-	(2)	-	(7)	-	(3)	-	(12)
Effect of movement in foreign exchange rates	-	-	139	-	-	-	(3)	-	136
At 31 December 2017	1,698	24,534	131,064	4,050	2,240	-	12,879	343	176,808
Accumulated depreciation and impairment									
At 1 January 2017	-	(12,462)	(38,151)	(746)	(1,383)	(213)	(1,023)	(7)	(53,985)
Transfer from entities under common control *(see note 4)*	-	(3,502)	(15,082)	-	(116)	-	-	(197)	(18,897)
Charge for the year [2]	-	(1,320)	(10,145)	(184)	(189)	(28)	-	(1)	(11,867)
Disposals	-	-	1,240	5	9	-	-	-	1,254
Impairment *(net of reversals)* [3]	-	(94)	(289)	-	(4)	-	(20)	-	(407)
Transfer from assets classified as held for sale	-	-	(8)	-	-	-	-	-	(8)
Divestment of a subsidiary *(see note 6)*	-	-	348	-	-	243	-	-	591
Other movements	-	-	-	-	(1)	(2)	5	-	2
Write off	-	-	10	-	7	-	-	-	17
Effect of movement in foreign exchange rates	-	-	(31)	-	-	-	-	-	(31)
At 31 December 2017	-	(17,378)	(62,108)	(925)	(1,677)	-	(1,038)	(205)	(83,331)
Carrying amounts									
At 31 December 2017	1,698	7,156	68,956	3,125	563	-	11,841	138	93,477

16 PROPERTY, PLANT AND EQUIPMENT continued

	Land [1] *AED millions*	*Oil and gas assets AED millions*	*Buildings plant, and office equipment AED millions*	*Aircraft and aircraft materials AED millions*	*Computers AED millions*	*Distribution network AED millions*	*Capital work in progress AED millions*	*Others AED millions*	*Total AED millions*
Cost									
At 1 January 2018	1,698	24,534	131,064	4,050	2,240	-	12,879	343	176,808
Additions	50	1,748	1,064	223	63	-	12,685	4	15,837
Acquisitions through business combinations *(see note 5)*	34	2,732	327	-	5	-	80	1	3,179
Transfer from entities under common control *(net) (see note 4)*	458	-	61,397	21	190	-	3,079	151	65,296
Transfer to assets classified as held for sale	-	-	(2,174)	-	-	-	(446)	-	(2,620)
Disposals	(3)	(2,001)	(2,450)	(167)	(25)	-	-	(140)	(4,786)
Transfer (to) / from intangible assets *(see note 17)*	3	1,022	1,209	-	19	-	(1,904)	-	349
Transfer to inventories	-	(94)	-	-	-	-	-	-	(94)
Other movements	-	11	7,489	-	164	-	(7,762)	(7)	(105)
Write off	-	-	(30)	(84)	(12)	-	(3)	-	(129)
Effect of movement in foreign exchange rates	(73)	28	(1,047)	-	(10)	-	10	(10)	(1,102)
At 31 December 2018	**2,167**	**27,980**	**196,849**	**4,043**	**2,634**	**-**	**18,618**	**342**	**252,633**
Accumulated depreciation and impairment									
At 1 January 2018	-	(17,378)	(62,108)	(925)	(1,677)	-	(1,038)	(205)	(83,331)
Transfer from entities under common control *(see note 4)*	-	-	(28,487)	(6)	(158)	-	10	(82)	(28,723)
Transfer to assets classified as held for sale	-	-	1,385	-	-	-	446	-	1,831
Charge for the year [2]	-	(1,800)	(12,157)	(185)	(253)	-	-	(29)	(14,424)
Disposals	-	2,001	2,152	43	13	-	-	98	4,307
Impairment *(net of reversals)* [3]	-	175	(1,948)	-	-	-	(917)	-	(2,690)
Transfer (to) / from intangible assets *(see note 17)*	-	(270)	(54)	-	2	-	-	-	(322)
Transfer to inventories	-	5	-	-	-	-	-	-	5
Other movements	-	-	14	-	(2)	-	18	-	30
Write off	-	-	11	28	6	-	-	-	45
Effect of movement in foreign exchange rates	-	(27)	398	-	5	-	(2)	6	380
At 31 December 2018	**-**	**(17,294)**	**(100,794)**	**(1,045)**	**(2,064)**	**-**	**(1,483)**	**(212)**	**(122,892)**
Carrying amounts									
At 31 December 2018	**2,167**	**10,686**	**96,055**	**2,998**	**570**	**-**	**17,135**	**130**	**129,741**

16 PROPERTY, PLANT AND EQUIPMENT continued

[1] The UAE Armed Forces - General Headquarters and the Urban Planning Council have granted certain subsidiaries the right to use plots of land free of charge *(see note 38(a)(ii))*. Land also includes plots of land recorded at nominal value, carrying amounts of which are insignificant *(see note 38(a)(i))*.

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

	2018 AED millions	*2017 AED millions*
Cost of sales *(see note 11)*	**12,979**	10,911
General and administrative expenses *(see note 13)*	**889**	405
Research, development and exploration expenses *(see note 12)*	**556**	473
Discontinued operations	**-**	78
	14,424	11,867

Property, plant and equipment having carrying value of AED 12,205 million *(2017: AED 3,713 million)* has been pledged as security against borrowings *(see note 29(a))*.

Property, plant and equipment having carrying value of AED 1,257 million *(2017: AED 897 million)* are held under finance leases.

[3] Impairment for the year was allocated as follows:

	2018 AED millions	*2017 AED millions*
Cost of sales *(see note 11)*	**2,228**	183
General and administrative expenses *(see note 13)*	**16**	224
Discontinued operations	**446**	-
	2,690	407

Impairment assessment of fabrication equipment and tools

During the third quarter of 2018, a subsidiary of the Company changed its strategy whereby it suspended its 7nm development program. At 31 December 2018, fabrication and other equipment related to the 7nm development program that could not be repurposed to other product lines were classified as a held for sale. Immediately before their classification as assets held for sale, the recoverable amount of these assets was written down to their fair value less costs to sell and an impairment charge of AED 1,565 million was recognised during the year. In addition, certain underutilised fabrication tools were offered for sale. These assets are no longer being depreciated while awaiting sale. The carrying values of these assets exceed their recoverable value based on sale agreements or valuation report obtained from a third party valuation firm. The Company recorded an additional impairment charge of AED 309 million to write down the underutilised fabrication tools to the lower of net book value or fair value at 31 December 2018.

16 PROPERTY, PLANT AND EQUIPMENT continued

Impairment assessment of Fabrication Facilities ("Fabs")

The facilities and equipment utilised in the semiconductor manufacturing processes are highly integrated and inter-dependent in the production process. The recoverable amount of individual long-lived assets cannot be determined as the cash inflows are not largely independent of those from other assets. Management has identified each fabrication unit as a separate cash generating unit ("CGUs").

The recoverable amount of each CGU at 31 December 2018 has been determined based on their fair value less cost to sell calculation using cash flow projections from financial budgets approved by senior management covering the initial five year period. Cash flows beyond the five-year period for Fab1 and Fab8 CGUs are extrapolated using a 1-2% growth rate that is lower than the long-term average growth rate for the semiconductor industry as these CGUs continue to ramp production over their terminal periods of 13 to 22 years. The post-tax discount rates applied to the cash flow projections range from 9.0% to 10.5%. The recoverable amounts exceed the carrying amounts for the Fab 1, Fab 8, Fab 9 and Fab 10 CGUs resulting in no impairment. Terminal values were estimated using a 3.5 times terminal year EBITDA included in the discounted cash flows for Fab 1, Fab 8 and Fab 9 CGUs. The expected proceeds from the announced sale of the Fab 10 CGU were used in the discounted cash flows for the Fab 10 CGU.

Key assumptions used in the fair value less cost to sell and sensitivity to changes in assumptions

The calculation of fair value less cost to sell for the CGUs is the most sensitive to the following assumptions:

- Revenues (pricing)
- Cost
- Volume
- Discount rate
- Capital expenditures

Sensitivity analysis

Other than as disclosed above, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of any cash-generating unit to materially exceed its recoverable amount. The estimated recoverable amount of Fab 1, Fab 8, Fab 9 and Fab 10 CGUs exceed their carrying values by 16%, 21%, 87% and 245%, respectively. Because the recoverable amount for Fab 10 exceeds the carrying amount by 245%, changes to key assumptions would not materially impact these financial statements. The changes in the following table to assumptions used in the impairment review would, in isolation, have led to the recoverable value equalling the carrying value at 31 December 2018.

	Change required for recoverable amount to equal carrying value		
	Fab 1 CGU	**Fab 8 CGU**	**Fab 9 CGU**
Revenues (pricing)	-3.3%	-8.0%	-7.8%
Costs	+4.8%	+17.2%	+11.1%
Volume	-10.1%	-15.0%	-26.2%
Discount rate	+1.4%	+1.9%	+13.7%
Capital expenditures	+276.1%	+1,145.7%	+287.2%

The semiconductor industry is subject to significant and rapid changes. Therefore, it is not unlikely that future events (near or long-term) could result in changes at the levels indicated in the table above. However, the inputs used in management's projections represent best estimates based on the information available to management as of the issuance of the financial statements. Further information regarding the estimates are as follows:

Revenues (pricing) - Management estimates selling prices by customer based on industry trends, historical and expected trends in cost reduction, customer experience and competitive pressure. The estimated selling prices are used, along with volume estimates, to forecast revenues. A decrease in estimated average selling prices by 3.3%, 8.0% and 7.8% for Fab 1, Fab 8 and Fab 9 respectively in isolation would result in elimination of the margin for each of these CGUs.

16 PROPERTY, PLANT AND EQUIPMENT continued

Impairment assessment of Fabrication Facilities ("Fabs") continued

Sensitivity analysis continued

Cost - Estimates are obtained from published indices for the countries from which materials are sourced as well as data relating to specific commodities. Forecast figures are used if data is publicly available, otherwise past actual raw material price movements are used as an indicator of future price movements. Management has considered the possibility of greater than forecasted increases in raw material price inflation. This may occur if demand for material rises faster than supply. An increase in the prices of raw materials and other inputs forecasted above of 4.8%, 17.2% and 11.1% for Fab 1, Fab 8 and Fab 9 respectively in isolation would result in elimination of the margin for each of these CGUs.

Volume - Estimates of customer volumes are made by management of each Fab based upon committed customers and forecasted orders. Management may adjust forecasted orders of customers to reflect the uncertainty associated with these orders. Volume forecasts used to develop forecasted revenues are based on assumed volumes from committed customers and forecasted orders combined with anticipated production timing. A decrease in volume of 10.1%, 15.0%, and 26.2% for Fab 1, Fab 8 and Fab 9 respectively in isolation would result in elimination of the margin for each of these CGUs.

Discount rate - Discount rate represents the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. Discount rate calculation is based on the specific circumstances of the entity and its operating units and is derived from its weighted average cost of capital (WACC). The WACC considers both cost of debt and equity. Cost of equity is derived from the expected return on investment by the Company's investors. Cost of debt is based on the interest-bearing borrowings the entity is obligated to service. Specific risk is incorporated by applying the entity's beta factors which are evaluated annually based on publicly available market data. Discount rates used in the recoverable amount calculation ranges from 9.0% to 10.5%. An increase in the discount rate by 1.4%, 1.9% and 13.7% for Fab 1, Fab 8 and Fab 9 respectively in isolation would result in the elimination of the margin for each of these CGUs.

Capital expenditures - Forecasted capital expenditure represents the estimated cash outflows that management expects a market participant would incur to repair or upgrade existing facilities and production lines to meet industry standard production efficiencies. An increase in capital expenditure by 276.1%, 1145.7% and 287.2% Fab 1, Fab 8 and Fab 9 respectively in isolation would result in the elimination of the margin for each of these CGUs.

