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

BOARD OF DIRECTORS’ REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019

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 2019

The Board of Directors is pleased to present the consolidated financial statements for the year ended 31 December 2019, 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 26 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

The financial performance of the Group for the year ended 31 December 2019 is not comparable to 2018 largely due to the performance of the assets and liabilities transferred from International Petroleum Investment Company PJSC ("IPIC") to MDGH in 2018 (*see note 4*) being part of the financial performance of the Group for the year ended 31 December 2019 but not 31 December 2018. Further, the partial disposal of Compañía Española de Petróleos, S.A.U. ("CEPSA") on 25 September 2019 (*see 6(i)*) and its subsequent classification and measurement as a joint venture (*see note 20(b)(i)*) has had a significant impact on the Group's assets, liabilities, financial performance and cash flows.

Revenue was AED 83,033 million in 2019 compared to AED 37,110 million in 2018.

Profit for the year attributable to the owner of the Group was AED 11,938 million in 2019 compared to AED 3,263 million in 2018 and total comprehensive income for the year attributable to the owner of the Group was AED 12,752 million compared to AED 2,321 million in 2018.

Total assets were AED 378,394 million at 31 December 2019, compared to AED 399,465 million at 31 December 2018. Total liabilities were AED 159,728 million at 31 December 2019, compared to AED 173,171 million at 31 December 2018.

For and on behalf of the Board of Directors,

Waleed Al Mokarrab Al Muhairi
Chairman

Carlos Obeid
Group Chief Financial officer

Date: 06 May 2020

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INDEPENDENT AUDITOR'S 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 2019 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 2019, 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 Code of Ethics for Professional Accountants (including International Independence Standards)* ("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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INDEPENDENT AUDITOR'S 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*
Impairment assessment of property, plant and equipment and intangible assets The Group owns property, plant and equipment and intangible assets with a carrying value of AED 110,617 million as of 31 December 2019. Management performed impairment assessments with respect to certain property, plant and equipment and intangible assets as indicators of impairment existed as at 31 December 2019 and based on those assessments, an impairment of AED 1,499 million was recorded against certain assets. Review of impairment assessment was important to our audit due to the magnitude of assets' carrying values as at 31 December 2019, as well as the judgements involved in determination of indicators of impairment and estimates involved in the assessment of the recoverable amounts of the assets. The significant assumptions include expectations for sales and margin, discount rates, revenue multiples, forecast of global oil prices, estimation of oil and gas reserves and overall market and economic conditions. Refer to notes 16 and 17 of the consolidated financial statements for further information on impairment assessment of these assets.	With respect to impairment assessment of assets where indicators existed at the reporting date, 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 experts in determining the expected future revenue, costs, volume, discount rates and other inputs. Further, we assessed the independence, objectivity and competence of the experts used by the management, where applicable. 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 AUDITOR'S 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

Valuation of financial assets measured at fair value

The Group's financial assets measured at fair value include quoted and unquoted equity securities, funds, convertible bonds, debt securities and derivative financial assets. Of those financial assets at 31 December 2019, 48% 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, 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).

How our audit addressed the area of focus

Our audit procedures comprised, among others, assessing the methodology and the valuation models and inputs used to value those financial assets 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.

Key audit matter

Classification of investments

Given that the Company's principal activity is in investing and managing investments through different holdings in investees, management is required to determine the basis of accounting of its investments. In particular, the Company is required to assess whether it controls, jointly controls or has significant influence on certain investees considering various factors. This area was important to our audit due to the significance of the judgement in classification of investments to the consolidated financial statements as a whole as well as the significant judgement involved in determining control, joint control or significant influence around the acquisitions and partial disposals made during 2019.

Refer notes 7, 20 and 41 to the consolidated financial statements for further information on classification of investments.

How our audit addressed the area of focus

We obtained understanding and assessment of management's process and controls over classification of investments on initial recognition and subsequent reassessments. We reviewed contractual arrangements relating to significant investments (including shareholder agreements, among others) held by the Company, focusing on the rights attributed to the Company in investees. We have also evaluated the evidence provided by management in their assessment of de-facto control or lack of de-facto control of their significant investments in listed companies and funds.

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INDEPENDENT AUDITOR'S 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***
Sale of 37% interest in Compañía Española de Petróleos, S.A.U. ("CEPSA") During 2019, the Group sold 37% interest in CEPSA to Carlyle Group LP ("Carlyle"). Based on the rights attributed to the Group following the sale, management concluded that the Group has lost control over CEPSA. Further, due to Group's retained interest of 63% in CEPSA, it was assessed by management that the Group has joint control over CEPSA. Accordingly, the Group recognized a sale of investment in a subsidiary and recognized an investment in a joint venture. As part of acquisition of investment in CEPSA as a joint venture, management engaged an external specialist to carry out Purchase Price Allocation ("PPA"). This area was important to our audit due to the judgments involved in evaluating the date of sale, factors resulting in Group's loss of control, classification and measurement of retained interest in CEPSA and estimates involved in the PPA process with respect to determination of fair value of acquired assets and liabilities, particularly property, plant and equipment and intangibles. Refer to note 6 (i) of the consolidated financial statements for further information on sale of interest in CEPSA.	We reviewed the share purchase agreement and shareholder agreement between the Group and Carlyle to evaluate mangement's judgement around determination of date of sale, satisfaction of conditions precedent relating to the sale, factors resulting in Group's loss of control. We further evaluated management's judgement around identification of relevant activities and rights of each shareholder over approval of decisions relating to relevant activities. With respect to review of provisional PPA, we evaluated the objectivity, independence and expertise of the management's specialist. Our valuation specialists have assisted us in assessing the appropriateness of valuation methodology and inputs to assessment of fair values and useful lives of acquired assets and liabilities, particularly property, plant and equipment and intangibles.

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.

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INDEPENDENT AUDITOR'S 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

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

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

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

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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INDEPENDENT AUDITOR'S 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 s continued

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

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

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

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

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

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

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF

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

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 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 2019;

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 2019, 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 2019.

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 2019.

for ERNST & YOUNG

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

6 May 2020
Abu Dhabi

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019

	Notes	***2019 AED millions***	*2018 AED millions*
CONTINUING OPERATIONS			
Revenue	10	**83,033**	37,110
Cost of sales	11	**(71,513)**	(36,279)
Gross profit		**11,520**	831
Research, development and exploration expenses	12	**(3,164)**	(3,616)
General and administrative expenses	13	**(11,936)**	(6,249)
Investment income *(net)*	14	**8,721**	5,865
Income from equity accounted investees	20 (b)	**7,010**	2,999
Other income *(net)*	15	**4,031**	1,862
Impairment (losses) / reversals related to financial assets at amortised cost *(net)*		**(492)**	13
Impairment of investments in equity accounted investees *(net)*		**(634)**	(186)
Profit before net finance expense and taxes		**15,056**	1,519
Finance income		**1,969**	1,358
Finance costs		**(4,240)**	(2,223)
Net foreign exchange gains *(net)*		**133**	57
Net finance expense		**(2,138)**	(808)
Profit before income tax from continuing operations		**12,918**	711
Income tax expense (*net)*	25	**(1,311)**	(412)
Profit for the year from continuing operations		**11,607**	299
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations	6	**1,731**	2,899
Profit for the year		**13,338**	3,198
Profit for the year attributable to the:			
Owner of the Group		**11,938**	3,263
Non-controlling interests		**1,400**	(65)
		13,338	3,198

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME continued
For the year ended 31 December 2019

	2019 AED millions	*2018 AED millions*
Other comprehensive income / (loss)		
Items that may be reclassified to profit or loss in subsequent periods		
Exchange difference on translation of foreign operations	**89**	(920)
Gain / (loss) on hedge of net investments in foreign operations *(net)*	**455**	(474)
Share of other comprehensive income of equity accounted investees	**291**	349
Effective portion of changes in fair value of cash flow hedges and other reserves *(net of tax)*	**(107)**	60
	728	(985)
Items that will not be reclassified to profit or loss in subsequent periods		
Net movement in defined benefit plan *(net of tax)*	**(206)**	-
Other comprehensive income / (loss) for the year, net of income tax	**522**	(985)
Total comprehensive income for the year	**13,860**	2,213
Total comprehensive income / (loss) for the year attributable to the:		
Owner of the Group	**12,752**	2,321
Non-controlling interests	**1,108**	(108)
	13,860	2,213

The attached notes 1 to 45 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Notes	*2019 AED millions*	*2018 AED millions*
ASSETS			
Non-current assets			
Property, plant and equipment	16	**98,245**	129,741
Intangible assets	17	**12,372**	18,534
Investment properties	18	**9,555**	7,942
Investment in equity accounted investees	20(a)	**81,067**	68,899
Other receivables and prepayments	21	**15,124**	13,322
Other financial assets	22	**53,310**	40,279
Derivative financial instruments	23	**92**	3,447
Defined benefit plan assets	24	**1,031**	239
Deferred tax assets	25	**2,077**	5,943
Total non-current assets		**272,873**	288,346
Current assets			
Inventories	26	**10,060**	19,571
Trade receivables	27	**9,430**	19,597
Other receivables and prepayments	21	**62,999**	41,046
Other financial assets	22	**1,626**	4,562
Derivative financial instruments	23	**169**	931
Cash and cash equivalents	28	**20,337**	24,623
		104,621	110,330
Assets classified as held for sale	6(ii)	**900**	789
Total current assets		**105,521**	111,119
TOTAL ASSETS		**378,394**	399,465
EQUITY AND LIABILITIES			
Equity			
Share capital	33	**56,136**	56,136
Additional shareholder contributions	35(d)	**123,155**	123,155
Shareholder current account	4	**6,918**	27,024
Retained earnings		**19,807**	7,571
Other reserves	34	**1,219**	411
Government grants	38(b)(i)	**367**	367
Total equity attributable to the Owner of the Group		**207,602**	214,664
Non-controlling interests	8	**11,064**	11,630
Total equity		**218,666**	226,294