17 INTANGIBLE ASSETS

	Licences trademarks and patents AED millions	*Oil and gas reserves AED millions*	*Goodwill AED millions*	*Technology, licence and software AED millions*	*Customer contracts AED millions*	*Exploration and evaluation assets AED millions*	*Others AED millions*	*Total AED millions*
Cost								
At 1 January 2017	2,472	3,456	948	4,421	608	957	2,124	14,986
Additions	-	-	-	513	-	181	28	722
Transfer from an entity under common control *(see note 4)*	1,821	14,318	2,127	894	-	2,222	2,623	24,005
Disposals	-	-	-	(197)	-	-	(50)	(247)
Write off	(44)	-	-	(2)	-	-	-	(46)
Transfer from / (to) property, plant and equipment *(see note 16)*	-	-	-	5	-	(167)	-	(162)
Other movements	-	(5)	9	-	-	50	(43)	11
Effect of movement in foreign exchange rates	-	-	17	-	-	-	5	22
At 31 December 2017	4,249	17,769	3,101	5,634	608	3,243	4,687	39,291
Accumulated amortisation and impairment								
At 1 January 2017	(281)	(3,358)	(591)	(2,125)	(132)	-	(793)	(7,280)
Transfer from an entity under common control *(see note 4)*	(16)	(13,843)	(647)	(547)	-	(2,040)	(820)	(17,913)
Charge for the year [1]	(149)	(35)	-	(573)	(71)	-	(69)	(897)
Disposals	-	-	-	197	-	-	-	197
Impairment [2]	-	-	-	(23)	-	(13)	(273)	(309)
Write off	44	-	-	1	-	-	-	45
Other movements	-	-	-	-	-	-	-	-
Effect of movement in foreign exchange rates	-	-	-	-	-	-	(1)	(1)
At 31 December 2017	(402)	(17,236)	(1,238)	(3,070)	(203)	(2,053)	(1,956)	(26,158)
Carrying amounts								
At 31 December 2017	3,847	533	1,863	2,564	405	1,190	2,731	13,133

17 INTANGIBLE ASSETS continued

	Licences trademarks and patents AED millions	*Oil and gas reserves AED millions*	*Goodwill AED millions*	*Technology, licence and software AED millions*	*Customer contracts AED millions*	*Exploration and evaluation assets AED millions*	*Others AED millions*	*Total AED millions*
Cost								
At 1 January 2018	4,249	17,769	3,101	5,634	608	3,243	4,687	39,291
Additions	8	20	-	867	-	185	42	1,122
Acquisitions through business combinations *(see note 5)*	-	1,773	1,254	-	-	-	16	3,043
Transfer from an entity under common control *(see note 4)*	-	-	1,382	449	1,429	-	3,205	6,465
Transfer to assets classified as held for sale	-	-	-	(18)	-	-	-	(18)
Disposals	(28)	(451)	-	-	-	(283)	(15)	(777)
Write off	-	-	-	(1)	-	(48)	(5)	(54)
Transfer from / (to) property, plant and equipment *(see note 16)*	(6)	-	-	50	-	(407)	14	(349)
Other movements	(4)	4	(70)	14	-	6	75	25
Effect of movement in foreign exchange rates	(74)	(36)	87	(43)	-	(38)	(71)	(175)
At 31 December 2018	**4,145**	**19,079**	**5,754**	**6,952**	**2,037**	**2,658**	**7,948**	**48,573**
Accumulated amortisation and impairment								
At 1 January 2018	(402)	(17,236)	(1,238)	(3,070)	(203)	(2,053)	(1,956)	(26,158)
Transfer from an entity under common control *(see note 4)*	-	-	(200)	(313)	(688)	-	(1,769)	(2,970)
Transfer to assets classified as held for sale	-	-	-	18	-	-	-	18
Charge for the year [1]	(173)	(249)	-	(882)	(75)	(62)	(207)	(1,648)
Disposals	14	443	-	11	-	283	15	766
Impairment [2]	-	(12)	(121)	(201)	-	(48)	-	(382)
Write off	-	-	-	1	-	-	5	6
Transfer from / (to) property, plant and equipment *(see note 16)*	-	321	-	1	-	-	-	322
Other movements	-	-	-	(10)	-	-	-	(10)
Effect of movement in foreign exchange rates	(1)	35	(83)	26	-	37	3	17
At 31 December 2018	**(562)**	**(16,698)**	**(1,642)**	**(4,419)**	**(966)**	**(1,843)**	**(3,909)**	**(30,039)**
Carrying amounts								
At 31 December 2018	**3,583**	**2,381**	**4,112**	**2,533**	**1,071**	**815**	**4,039**	**18,534**

17 INTANGIBLE ASSETS continued

[1] Amortisation charge for the year was allocated as follows:

	2018 AED millions	*2017 AED millions*
Cost of sales *(see note 11)*	**788**	350
Research, development and exploration expenses *(see note 12)*	**516**	314
General and administrative expenses *(see note 13)*	**344**	233
	1,648	897

[2] Impairment for the year was allocated as follows:

	2018 AED millions	*2017 AED millions*
Cost of sales *(see note 11)*	**309**	232
General and administrative expenses *(see note 13)*	**55**	77
Discontinued operations	**18**	-
	382	309

Goodwill

CEPSA

Goodwill allocated to CEPSA amounted to AED 1,297 million as at 31 December 2018 *(2017: AED 1,480 million)*. As at 31 December 2018, management performed its annual impairment review for goodwill.

As a result of the impairment testing, goodwill arising on the acquisition of one of the CEPSA’s subsidiary was fully impaired for an amount of AED 121 million. The recoverable amount of the subsidiary dropped significantly due to the lower crude oil and gas prices compared to the high prices at the acquisition date, coupled with depletion on commercial reserves.

At 31 December 2018, the recoverable amount of CEPSA has been determined based on a fair value less cost to sell approach, derived from financial projections covering a five year period. The main methodology used for the estimation of fair value was Discounted Cash Flows ("DCF"). In addition, market multiples were also used as a secondary method to cross check the fair value determined under the DCF method. For each of the company´s businesses, the DCF methodology considered financial projections for five years plus a terminal value thereafter, except for the Exploration & Production ("E&P") business, where the remaining useful life of each of the producing fields/assets was considered.

17 INTANGIBLE ASSETS continued

Goodwill continued

CEPSA continued
The fair values less cost to sell is not likely to be significantly different from value in use. Value in use was determined by discounting the future cash flows from continuing use of the unit and was based on the following key assumptions:

- Financial projections: The financial projections for each of the company's businesses were obtained from the company's five year business plan which was based on management expectations and industry research.
- Terminal value: Except for the E&P business, terminal values have been estimated following the perpetual growth rate methodology.
- Growth rate: Except for the E&P business, growth rates have been estimated for each of the company's businesses based on industry research. Growth rate considered is in a range from 0.0% - 2.5% *(2017: 0.0% - 2.5%).*
- Discount rate: The discount rate represents the current market assessment of the risks specific to CEPSA. The discount rate has been estimated according to the Weighted-Average Cost of Capital ("WACC") calculated for each of the company's businesses and countries in which the company operates, and ranges from 6.0% - 11% *(2017: 6.0% - 13.3%).*

With regards to the estimated fair value less cost to sell, management assessed that no reasonably possible change in any of the above key assumptions would cause the carrying value of CEPSA to materiality exceed its recoverable amount as of 31 December 2018.

Impairment testing of intangible assets with an indefinite useful life
Brands relate to trade names within the Group that have been assigned an indefinite useful life because of the businesses' long history and strong market position. Brand values are tested for impairment annually at 31 December.

The fair value of the trade name was estimated using a relief from royalty approach. In applying this methodology, the value of the trade name was estimated by capitalising the royalties saved due to the Group owning the trade name. The trade name is being used in various businesses in the Group. An appropriate trade name royalty rate was identified as a percentage of revenue or for certain businesses as a percentage of gross margin over variable costs level which translated into approximately 4.0% to 8.0% *(2017: 4.0% - 8.0%)* of gross margin over variable costs depending on the location of the use of the brand, the significance of its presence in the specific country, and the focus on marketing and advertising of the brand. A discount rate for the trade name was calculated 8.0% *(2017: 8.0% - 8.5%).* Terminal value was calculated with a long-term growth rate of 1.5% *(2017: 1.5%).* A tax amortisation benefit was applied for the trade name as the value will be amortisable for tax purposes.

Sensitivity to changes in assumptions
With regard to the assessment of fair value less cost to sell, management assessed that no reasonably possible change in any of the above key assumptions would cause the carrying value of the brand to materiality exceed its recoverable amount as of 31 December 2018.

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

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

18 INVESTMENT PROPERTIES

	2018 AED millions	*2017 AED millions*
Investment properties	**7,483**	7,580
Investment properties under development	**459**	130
	7,942	7,710

Movement in investment properties is as follows:

	2018 AED millions	*2017 AED millions*
At 1 January	**7,580**	7,212
Additions and acquisition through business combinations	**85**	13
Disposals	**(6)**	-
Transfer from investment properties under development	**16**	763
Decrease in fair value *(net)*	**(143)**	(403)
Effect of movement in foreign exchange rates on translation	**(49)**	(5)
At 31 December	**7,483**	7,580

Movement in investment properties under development is as follows:

	2018 AED millions	*2017 AED millions*
At 1 January	**130**	717
Additions	**441**	244
Decrease in fair value *(net)*	**(183)**	-
Transfer from property, plant and equipment	**87**	-
Transfer to investment properties	**(16)**	(763)
Transfer to finance lease receivable *(see note 21(a))*	**-**	(68)
At 31 December	**459**	130

Significant investment properties include 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 representing the highest and best use of the properties. All properties are categorised as level 3 investments as per IFRS 13 fair value hierarchy.

18 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 2018 was estimated at AED 3,744 million *(2017: AED 3,726 million)*.

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.

Cash flows from the assets used in valuation are discounted using discount rate of 8.6% *(2017: 8.1%)* that reflect current market assessments of the uncertainty in the amount and timing of the cash flows. Capitalisation rates range from 7.1% *(2017: 7.1%)* have been used.

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 2018, 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 2018 and 31 December 2017 was estimated at AED 1,373 million.

Cash flows from the assets used in valuation are discounted using discount rate of 8.1% *(2017: 8.1%)* that reflect current market assessments of the uncertainty in the amount and timing of the cash flows. Capitalisation rates range from 6.6% *(2017: 6.6%)* have been used.

18 INVESTMENT PROPERTIES continued

Sensitivity to significant changes in unobservable inputs:
The valuation techniques used for these investment properties mentioned above are the income approach and residual valuation method. The sensitivity is conducted on the discount/capitalisation rates, as discussed above, and rental values.

- A decrease in the capitalisation/discount rate by 10% would result in an estimated AED 188 million *(2017: AED 783 million)* or 3.7% increase *(2017: 15.4% increase)* in the valuation, whilst an increase in the capitalisation/discount rate by 10% would result in an estimated AED 179 million *(2017: AED 601 million)* or 3.5% decrease *(2017: 11.8% decrease)* in the valuation;
- An increase in the rental rates by 10% would result in an estimated AED 162 million *(2017: AED 294 million)* or 3.2% increase *(2017: 4.7% increase)* in the valuation, whilst a decrease in the rental rates by 10% would result in an estimated AED 162 million *(2017: AED 294 million)* or 3.2% decrease *(2017: 4.7% decrease)* in the valuation.

There are reasonable interrelationships between the above unobservable inputs as they are determined by market conditions. Existence of an increase in more than one unobservable input would normally magnify any impact on valuation. However, impact on the valuation of investment properties 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 insignificant impact on the valuation.

Investment properties of Masdar
Investment properties of Masdar comprise Masdar City land and the cost incurred in 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 RICS Valuation – Global Standards 2017, 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 properties amounts to an estimated AED 1,614 million *(2017: AED 1,735 million)* and investment properties under development have a fair value estimate of AED 459 million *(2017: AED 130 million)*.

Cash flows from the assets used in valuation are discounted using discount rate of 11% *(2017: 7% - 10%)* that reflect current market assessments of the uncertainty in the amount and timing of the cash flows. Capitalisation rates range from 7.25% – 8.4% *(2017: 5.9% - 7.5%)* have been used.

19 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 accounts for its share of the assets, liabilities, income and expenses in such joint operations in the consolidated financial statements proportionately on a line-by-line basis. The Groups interest in those concession blocks are at different stages – exploration, development and / or production, and are located in Oman, Qatar, Indonesia, Thailand, Vietnam, Egypt, Malaysia, Algeria, Columbia, Peru, Spain, Brazil, Canada and USA. The Group's working interest in those concessions ranges from 7.25% to 100%.

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.

19 INTEREST IN JOINT OPERATIONS continued

In addition, the Group also has the following significant joint operations:

Contract Area	*Description*	***Group's working interest As at 31 December 2018 %***	*2017 %*
Joint operations in Canada			
Joffree E3 Ethylene Plant	*Ethylene production*	***50.00***	-
Cogeneration Facility at Joffre	*Natural gas power station*	***20.00***	-
Joint operations in USA			
Geismar, Louisiana Plant	*Ethylene production*	***88.46***	-

20 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES

(a) Investments in equity accounted investees

	2018 AED millions	*2017 AED millions*
Investments in associates	**40,361**	13,817
Investments in joint ventures	**28,538**	23,312
	68,899	37,129

(b) Share of results of equity accounted investees

	2018 AED millions	*2017 AED millions*
Share of results of associates	**1,150**	949
Share of results of joint ventures	**1,860**	3,185
	3,010	4,134

20 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES continued

(c) Investments in associates

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

Associates	*Domicile*	*Ownership interest %* **2018**	*2017*	*Principal business activity*
Aldar Properties PJSC ("Aldar")	UAE	**29.75**	29.75	Development, sales, investment, construction and associated services for real estate
OMV AG ("OMV")[1]	Austria	**24.90**	-	Integrated oil and gas listed company, involved in exploration and production, refining, marketing and petrochemicals
Abu Dhabi Polymers Company Limited ("Borouge")[2]	UAE	**40.00**	-	Production of innovative, value creating plastic solutions

Summarised financial information

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information 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 2018 AED millions	***OMV[1] 2018 AED millions***	***Borouge[2] 2018 AED millions***	*Aldar 2017 AED millions*
Revenue	**6,287**	**-**	**-**	6,181
Profit for the year	**1,855**	**-**	**-**	2,006
Other comprehensive income	**78**	**-**	**-**	8
Total comprehensive income	**1,933**	**-**	**-**	2,014
Group's share of profit	**549**	**-**	**-**	594
Dividends received by the Group	**281**	**-**	**-**	257
Current assets	**16,834**	**50,807**	**7,895**	15,880
Non-current assets	**21,710**	**104,849**	**30,350**	20,517
Current liabilities	**(6,746)**	**(40,860)**	**(1,558)**	(10,316)
Non-current liabilities	**(7,562)**	**(50,188)**	**(237)**	(2,632)
Non-controlling interest	**(173)**	**(14,471)**	**-**	(214)
Net assets	**24,063**	**50,137**	**36,450**	23,235

[1] OMV was transferred to the Company effective 30 December 2018 as part of transfer of assets from IPIC to the Company. For details, refer to note 4 (iii).

[2] Borouge was transferred to the Company effective 30 December 2018 as part of transfer of Borealis from IPIC to the Company. For details, refer to note 4 (iii).

20 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES continued

(c) Investments in associates continued

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

	Aldar 2018 AED millions	***OMV 2018 AED millions***	***Borouge 2018 AED millions***	*Aldar 2017 AED millions*
Net assets	**24,063**	**50,137**	**36,450**	23,235
Ownership %	**29.75%**	**24.90%**	**40.00%**	29.75%
Group's share of net assets on basis of ownership interest	**7,159**	**12,484**	**14,580**	6,912
Reconciling items:				
Purchase price allocation adjustments *(net)*	**213**	**-**	**-**	215
Hybrid capital not contributed by the Group	**-**	**(2,084)**	**-**	-
Other adjustments	**(11)**	**-**	**(9)**	(35)
Carrying amount	**7,361**	**10,400**	**14,571**	7,092
Market value of investments	**3,743**[3]	**13,127**	**-**	5,147[3]

[3] 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 2018 and 31 December 2017.

Aggregate information of associates that are not individually material:

	2018 AED millions	*2017 AED millions*
Group’s share of profit	**601**	355
Group’s share of other comprehensive income *(net)*	**24**	26
Group’s share of total comprehensive income	**625**	381
Group’s share of carrying amount	**8,029**	6,725

Certain of the Group’s associates are listed on stock exchange. As at 31 December 2018, the market values of these listed associates are AED 6,591 million *(2017:AED 6,757 million)* while the carrying values were AED 5,035 million as at 31 December 2018 (*2017: AED 5,010 million).*

20 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES continued

(d) 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 %* **2018**	*2017*	*Principal business activity*
Emirates Global Aluminium PJSC ("EGA")	UAE	**50.00**	50.00	Develop, construct, operate, finance and maintain aluminium smelter

Summarised financial information in respect of each of the Group's material joint venture 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 2018 AED millions	*EGA 2017 AED millions*
Revenue	**23,374**	20,470
Profit for the year	**1,193**	3,306
Other comprehensive income / (loss)	**166**	(75)
Total comprehensive income	**1,359**	3,231
Group's share of profit	**509**	1,593
Current assets	**11,293**	15,458
Non-current assets	**52,708**	49,174
Current liabilities	**(8,440)**	(4,327)
Non-current liabilities [1]	**(22,938)**	(34,405)
Net assets	**32,623**	25,900

[1] Liabilities have partially decreased due to the conversion of EGA's shareholder loans to equity. Refer to note 22(a).

20 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES continued

(d) Investments in joint ventures continued

Reconciliation of the above summarised financial information to the carrying amount of the interest in the above joint venture recognised in the consolidated financial statements is as follows:

	EGA 2018 AED millions	*EGA 2017 AED millions*
Net assets	**32,623**	25,900
Ownership %	**50%**	50%
Group's share of net assets on basis of ownership interest	**16,312**	12,950
Reconciling items:		
Purchase price allocation adjustments *(net)*	**397**	473
Other adjustments	**253**	253
Carrying amount	**16,962**	13,676

Aggregate information of joint ventures that are not individually material:

	2018 AED millions	*2017 AED millions*
Group's share of profit	**1,351**	1,592
Group's share of other comprehensive income / (loss) *(net)*	**243**	(100)
Group's share of total comprehensive income *(net)*	**1,594**	1,492
Group's share of carrying amount	**11,576**	9,636

21 OTHER RECEIVABLES AND PREPAYMENTS

	2018 AED millions	*2017 AED millions*
Amounts due from related parties *(see note 35(d))* [1]	**21,156**	21,335
Restricted and long term deposits [2]	**20,195**	12,430
Receivables against government grants *(see note 38(b))*	**1,274**	1,171
Finance lease receivables *(see note 21(a))*	**2,495**	2,495
Other receivables and prepayments	**12,737**	8,418
	57,857	45,849
Less: expected credit losses / allowance for impairment	**(1,431)**	(869)
	56,426	44,980
Disclosed as:		
Current	**43,104**	33,971
Non-current	**13,322**	11,009
	56,426	44,980

[1] Includes service concession receivables, which primarily represent receivables from related parties *(see note 35(d))*, on account of services relating to the construction of buildings for certain universities. Service concession receivables will be recovered over the respective concession periods of the universities.

[2] Includes long term deposits amounting to AED 19,660 million (*2017: AED 11,206 million*) which represent deposits with original maturity of more than three months. Long term deposits include AED 9,119 million (*2017: AED 4,813 million*) placed with entities under common control *(see note 35(d))* on arm's length basis.

(a) Finance lease receivables

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

	2018 AED millions	*2017 AED millions*
At 1 January	**2,495**	5,298
Additions	**50**	10
Transfer from investment properties under development *(see note 18)*	**-**	68
Finance lease income	**132**	138
Write off	**(54)**	(50)
Lease rentals received	**(70)**	(87)
Divestment of a subsidiary [1]	**-**	(2,851)
Other movements	**(58)**	(31)
At 31 December	**2,495**	2,495

[1] Relates to finance leases of Tabreed which ceased to be a subsidiary during the prior year *(see note 6(ii))*.

21 OTHER RECEIVABLES AND PREPAYMENTS continued

(a) Finance lease receivables continued

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

	2018		*2017*	
	Minimum lease payments receivables AED millions	***Present value of payments receivables AED millions***	*Minimum lease payments receivables AED millions*	*Present value of payments receivables AED millions*
Within one year	**117**	**115**	108	105
After one year but not more than five years	**495**	**424**	532	454
After five years	**7,860**	**1,956**	8,322	1,936
Total	**8,472**	**2,495**	8,962	2,495
Less: unearned finance income	**(5,977)**	**-**	(6,467)	-
Present value of minimum lease payments	**2,495**	**2,495**	2,495	2,495

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

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

22 OTHER FINANCIAL ASSETS

	2018 AED millions	*2017 AED millions*
Loans receivable *(see note 22 (a))*	**5,671**	9,398
Investment in non-derivative financial instruments *(see note 22 (b))*	**38,872**	40,536
Derivative assets *(see note 22 (c))*	**4,378**	1,588
	48,921	51,522
***Disclosed as*:**		
Current	**5,195**	15,039
Non-current	**43,726**	36,483
	48,921	51,522

22 OTHER FINANCIAL ASSETS continued

(a) Loans receivable

	2018 AED millions	*2017 AED millions*
Loans to joint ventures [1]	**2,921**	6,702
Loans to entities under common control	**122**	122
Loans to associates	**96**	65
Loans to related parties	**3,139**	6,889
Less: expected credit losses / allowance for impairment	**(262)**	(97)
Loans to related parties *(net) (see note 35(d))*	**2,877**	6,792
Loans to third parties [2]	**3,045**	2,712
Less: expected credit losses / allowance for impairment	**(251)**	(106)
Loans to third parties *(net)*	**2,794**	2,606
Total loans receivable	**5,671**	9,398
***Disclosed as*:**		
Current	**1,386**	1,705
Non-current	**4,285**	7,693
	5,671	9,398

[1] ***Loans to joint ventures***
During the year, loan to the joint venture amounting to AED 3,693 million *(2017: AED 3,681 million)* was partially recovered to the extent of AED 1,000 million and the remaining balance of AED 2,693 million has been converted to equity and recognised as an additional investment within "investment in joint ventures" *(see note 20 (d))*.

[2] ***Loans to third parties***
Loans given to third parties include commercial loans amounting to AED 1,263 million *(2017: AED 1,198 million)*, 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 as well as corporate and personal guarantees.

As of 31 December 2018, the fair value of the real estate held as collateral against loans given to third parties amounted to AED 2,210 million *(2017: AED 2,326 million)*.

22 OTHER FINANCIAL ASSETS continued

(b) Investment in non-derivative financial instruments

	2018 AED millions	*2017 AED millions*
i. Fair value through profit or loss ("FVTPL") financial assets		
Financial assets designated at FVTPL		
Quoted investments		
Equity securities	**19,759**	17,950
Debt securities	**1,771**	2,027
Others	**50**	-
Total quoted investments	**21,580**	19,977
Unquoted investments		
Convertible bonds	**1,719**	1,682
Equity securities	**2,694**	1,638
Funds	**9,887**	7,744
Others	**189**	-
Total unquoted investments	**14,489**	11,064
Total financial assets designated at FVTPL	**36,069**	31,041
Financial assets held-for-trading		
Quoted investments		
Equity securities	**2,602**	2,526
Debt securities	**48**	98
Total financial assets held-for-trading	**2,650**	2,624
Total financial assets through profit or loss	**38,719**	33,665
ii. Fair value through other comprehensive income		
Quoted debt securities	**136**	N/A
iii. Investments at amortised cost	**17**	-
iv. Available-for-sale financial assets		
Quoted equity securities	**N/A**	6,624
Unquoted equity securities	**N/A**	220
Total available-for-sale financial assets	**N/A**	6,844
Financial assets held-to-maturity		
Unquoted investments	**N/A**	27
	38,872	40,536
***Disclosed as*:**		
Current	**2,878**	13,173
Non-current	**35,994**	27,363
	38,872	40,536

22 OTHER FINANCIAL ASSETS continued

(b) Investment in non-derivative financial instruments continued

Financial assets at fair value through profit or loss
Fair value of quoted equity securities is arrived at using 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 funds are based on statements provided by fund managers.

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.