CONSOLIDATED STATEMENT OF FINANCIAL POSITION continued
As at 31 December 2019

	Notes	*2019 AED millions*	*2018 AED millions*
EQUITY AND LIABILITIES			
Non-current liabilities			
Interest bearing borrowings	30	**106,468**	86,728
Derivative financial instruments	23	**1,396**	1,791
Provisions	31	**3,359**	5,759
Employees' benefit liabilities	24	**3,469**	2,584
Deferred tax liabilities	25	**4,040**	6,392
Other liabilities	32	**3,749**	4,390
Total non-current liabilities		**122,481**	107,644
Current liabilities			
Interest bearing borrowings	30	**13,851**	21,421
Trade payables		**6,548**	17,154
Income tax payable		**447**	1,192
Derivative financial instruments	23	**385**	672
Provisions	31	**1,420**	5,743
Other liabilities	32	**14,596**	19,345
Total current liabilities		**37,247**	65,527
Total liabilities		**159,728**	173,171
TOTAL EQUITY AND LIABILITIES		**378,394**	399,465

Waleed Al Mokarrab Al Muhairi
Chairman

Carlos Obeid
Group Chief Financial Officer

The attached notes 1 to 45 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Share capital AED millions (note 33)	*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	-	-	-	3,127	(4,747)	-	(1,620)	-	(1,620)
Adjustments on initial application of IFRS 15	-	-	-	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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY continued
For the year ended 31 December 2019

	Share capital AED millions (note 33)	*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 2019	56,136	123,155	27,024	7,571	411	367	214,664	11,630	226,294
Adjustments on initial application of IFRS 16 *(see note 2e(i))*	-	-	-	(16)	-	-	(16)	(3)	(19)
Adjusted balance at 1 January 2019	56,136	123,155	27,024	7,555	411	367	214,648	11,627	226,275
Profit for the year	-	-	-	11,938	-	-	11,938	1,400	13,338
Other comprehensive income / (loss) for the year	-	-	-	-	814	-	814	(292)	522
Total comprehensive income	-	-	-	11,938	814	-	12,752	1,108	13,860
Dividends paid	-	-	-	-	-	-	-	(1,437)	(1,437)
Acquisition of additional interests in subsidiaries	-	-	-	16	-	-	16	(16)	-
Partial settlement of shareholder current account *(see note 4)*	-	-	(20,106)	-	-	-	(20,106)	-	(20,106)
Disposal of stake in a subsidiary	-	-	-	246	-	-	246	(238)	8
Other movements	-	-	-	52	(6)	-	46	20	66
At 31 December 2019	**56,136**	**123,155**	**6,918**	**19,807**	**1,219**	**367**	**207,602**	**11,064**	**218,666**

The attached notes 1 to 45 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2019

	Notes	***2019 AED millions***	*2018 AED millions*
Cash flows from operating activities			
Profit for the year from continuing operations		**11,607**	299
Profit for the year from discontinued operations		**1,731**	2,899
Adjustments for:			
Depreciation, amortisation and net impairment of property, plant and equipment, right-of-use and intangible assets	16,17	**18,868**	19,144
Investment income *(net)*		**(8,721)**	(5,874)
Other income *(net)*		**(3,575)**	(1,402)
Net impairment charges on investments in equity accounted investees, financial assets at amortised costs and inventories		**1,126**	319
Loss on disposal of subsidiaries *(net)*		**1,493**	-
Income from equity accounted investees	20(b)	**(7,010)**	(3,010)
Net finance expense		**2,138**	1,361
Income tax expense *(net)*	25	**1,311**	1,589
Net decommissioning and other provisions		**814**	618
		19,782	15,943
Change in inventories		**1,412**	(1,843)
Change in trade and other receivables and prepayments		**(24,158)**	(4,995)
Change in trade payables and other liabilities		**(6,221)**	(2,455)
Income taxes paid		**(1,701)**	(1,412)
Net cash (used in)/ generated from operating activities		**(10,886)**	5,238
Cash flows from investing activities			
Acquisition of financial investments		**(11,609)**	(3,990)
Proceeds from disposal of financial investments		**20,707**	14,985
Cash inflows resulting from transfers of entities under common control	4	**-**	3,720
Acquisition of subsidiaries and equity accounted investees *(net of cash acquired)*		**(3,038)**	(8,861)
Proceeds from disposal of subsidiaries, equity accounted investees, and net assets classified as held for sale *(net of cash disposed)*		**13,212**	795
Acquisition of non-current assets [1]		**(14,683)**	(17,161)
Proceeds from disposal of non-current assets [1]		**1,685**	835
Loans recovered		**795**	2,027
Loans disbursed		**(5,621)**	(1,075)
Dividend income received		**7,488**	4,300
Interest income received		**2,239**	1,265
Net cash generated from/ (used in) investing activities		**11,175**	(3,160)

[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 2019

	Notes	***2019 AED millions***	*2018 AED millions*
Cash flows from financing activities			
Proceeds from government grants		**1,229**	676
Proceeds from borrowings	30	**49,839**	28,298
Repayment of borrowings and lease liabilities	30	**(43,034)**	(21,022)
Movement in shareholder current account	4	**(7,294)**	-
Interest paid		**(4,080)**	(1,559)
Contribution from non-controlling interest		**-**	97
Dividends paid to non-controlling interest		**(1,437)**	(367)
Net cash (used in) / generated from financing activities		**(4,777)**	6,123
Net (decrease)/ increase in cash and cash equivalents		**(4,488)**	8,201
Cash and cash equivalents at 1 January		**24,623**	16,303
Net foreign exchange fluctuation		**202**	119
Cash and cash equivalents at 31 December	28	**20,337**	24,623

Significant non-cash transactions during the year are disclosed in note 4 and 6(ii) of the consolidated financial statements.

The attached notes 1 to 45 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 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 6 May 2020.

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 the lower of carrying amount and 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 and presentational 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 Group applies, for the first time, IFRS 16 *Leases*. The nature and effect of these changes are disclosed below. Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the consolidated financial statements of the Group.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g. personal computers) and short-term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will also be 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.

Transition to IFRS 16
The Group has applied IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 is recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. The Group has applied the practical expedient to grandfather the assessment of which transactions are or contain leases. It has applied 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 applies to contracts entered into or changed after 1 January 2019.

At transition, lease liabilities have been 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-of-use assets are initially measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. It is subsequently measured at cost less any accumulated depreciation and impairment losses and adjusted for certain re-measurement of the lease liability.

2 BASIS OF PREPARATION continued

(e) New and revised IFRSs continued

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

IFRS 16 Leases continued

Transition to IFRS 16 continued
Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment review similar to property, plant and equipment assets. When a right-of-use asset initially meets the definition of Investment Property, it is presented within the same line as Investment Properties. Such right-of-use assets are initially measured at cost and subsequently measured at fair value, in accordance with the Group's accounting policy.

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 recognise 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-of-use assets by the amount of the 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-of-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.

Impact on the consolidated statement of financial position as at 1 January 2019:

	AED millions
Assets	
Decrease in property, plant and equipment (*see note 16(a)*)	**(1,030)**
Increase in right-of-use assets (*see note 16(b)*)	**8,315**
Decrease in receivables and prepayments	**(56)**
Total assets	**7,229**
Liabilities	
Increase in lease liabilities (*see note 30(b)*)	**7,355**
Decrease in other liabilities	**(105)**
Decrease in trade payables	**(2)**
Total liabilities	**7,248**
Equity	
Retained earnings	**(16)**
Non-controlling interests	**(3)**
Total equity	**(19)**

2 BASIS OF PREPARATION continued

(e) New and revised IFRSs continued

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

IFRS 16 Leases continued

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	AED millions
Operating lease commitments as at 31 December 2018	**7,739**
Weighted average incremental borrowing rate as at 1 January 2019	**6.8%**
Discounted operating lease commitments as at 1 January 2019	**7,606**
Less:	
Short term leases recognised on a straight-line basis as at 31 December 2018	**(210)**
Low-value leases recognised on a straight-line basis as expense	**(91)**
Contract reassessed as service agreements	**(364)**
Add:	
Extension and termination options reasonably certain to be exercised	**60**
Other movements	**354**
Lease liabilities as at 1 January 2019	**7,355**

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*.

These amendments had no material impact on the consolidated financial statements.

2 BASIS OF PREPARATION continued

(e) New and revised IFRSs continued

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

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

The Group has adopted IFRIC 23 on the recognition and measurement of liabilities for uncertain tax positions from 1 January 2019.

The Group took into account the proposed two-step model put forward by the interpretation:

1. Recognition: the Group determined for all positions whether a greater than 50% probability exists that the tax authorities would accept the position taken in the tax return.
2. Measurement: the Group determined for each uncertain tax position whether the most likely outcome or the expected value method would better predict the outcome of the uncertainty.

Since the Group operates in a complex multinational environment, it assessed whether the interpretation had an impact on its consolidated financial statements.

Upon adoption of the interpretation, the Group considered whether it has any material uncertain tax positions based on its tax filings and tax positions taken in different jurisdictions and also considered the probability of these being challenged by the tax authorities. The Group determined that it is probable that its material tax positions will be accepted by the tax authorities and that the interpretation did not have a material impact on the consolidated financial statements of the Group.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

These amendments had no material impact on the consolidated financial statements of the Group.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).

These amendments had no material impact on the consolidated financial statements of the Group.

2 BASIS OF PREPARATION continued

(e) New and revised IFRSs continued

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

Annual improvements 2015 – 2017

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.

These amendments had no material impact on the consolidated financial statements of the Group.

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

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.

These amendments had no material impact on the consolidated financial statements of the Group.

Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7 (applicable for reporting periods beginning on or after 1 January 2020)

The amendments, issued to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting, modify specific hedge accounting requirements so that the Group would apply those hedge accounting equirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.

The Group is currently assessing the impact of the replacement of interbank offered rates (‘Ibors’) with alternative risk-free rates on the Group’s products and services.

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

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 expects to use the revised definition of business when assessing all future business combination.

IFRS 17 Insurance Contracts (applicable for reporting periods beginning on or after 1 January 2023)

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 2023, 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 material 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.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(a) Basis of consolidation continued

(i) Subsidiaries continued

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

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the initial carrying amount for the purposes of subsequent accounting for the retained interest as an investment in an associate or a joint venture or financial asset.

Disposals of interest in a subsidiary to an equity accounted investee

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

3 SIGNIFICANT ACCOUNTING POLICIES continued

(a) Basis of consolidation continued

(iii) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group 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 the statement of comprehensive income 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 including control achieved in a business that was joint operation) and the resulting gain or loss, if any, is recognised in the statement of comprehensive income. 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.

When the Group participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. In such scenario the previously held interests in that joint operation are not remeasured.

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) Acquisition of entities under common control

Acquisition of controlling interest in entities that are under common control of the Shareholder which lack commercial substance and are based on a decision by the Shareholder are accounted for in accordance with the pooling of interest method of accounting using predecessor values method. The consolidated financial statements of the combined entities are presented as if the business had been combined from the date when the combining entities were first brought under common control without restating and presenting the prior period. The assets and liabilities are accounted for at carrying amounts previously recorded in the books of the transferor. The components of equity of the acquired entities are added to the same components within the Group's equity. Any transaction cost paid for acquisition is recognised directly in equity.

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

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

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

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

<u>Determining whether a transaction has commercial substance</u>

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, which is considered to have occurred when there is a significant change in any one of the following (not including tax considerations):

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

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

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

Joint ventures are joint arrangements whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint ventures are those investments in distinct legal entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(a) Basis of consolidation continued

(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 IAS 39), the deemed cost of the associate or joint venture is the fair value of the original investment at the date that significant influence or joint control is obtained plus the consideration paid for the additional stake.

Investments in associates and joint ventures can be accounted under 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). While applying this, the Group should not take into account 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 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 statement of comprehensive income 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, liabilities over the acquisition cost, after reassessment, is recognised immediately in the statement of comprehensive 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))*.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(a) Basis of consolidation continued

(v) Investment in associates and joint arrangements continued

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. Upon disposal of equity accounted investees that results in a loss of significant influence or joint control, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with 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.

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 from sale of goods and services

Revenue from sale of goods and services primarily include income from sale of semiconductor wafers, sale of petrochemicals, exploration and production activities, aircraft maintenance and repairs, components leasing and sale, satellite capacity leasing revenue and medical services.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(b) Revenue from sale of goods and services continued

Revenue recognition under IFRS 15

The Group recognises revenue from contracts with customers based on a five-step model as set out in IFRS 15:

- Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

- Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

- Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

- Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

- Recognise revenue when (or as) the entity satisfies a performance obligation at a point in time or over time.

The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or

- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

- The Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied. The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognising revenue.

When the Group satisfies a performance obligation by delivering the promised goods or services it creates a contract asset based on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives rise to a contract liability.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

3 SIGNIFICANT ACCOUNTING POLICIES continued

(b) Revenue from sale of goods and services continued

Revenue recognition under IFRS 15 continued

Variable consideration
If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of goods provide customers with a right of return and volume rebates. The rights of return and volume rebates give rise to variable consideration.

Rights of return
Certain contracts provide a customer with a right to return the goods within a specified period. The Group uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the Group recognises a refund liability. A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

Significant financing component
Generally, the Group receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

The Group also receives long-term advances from customers for the sale of goods. The transaction price for such contracts is discounted, using the rate that would be reflected in a separate financing transaction between the Group and its customers at contract inception, to take into consideration the significant financing component.

Non-cash consideration

The Group applies the requirements of IFRS 13 *Fair Value Measurement* in measuring the fair value of the noncash consideration. If the fair value cannot be reasonably estimated, the non-cash consideration is measured indirectly by reference to the stand-alone selling price of the goods or services supplied. The fair value of such non-cash consideration received from the customer is included in the transaction price and measured when the Group obtains control of the goods or services.

(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.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(b) Revenue from sale of goods and services 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 'under lift' or 'over lift'. Under lift and over lift 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, trading, repair and maintenance of 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 the 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 profit or loss as and when incurred.

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

These costs are initially amortised over the term of the agreement on a straight-line basis during the 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 the 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(n)(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.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(c) Exploration, evaluation and development expenditures continued

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

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

Other mining rights

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

(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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(e) Foreign currency continued

(i) Foreign currency transactions continued

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 Financial assets designated at FVOCI or a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges to the extent hedges are effective, which are recognised in other comprehensive income.

(ii) Foreign operations

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

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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(f) Financial instruments continued

i. Recognition and initial measurement

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.

A trade receivable without a significant financing component is initially measured at the transaction price.

ii. Classification and subsequent measurement

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

- 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);
- 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 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.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(f) Financial instruments continued

ii. Classification and subsequent measurement continued

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.

Financial assets – 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.

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 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.

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. A financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(f) Financial instruments continued

ii. Classification and subsequent measurement continued

Financial assets – Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. However, *(see note (f)(ii))* for derivatives designated as hedging instruments.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment 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 rate method, foreign exchange gains and losses and impairment 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.

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 consolidated statement of comprehensive income.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(f) Financial instruments continued

ii. Classification and subsequent measurement continued

Financial liabilities continued

Financial liabilities at fair value through profit or loss continued

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.

Financial guarantees
Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs in the event that a specified party fails to meet its obligation when due in accordance with the contractual terms. Financial guarantee contracts are initially recognised at their fair value, which is likely to equal the premium received on issuance. The received premium is included within other liabilities and is amortised over the life of the financial guarantee. The guarantee liability is subsequently recognised at the higher of this amortised amount and the present value of any expected payments

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. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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.

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 EIR. This means that the difference cannot be spread over the remaining life of the instrument.

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.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(f) Financial instruments continued

ii. Classification and subsequent measurement continued

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 reference to an orderly transaction between market participants in the principal market or, in its absence, the most advantageous market to which the Group has access at that date, reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

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

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 consolidated 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.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(f) Financial instruments continued

ii. Classification and subsequent measurement continued

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.

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 as cost 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 item expected future cash flows affect profit or loss.

If the hedged items 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.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(f) Financial instruments continued

ii. Classification and subsequent measurement continued

Derivative financial instruments and hedge accounting continued

Fair value hedges
The change in the fair value of a hedging instrument is recognised in the statement of comprehensive income 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 comprehensive income 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.

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 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 profit or loss.

(g) Government grants

As the Government of the Emirate 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.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(g) Government grants continued

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

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

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

Non-monetary government grants accounting

(i) Land

Management believes that, in most cases, when land is initially received through government grants, the probability that future economic benefits will flow to the Group is uncertain, since, until management has established plans to utilise the land, it is possible that such land may revert back to the Government. In addition, in the absence of identified use of the land, the amount of future economic benefits cannot be determined with reasonable certainty. Accordingly, land so received is not initially recognised in the consolidated financial statements until certain events occur, which enable management to conclude that it becomes probable that future economic benefits will flow to the Group from its ownership of such land.

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

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

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

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

(ii) Others

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

3 SIGNIFICANT ACCOUNTING POLICIES continued

(g) Government grants continued

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

Monetary grants that compensate the Group for expenses to be incurred are initially recognised in the consolidated statement of financial position as a deferred liability. Subsequent to initial recognition, such grants are released to profit or loss on a systematic basis over the periods in which the related expenses are recognised.

Where monetary government grants compensate for the cost of assets, such assets are carried at cost, less the value of the monetary government grants received. Asset values so derived are depreciated over the useful life of the relevant asset. Monetary government 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 rate 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, amortization 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 net basis in profit or loss depending on whether foreign currency movements are in a net gain or net loss position.

(i) 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.

(j) Income tax

Income tax expense / benefit 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.

The Group determines 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 needs to be followed. The Group applies significant judgement in identifying uncertainties over income tax treatments.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(j) Income tax continued

Upon adoption of the interpretation, the Group considered whether it has any material uncertain tax positions based on its tax filings and tax positions taken in different jurisdictions and also considered the probability of these being challenged by the tax authorities. The Group determined that is probable that its material tax positions will be accepted by the tax authorities and that the interpretation did not have a material impact on the consolidated financial statements of the Group.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, unused tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

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 fact and circumstances have 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.

(k) 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.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(l) 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 income or loss for the year.

(m) 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.

(n) Property, plant and equipment

(i) Recognition and measurement

Owned assets
Property, plant and equipment are stated at cost, less accumulated depreciation and 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

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.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(n) Property, plant and equipment continued

(i) Recognition and measurement continued

Leased assets - continued

The lease liability is subsequently measured based on the amortised cost method. Lessees will also be 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.

Right-to-use assets are initially measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. It is subsequently measured at cost less any accumulated depreciation and impairment losses and adjusted for certain re-measurement of the lease liability. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment review similar to property, plant and equipment assets. When a right-of-use asset initially meets the definition of Investment Property, it is presented within the same line as Investment Properties. The right-of-use assets are initially measured at cost and subsequently measured at fair value, in accordance with the Group's accounting policy.

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-of-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-of-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.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(n) Property, plant and equipment continued

(i) Recognition and measurement 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 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 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.

(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 recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. The costs of the day-to day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Oil and gas assets are depreciated using the unit-of-production method by reference to the ratio of production in the period and the related proved and probable reserves in the field, taking into account future development expenditure necessary to bring those reserves into production. *See note 3(c)* for accounting policy on depreciation, depletion and amortisation of oil and gas assets.

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

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

	Estimated useful lives
Buildings, plant and office equipment	2 - 50 years and above
Aircraft engines and spares	10 - 30 years
Computers	3 - 5 years
Others	3 - 10 years

3 SIGNIFICANT ACCOUNTING POLICIES continued

(n) Property, plant and equipment continued

(iii) Depreciation continued

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate *(see note 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 the statement of comprehensive income 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.

(o) Intangible assets

(i) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition *(see note 3(a)(iii))*. Following initial recognition, goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee. Goodwill is reviewed for impairment annually or more frequently if events and circumstances indicate that the carrying value may be impaired.

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

3 SIGNIFICANT ACCOUNTING POLICIES continued

(o) Intangible assets continued

(ii) Brands and trademarks

Acquired brands, trademarks and licenses are shown at historical costs. Trademarks and licenses 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.

(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.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(o) Intangible assets continued

(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

License 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
Software	2 - 10 years
Customer contracts	3 – 20 years
Others	3 - 48 years and unit of production

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

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

(p) Investment properties

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

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

3 SIGNIFICANT ACCOUNTING POLICIES continued

(p) 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.

(q) Inventories

Inventories are stated at the lower of cost and net realisable value.

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.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

The Group assesses the net realisable value of the inventories at the end of each year and recognises the appropriate impairment 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.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(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 profit or loss. The pension fund is administered by the Government of Abu Dhabi, Finance Department, represented by the Abu Dhabi Retirement Pensions and Benefits Fund. Other than the monthly pension contributions, there is no further obligation on the Group.

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

Entities domiciled outside the 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.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(s) Staff terminal benefits and pensions continued

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

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

When there is a plan amendment, curtailment or settlement occurs during the annual reporting period, the Group determines the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).

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 Expected Credit Losses ("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
- other 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.

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 when the financial asset is 180 days past due 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) 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.