(c) Derivative assets

	2018 AED millions	*2017 AED millions*
Fair value hedge		
Currency forwards	**8**	25
Commodity swaps	**54**	-
Others	**4**	28
	66	53
Cash flow hedge		
Commodity swaps	**625**	5
Currency forwards	**34**	82
Interest rate swaps	**43**	13
Others	**29**	-
	731	100
Financial assets designated at fair value		
Equity options	**3,270**	1,386
Financial assets held-for-trading		
Commodity swaps	**136**	20
Currency forwards	**6**	8
Equity swaps	**10**	21
Ohers	**159**	-
	311	49
Financial assets at fair value	**4,378**	1,588
Disclosed as:		
Current	**931**	165
Non-current	**3,447**	1,423
	4,378	1,588

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.

23 EMPLOYEES' BENEFIT LIABLITIES

Employees' benefit liabilities recognised in the consolidated statement of financial position are as follows:

	2018 AED millions	*2017 AED millions*
End of service benefits	**337**	285
Pensions	**2,247**	45
Defined benefit plan liabilities	**2,584**	330
Defined benefit plan assets	**239**	-

Defined benefit plan liabilities are analysed as follows:

Unfunded	**743**	330
Funded	**1,841**	-
	2,584	330

Certain companies within the Group have employee benefit plans. The forms and benefits vary with conditions and practices in the countries concerned. The plans include both defined contribution plans and plans that provide defined benefits based on years of service and estimated salary at retirement.

The following table summarises the amounts recognised in the consolidated statement of financial position for the respective plans:

	2018 AED millions	*2017 AED millions*
Defined benefit obligations	**(6,100)**	(45)
Fair value of plan assets	**3,853**	-
Benefit liabilities	**(2,247)**	(45)

23 EMPLOYEES' BENEFIT LIABLITIES continued

The major categories of plan assets are as follows:

	2018 AED millions
Investments quoted in active markets	
Cash and cash equivalents	**32**
Unquoted investments	
Cash and cash equivalents	**21**
Equity instruments	**263**
Fixed income securities	**2,566**
Others	**971**
Fair value of plan assets at 31 December 2018	**3,853**

The overall expected return on plan assets is determined based on the market expectations prevailing on that date, applicable to the period over which the obligation is to be settled. These are reflected below in the principal assumptions used in determining pension and post-employment medical obligations for the Group's plans as shown below:

	2018 %
Rate of salary increases	**3.2 - 3.5**
Rate of increase in pensions payments	**0.5 - 1.9**
Discount rate	**1.9 - 3.9**

A quantitative sensitivity analysis for significant assumptions used in measurement of defined benefit liabilities as at 31 December 2018 is shown below:

	Change %	*Impact on defined benefit obligation AED millions*	*Change %*	*Impact on defined benefit obligation AED millions*
Rate of salary increases	**+1.0**	**167**	**-1.0**	**(280)**
Rate of increase in pensions payments	**+1.0**	**204**	**-1.0**	**(298)**
Discount rate	**+0.5**	**(19)**	**-0.5**	**439**

The sensitivity analysis above has been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in the key assumptions occurred as at 31 December 2018.

The Group's expected payment contributions to defined benefit obligations within the next 12 months amounts to AED 155 million.

The average duration of the defined benefit obligations at 31 December 2018 is 14 years.

24 INCOME TAX

	2018 AED millions	*2017 AED millions*
Income tax recognised in profit or loss:		
Current tax expense		
On taxable profit of the year	**(1,362)**	(114)
Adjustment in respect of prior years' current tax	**53**	11
	(1,309)	(103)
Deferred tax (expense) / benefit		
Origination and reversal of temporary differences	**49**	36
Reduction in tax rate	**-**	14
Impact of tax losses and tax credits carry forwards	**(305)**	(151)
Deferred tax adjustment on depreciation, depletion and amortisation	**152**	23
Deferred tax effect on impairment	**(123)**	-
Foreign exchange difference	**(27)**	446
Net deferred tax (expense) / benefit	**(254)**	368
Share of income tax on equity accounted investees	**(26)**	-
Income tax (expense) / benefit recognised in profit or loss	**(1,589)**	265

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, GlobalFoundries Inc., CEPSA and Mubadala Petroleum (SE Asia) Limited for the year ended 31 December 2018.

24 INCOME TAX continued

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

	2018 AED millions	*2017 AED millions*
Profit / (loss) from continuing operations *(before income tax)*	**5,331**	(2,192)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(1,215)**	45
Effect of income that is exempt from taxation	**194**	111
Effect of expenses that are not deductible in determining taxable profit	**(203)**	(131)
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	**(75)**	(319)
Effect of previously unrecognised and unused tax losses and deductible temporary differences now recognised as deferred tax assets	**14**	12
Effect on deferred tax balances due to the change in tax rate	**-**	17
Effect of tax credits	**169**	137
Impairment losses on goodwill that are not deductible	**(31)**	-
Others	**(495)**	382
	(1,642)	254
Adjustments recognised in the current year in relation to the current tax of prior years	**53**	11
Net income tax (expense) / benefit recognised in profit or loss	**(1,589)**	265

24 INCOME TAX continued

Deferred tax assets and liabilities

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

	2018 AED millions	*2017 AED millions*
At 1 January	**3,156**	1,775
Transfer from entities under common control *(see note 4)*	**(3,569)**	1,050
Tax (loss) / benefit recognised in profit or loss	**(254)**	368
Foreign currency adjustments	**(38)**	(12)
Other adjustments	**256**	(25)
At 31 December disclosed as deferred tax (liabilities) / assets	**(449)**	3,156

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 2018 amounted to AED 50,088 million *(2017: AED 35,376 million)* and are available for offset against future taxable income. These losses, allowances and cost pools can be carried forward for unlimited period. The Group has not recognised a deferred tax asset of AED 10,500 million *(2017: AED 7,326 million)* in relation to these losses as it is not probable that these losses will be utilised.

The decision to recognise deferred tax assets was due to sufficient evidence to support the realisation of those benefits based upon anticipated future taxable income mainly resulting from a new joint venture to be entered into by one of the Group's subsidiary. The Group has recognised deferred tax assets since management believes that it is probable that future taxable profits will be available to realise the deferred tax assets. In arriving at the conclusion on recoverability of deferred tax assets, management has determined that the Group has the 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 2018 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. Management estimates that the oil reserves from this investment will finish in 2-3 years and then the company will be liquidated.

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 2018, 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 *(2017: AED nil).*

24 INCOME TAX continued

Recognised deferred tax assets and liabilities are attributable to:

	2018			2017		
	Assets AED millions	***Liabilities AED millions***	***Net AED millions***	*Assets AED millions*	*Liabilities AED millions*	*Net AED millions*
Property, plant and equipment	**(2,452)**	**(6,083)**	**(8,535)**	(2,957)	(1,249)	(4,206)
Intangible assets	**24**	**(491)**	**(467)**	3	(91)	(88)
Fair value through profit or loss investments	**-**	**-**	-	(14)	-	(14)
Derivatives	**13**	**(264)**	**(251)**	(27)	-	(27)
Other assets	**5,653**	**395**	**6,048**	4,364	(12)	4,352
Interest bearing borrowings	**37**	**(49)**	**(12)**	**-**	**-**	**-**
Other liabilities	**965**	**(226)**	**739**	750	(274)	476
Tax losses recognised	**(281)**	**881**	**600**	1,214	154	1,368
Others	**1,984**	**(555)**	**1,429**	2,523	(1,228)	1,295
Tax assets / (liabilities)	**5,943**	**(6,392)**	**(449)**	5,856	(2,700)	3,156

Income tax recognised in other comprehensive income:

	2018			2017		
	Before tax AED millions	***Tax (expense) / benefit AED millions***	***Net of tax AED millions***	*Before tax AED millions*	*Tax (expense) / benefit AED millions*	*Net of tax AED millions*
Increase in fair value of available-for-sale financial assets *(net)*	**-**	**-**	**-**	666	-	666
Effective portion of changes in fair value of cash flow hedges and other reserves *(net of tax)*	**19**	**41**	**60**	287	(32)	255
Exchange difference on translation of foreign operations	**(920)**	**-**	**(920)**	135	-	135
Loss on hedge of net investment in foreign operations *(net)*	**(609)**	**135**	**(474)**	-	-	-
Share of other comprehensive income / (loss) of equity accounted investees	**348**	**1**	**349**	(110)	-	(110)
Other comprehensive income from discontinued operations	**-**	**-**	**-**	389	-	389
	(1,162)	**177**	**(985)**	1,367	(32)	1,335

25 INVENTORIES

	2018 AED millions	*2017 AED millions*
Finished goods	**9,717**	4,092
Work in progress	**1,048**	3,805
Land held for sale *(see note 38(a)(i))*	**931**	2,496
Goods in transit	**1,891**	1,546
Raw materials and consumables	**5,078**	3,146
Drilling materials	**462**	394
Maintenance spares	**1,203**	994
Properties held for sale	**282**	295
Others	**245**	414
	20,857	17,182
Less: provision for obsolescence	**(1,286)**	(1,517)
	19,571	15,665

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

	2018 AED millions	*2017 AED millions*
At 1 January	**1,517**	2,083
Provision made during the year	**598**	2,324
Provision reversed during the year	**(436)**	(2,389)
Write off	**(356)**	(523)
Transfers (to) / from entities under common control	**(36)**	22
Effect of movement in foreign exchange rates	**(1)**	-
At 31 December	**1,286**	1,517

26 TRADE RECEIVABLES

	2018 AED millions	*2017 AED millions*
Trade receivables	**18,508**	13,654
Receivable against sale of land	**372**	410
	18,880	14,064
Less: expected credit losses / allowance for impairment	**(1,043)**	(1,124)
	17,837	12,940
Disclosed as:		
Current	**17,837**	12,940

27 CASH AND CASH EQUIVALENTS

	2018 AED millions	*2017 AED millions*
Bank balances:		
- deposit accounts	**18,163**	11,082
- call and current accounts	**6,318**	5,053
Cash in hand	**142**	168
Cash and cash equivalents	**24,623**	16,303

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 12,967 million *(2017: AED 10,083 million)* placed with entities under common control *(see note 35(d))* on arm's length basis. The Group's exposure to credit, currency and interest rate risks related to cash and cash equivalents is disclosed in note 39.

28 OPERATING LEASE ARRANGEMENTS

The minimum lease payments receivable on these are as follows:

	2018 AED millions	*2017 AED millions*
Within one year	**712**	631
After one year but not more than five years	**2,179**	2,299
After five years	**991**	1,004
	3,882	3,934

29 INTEREST BEARING BORROWINGS

	2018 AED millions	*2017 AED millions*
Borrowings *(see note 29(a))*	**106,566**	49,238
Obligations under finance leases *(see note 29(b))*	**1,583**	1,278
	108,149	50,516
Disclosed as:		
Current	**21,421**	8,704
Non-current	**86,728**	41,812
	108,149	50,516

29 INTEREST BEARING BORROWINGS continued

(a) Borrowings

	2018 AED millions	*2017 AED millions*
Unsecured bank borrowings	**29,582**	23,715
Unsecured corporate bonds	**58,643**	15,440
Unsecured loans	**1,632**	1,971
Secured bank borrowings	**14,514**	7,296
Secured loans	**2,093**	688
Secured bonds	**102**	128
	106,566	49,238
Disclosed as:		
Current	**21,038**	8,662
Non-current	**85,528**	40,576
	106,566	49,238

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

	2018 AED millions	*2017 AED millions*
Corporate	**54,523**	19,805
CEPSA	**14,021**	9,975
NOVA	**11,290**	-
Global Foundries Inc.	**10,447**	7,665
Borealis	**5,800**	-
Al Maqsed Development Company PJSC	**2,451**	2,522
Al Yah Satellite Communications Company PJSC	**1,744**	2,412
Other subsidiaries	**6,290**	6,859
	106,566	49,238

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

	2018 AED millions	*2017 AED millions*
At 1 January	**49,238**	34,090
Additions	**28,298**	16,100
Repayments	**(20,877)**	(8,073)
Transfer from entities under common control *(see note 4)*	**49,932**	9,984
Divestment of subsidiaries	**-**	(3,283)
Foreign exchange fluctuations and other movements	**(25)**	420
At 31 December	**106,566**	49,238