(v) Operating segments

The accounting policy of the reportable segments are the same as the Group's accounting policy as 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 SHAREHOLDER AND ENTITIES UNDER COMMON CONTROL

Subsequent to the merger between the Company and International Petroleum Investment Company ("IPIC"), IPIC transferred certain assets to the Company and the Company transferred certain assets and liabilities to other entities owned by MIC, including 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 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 had been transferred from IPIC to the Company in 2018 pursuant to consent solicitations directed at the relevant IPIC liability holders. The liabilities included 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 had not applied IFRS 3 *Business Combinations* (see above transfers) since the business combination was effected between companies under common control and therefore, was 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:

	2019 AED millions	*2018 AED millions*
At 1 January	**27,024**	17,533
Net assets transferred in (*see note 4(i), 4(ii)*)	-	29,935
Net assets transferred out (*see note 4(iii)*)	-	(1,723)
Other net assets transferred in (*see note 4(iii)*)	-	15,866
Liabilities assumed (*see note 4(iv) / note 4(iii)*)	**(12,812)**	(34,587)
Cash settlement of shareholder current account (*see note 4(iv)*)	**(7,294)**	-
At 31 December	**6,918**	27,024

4 TRANSFERS FROM / TO SHAREHOLDER AND 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 did not apply IFRS 3 *Business Combinations* as the business combination was effected between companies under common control and therefore, was 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 had accounted for the effect of the acquisition of NOVA under the "pooling of interest" method and predecessor accounting was applied.

In accordance with IFRS 10 *Consolidated Financial Statements*, the Company 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 had 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 SHAREHOLDER AND 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 did not apply IFRS 3 *Business Combinations* as the business combination was effected between companies under common control and therefore, was 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 had accounted for the effect of the acquisition of Borealis under the "pooling of interest" method and predecessor accounting was applied.

In accordance with IFRS 10 *Consolidated Financial Statements*, the Company had 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 had 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 SHAREHOLDER AND 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 SHAREHOLDER AND ENTITIES UNDER COMMON CONTROL continued

(iv) Partial settlement of shareholder current account

During the year, the Company, through one of its subsidiaries, has settled AED 20,106 million of the shareholder current account through a cash settlement of AED 7,294 million and transfer of interest-bearing borrowings from an entity under common control of AED 12,812 million renegotiated at the Company level.

5 MATERIAL BUSINESS COMBINATIONS

(i) Acquisition of interest in Shorouk in 2018

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

The acquisition had 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
Property, plant and equipment	2,623
Intangible assets	1,773
Inventories	6
Trade receivables	84
Total assets	4,486
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 in 2018

On 10 September 2018, the Group acquired a 77.14% interest in Amana Healthcare Medical and Rehabilitation Hospital LLC, Amana Home Health Care Centre 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 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:

	Fair value recognised on acquisition 2018 AED millions
Property, plant and equipment	51
Intangible assets	624
Trade receivables	62
Other receivables and prepayments	38
Cash and cash equivalents	12
Total assets	787
Trade and other payables	(32)
Provisions	(15)
Other liabilities	(6)
Total liabilities	(53)
Net assets acquired	734
Non-controlling interest [1]	(302)
Goodwill	587
Purchase consideration	1,019
Cash and cash equivalents acquired	(12)
Net cash flow on acquisition	1,007

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

5 MATERIAL BUSINESS COMBINATIONS continued

(ii) Acquisition of Amana Holdings Limited in 2018 continued

In August 2019, the purchase price allocation was completed. The provisional fair value of the property, plant and equipment on the acquisition date was AED 17 million which increased to AED 51 million on completion of the purchase price allocation. In addition, the intangible assets, comprising of trademarks, customer contracts and others amounting to AED 629 million was identified on completion of purchase price allocation. The increased depreciation charge on the property, plant and equipment and amortization charge on intangible assets, from the acquisition date of Amana Healthcare to 31 December 2018 was not material. The 2018 comparative information was not restated to reflect the adjustment to the provisional amounts since it was not material.

On 18 March 2019, 14.29% interest was sold to China UAE Investment Cooperation Fund LP, which is 50% owned by Mubadala Investment Company. This has reduced the Group's effective holding to 62.85% in the Company.

From the date of transfers and acquisitions to 31 December 2018, the transferred *(see note 4)* and acquired entities *(see note 5)* had 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 for 2018 would have been AED 90,815 million and the Group's consolidated profit for that year would have been AED 6,549 million.

6 DISCONTINUED OPERATIONS

	31 December 2019 AED millions	*31 December 2018 AED millions*
Compañía Española de Petróleos, S.A.U. ("CEPSA") (*see note 6(i)*)	**1,861**	3,504
Integrated Circuit Manufacturing Co., Limited (GLOBALFOUNDRIES, Chengdu)	-	(544)
Others	**(130)**	(61)
Profit for the year from discontinued operations	**1,731**	2,899

6 DISCONTINUED OPERATIONS continued

(i) Compañía Española de Petróleos, S.A.U. ("CEPSA")

On 7 April 2019, the Group signed an agreement (subsequently amended on 15 October 2019) with Carlyle Group LP ("Carlyle" or the "Buyer") to sell a minimum of 37% of its ownership in CEPSA excluding the Group's 42.09% interest in MEDGAZ S.A. ("MEDGAZ") (*see note 6(ii)*). On 25 September 2019, the Group received the last of the necessary approvals with respect to part sell down of stake in CEPSA to Carlyle. Accordingly, for the purposes of these consolidated financial statements for the year ended 31 December 2019, the Group had recognised the sale of this transaction effective 25 September 2019. Management has assessed that based on the shareholder agreement between the Group and Carlyle and other relevant factors, the Group has lost control over CEPSA after the completed sale of 37% of its interest in CEPSA. Henceforth, the Group's retained stake of 63%, subsequently reduced to 61.5% (*see note 20(b)(i) for further details*), has been accounted for as a joint venture as both the Group and Carlyle have joint control over CEPSA.

The results of operations of CEPSA, up until the date of loss of control by the Group, are set out below:

	1 January 2019 to 25 September 2019 AED millions	*31 December 2018 AED millions*
Revenue	**57,978**	95,764
Cost of sales	**(49,012)**	(84,137)
Gross profit	**8,966**	11,627
Other income	**451**	565
Other expenses	**(4,477)**	(7,496)
Income taxes	**(1,573)**	(1,192)
Profit for the period / year	**3,367**	3,504
Loss on disposal of 37% interest in CEPSA	**(1,506)**	-
Profit from discontinued operations	**1,861**	**3,504**
Summarised cash flows of CEPSA are presented below:		
Net cash generated from operating activities	**5,119**	5,048
Net cash used in investing activities	**(2,393)**	(8,735)
Net cash (used in) / generated from financing activities	**(1,972)**	2,382
Net increase / (decrease) in cash and cash equivalents	**754**	(1,305)

6 DISCONTINUED OPERATIONS continued

(i) Compañía Española de Petróleos, S.A.U. ("CEPSA") continued

The total value of the assets and liabilities of CEPSA recorded in the consolidated financial statements on the date of disposal, and the effects of the disposal were as follows:

	At 25 September 2019 ***AED millions***
Non-current assets	**41,918**
Current assets	**19,602**
Cash and cash equivalents	**2,034**
Total assets	**63,554**
Non-current liabilities	**(19,932)**
Current liabilities	**(16,977)**
Non-controlling interests	**(645)**
Net assets	**26,000**
Sale consideration (37% sold) – net of selling expenses	**9,549**
Fair value of 63% retained interest *(see note 20(b)(i))*	**16,844**
Hedging and other reserves reclassified to profit or loss	**(1,899)**
Loss on deemed disposal of 37% interest in CEPSA	**(1,506)**

(ii) Assets classified as held for sale

As at 31 December 2019, certain assets qualified for held for sale classification under IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* and are measured at the lower of their respective carrying amounts and fair value less costs to sell, amounting to AED 900 million (*31 December 2018: AED 789 million*).

Assets classified as held for sale include MEDGAZ (MEDGAZ S.A.). Prior to partial disposal of CEPSA (*see note 6(i))*, MEDGAZ was transferred by CEPSA to CEPSA Holding, a subsidiary of the Company, as dividend in-kind. Subsequently, in October 2019, CEPSA Holding entered into an agreement with Naturgy and Sonatrach for the sale of its shares in MEDGAZ (*see note 45*). Other assets held for sale include equipment designated and other identified excess equipment for the 7nm technology development program, as well as other insignificant assets.

7 MATERIAL SUBSIDIARIES

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

		Ownership interest		
Subsidiaries	***Domicile***	***2019***	*2018*	***Principal business activities***
Compañía Española de Petróleos, S.A.U. (“CEPSA”) [1]	Spain	**-**	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
GlobalFoundries Inc. (“GF”)	Cayman Islands	**100%**	100%	Focused on semiconductor wafer fabrication services and technologies, and manufacturing a broad range of semiconductor devices
Borealis AG (“Borealis”)	Austria	**64%**	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”)	New Brunswick, Canada	**100%**	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
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
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
MDC Oil and Gas Holding LLC	UAE	**100%**	100%	Engaged in exploration, development and production of hydrocarbons
Al Yah Satellite Communications Company PJSC	UAE	**100%**	100%	Leasing of satellite communication capacity to the UAE Armed Forces and other customers
Aerospace Turbine Services & Solutions LLC	UAE	**100%**	100%	Engaged in aircraft maintenance, repairs, components leasing and sales

[1] See note 6(i)

8 PARTIALLY-OWNED SUBSIDIARIES WITH MATERIAL NCI

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

			2019		2018	
	Principal place of business	*Ownership interest held by NCI %*	*Profit allocated to NCI AED millions*	*Accumulated NCI AED millions*	*Profit / (loss) [1] allocated to NCI AED millions*	*Accumulated NCI AED millions*
Subsidiary:						
Borealis[1]	Austria	**36.00**	**1,287**	**9,618**	-	9,811

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

	2019 AED millions	*2018 AED millions*
Summarised statement of profit or loss:		
Revenue	**33,314**	-
Net profit for the year	**3,585**	-
Other comprehensive loss	**(94)**	-
Total comprehensive income	**3,491**	-
Summarised statement of cash flows:		
Net cash generated from operating activities	**3,590**	-
Net cash used in investing activities	**(170)**	-
Net cash used in financing activities	**(3,281)**	-
Net cash inflows	**139**	-
Dividends paid to non-controlling interests	**(1,224)**	-
Summarised statement of financial position:		
Non-current assets	**32,358**	30,702
Current assets	**9,998**	11,196
Non-current liabilities	**(9,620)**	(6,273)
Current liabilities	**(6,141)**	(8,520)
Non-controlling interests	**(52)**	(62)

[1] See note 4(ii).

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 accelerating the growth of its pure-play semiconductor manufacturing at GlobalFoundries; growing its metals related cluster in Abu Dhabi and internationally through Emirates Global Aluminium ('EGA') and investing in the mining sector globally; investing in agribusiness with a focus on export-oriented businesses that produce high-value products across a range of geographies; and investing in pharmaceuticals, medical devices, outsourced services, animal health, and healthcare IT. GlobalFoundries manufactures a broad range of semiconductor devices, including microprocessors, mobile application processors, baseband processors, network processors, radio frequency devices, system on a chip devices, microcontrollers, power management units, analog mixed-signal devices and microelectromechanical systems. EGA is an integrated global aluminium champion (bauxite, alumina, primary aluminium) with focus on premium products used in traditional and modern life applications in more than 50 countries. Mining investments include investments in companies that mine base metals, such as copper and zinc, and precious metals, such as gold. Each sector aims to deliver financial returns by responsibly and sustainably investing in leading companies around the world.

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 with focus on various asset classes and geographies, 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 2019						
Revenues from contracts with customers	51,205	21,322	5,792	3,027	4	81,350
Other revenue	95	-	726	719	143	1,683
Total revenue	**51,300**	**21,322**	**6,518**	**3,746**	**147**	**83,033**
Depreciation and amortisation, (*net)*	5,469	9,678	980	263	99	16,489
Share of results of equity accounted investees	4,500	(266)	301	167	1	4,703
(Finance cost) / finance income *(net)*	(731)	(717)	(197)	247	(740)	(2,138)
Profit / (loss) for the year attributable to the Owner of the Group (continuing operations)	7,747	(388)	3,501	1,847	(2,500)	10,207
Profit / (loss) for the year attributable to the Owner of the Group (discontinued operations)	1,861	-	(124)	(6)	-	1,731
Total comprehensive income / (loss) for the year attributable to the Owner of the Group	10,432	(392)	3,385	1,827	(2,500)	12,752
Additions to non-current assets [1]	10,936	1,966	1,373	226	59	14,560
At 31 December 2019						
Investments in equity accounted investees	45,619	18,553	5,801	11,035	59	81,067
Total assets	134,180	74,801	30,377	85,102	53,934	378,394
Total liabilities	44,641	19,014	9,684	10,896	75,493	159,728
For the year ended 31 December 2018						
Revenues from contracts with customers	5,299	22,768	4,959	2,572	-	35,598
Other revenue	-	-	767	671	74	1,512
Total revenue	5,299	22,768	5,726	3,243	74	37,110
Depreciation and amortisation, (*net)*	1,394	10,513	899	189	91	13,086
Share of results of equity accounted investees	1,193	766	703	246	-	2,908
(Finance cost) / finance income *(net)*	(146)	(471)	(247)	95	(39)	(808)
Profit / (loss) for the year attributable to the Owner of the Group (continuing operations)	2,416	(4,884)	1,390	3,148	(1,706)	364
Profit / (loss) for the year attributable to the Owner of the Group (discontinued operations)	3,504	(544)	(61)	-	-	2,899
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	169,772	90,352	28,062	76,266	35,013	399,465
Total liabilities	75,677	21,619	9,177	7,704	58,994	173,171

[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 2019	***As at 31 Dec 2019***	*For the year ended 31 Dec 2018*	*As at 31 Dec 2018*
	Revenue AED millions	***Non-current assets AED millions***	*Revenue AED millions*	*Non-current assets [1] AED millions*
United Arab Emirates *(country of domicile)*	**7,548**	**21,299**	6,314	27,535
United States of America	**19,454**	**36,257**	10,642	40,236
Federal Republic of Germany	**4,865**	**4,746**	346	8,299
Republic of Singapore	**4,484**	**4,639**	6,297	5,787
Canada	**4,117**	**21,041**	33	18,898
United Kingdom	**3,417**	**1,848**	2,192	1,468
People's Republic of China	**3,267**	**10**	1,561	1,425
French Republic	**2,683**	**1,231**	175	1,165
Kingdom of Belgium	**2,343**	**2,145**	45	1,514
Republic of Austria	**1,449**	**5,166**	114	4,453
Arab Republic of Egypt	**1,065**	**5,263**	427	4,807
Kingdom of Sweden	**2,229**	**2,985**	101	3,169
State of Qatar	**1,242**	**3,684**	1,413	3,467
Italian Republic	**2,244**	**-**	47	-
Swiss Confederation	**1,865**	**449**	212	516
Republic of Finland	**1,484**	**2,342**	25	2,451
The Netherlands	**1,355**	**487**	46	478
Republic of Poland	**1,320**	**-**	-	-
Republic of Turkey	**1,216**	**-**	43	-
United Mexican States	**1,215**	**-**	-	-
Kingdom of Spain	**724**	**-**	1	20,031
Others	**13,447**	**6,580**	7,076	10,518
	83,033	**120,172**	37,110	156,217

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

Major customers

In 2019 and 2018, none of the Group's customers individually exceeded 10% of Group's revenue.

10 REVENUE

2019	***Revenue from contract with customers AED millions***	***Other revenue AED millions***	***Total revenue AED millions***
Revenue from petrochemicals	**45,733**	**113**	**45,846**
Revenue from semiconductor wafers	**21,322**	**-**	**21,322**
Revenue from exploration and production activities	**5,473**	**-**	**5,473**
Revenue from aircraft maintenance and repairs, components leasing and sales	**2,866**	**186**	**3,052**
Revenue from medical services	**2,104**	**-**	**2,104**
Revenue from satellite capacity leasing	**1,122**	**496**	**1,618**
Others	**2,730**	**888**	**3,618**
	81,350	**1,683**	**83,033**

2018	*Revenue from contract with customers AED millions*	*Other revenue AED millions*	*Total revenue AED millions*
Revenue from semiconductor wafers	22,768	-	22,768
Revenue from exploration and production activities	5,288	-	5,288
Revenue from aircraft maintenance and repairs, components leasing and sales	2,512	172	2,684
Revenue from medical services	1,769	-	1,769
Revenue from satellite capacity leasing	947	496	1,443
Others	2,314	844	3,158
	35,598	1,512	37,110

	2019 AED millions	*2018 AED millions*
Timing of revenue recognition		
Over a period of time	**27,057**	27,455
At a single point in time	**54,293**	8,143
Revenue from contracts with customers	**81,350**	35,598

11 COST OF SALES

	2019 AED millions	*2018 AED millions*
Raw materials consumed	**32,090**	5,590
Depreciation of property, plant and equipment *(see note 16)*	**14,182**	10,967
Staff costs	**8,489**	5,045
Maintenance costs	**3,796**	3,166
Impairment of property, plant and equipment *(see note 16)*	**699**	2,228
Amortisation of intangible assets *(see note 17)*	**644**	484
Impairment of intangible assets *(see note 17)*	**80**	226
Other costs	**11,533**	8,573
	71,513	36,279

12 RESEARCH, DEVELOPMENT AND EXPLORATION EXPENSES

	2019 AED millions	*2018 AED millions*
Staff costs	**1,408**	1,576
Depreciation of property, plant and equipment *(see note 16)*	**302**	555
Amortisation of intangible assets *(see note 17)*	**547**	454
Impairment of property, plant and equipment *(see note 16)*	**6**	-
Impairment of intangible assets *(see note 17)*	**7**	-
Other expenses	**894**	1,031
	3,164	3,616

13 GENERAL AND ADMINISTRATIVE EXPENSES

	2019 AED millions	*2018 AED millions*
Staff costs	**4,716**	3,389
Selling, distribution and transportation costs	**2,434**	18
Depreciation of property, plant and equipment *(see note 16)*	**652**	406
Amortisation of intangible assets *(see note 17)*	**162**	220
Impairment of property, plant and equipment *(see note 16)*	**472**	16
Impairment of intangible assets *(see note 17)*	**235**	4
Other expenses	**3,265**	2,196
	11,936	6,249

14 INVESTMENT INCOME *(net)*

	2019 AED millions	*2018 AED millions*
Fair value gains from non-derivative financial instruments *(net)*	**7,092**	3,156
Fair value gains from derivative financial instruments *(net)*	**895**	1,815
Dividend income from equity investments	**1,112**	1,220
Fair value loss from investment properties *(net)*	**(378)**	(326)
	8,721	5,865

15 OTHER INCOME *(net)*

	2019 AED millions	*2018 AED millions*
Government grant income	**778**	403
Income on settlement of insurance claims	-	372
Gain on disposal of property, plant and equipment and intangibles assets *(net)*	**359**	76
Gain on sale of fabrication facility	**2,298**	-
Other income	**596**	1,011
	4,031	1,862

16 PROPERTY, PLANT AND EQUIPMENT

	2019 AED millions	*2018 AED millions*
Property, Plant and Equipment *(see note 16(a)))*	**93,683**	129,741
Property, Plant and Equipment – right-of- use *(see note 16(b)))*	**4,562**	-
	98,245	129,741