29 INTEREST BEARING BORROWINGS continued

(a) Borrowings continued

Summarised below are the key terms of the outstanding borrowings as at 31 December:

Particulars	*Currency*	*Nominal interest rate*	*Year of maturity*	***Carrying value 2018 AED millions***	*Carrying value 2017 AED millions*
Unsecured bank borrowings	EUR	EURIBOR + margin / fixed	2019-2033	**10,278**	4,529
Unsecured bank borrowings	USD	LIBOR + margin / fixed	2019-2028	**17,374**	17,505
Unsecured bank borrowings	GBP	Fixed	2019-2021	**631**	-
Unsecured bank borrowings	CNY	PBOC + margin	2019-2024	**1,212**	1,623
Unsecured bank borrowings	BRL	BRAZILIAN LIBOR + margin / fixed	2019-2025	**87**	58
Unsecured corporate bonds	EUR	Fixed	2019-2025	**11,545**	353
Unsecured corporate bonds	JPY	Fixed	2031	**500**	486
Unsecured corporate bonds	USD	Fixed	2019-2041	**43,365**	14,601
Unsecured corporate bonds	GBP	Fixed	2026	**3,233**	-
Unsecured loans	USD	LIBOR + margin / fixed	2019-2021	**1,538**	1,860
Unsecured loans	AED	Fixed	2019-2021	**94**	111
Secured bank borrowings	AED	EIBOR + margin	2019-2035	**2,320**	2,355
Secured bank borrowings	USD	LIBOR + margin / fixed	2019-2035	**11,251**	4,069
Secured bank borrowings	BRL	BRAZILIAN LIBOR + margin	2019-2021	**13**	24
Secured bank borrowings	GBP	LIBOR + margin	2019-2025	**721**	848
Secured bank borrowings	EUR	EIBOR + margin	2024	**209**	-
Secured loans	USD	LIBOR + margin / fixed	2019-2027	**2,093**	688
Secured bonds	USD	LIBOR + margin	2019-2021	**102**	128
				106,566	49,238

The secured bank borrowings and loans are secured over property, plant and equipment, letters of credit and equity securities with carrying amount of AED 12,205 million, AED 282 million and nil respectively *(2017: AED 3,713 million, AED 283 million, and AED 1,055 million respectively)*. Secured bonds are fully secured though letters of credit. In addition, certain loans are secured through pledges on project proceeds (receivables), a net investment in joint operations, shares and bank balances.

Included in interest bearing loans at 31 December 2018 were borrowings of AED 15,391 million which have been designated as a hedge of the net investments in certain foreign subsidiaries beginning in 2018 *(see note 39 (c))*.

In November 2018, as part of the overall debt strategy, MDGH has extended the maturity profile of its existing 2021 Notes and 2022 Notes through the issuance of New Notes due in 2028 and partial repurchase of the existing 2021 Notes and the 2022 Notes.

2021 Notes (USD 750 million, 5.5% Notes due in 2021)
The extension of 2021 Notes was done by way of intermediated exchange through BNP Paribas. In November 2018, MDC – GMTN B.V. (100% owned subsidiary of MDC) through BNP Paribas, tendered and re-purchased USD 415 million of 2021 Notes for cash consideration of 105.25% of the nominal amount of these notes. MDC – GMTN B.V. also paid accrued interest to the noteholders, through BNP Paribas, in relation to the 2021 Notes that were re-purchased.

2022 Notes (USD 750 million, 3.25% Notes due in 2022)
In November 2018, MDC - GMTN B.V. tendered and re-purchased USD 369 million of 2022 Notes for cash consideration equal to 99.25% of the nominal amount of these notes. MDC - GMTN BV also paid accrued interest to the noteholders in relation to the 2022 Notes that were re-purchased.

New Notes
Subsequent to re-purchase of USD 415 million of 2021 Notes and USD 369 million of 2022 Notes, MDC - GMTN BV, issued USD 800 million Notes due in November 2028 bearing interest rate of 4.5% payable semi-annually. These notes are guaranteed by the Company.

29 INTEREST BEARING BORROWINGS continued

(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:

	2018		*2017*	
	Minimum lease payments AED millions	***Present value of lease liabilities AED millions***	*Minimum lease payments AED millions*	*Present value of lease liabilities AED millions*
Within one year	**587**	**383**	165	42
After one year but not more than five years	**1,091**	**773**	1,047	695
After five years	**516**	**427**	662	541
Total	**2,194**	**1,583**	1,874	1,278
Less: future finance charges	**(611)**	**-**	(596)	-
Present value of minimum lease payments	**1,583**	**1,583**	1,278	1,278

	2018 AED millions	*2017 AED millions*
Disclosed as:		
Current	**383**	42
Non-current	**1,200**	1,236
	1,583	1,278

For property, plant and equipment held under finance lease, refer to note 16.

The movement in finance lease obligations is set out below:

	2018 AED millions	*2017 AED millions*
At 1 January	**1,278**	1,252
Additions	**507**	64
Interest expense on leases	**(20)**	(21)
Rental paid	**(145)**	(108)
Foreign exchange and other movements	**(37)**	91
At 31 December	**1,583**	1,278

30 DERIVATIVE FINANCIAL LIABILITIES

	2018 AED millions	*2017 AED millions*
Fair value hedge		
Interest rate swaps	**73**	139
Commodity swaps	**72**	-
	145	139
Cash flow hedge		
Commodity swaps	**293**	15
Currency forwards	**29**	-
Interest rate swaps	**8**	-
Others	**132**	-
	462	15
Financial liabilities designated at fair value		
Interest rate swaps	**490**	615
Commodity options	**-**	84
Currency forwards	**38**	22
	528	721
Financial liabilities held-for-trading		
Currency swaps	**1,195**	45
Exchange traded securities	**59**	51
Commodity options	**22**	11
Currency forwards	**20**	9
Equity options	**32**	-
	1,328	116
Financial liabilities at fair value	**2,463**	991
Disclosed as:		
Current	**672**	249
Non-current	**1,791**	742
	2,463	991

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.

31 PROVISIONS

Movement in provisions during the year is set out below:

		2018	
	Decommissioning liabilities AED millions	***Other provisions AED millions***	***Total AED millions***
At 1 January	**2,739**	**1,999**	**4,738**
Transfer from entities under common control *(see note 4)*	**780**	**5,572**	**6,352**
Additions	**504**	**445**	**949**
Reversals	**(2)**	**(329)**	**(331)**
Provisions utilised	**(42)**	**(64)**	**(106)**
Unwinding of discount	**(15)**	**-**	**(15)**
Foreign exchange and other movements	**(10)**	**(75)**	**(85)**
At 31 December	**3,954**	**7,548**	**11,502**

	2018 AED millions	*2017 AED millions*
Disclosed as:		
Current	**5,743**	302
Non-current	**5,759**	4,436
	11,502	4,738

(i) Provision for decommissioning mainly relates to asset retirement obligations of the Group and expected costs to be incurred upon termination of operations, the closure of active manufacturing plant facilities and the abandonment of crude oil production fields.

(ii) Other provisions primarily include provision for legal disputes which covers the best estimate of the Group's exposure to the outcome of several litigations from the area of product liability, patent infringement, tax lawsuits, etc. *(see note 37 litigations)*. It also includes the estimated amounts for environmental action to remedy the risk of gradual soil pollution.

32 OTHER LIABILITIES

	2018 AED millions	*2017 AED millions*
Accrued expenses	**5,851**	3,740
Advances, loans and deposits from related parties *(see note 35(d))*	**3,315**	3,520
Amounts due to related parties *(see note 35(d))*	**2,302**	1,124
Taxes payable	**1,270**	1,578
Unearned revenue	**1,196**	1,547
Staff costs payable	**1,922**	1,343
Deferred government grants	**467**	719
Other liabilities	**7,412**	7,045
	23,735	20,616
Disclosed as:		
Current	**19,345**	15,672
Non-current	**4,390**	4,944
	23,735	20,616

The Group’s exposure to currency, liquidity and interest rate risks related to payables and accruals is disclosed in note 39.

33 SHARE CAPITAL

	2018 AED millions	*2017 AED millions*
Authorised, issued and fully paid up:		
56,135,590,000 equity shares of AED 1 each	**56,136**	56,136

In 2017, additional 27,535,590,000 shares were issued and fully paid up.

34 OTHER RESERVES

	Statutory reserves AED millions	*Fair value reserves AED millions*	*Foreign currency translation reserves AED millions*	*Hedging and other reserves AED millions*	*Total AED millions*
At 1 January 2017	1,582	4,165	(226)	(742)	4,779
Increase in fair value of available-for-sale financial assets *(net)*	-	666	-	-	666
Exchange difference on translation of foreign operations	-	-	135	-	135
Effective portion of changes in fair values of cash flow hedges and other reserves *(net of tax)*	-	-	-	255	255
Share of other comprehensive loss of associates and joint ventures	-	-	-	(110)	(110)
Other comprehensive income / (loss) from discontinued operations	-	-	404	(29)	375
At 1 January 2018	1,582	4,831	313	(626)	6,100
Adjustment on initial application of IFRS 9	-	(4,831)	-	84	(4,747)
Adjusted balance as 1 January 2018	1,582	-	313	(542)	1,353
Exchange difference on translation of foreign operations	-	-	(880)	-	(880)
Loss on hedge of net investments in foreign operations (net)	-	-	(474)	-	(474)
Effective portion of changes in fair values of cash flow hedges and other reserves *(net of tax)*	-	-	-	63	63
Share of other comprehensive income of associates and joint ventures	-	-	-	349	349
At 31 December 2018	**1,582**	**-**	**(1,041)**	**(130)**	**411**

Statutory reserve
As required by the UAE Federal Law No. (2) of 2015 and the articles of association of certain subsidiaries registered in UAE, 10% of profit from previous years were transferred to the statutory reserve. The reserve is not available for distribution.

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. This reserve has been derecognised following the adoption of IFRS 9.

34 OTHER RESERVES continued

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

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

Hedges of a net investment in a foreign operation, including a hedge of monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges.

In November 2018, a borrowing amounting AED 5,229 million (EUR 1,200 million) has been designated as hedge of the net investment in certain foreign operation with EUR functional currency. The borrowing is being used to hedge the Group's exposure to EUR foreign exchange risk on the net investment. Loss on the retranslation of the borrowing amounting AED 69 million was recognised in other comprehensive income to offset the gain on translation of foreign operation. There was no ineffectiveness recorded during the year.

Also, certain subsidiaries whose functional currency is in Euro has designated certain US $ denominated loans as hedges of net investments in their foreign operations. The designated hedging instruments amounted to AED 10,162 million (US $2,766 million). The related foreign exchange losses amounted AED 405 million was recognised in other comprehensive income to offset the gains on translation of foreign operations.

35 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

(a) Identification of related parties

The Group has related party relationships with its Shareholder, Ultimate parent, joint ventures and associates *(see notes 4 and 20)*, and with directors, executive officers and parties which are under common control of the above entities.

(b) Compensation of the Company's key management personnel and Board of Directors

The remuneration of senior key management personnel and the Board of Directors of the Group during the year was AED 244 million *(2017: AED 195 million).*

(c) 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 notes 4 and 20*) were as follows:

	Revenue AED millions	*Purchases of goods and services AED millions*	*Interest bearing borrowings drawn AED millions*	*Interest bearing borrowings repaid AED millions*	*Loans given AED millions*	*Loans recovered AED millions*	*Finance income AED millions*	*Finance cost AED millions*
2018								
Entities under common control	**2,686**	**650**	**245**	**557**	**-**	**-**	**348**	**222**
Associates	**630**	**41**	**-**	**-**	**-**	**-**	**-**	**-**
Joint ventures	**598**	**835**	**-**	**324**	**379**	**1,688**	**114**	**95**
Ultimate parent	**92**	**-**	**-**	**-**	**-**	**-**	**21**	**-**
	4,006	**1,526**	**245**	**881**	**379**	**1,688**	**483**	**317**
2017								
Entities under common control	2,345	191	520	493	1	-	391	269
Associates	93	47	-	-	9	-	1	-
Joint ventures	559	688	-	339	857	1,507	209	126
Ultimate parent	210	-	-	-	-	-	25	-
	3,207	926	520	832	867	1,507	626	395

	2018 AED millions	*2017 AED millions*
Other significant transactions:		
Ultimate parent reimbursements received for recoverable projects	**2,400**	1,467
Recharge of expenses from Shareholder	**946**	645
Cash calls paid to joint ventures for joint operations	**812**	751
Income from provision of manpower, project management and consultancy services to joint ventures	**210**	215
Other miscellaneous transactions with associates, joint ventures and to entities under common control	**379**	103

35 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES continued

(d) Related party balances

	Bank balances AED millions	*Long term balances AED millions*	*Amounts due to related parties[1] AED millions*	*Amounts due from related parties[1] AED millions*	*Advances from related parties[2] AED millions*	*Loans and deposits from related parties[1] AED millions*	*Loans to related parties[1] AED millions*	*Finance lease related parties AED millions*	*Interest bearing receivables AED millions*	*Additional shareholder contributions[3] AED millions*
Entities under common control	**12,967**	**9,119**	**724**	**8,591**	**1,069**	**-**	**26**	**1,299**	**4,222**	**-**
Associates	**-**	**-**	**978**	**493**	**-**	**9**	**70**	**-**	**-**	**-**
Joint ventures	**-**	**-**	**549**	**731**	**-**	**18**	**2,781**	**951**	**1,538**	**-**
Ultimate parent	**-**	**-**	**51**	**8,463**	**1,490**	**729**	**-**	**-**	**-**	**-**
Shareholder	**-**	**-**	**-**	**2,149**	**-**	**-**	**-**	**-**	**-**	**123,155**
31 December 2018	**12,967**	**9,119**	**2,302**	**20,427**	**2,559**	**756**	**2,877**	**2,250**	**5,760**	**123,155**
Entities under common control	10,083	4,813	472	10,804	1,076	-	122	1,295	4,783	-
Associates	-	-	59	133	-	24	65	-	18	-
Joint ventures	-	-	539	757	-	84	6,605	948	1,919	-
Ultimate parent	-	-	54	8,241	1,624	712	-	-	-	-
Shareholder	-	-	-	805	-	-	-	-	-	123,155
31 December 2017	10,083	4,813	1,124	20,740	2,700	820	6,792	2,243	6,720	123,155

[1]Amounts due to related parties, advances from related parties and loans and deposits from related parties are included in other liabilities (*see note 32*).

[2]Amounts due from related parties are included in other receivables and prepayments (*see note 21*).

[3]Additional shareholder contributions represents interest free loans from the Shareholder. These loans meet the definition of equity instruments rather than liabilities, and accordingly are presented within equity.

36 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Commitments - Group

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

	2018 AED millions	*2017 AED millions*
Commitments for capital expenditure	**19,503**	20,134
Commitments for equity investments	**7,673**	3,977
Unfunded loan commitments	**-**	78
Exploration commitments	**84**	81
	27,260	24,270

(b) Operating lease commitments – Group as a lessee

The operating lease commitments of the Group are as follows:

	2018 AED millions	*2017 AED millions*
Within one year	**1,610**	1,110
After one year but not more than five years	**3,812**	3,395
After five years	**2,340**	1,361
	7,762	5,866

(c) Commitments – joint ventures

In addition to the above, the Group's share in the commitments made jointly with its joint ventures is as follows:

	2018 AED millions	*2017 AED millions*
Commitments for capital expenditure	**3,757**	4,340
Commitment to provide loans	**753**	931
Operating lease commitments	**34**	174
	4,544	5,445

(d) Contingencies

Contingencies of the Group and the Group's share in the contingencies of its joint ventures and associates at the end of the reporting period are as follows:

	2018 AED millions	*2017 AED millions*
Contingent liabilities *	**24,785**	10,919
Group's share of contingent liabilities of joint ventures and associates	**728**	1,179

* Contingent liabilities include bank guarantees, performance bonds, advance payment bonds and completion guarantees.

36 COMMITMENTS AND CONTINGENT LIABILITIES continued

(e) Guarantee overlay

During 2018, the Company provided guarantee overlay for certain IPIC's existing guarantees:

(i) the payment obligations of 1MDB Energy Limited under its AED 6.43 billion (US $1.75 billion) 5.99% guaranteed notes due 2022 on a joint and several basis with 1Malaysia Development Berhad ("1MDB"); and
(ii) the notes and loans of Signum Magnolia Limited which are collateralised by AED 6.43 billion (US $1.75 billion) 5.75% guaranteed notes due 2022 issued by 1MDB Energy (Langat) Limited and guaranteed by 1MDB.

37 LITIGATIONS

The Group is involved in litigations in the ordinary course of business. Legal claims often involve highly complex issues. These issues are subject to substantial uncertainties and therefore the estimation of the probability of loss and of damages are often difficult to determine.

The Group has recorded a provision for claims for which it is able to make an estimate of the expected loss or range of possible loss, but believe that the publication of this information on a case-by-case basis would seriously prejudice its position in the ongoing legal proceedings or in any related settlement discussions. Accordingly, for these claims, the Group has disclosed information with respect to the nature of the claim, but not an estimate of the range of potential loss or any provision accrued.

The Group believes that the aggregate provisions recorded for these matters are adequate based upon currently available information as of the statement of financial position date, which may be subject to ongoing revision of existing estimates. However, given the inherent uncertainties related to these claims, the Group could, in the future, incur judgments that could have a material adverse effect on its results of operations, liquidity, financial position or cash flows in any particular period.

For contingent liabilities, the Group has disclosed the claims, but has not recorded a provision of the potential outcome of these claims and is unable to make an estimate of the expected financial effect that will result from ultimate resolution of the proceedings.

A summary of the major litigations of the Group are set out below:

Dow Litigations
In December 2010, Dow Chemicals had filed a claim against NOVA in the Federal Court in Canada alleging that certain grades of NOVA SURPASS polyethylene film resins infringe a Dow Chemicals Canadian patent. In June 2017, the judges of the Federal Court issued an adverse judgement against NOVA. On 6 July 2017, NOVA Chemicals paid to Dow Chemicals an amount of US $501 million for the litigation award. On 28 July 2017, NOVA filed an appeal with the Federal Court of Appeal.

In 2006, a claim was filed against NOVA Chemicals in the Court of Queen's Bench of Alberta by Dow Chemical Canada ULC and its European affiliate (collectively "Dow Canada") concerning the jointly owned third ethylene plant at NOVA's Joffre site. In June 2018, the Court of Queen's Bench of Alberta issued its decision covering the period of 2001 to 2012 and dismissed NOVA's counterclaim. NOVA appealed this decision to the Court of Appeal of Alberta. The estimated damages and interest awarded to Dow for the period of 2001-2012 are US $1,050 million. Damages for the period beyond 2012 to the date of judgment will be determined independently by the Court. Based on Nova's management best estimate of the quantification of its exposure under this claim the management estimates damages and interest for the period beyond 2012 to the date of judgment amounting to US $250 million to US $350 million.

37 LITIGATIONS continued

Borealis Tax contingencies
During 2017, Borealis received decisions from the Finnish Board of Adjustment, with regards to the ongoing tax cases for Borealis Technology OY ("TOY") and Borealis Polymers OY ("BOY"). For the TOY case, the Board of Adjustment confirmed the Finnish tax authority's ("FTA") view that the license agreements between TOY and Borealis AG should be re-characterized into transfers of business. The additional amount of tax assessed is EUR 297 million including interest and penalties. In relation to the BOY case, the Board of Adjustment has recognised the license agreement between BOY and Borealis AG, however, are of the view that this should be a higher license percentage. Additionally, the Board of Adjustment decided that in the course of the toll manufacturing set up "something of value" amounting EUR 142 million has been transferred, thereby resulting in an additional tax assessment for the year 2009 of EUR 62 million including interest and penalties.

In both cases, Borealis believes that the decisions fail to properly apply Finnish and international tax law and do not adequately consider the relevant facts of the case. Therefore, Borealis has appealed both decisions to the Helsinki Administrative Court on 6 March 2017 (for TOY) and on 15 December 2017 (for BOY). A suspension of payment was obtained for TOY in 2017 and requested for the BOY case in 2018.

Subsequent to the year end, on 19 March 2019, the Helsinki Administrative Court issued two decisions regarding tax disputes between Borealis Polymers Oy and Borealis Technology Oy on the one side, and the Finnish tax authority on the other. Borealis is currently reviewing the Helsinki Administrative Court's decisions and will assess whether it will file an appeal to the Finnish Supreme Administrative Court.

Others
Several group companies are currently subject to routine tax audits performed by their respective tax authorities. Managements' opinions are that the companies are in compliance with all applicable regulations. Given the preliminary nature of the proceedings, potential impacts, if any, cannot be currently reliably estimated.

38 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 2018 AED millions***	*Carrying amount as at 31 Dec 2017 AED millions*	*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	**50**	50	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 [14]	2006	-	**-**	1,694	Inventory
Al Maryah Island - Plots for sale [2]	2006	4,115,157	**447**	447	Inventory
Al Maryah Island – ADGM Square Development [2]	2006	506,413	**-**	-	IP
New Fish Market	2006	484,448	**10**	11	IP
Old Fish Market Land - New York Institute of Technology	2006	163,877	**-**	-	IP
Masdar City Land [6,9]	2008	27,729,903	**484**	355	Inventory
Masdar City Land [6,7]	2008	2,402,774	**-**	-	PPE
Masdar City Land [6,8]	2008	1,394,764	**310**	310	IP
		77,001,682			
Future economic benefits uncertain / no future economic benefits [3]					
Masdar City Land [5]	2008	26,483,443	**-**	-	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
		248,454,233			

38 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 land parcel with uncertain future economic benefits.

[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 MDGH 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.

Lease agreements have been signed for a total land area of 11,186,944 square feet *(2017: 11,410,005 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 265 million *(2017: AED 331 million)*.

38 GOVERNMENT GRANTS continued

(a) Non-monetary government grants continued

(i) *Land* continued

[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 27,729,903 square feet *(2017: 24,696,878 square feet)* that are not being used by Masdar or MDGH to carry out their operations or being used for commercial use, are carried as inventory at an amount of AED 484 million *(2017: AED 355 million)*.

[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.

[14]During the year, land at Zayed Sports City ("Arzanah") with an area of 13,302,119 square feet, has been transferred to a company under common control as part of a disposal of a subsidiary (*see note 4 for details*).

(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 million, equivalent to AED 367 million, 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.

38 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 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)*.

39 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 these risks, 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.

39 FINANCIAL RISK MANAGEMENT continued

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial asset fails to meet its contractual obligations. Credit risk arises principally from Group's financial assets.

Financial assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer or counterparty. 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 30% *(2017: 42%)* of the receivables and 51% *(2017: 72%)* 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 or counterparties and tenors.

The Group invests in various financial instruments, both quoted and unquoted, 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. Adequate background checks and financial and legal due diligence are conducted with the aim of ensuring that default risk is low or mitigated.

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:

	2018 AED millions	*2017 AED millions*
Trade receivables	**17,837**	12,940
Other receivables		
Amounts due from related parties	**20,397**	20,705
Finance lease receivables	**2,495**	2,495
Restricted and long term deposits	**20,195**	12,430
Others	**7,731**	5,805
Other financial assets		
Loans receivable	**5,671**	9,398
Investments in non-derivative financial investments[1]	**3,690**	3,834
Derivative assets at FVTPL	**3,270**	1,516
Cash at bank	**24,481**	16,135
	105,767	85,258

[1] Investments in non-derivative financial investments comprise of debt securities and convertible bonds.

39 FINANCIAL RISK MANAGEMENT continued

(a) Credit risk continued

The Group follows a 'three-stage' model in line with IFRS 9 for impairment of loans receivable, cash at bank (including restricted and long-term deposits), and financial investments based on changes in credit quality since initial recognition as summarised below:

i. Stage 1: No significant deterioration in credit risk since origination (12-month ECL used);
ii. Stage 2: Significant deterioration in credit risk (lifetime ECL used); and
iii. Stage 3: Significant deterioration in credit risk and credit impaired i.e. incurred loss

The table below show the credit risk exposure and ECL information of the following financial assets by stages.