16(a) 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*	*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 from / (to) 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 from / (to) 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(a) 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*	*Capital work in progress AED millions*	*Others AED millions*	*Total AED millions*
Cost								
At 1 January 2019	2,167	27,980	196,849	4,043	2,634	18,618	342	252,633
Additions	2	1,989	1,608	215	58	7,277	8	11,157
Disposals	(2)	(183)	(4,097)	(93)	(155)	(36)	(147)	(4,713)
Divestment of stake in subsidiaries	(1,496)	(12,995)	(28,780)	-	(246)	(4,450)	(27)	(47,994)
Borrowing costs capitalised	-	-	-	-	-	120	-	120
Transfer from / (to) intangible assets *(see note 17)*	-	17	2	-	(12)	(60)	-	(53)
Transfer (to) / from investment properties *(see note 18)*	(20)	-	(6)	-	-	128	-	102
Transfers of assets to right-of-use upon IFRS 16 adoption	-	-	(2,455)	-	-	-	-	(2,455)
Transfer to inventories	-	-	-	-	-	(410)	-	(410)
Other movements	(2)	8,377	4,182	-	158	(10,534)	61	2,242
Write off	-	-	(12)	-	-	(8)	-	(20)
Effect of movement in foreign exchange rates	(80)	(178)	(1,890)	-	(12)	(33)	(5)	(2,198)
At 31 December 2019	**569**	**25,007**	**165,401**	**4,165**	**2,425**	**10,612**	**232**	**208,411**
Accumulated depreciation and impairment								
At 1 January 2019	-	(17,294)	(100,794)	(1,045)	(2,064)	(1,483)	(212)	(122,892)
Charge for the year [2]	-	(1,688)	(12,787)	(178)	(233)	-	(49)	(14,935)
Disposals	-	-	3,646	45	127	-	111	3,929
Impairment *(net of reversals)* [3]	-	(29)	(1,018)	-	(10)	(117)	-	(1,174)
Divestment of stake in subsidiaries	-	3,912	16,174	-	148	-	34	20,268
Transfer from / (to) intangible assets *(see note 17)*	-	(11)	(3)	-	(3)	-	-	(17)
Transfers of asset to right-of-use upon IFRS 16 adoption	-	-	1,425	-	-	-	-	1,425
Other movements	-	(1,398)	(1,001)	-	8	-	(18)	(2,409)
Write off	-	-	10	-	-	-	-	10
Effect of movement in foreign exchange rates	-	(46)	1,103	-	5	2	3	1,067
At 31 December 2019	**-**	**(16,554)**	**(93,245)**	**(1,178)**	**(2,022)**	**(1,598)**	**(131)**	**(114,728)**
Carrying amounts								
At 31 December 2019	**569**	**8,453**	**72,156**	**2,987**	**403**	**9,014**	**101**	**93,683**

16(b) PROPERTY, PLANT AND EQUIPMENT – right–of-use

	Land AED millions	*Oil and gas assets AED millions*	*Buildings plant and office equipment AED millions*	*Others AED millions*	*Total AED millions*
Cost					
Recognition of right-of-use asset on initial application of IFRS16 [4]	1,951	468	2,996	1,870	7,285
Transfer from property, plant and equipment on initial application of IFRS16 [4]		-	1,030	-	1,030
Additions	161	97	635	161	1,054
Divestment of stake in subsidiary	(1,397)	-	(1,353)	(692)	(3,442)
Disposals	(4)	-	(127)	(2)	(133)
Write off	-	-	-	(28)	(28)
Effect of movement in foreign exchange rates	(75)	-	(76)	(50)	(201)
At 31 December 2019	**636**	**565**	**3,105**	**1,259**	**5,565**
Accumulated depreciation and impairment					
Charge for the year [2]	(52)	(115)	(609)	(213)	(989)
Impairment charges for the year [3]	-	-	(3)	-	(3)
Divestment of stake in subsidiary	(4)	-	(5)	(1)	(10)
Other movements	-	(9)	-	-	(9)
Effect of movement in foreign exchange rates	4	-	4	-	8
At 31 December 2019	**(52)**	**(124)**	**(613)**	**(214)**	**(1,003)**
Carrying amounts:					
At 31 December 2019	**584**	**441**	**2,492**	**1,045**	**4,562**

[4] Refer to note 2(e)(i)

16 PROPERTY, PLANT AND EQUIPMENT continued

On adoption of IFRS 16, the Group recognised net book value of AED 8,315 million as right-of-use asset as at 1 January 2019. This primarily consists of land, buildings and plant and office equipment. See note 2(e)(i) for more details.

[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:

	2019 AED millions	*2018 AED millions*
Cost of sales *(see note 11)*	**14,182**	10,967
Research, development and exploration expenses *(see note 12)*	**302**	555
General and administrative expenses *(see note 13)*	**652**	406
Discontinued operations	**788**	2,496
	15,924	14,424

Property, plant and equipment having carrying value of AED 34,502 million *(2018: AED 12,205 million)* has been pledged as security against certain borrowings *(see note 30(a))*.

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

	2019 AED millions	*2018 AED millions*
Cost of sales *(see note 11)*	**699**	2,228
Research, development and exploration expenses *(see note 12)*	**6**	-
General and administrative expenses *(see note 13)*	**472**	16
Discontinued operations	**-**	446
	1,177	2,690

16 PROPERTY, PLANT AND EQUIPMENT continued

Impairment of tangible assets related to a Healthcare subsidiary

For the year ended 31 December 2019, a healthcare subsidiary of the Company recorded an impairment loss of AED 414 million in cost of sales. The recoverable amount was determined on the basis of fair value less cost to sell using market approach and totalled to AED 444 million. When arriving at the valuation, revenue multiples have been reduced by 0.75x to account for regulatory headwinds impacting the healthcare sector, drop in dental rates in 2019 and inherent risk in future projections. Management believes that no reasonably possible change in any of the above key assumptions would materially change the fair value less cost to sell.

Impairment assessment of Fabrication Facilities ("Fabs")

Substantial portion of the long-lived assets are comprised of FAB 8 CGU, Fab1 CGU and Singapore CGU. The recoverable amount of each CGU was estimated based on the fair value less cost to sell calculated using a discounted cash flow model. The key assumptions in a discounted cash flow model are the determination of (a) the free cash flow which are dependent on assumptions related to revenue (pricing), cost, volume, discount rate and capital expenditure, (b) the discount rate, and (c) the terminal value. The free cash flows used in the discounted cash flow model are consistent with the financial budgets approved by senior management covering the initial five-year period. Cash flows beyond the initial five-year period for the Fab 1 and Fab 8 CGUs are estimated assuming a 1-2% growth rate over forecast periods. Free cash flow for Singapore CGU did not extend beyond the initial five-year period. The post-tax discount rates applied to the cash flow projections for identified CGUs range from 8.0% to 10.0%. Terminal values were estimated based on guideline companies' benchmark using a 4.5 - 9.0 times terminal year EBITDA included in the discounted cash flows for the Fab 1, Fab 8 and Singapore CGUs. The recoverable amounts exceeded the carrying amounts for Fab 1, Fab 8 and Singapore CGUs resulting in no impairment. 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.

17 INTANGIBLE ASSETS

	Licences trademarks and patents AED millions	*Oil and gas reserves AED millions*	*Goodwill AED millions*	*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 (to) / from 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 (to) / from 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

	Licences trademarks and patents AED millions	*Oil and gas reserves AED millions*	*Goodwill AED millions*	*Software AED millions*	*Customer contracts AED millions*	*Exploration and evaluation assets AED millions*	*Others AED millions*	*Total AED millions*
Cost								
At 1 January 2019	4,145	19,079	5,754	6,952	2,037	2,658	7,948	48,573
Additions	104	-	-	733	-	177	827	1,841
Disposals	(42)	-	-	(113)	-	-	(74)	(229)
Write off	-	-	-	(1)	-	(6)	(153)	(160)
Divestment of stake in subsidiaries	(1,655)	(13,767)	(2,127)	(1,033)	-	(1,927)	(2,876)	(23,385)
Transfer (to) / from property, plant and equipment *(see note 16)*	(4)	-	-	57	-	(18)	18	53
Other movements	369	-	(612)	(88)	209	9	257	144
Effect of movement in foreign exchange rates	(82)	(88)	(83)	(55)	-	24	(164)	(448)
At 31 December 2019	**2,835**	**5,224**	**2,932**	**6,452**	**2,246**	**917**	**5,783**	**26,389**
Accumulated amortisation and impairment								
At 1 January 2019	(562)	(16,698)	(1,642)	(4,419)	(966)	(1,843)	(3,909)	(30,039)
Charge for the year [1]	(187)	(139)	-	(624)	(205)	(11)	(279)	(1,445)
Disposals	30	-	-	41	-	-	71	142
Impairment [2]	-	-	(23)	(57)	-	-	(242)	(322)
Write off	-	-	-	-	-	-	41	41
Divestment of stake in subsidiaries	21	13,208	850	607	-	1,792	960	17,438
Transfer (to) / from property, plant and equipment *(see note 16)*	-	3	-	(3)	-	17	-	17
Other movements	-	-	-	(7)	-	-	5	(2)
Effect of movement in foreign exchange rates	1	69	5	35	-	(16)	59	153
At 31 December 2019	**(697)**	**(3,557)**	**(810)**	**(4,427)**	**(1,171)**	**(61)**	**(3,294)**	**(14,017)**
Carrying amounts								
At 31 December 2019	**2,138**	**1,667**	**2,122**	**2,025**	**1,075**	**856**	**2,489**	**12,372**

17 INTANGIBLE ASSETS continued

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

	2019 AED millions	*2018 AED millions*
Cost of sales *(see note 11)*	**644**	484
Research, development and exploration expenses *(see note 12)*	**547**	454
General and administrative expenses *(see note 13)*	**162**	220
Discontinued operations	**92**	490
	1,445	1,648

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

	2019 AED millions	*2018 AED millions*
Cost of sales *(see note 11)*	**80**	226
Research, development and exploration expenses *(see note 12)*	**7**	-
General and administrative expenses *(see note 13)*	**235**	4
Discontinued operations	**-**	152
	322	382

Goodwill

BOREALIS

During the year ended 31 December 2019, management performed its annual impairment review for goodwill allocated to Borealis amounting to AED 572 million. The recoverable amount of Borealis has been determined based on a fair value less cost to sell determined using discounted cash flow model using financial projections approved by the senior management.

The following key assumptions were used in the discounted cash flow analysis:

- Terminal value: Sustainable earnings include a terminal growth rate of 1.3% which was derived on the basis of analyses of inflation expectations and sustainable GDP growth of Borealis' key sales regions and long-term growth expectations for the end market industries for Polyolefin, Infrastructure, Automotive, and Advanced Packaging.
- Discount rates: Market and peer group data were utilised in addition to the specific financing conditions to obtain WACC. The post-tax discount rate applied to cash flow projections ranged from 8.3% to 10.6%.

Management concluded that no reasonably possible change in any of the above key assumptions would cause the carrying value to materiality exceed its recoverable amount as of 31 December 2019.

17 INTANGIBLE ASSETS continued

Goodwill continued

NOVA
Intangible assets include goodwill amounting to AED 598 million arising from the acquisition of the Geismar Business in 2017. Management performed impairment testing for goodwill allocated to the U.S. Gulf Coast Olefins CGU based on forecasted cash flows. The recoverable amount of a CGU is determined based on value in use calculations which require the use of assumptions. The calculations use discounted cash flow projections based on financial budgets covering a ten-year period. Cash flows beyond the ten-year period are extrapolated using estimated growth rates. Key assumptions of the forecasted cash flows are volumes sold, underlying industry margins and discount and growth rates. These are estimated on industry reports and past experience of management. The pre-tax discount rate applied to discount the cash flows was 11.18% and a growth rate of 2.00% was used. Additional sensitivities regarding industry margins and discount and growth rates were taken into account.