31 December 2018	***Gross exposure AED millions***	***Provision AED millions***	***Net amount AED millions***
Stage 1			
Loans receivable	**23,751**	**(42)**	**23,709**
Cash at bank, including restricted and long-term deposits	**24,481**	**-**	**24,481**
	48,232	**(42)**	**48,190**
Stage 2			
Loans receivable	**2,124**	**(250)**	**1,874**
Stage 3			
Loans receivable	**502**	**(220)**	**282**
	50,858	**(512)**	**50,346**

For financial assets other than those mentioned above, the Group applies the IFRS 9 simplified approach to measue ECL using a lifetime expected credit loss provision. The following table provides information about the exposure to credit risk of these financial assets.

31 December 2018	***Expected credit loss Rate %***	***Estimated gross carrying amount at default AED millions***	***Expected credit loss AED millions***	***Net carrying amount AED millions***
Neither past due nor impaired	**0.00%**	**40,631**	**-**	**40,631**
Less than 30 days	**6.89%**	**1,655**	**114**	**1,541**
31 - 90 days	**8.09%**	**705**	**57**	**648**
91 - 120 days	**11.11%**	**207**	**23**	**184**
Past due 121 - 180 days	**26.32%**	**171**	**45**	**126**
Above 180 days	**29.55%**	**7,567**	**2,236**	**5,331**
	4.86%	**50,936**	**2,475**	**48,461**

39 FINANCIAL RISK MANAGEMENT continued

(a) Credit risk continued

The movement in the allowance for expected credit losses in respect of loans receivable and cash at bank (including restricted and long-term deposits), during the year was as follows:

	At 31 December 2018 AED millions
At 1 January	**205**
Adjustment on initial application of IFRS 9	**486**
Provision for ECL during the year	**103**
Reversals during the year	**(152)**
New financial assets originated or purchased	**8**
Written off during the year and other adjustments	**(134)**
Effect of exchange rate difference	**(4)**
At 31 December	**512**

The movement in the allowance for expected credit losses in respect of financial assets measured applying the simplified approach was as follows:

	At 31 December 2018 AED millions
At 1 January	**2,234**
Adjustment on initial application of IFRS 9	**56**
Transfer from entities under common control	**68**
Provision for ECL during the year	**81**
Reversals during the year	**(61)**
Written off during the year and other adjustments	**123**
Effect of exchange rate difference	**(26)**
At 31 December	**2,475**

Comparative information under IAS 39
For collateral held against loans receivable, refer to note 22(a). The ageing of the loans receivable is as follows:

	2017	
	Gross AED millions	*Impairment AED millions*
Neither past due nor impaired	9,211	-
Not past due but impaired	309	(187)
Past due 0 – 120 days	47	(1)
Past due 121 – 180 days	13	(1)
Past due above 180 days	22	(16)
	9,602	(205)

Approximately 70% of loans neither past due nor impaired are loans receivable from related parties.

39 FINANCIAL RISK MANAGEMENT continued

(a) Credit risk continued

Comparative information under IAS 39 continued
The ageing of the financial assets, other than loans receivable is as follows:

	2017 Gross AED millions	*2017* Impairment AED millions
Neither past due nor impaired	67,087	-
Not past due but impaired	5,955	(358)
Past due 0 – 120 days	2,223	(79)
Past due 121 – 180 days	247	(57)
Past due above 180 days	2,581	(1,740)
	78,093	(2,234)

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.

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

	2017 Impairment on loans receivables AED millions	*2017* Impairment on receivables AED millions
At 1 January	3,306	1,321
Transfer from an entity under common control	116	619
Provision during the year *(net)*	62	462
Written off during the year	(3,523)[1]	(168)
Effect of exchange rate difference	244	-
At 31 December	205	2,234

[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 forecast, as far as possible, that it will always have sufficient liquidity in the form of available cash, short-term liquid assets and credit lines to meet its liabilities when due, sufficient to withstand both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

39 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:

		2018					2017				
	Notes	***Carrying value AED millions***	***Contractual cash flows AED millions***	***1 year or less AED millions***	***1-5 years AED millions***	***More than 5 years AED millions***	*Carrying value AED millions*	*Contractual cash flows AED millions*	*1 year or less AED millions*	*1-5 years AED millions*	*More than 5 years AED millions*
Trade payables		**(17,154)**	**(17,154)**	**(17,154)**	**-**	**-**	12,905	(12,905)	(12,905)	-	-
Interest bearing borrowings	*29*	**108,149**	**(129,529)**	**(24,217)**	**(69,847)**	**(35,465)**	50,516	(56,480)	(9,981)	(31,423)	(15,076)
Other liabilities		**10,061**	**(10,176)**	**(9,173)**	**(957)**	**(46)**	10,479	(10,741)	(7,864)	(1,560)	(1,317)
Derivative financial liabilities	*30*	**2,463**	**(19,712)**	**(4,208)**	**(8,646)**	**(6,858)**	991	(2,763)	(296)	(1,652)	(815)
Total financial liabilities		**103,519**	**(176,571)**	**(54,752)**	**(79,450)**	**(42,369)**	74,891	(82,889)	(31,046)	(34,635)	(17,208)

Total undrawn borrowing facilities as at the reporting date amount to AED 30,937 million *(2017: AED 15,238 million).*

To the extent that interest is based on floating rates, the undiscounted amount is derived from foreign exchange 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 foreign exchange rates at the reporting date.

The derivative financial liabilities disclosed in the above table are the gross undiscounted cash flows. However, those amounts may be settled gross or net. The following table shows the corresponding gross future cash inflow and out flow amounts of the derivative financial instruments:

	2018				2017			
	Contractual cash flows AED millions	***1 year or less AED millions***	***1-5 years AED millions***	***More than 5 years AED millions***	*Contractual cash flows AED millions*	*1 year or less AED millions*	*1-5 years AED millions*	*More than 5 years AED millions*
Cash inflows	**20,410**	**6,809**	**6,974**	**6,627**	3,122	103	1,119	1,900
Cash outflows	**(19,712)**	**(4,208)**	**(8,646)**	**(6,858)**	(2,763)	(296)	(1,652)	(815)
	698	**2,601**	**(1,672)**	**(231)**	359	(193)	(533)	1,085

39 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. In addition to taking advantage of diversification benefits within the portfolio, the Group utilise financial derivatives to actively manage market risk. 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 Company's functional currency), borrowings, financial assets at fair value through profit or loss and the Group's net investments in foreign subsidiaries, associates and joint ventures.

The Group manages its foreign currency risk by first taking advantage of natural offsets and then managing excess unwanted risks through use of derivatives or foreign currency borrowings.

When a derivative is entered into for the purpose of being a hedge instrument, the Group structures the terms of the derivative to match the terms of the hedged exposure. For hedges of forecasted transactions, the derivative covers the period of exposure from the point the cash flows of the transactions are forecasted up to the point of settlement of the resulting receivable or payable that is denominated in the foreign currency.

The Group hedges its exposure to fluctuations on the translation into AED of its foreign operations by holding net borrowings in foreign currencies.

Hedge of net investments in foreign operations
The Company and its subsidiary CEPSA use Euro and USD borrowings and derivatives, respectively, to hedge their exposure to foreign exchange risk on their certain investments in foreign subsidiaries.

Included in interest bearing borrowings at 31 December 2018 were borrowings of AED 15,391 million that have been designated as a hedge of the net investments in certain foreign subsidiaries. These borrowings are being used to hedge the Company's and CEPSA's exposure to the Euro and USD foreign exchange risk on these investments. Gains or losses on the retranslation of these borrowings are transferred to OCI to offset any gains or losses on translation of the net investments in the subsidiaries.

There is an economic relationship between the hedged item and the hedging instrument as the net investment creates a translation risk that will match the foreign exchange risk on the Euro and USD borrowings. The Group has established a hedge ratio of 1:1 as the underlying risk of the hedging instrument is identical to the hedged risk component. Hedge ineffectiveness will arise when the amount of the investment in the foreign subsidiary becomes lower than the amount of the borrowings.

39 FINANCIAL RISK MANAGEMENT continued

(c) Market risk continued

Currency risk continued
Hedge of net investments in foreign operations continued
The effects of the foreign currency related hedging instruments on the Group's financial position and performance are as follows:

	At 31 December 2018 AED millions
Notional amount	**15,314**
Change in fair value of the hedging instrument used for measuring ineffectiveness for the period	**(474)**
Change in the value of hedged item used for measuring ineffectiveness for the period	**(474)**
Total hedging gains (loss) recognised in OCI included in net gains / (losses) arising on hedge of net investment in foreign operations	**(474)**
Hedge ineffectiveness recognised in profit or loss	**-**

Sensitivity analysis
The following table demonstrates the sensitivity in / to AED of 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.

	2018		*2017*	
	Effect on equity AED millions	***Effect on profit or loss AED millions***	*Effect on equity AED millions*	*Effect on profit or loss AED millions*
EUR	**(1,666)**	**(476)**	(2)	(682)
GBP	**-**	**(122)**	-	(1,064)
CHF	**-**	**1**	-	(117)
Others	**(153)**	**(217)**	-	286

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.

39 FINANCIAL RISK MANAGEMENT continued

(c) Market risk continued

Interest rate risk
The Group is exposed to cash flow interest rate risk because entities in the Group borrow funds at fixed and floating interest rates. The Group adopts a policy of maintaining a predetermined fixed / float mix and hedging excess via interest rate derivatives ensuring that its exposure to significant changes in interest rates is reduced. This is achieved by entering into interest rate collars and swaps.

At the reporting date, the Group's variable interest bearing financial instruments was:

	2018 AED millions	*2017 AED millions*
Financial assets		
Loans receivable	**2,566**	6,208
Other receivables	**388**	652
Cash and cash equivalents	**2,879**	2,355
	5,833	9,215
Financial liabilities		
Interest bearing borrowings	**(27,813)**	(16,492)
Other liabilities	**(753)**	(712)
	(28,566)	(17,204)
	(22,733)	(7,989)

Sensitivity analysis
An increase of 100 basis points ("100bp") in interest rates at the reporting date would have decreased the profit or loss by an amount of AED 227 million *(2017: AED 80 million)*. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The effect of a decrease of 100bp in interest rates at the reporting date is expected to be equal but opposite impact. The analysis was performed on the same basis for 2017.

39 FINANCIAL RISK MANAGEMENT continued

(c) Market risk continued

Equity price risk
Equity price risk arises from financial assets at fair value through profit or loss. 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. 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 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 millions	***Effect on equity AED millions***
31 December 2018		
Effect of change in equity portfolio of the Group	**(1,259)**	**(1,250)**
31 December 2017		
Effect of change in equity portfolio of the Group	(1,106)	(331)

39 FINANCIAL RISK MANAGEMENT continued

(c) Market risk continued

Commodity price risk
The Group is affected by the volatility of certain commodities. Its operating activities require the on-going purchase and manufacturing of certain commodities such as crude oil, electricity and petrochemical feedstock. Due to the significant volatility of the price of the underlying commodities, the Group's management has a commodity risk management strategy for commodity price risk and its mitigation.

The Group actively monitors commodity price risks and where appropriate enters into commodity derivative 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.

The Group hedges some of its forecasted petrochemical feedstock purchases and sales, electricity purchases through feedstock and electricity contracts. Cash flow hedge accounting has been applied for these contracts.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the commodity forward contracts match the terms of the expected highly probable forecast transactions (i.e., notional amount and expected payment date). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the commodity forward contracts are identical to the hedged risk components. To test the hedge effectiveness, the Group compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

The hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the hedged items and the hedging instruments
- Changes to the forecasted amount of cash flows of hedged items and hedging instruments

The effects of the commodity related hedging instruments on the Group's financial position are as follows:

	At 31 December 2018 AED millions
Carrying amount of the commodity derivative assets included in other financial assets	**571**
Carrying amount of the commodity derivatives included in derivative financial liabilities	**302**
Notional amount of feedstock contracts (tonnes)	**254**
Notional amount electricity contracts (GWh)	**6**
Change in fair value of the hedging instrument used for measuring ineffectiveness for the period	**393**
Change in the value of hedged item used for measuring ineffectiveness for the period	**393**

There was no impact on the Group's profit or loss and other comprehensive income as the commodity related hedging instruments were transferred as at 31 December 2018 in relation to the transfer of assets from IPIC to the Company *(see note 4)*.