Based on the results of the goodwill impairment testing, management concluded that the recoverable amount of the CGU is higher than the carrying value and no impairment of goodwill was recorded. Management believes that a reasonable change in any of the key assumptions used in the value in use calculation would not cause the carrying value to materially exceed the recoverable amount.

AMANA HEALTHCARE
Goodwill allocated to Amana Healthcare Medical and Rehabilitation Hospital LLC, Amana Home Health Care Centre LLC and Long Term Medical and Rehabilitation Hospital LLC (together referred to as "Amana") as at 31 December 2019 amounted to AED 587 million (*31 December 2018: AED 1,253 million Goodwill and intangibles based on provisional purchase price allocation exercise*).

As at 31 December 2019, management performed its annual impairment review for goodwill. The estimated recoverable amount exceeded the carrying value and hence no impairment has been recorded.

The recoverable amount has been computed based on value in use approach derived from financial projections made for a five-year period plus a terminal value thereafter. The methodology used for the estimation of fair value was the Discounted Cash Flow ("DCF"). The fair value less cost to sell is not likely to be significantly different from value in use. Value in use was determined by discounting cash flows from continuous use of the unit and was based on the following key assumptions:

- Financial projections: The financial projections were based on the company's five-year approved business plan
- Terminal value: The terminal value was computed using the perpetual growth rate assumed at 3%
- Discount rate: The discount rate represents the current market assessment of the risks specific to Amana and has been estimated according to the Weighted Average Cost of Capital ("WACC") calculated at 7.55%

Management concluded that no reasonably possible change in any of the above key assumptions would cause the carrying value to materiality exceed its recoverable amount as of 31 December 2019.

CEPSA
As at 31 December 2018, goodwill allocated to CEPSA amounted to AED 1,297 million.

As a result of the impairment testing, as at 31 December 2018, 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 of commercial reserves.

17 INTANGIBLE ASSETS continued

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.

AMANA HEALTHCARE

On completion of purchase price allocation related to the acquisition of Amana Healthcare, an amount of AED 367 million has been recognised as brand for Amana during the year ended 31 December 2019. As at 31 December 2019, management performed its annual impairment review and the estimated recoverable amount exceeded the carrying value and hence no impairment has been recognised in relation to the brand. Management believes that no reasonably possible change in the key assumptions related to the impairment review would materially change the estimated recoverable amount.

CEPSA

As at 31 December 2018, brands allocated to CEPSA amounted to AED 1,610 million. The fair value of the trade name for the year ended 31 December 2018 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.

18 INVESTMENT PROPERTIES

The movement during the year is as follows:

	2019				*2018*			
	Investment properties	***Investment properties under development***	***Investment properties right-of-use***	***Total***	*Investment properties*	*Investment properties under development*	*Investment properties right-of-use*	*Total*
	AED millions	***AED millions***	***AED millions***	***AED millions***	*AED millions*	*AED millions*	*AED millions*	*AED millions*
At 1 January	**7,483**	**459**	**-**	**7,942**	7,580	130	-	7,710
Additions	**22**	**486**	**-**	**508**	19	441	-	460
Acquisitions through business combinations	**1,563**	**21**	**-**	**1,584**	66	-	-	66
Disposals	**-**	**-**	**-**	**-**	(6)	-	-	(6)
Transfers from / (to) property plant and equipment *(see note 16(a))*	**35**	**(137)**	**-**	**(102)**	-	87	-	87
Transfers from / (to) investment properties under development	**80**	**(80)**	**-**	**-**	16	(16)	-	-
(Decrease) / increase in fair value (net)	**(409)**	**33**	**(2)**	**(378)**	(143)	(183)	-	(326)
Effect of movement in foreign exchange rates and other movements	**(6)**	**-**	**7**	**1**	(49)	-	-	(49)
As at 31 December	**8,768**	**782**	**5**	**9,555**	7,483	459	-	7,942

18 INVESTMENT PROPERTIES continued

Amounts recognised in profit or loss for investment properties is as follows:

	2019 AED millions	*2018 AED millions*
Rental income from investment property (included in revenue)	**663**	463
Direct operating costs, including repairs and maintenance (included in cost of sales)	**227**	62

Significant investment properties comprise the Abu Dhabi Global Market ("ADGM") Square development, Masdar City, Galleria Mall and Rihan Heights Towers. The investment properties under development comprise of Masdar City properties. All these properties are located in the United Arab Emirates and categorised as level 3 under IFRS 13.

The investment properties portfolio including those under development 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. These valuation methods comprise the Residual Valuation Method and Income Approach. Both valuation methods require the use of discounted future cash flows techniques. Where appropriate, the specific approved usage of the investment property is given due consideration. Cash flow projections which are intended to earn rental 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, construction costs and maintenance of the properties. While cash flow for capital appreciation (including property under construction for such purposes) 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.

18 INVESTMENT PROPERTIES continued

The Group conducted a sensitivity analysis for the largest assets in its investment properties portfolio with an aggregate amount of AED 8,794 million (*2018: AED 5,117 million*). The sensitivity has been conducted on the Discounted / Capitalisation rate and rental values. Based on this sensitivity analysis:

- A decrease in the capitalisation/discount rate by 50bps would result in an estimated AED 603 million or 6.9% increase in the valuation, whilst an increase in the capitalisation/discount rate by 50bps would result in an estimated AED 709 million or 8.1% decrease in the valuation;

- An increase in the rental rates by 10% would result in an estimated AED 751 million or 8.5% increase in the valuation, whilst a decrease in the rental rates by 10% would result in an estimated AED 749 million or 8.5% decrease in the valuation.

The key assumptions used are as follows:

	Range %
Targeted internal rate of return	8.4% - 10.5%
Rental yield	6.9% - 8.4%

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 significant joint operations are as follows:

Contract Area	***Description***	***Group's working interest As at 31 December***	
		2019	*2018*
		%	*%*
Joint operations in Canada			
Joffree E3 Ethylene Plant	Ethylene production	**50.00**	50.00
Cogeneration Facility at Joffre	Natural gas power station	**20.00**	20.00
Joint operations in USA			
Geismar, Louisiana Plant	Ethylene production	**88.46**	88.46

20 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES

(a) Investments in equity accounted investees

	2019 AED millions	*2018 AED millions*
Investments in associates	**37,581**	40,361
Investments in joint ventures (*see note 20(i) below*)	**43,486**	28,538
	81,067	68,899

(b) Income from results of equity accounted investees

	2019 AED millions	*2018 AED millions*
Share of results from equity accounted investees	**4,703**	2,908
Gain on divestment of equity accounted investees	**2,307**	91
	7,010	2,999

Gain on disposal of equity accounted investees includes gain on sale of du of AED 1,990 million (*see note 20(ii) below*) and gain on sale of other investments.

(i) Classification of CEPSA as a joint venture subsequent to partial sale

Subsequent to the partial divestment of CEPSA (*refer to note 6(i)*), the Group retained 63% ownership interest in CEPSA, amounting to AED 16,844 million, initially recognised at fair value based on the sale proceeds. The remaining stake has been accounted for as a joint venture from the date of partial disposal.

On 20 December 2019, Carlyle exercised the option to increase its stake by additional 1.5% in CEPSA from 37% to 38.5% at the agreed value of AED 385 million, based on the value of CEPSA agreed at the time of its partial disposal (*see note 6(i)*). Subject to satisfying certain conditions, Carlyle has the option, until 31 May 2020, to further increase its stake in CEPSA by buying additional 1.5% (up to 40% of CEPSA).

(ii) Gain on divestment of Emirates Integrated Telecommunications Company PJSC ("du")

On 30 May 2019, the Group signed a sale and purchase agreement with Emirates Investment Authority to sell 10.22% of its interest in Emirates Integrated Telecommunications Company PJSC (du).

This transaction has resulted in the recognition of a gain on disposal of AED 1,990 million. Following the sale of 10.22% of its interest, management has determined that it does not have significant influence over the entity with its remaining 10.06% and accordingly carries the remaining stake at fair value through profit or loss. This reclassification has also resulted in recognition of a revaluation gain of the remaining shareholding which is recognised as gain on divestment of equity accounted investees within "Income from equity accounted investees" in the statement of comprehensive income.

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 %* **2019**	*2018*	*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**	24.90	Integrated oil and gas listed company, involved in exploration and production, refining, marketing and petrochemicals
Abu Dhabi Polymers Company Limited ("Borouge")[1]	UAE	**40.00**	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.

	OMV 2019 AED millions	***Borouge 2019 AED millions***	***Aldar 2019 AED millions***	*OMV[1] 2018 AED millions*	*Borouge[1] 2018 AED millions*	*Aldar 2018 AED million*
Revenue	**96,458**	**15,294**	**7,148**	-	-	6,287
Profit for the year	**8,827**	**3,819**	**1,925**	-	-	1,855
Other comprehensive (loss) / income	**(12)**	**-**	**(109)**	-	-	78
Total comprehensive income	**8,815**	**3,819**	**1,816**	-	-	1,933
Group's share of profit	**1,718**	**1,528**	**570**	-	-	549
Dividends received by the Group	**584**	**2,677**	**328**	-	-	281
Current assets	**47,052**	**6,210**	**20,294**	50,807	7,895	16,834
Non-current assets	**119,226**	**29,722**	**20,972**	104,849	30,350	21,710
Current liabilities	**(39,322)**	**(2,043)**	**(7,410)**	(40,860)	(1,558)	(6,746)
Non-current liabilities	**(57,496)**	**(288)**	**(8,905)**	(50,188)	(237)	(7,562)
Non-controlling interest	**(15,860)**	**-**	**(114)**	(14,471)	-	(173)
Net assets	**53,600**	**33,601**	**24,837**	50,137	36,450	24,063

[1] OMV and Borouge were 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.

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:

	OMV 2019 AED millions	***Borouge 2019 AED millions***	***Aldar 2019 AED millions***	*OMV 2018 AED millions*	*Borouge 2018 AED millions*	*Aldar 2018 AED million*
Net assets	**53,600**	**33,601**	**24,837**	50,137	36,450	24,063
Ownership%	**24.90%**	**40.00%**	**29.75%**	24.90%	40.00%	29.75%
Group's share of net assets based on ownership interest	**13,346**	**13,441**	**7,389**	12,484	14,580	7,159
Reconciling items:						
Purchase price allocation adjustments *(net)*	**-**	**-**	**210**	-	-	213
Hybrid capital not contributed by the Group	**(2,037)**	**-**	**-**	(2,084)	-	-
Other adjustments	**-**	**-**	**4**	-	(9)	(11)
Carrying amount	**11,309**	**13,441**	**7,603**	10,400	14,571	7,361
Market value of investments	**16,807**	**-**	**5,053[2]**	13,127	-	3,743[2]

[2] 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 2019 and 31 December 2018.