Fluctuations in crude oil prices also have an inverse effect on product refining and marketing operations, the extent of which depends on the speed with which price changes in energy products or base petrochemical products at source is relayed to the international and local finished goods markets.

39 FINANCIAL RISK MANAGEMENT continued

(c) Market risk continued

Commodity price risk continued

Sensitivity analysis
The following table shows the effect of price changes after the impact of hedge accounting:

	Change	2018 Effect on profit before tax AED millions	2018 Effect on equity AED millions	2017 Effect on profit before tax AED millions	2017 Effect on equity AED millions
Crude oil	+10%	**88**	**-**	67	-
Natural gas	+10%	**(8)**	**(4)**	(8)	(8)
Electricity	+10%	**(87)**	**31**	(81)	(81)
Petrochemical feedstock					
Propylene	+10%	**54**	**7**	-	-
Polyethelene	+10%	**1,024**	**-**	-	-
Other petrochemical feedstock*	+10%	**299**	**(43)**	-	-

*Other petrochemical feedstock includes products such as ethane, naphtha, ethylene, propane, butane and others.

The effect of decreases in commodity prices is expected to be equal and opposite to the effect of the increases shown.

(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).

39 FINANCIAL RISK MANAGEMENT continued

(d) ***Fair value*** continued

As at 31 December 2018

	Carrying amount AED millions	*Fair value AED millions*	*Level 1 AED millions*	*Level 2 AED millions*	*Level 3 AED millions*
Financial assets measured at fair value					
Investment in non-derivative financial assets					
Financial assets designated at FVTPL					
Quoted investments					
Equity securities	19,759	19,759	18,764	-	995
Debt securities	1,771	1,771	-	-	1,771
Others	50	50	-	50	-
Unquoted investments					
Convertible bonds	1,719	1,719	-	-	1,719
Equity securities	2,694	2,694	-	-	2,694
Funds	9,887	9,887	-	-	9,887
Others	189	189	-	-	189
Financial assets held-for-trading					
Quoted investments					
Equity securities	2,602	2,602	2,602	-	-
Debt securities	48	48	48	-	-
Financial assets designated at FVOCI					
Quoted debt securities	136	136	136	-	-
	38,855	38,855	21,550	50	17,255
Derivative financial assets					
Fair value hedge					
Currency forwards	8	8	-	8	-
Commodity swaps	54	54	-	54	-
Others	4	4	-	4	-
Cash flow hedge					
Commodity swaps	625	625	-	625	-
Currency swaps	34	34	-	34	-
Interest rate swaps	43	43	-	43	-
Others	29	29	-	29	-
Financial assets designated at fair value					
Equity options	3,270	3,270	-	3,270	-
Financial assets held-for-trading					
Commodity swaps	136	136	-	136	-
Currency forwards	6	6	-	6	-
Equity swaps	10	10	-	10	-
Others	159	159	-	159	-
	4,378	4,378	-	4,378	-
Financial assets not measured at fair value					
Trade receivables	17,837	17,837			
Other receivable	50,818	50,818			
Loans receivable	5,671	5,671			
Cash and cash equivalents	24,623	24,623			
	98,949	98,949			
Investments at amortised cost	17	17			
	98,966	98,966			
Financial liabilities measured at fair value					
Derivative financial liabilities					
Fair value hedge	73	73	-	73	-
Interest rate swaps					
Commodity swaps	72	72	-	72	-
Cash flow hedge					
Commodity swaps	293	293	-	293	-
Currency swaps	29	29	-	29	-
Interest rate swaps	8	8	-	8	-
Others	132	132	-	132	-
Financial liabilities designated at fair value					
Interest rate swaps	490	490	-	490	-
Currency forwards	38	38	-	38	-
Financial liabilities held-for-trading					
Currency swaps	1,195	1,195	-	1,195	-
Exchange traded securities	59	59	59	-	-
Commodity options	22	22	-	22	-
Currency forwards	20	20	-	20	-
Equity options	32	32	32	-	-
	2,463	2,463	91	2,372	-
Financial liabilities not measured at fair value					
Trade payables	17,154	17,154			
Obligation under finance lease	1,583	1,583			
Other liabilities	10,061	10,061			
Interest bearing borrowings	106,566	106,329	55,889	-	50,440
	135,364	135,127			

39 FINANCIAL RISK MANAGEMENT continued

(d) ***Fair value*** continued

As at 31 December 2017

	Carrying amount AED millions	Fair value AED millions	Level 1 AED millions	Level 2 AED millions	Level 3 AED millions
Financial assets measured at fair value					
Investment in non-derivative financial assets					
Financial assets designated at FVTPL					
Quoted investments					
Equity securities	17,950	17,950	16,968	-	982
Debt securities	2,027	2,027	-	-	2,027
Unquoted investments					
Convertible bonds	1,682	1,682	-	-	1,682
Equity securities	1,638	1,638	-	-	1,638
Funds	7,744	7,744	-	-	7,744
Financial assets held-for-trading					
Quoted investments					
Equity securities	2,526	2,526	2,526	-	-
Debt securities	98	98	98	-	-
Available-for-sale financial assets					
Quoted equity securities	6,624	6,624	6,624	-	-
Unquoted equity securities	220	N/A	N/A	N/A	N/A
Held-to-maturity investments					
Unquoted investments[1]	27	N/A	N/A	N/A	N/A
	40,536	40,289	26,216	-	14,073
Derivative financial assets					
Fair value hedge					
Currency forwards	25	25	-	25	-
Commodity swaps	28	28	-	28	-
Cash flow hedge					
Commodity swaps	5	5	-	5	-
Currency swaps	82	82	-	82	-
Interest rate swaps	13	13	-	13	-
Financial assets designated at fair value					
Equity options	1,386	1,386	-	1,386	-
Financial assets held-for-trading					
Commodity swaps	20	20	-	20	-
Currency forwards	8	8	-	8	-
Equity swaps	21	21	-	21	-
	1,588	1,588	-	1,588	-
Financial assets not measured at fair value					
Trade receivables	12,940	12,940			
Other receivables	41,435	41,435			
Loans receivable	9,398	9,398			
Cash and cash equivalents	16,303	16,303			
	80,076	80,076			
Financial liabilities measured at fair value					
Derivative financial liabilities					
Fair value hedge					
Interest rate swaps	139	139	-	139	-
Cash flow hedge					
Commodity swaps	15	15	-	15	-
Financial liabilities designated at fair value					
Interest rate swaps	615	615	-	615	-
Commodity options	84	84	-	84	-
Currency forwards	22	22	-	22	-
Financial liabilities held-for-trading					
Commodity options	11	11	-	11	-
Currency forwards	9	9	-	9	-
Currency swaps	45	45	-	45	-
Exchange traded securities	51	51	51	-	-
	991	991	51	940	-
Financial liabilities not measured at fair value					
Trade payables	12,905	12,905			
Obligation under finance lease	1,278	1,278			
Other liabilities	8,643	8,643			
Interest bearing borrowings	49,238	49,591	15,048	-	34,543
	72,064	72,417			

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

39 FINANCIAL RISK MANAGEMEN continued

(d) ***Fair value*** continued

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 - Quoted		
Quoted debt securities	Discounted cash flows (DCF)	Discount rate of 10.5% and risk premium of 4.5%
Quoted equity securities – Level 1	Quoted bid prices in an active market	N/A
Quoted equity securities – Level 3	40% DCF and 60% Sum of the Parts (SOTP)	Discount rate of 12.7%, 5 year historical average performance and dividend pay out,
Financial assets designated at FVTPL – Unquoted		
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
Investment funds	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 / liabilities	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 – Equity warrants	Black Scholes model embedded in Bloomberg terminal	Share price, strike price, custom volatility of 58%, risk free rate 2.74% and a dilution factor of 93%
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
Financial assets held for trading - Quoted		
Debt securities other than convertible bonds	Market approach	N/A
Quoted equity securities	Quoted bid prices in an active market	N/A
Exchange traded securities	Quoted bid prices in an active market	N/A
Financial assets / liabilities held for trading - Unquoted		
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

39 FINANCIAL RISK MANAGEMENT continued

(d) Fair value continued

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

	2018 AED millions	*2017 AED millions*
At 1 January	**14,073**	12,969
Adjustments on initial application of IFRS 9	**220**	-
Additions during the year	**4,213**	22,171
Fair value movement *(net)*[1]	**1,148**	1,493
Disposals during the year	**(3,283)**	(22,560)
Transfers from level 1 to 3	**330**	-
Transfer from an entity under common control	**554**	-
At 31 December	**17,255**	14,073

[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 Investment income *(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 monitor 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 equity plus net debt. The Group's policy is to keep the gearing ratio within a range to meet the business needs of the Group. Net debt is calculated as interest bearing borrowings and finance lease less cash and cash equivalents. Capital includes the total equity of the Group.

	2018 AED millions	*2017 AED millions*
Interest bearing borrowings *(see note 29)*	**106,566**	49,238
Obligation under finance lease *(see note 29)*	**1,583**	1,278
Less: cash and long term deposits *(see note 21 and 27)*	**(44,818)**	(28,733)
Net debt	**63,331**	21,783
Total capital	**226,294**	205,460
Total capital and net debt	**289,625**	227,243
Gearing ratio [1]	**22%**	10%

[1] Increase in gearing ratio is primarily due to transfer of certain liabilities from IPIC to the Group *(see note 4)*.

40 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.

41 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.

41 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% or more 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 4, the Shareholder of the Company instructed IPIC to transfer its 100% ownership interest in NOVA and Borealis to the Company on 30 December 2018. The group has determined that it has gained control over Borealis and NOVA as of 30 December 2018 considering that it has the right to direct the relevant activities as of that date.

(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(t))*. The Group's credit risk is primarily attributable to its unquoted financial assets at fair value through profit or loss, trade and other receivables and other items disclosed in notes 21 and 22. 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.

41 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 2018, the Group has recognised a balance of AED 5,943 million *(2017: 5,856 million)* 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 notes 36 and 37.

41 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 licenses and other assets and market multiples. The Group's management uses all available information to make these fair value determinations.

42 SIGNIFICANT NON-CASH TRANSACTIONS

The Group entered into significant non-cash transactions, as disclosed in note 4, which are not reflected in the consolidated statement of cash flows.

43 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.

44 MATERIAL SUBSEQUENT EVENTS

(i) On 21 January 2019, Globalfoundries ('GF'), a subsidiary of the Company, entered into a sale and leaseback financing arrangement with a consortium of banks in relation to certain semiconductor manufacturing equipment located in Singapore for a total consideration of USD 425 million, to be repaid in equal quarterly installments until 31 January 2024.

(ii) On 31 January 2019, GF entered into an agreement with Vanguard International Semiconductor Corporation ("VIS") to sell its facility in Tampines, Singapore for USD 236 million. The sale transaction is expected to close by 31 December 2019 and GF will continue to operate the facility until then.

(iii) In February 2019, Mubadala Petroleum has signed the Production Sharing Contract (PSC) together with its partner PTTEP Energy Development Company Limited (PTTEP ED), for offshore Block G1/61 containing the Erawan producing gas field in Thailand. The current Block G1/61 concession will expire in April 2022 and PTTEP ED will then assume the operatorship. The Group will hold a 40% participating interest in the PSC.

(iv) On 7 April 2019, the Group signed an agreement with Carlyle Group LP to sell a minimum of 30% ownership in CEPSA at an enterprise value of US $12 billion.

(v) On 15 April 2019, GF signed a partnership agreement with ON Semiconductor Corporation ("ONSC") to sell its facility in East Fishkill, New York, for total consideration of USD 430 million. Under the agreement, GF will operate the facility and provide foundry services to ONSC until 2022 after which ONSC will gain full operational control of the facility.

(vi) On 20 May 2019, GF entered into definitive agreements with Marvell Technology Group Limited ('Marvell') to sell its Application Specific Integrated Circuit ('ASIC') business, Avera Semiconductor ('Avera'), for cash consideration of USD 650 million, payable at transaction closing as well as additional USD 90 million if certain business conditions are met within 15 months from the date of signing.