Aggregate information of associates that are not individually material:

	2019 AED millions	*2018 AED millions*
Group's share of profit	**444**	517
Group's share of other comprehensive (loss) / income *(net)*	**(29)**	24
Group's share of total comprehensive income	**369**	541
Group's share of carrying amount	**5,228**	8,029

Certain of the Group's associates are listed on stock exchange. As at 31 December 2019, the market values of these listed associates are AED 2,223 million *(31 December 2018: AED 6,591 million)* while the carrying values were AED 2,540 million as at 31 December 2019 (*31 December 2018: AED 5,035 million).* Management has assessed that the intrinsic value of these associates is higher than their market value as at 31 December 2019 and 31 December 2018.

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 %* **2019**	*Ownership interest %* *2018*	*Principal business activity*
Emirates Global Aluminium PJSC ("EGA")	UAE	**50.00**	50.00	Develop, construct, operate, finance and maintain aluminium smelter
Compañía Española de Petróleos, S.A.U. ("CEPSA")[1]	Spain	**61.50**	-	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

[1] On partial disposal of CEPSA (*refer to note 6(i)*), the remaining stake is accounted for as a joint venture (*refer to note 20(i))*.

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.

	2019		*2018*
	EGA AED millions	***CEPSA [1] AED millions***	*EGA AED millions*
Revenue	**20,500**	**20,869**	23,374
(Loss) / profit for the year	**(806)**	**1,821**	1,193
Other comprehensive (loss) / income	**(88)**	**-**	166
Total comprehensive (loss) / income [2]	**(894)**	**1,821**	1,359
Group's share of (loss) / profit	**(430)**	**(10)**	509
Dividends received by the Group	**551**	**256**	-
Current assets	**9,369**	**20,917**	11,293
Non-current assets	**55,549**	**36,508**	52,708
Current liabilities	**(5,415)**	**(15,325)**	(8,440)
Non-current liabilities	**(28,877)**	**(20,269)**	(22,938)
Non-Controlling interests	**-**	**(414)**	-
Net assets	**30,626**	**21,417**	32,623

[1] The financial performance of CEPSA as a joint venture is from the period of loss control until 31 December 2019.

[2] Total comprehensive (loss) / income is before intra-group eliminations.

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:

	2019		*2018*
	EGA AED millions	***CEPSA AED millions***	*EGA AED millions*
Net assets	**30,626**	**21,417**	32,623
Ownership%	**50.00%**	**61.50%**	50%
Group's share of net assets	**15,313**	**13,172**	16,312
Reconciling items:			
Purchase price allocation adjustments *(net)*	**370**	**3,389**	397
Other adjustments	**253**	**-**	253
Carrying amount	**15,936**	**16,561**	16,962

Aggregate information of joint ventures that are not individually material:

	2019 AED millions	*2018 AED millions*
Group's share of profit	**883**	1,334
Group's share of other comprehensive (loss) / income *(net)*	**(107)**	243
Group's share of total comprehensive income *(net)*	**775**	1,577
Group's share of carrying amount	**10,989**	11,576

21 OTHER RECEIVABLES AND PREPAYMENTS

	2019 AED millions	*2018 AED millions*
Amounts due from related parties *(see note 35(d))*[1]	**19,728**	19,098
Restricted and long-term deposits[2]	**42,166**	20,195
Receivables against government grants *(see note 38(b))*	**972**	1,274
Finance lease receivables *(see note 21(a))*	**1,987**	2,495
Contract assets receivable	**3,553**	3,552
Other receivables and prepayments	**10,221**	9,185
	78,627	55,799
Less: expected credit losses	**(504)**	(1,431)
	78,123	54,368
Disclosed as:		
Current	**62,999**	41,046
Non-current	**15,124**	13,322
	78,123	54,368

[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 41,171 million (*31 December 2018: AED 19,660 million*) which represent deposits with original maturity of more than three months. Long term deposits include AED 8,020 million (*31 December 2018: AED 9,119 million*) placed with entities under common control *(see note 35(d))*.

(a) Finance lease receivables

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

	2019 AED millions	*2018 AED millions*
At 1 January	**2,495**	2,495
Additions	**363**	50
Finance lease income	**152**	132
Write off	**(5)**	(54)
Lease rentals received	**(97)**	(70)
Reversal[1]	**(889)**	-
Other movements	**(32)**	(58)
At 31 December	**1,987**	2,495

[1] The Company had finance lease receivable of AED 889 million, receivable from a joint venture. During the year, the Company acquired additional stake in the joint venture upon which it obtained control over it and subsequently accounted for it as a subsidiary. Accordingly, as a result of line by line consolidation, inter-company finance lease receivable was eliminated and is disclosed as a reversal.

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:

	2019		*2018*	
	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	**138**	**129**	117	115
After one year but not more than five years	**501**	**396**	495	424
After five years	**8,089**	**1,462**	7,860	1,956
Total	**8,728**	**1,987**	8,472	2,495
Less: unearned finance income	**(6,741)**	**-**	(5,977)	-
Present value of minimum lease payments	**1,987**	**1,987**	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

	2019 AED millions	*2018 AED millions*
Loans receivable *(see note 22(a))*	**11,501**	5,969
Investment in non-derivative financial instruments *(see note 22(b))*	**43,435**	38,872
	54,936	44,841
***Disclosed as*:**		
Current	**1,626**	4,562
Non-current	**53,310**	40,279
	54,936	44,841

22 OTHER FINANCIAL ASSETS continued

(a) Loans receivable

	2019 AED millions	*2018 AED millions*
Loans to joint ventures	**3,175**	2,866
Loans to entities under common control	**474**	474
Loans to associates	**64**	96
Loans to related parties[1]	**3,713**	3,436
Less: expected credit losses	**(375)**	(262)
Loans to related parties *(net) (see note 35(d))*	**3,338**	3,174
Loans to third parties[2]	**8,362**	3,046
Less: expected credit losses	**(199)**	(251)
Loans to third parties *(net)*	**8,163**	2,795
Total loans receivable	**11,501**	5,969
***Disclosed as*:**		
Current	**1,540**	1,684
Non-current	**9,961**	4,285
	11,501	5,969

[1] ***Loans to related parties***
Loan to a related party amounting to AED 468 million was derecognised as a result of the disposal of CEPSA.

Loans to related parties include loans provided by Borealis to its joint venture amounting to AED 1,059 million (*31 December 2018: AED 402 million*), which carry varying interest rates and have repayment terms ranging from 14 to 20 years.

[2] ***Loans to third parties***
Loans given to third parties include commercial loans and senior secured corporate loans amounting to AED 5,781 million (*31 December 2018: AED 1,263 million*), which carry interest at varying rates and having different maturities. The Group holds collateral against these commercial loans in the form of share pledges, security interests over physical assets, corporate and personal guarantees.

AED 4,522 million of loans consist of senior secured loans provided to middle-market businesses across multiple industries primarily located in the United States of America. These loans are secured, through share pledges, by the enterprise value of the obligors. As at 31 December 2019, the collateral value represents approximately 240% of the carrying value of these senior secured loan portfolio. Further, the fair value of the real estate, as at 31 December 2019, held as collateral against other loans given to third parties amounted to AED 1,932 million (*31 December 2018: AED 2,210 million*).

22 OTHER FINANCIAL ASSETS continued

(b) Investment in non-derivative financial instruments

	2019 AED millions	*2018 AED millions*
i. Fair value through profit or loss ("FVTPL") financial assets		
Financial assets designated at FVTPL		
Quoted investments		
Equity securities	**20,002**	22,361
Debt securities	**2,028**	1,819
Others	**49**	50
Total quoted investments	**22,079**	24,230
Unquoted investments		
Convertible bonds	**2,483**	1,719
Equity securities	**3,509**	2,694
Funds	**14,809**	9,887
Debt securities	**241**	-
Others	**131**	189
Total unquoted investments	**21,173**	14,489
Total financial assets through profit or loss	**43,252**	38,719
ii. Fair value through other comprehensive income		
Quoted debt securities	**183**	136
iii. Investments at amortised cost	**-**	17
	43,435	38,872
***Disclosed as*:**		
Current	**86**	2,878
Non-current	**43,349**	35,994
	43,435	38,872

Financial instruments measured at fair value
Details of fair value hierarchy and fair value methodology is provided in note in 39(d).

23 DERIVATIVE FINANCIAL INSTRUMENTS

	2019		*2018*	
	Fair values		*Fair values*	
	Assets AED millions	***Liabilities AED millions***	*Assets AED millions*	*Liabilities AED millions*
Fair value hedge				
Commodity swaps	**14**	**-**	54	72
Interest rate swaps	**4**	**58**	-	73
Currency forwards	**-**	**-**	8	-
Others	**-**	**-**	4	-
	18	**58**	66	145
Cash flow hedge				
Commodity swaps	**41**	**24**	625	293
Currency forwards	**64**	**23**	34	29
Interest rate swaps	**41**	**41**	43	8
Others	**75**	**82**	29	132
	221	**170**	731	462
Financial assets/liabilities designated at fair value				
Equity options	-	-	3,270	-
Interest rate swaps	-	**667**	-	490
Currency forwards	-	**196**	-	38
	-	**863**	3,270	528
Financial assets/liabilities held-for-trading				
Commodity swaps	**5**	**27**	136	-
Equity options	**17**	**-**	-	32
Currency forwards	-	**15**	6	20
Currency swaps	-	-	-	1,195
Commodity options	-	-	-	22
Equity swaps	-	-	10	-
Exchange traded securities	-	-	-	59
Interest rate forwards	-	**648**	**-**	**-**
Others	-	-	159	-
	22	**690**	311	1,328
Financial assets at fair value	**261**	**1,781**	4,378	2,463
Disclosed as:				
Current	**169**	**385**	931	672
Non-current	**92**	**1,396**	3,447	1,791
	261	**1,781**	4,378	2,463

Financial instruments measured at fair value
Details of fair value hierarchy and fair value methodology is provided in note in 39(d).

24 EMPLOYEES' BENEFIT LIABLITIES

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

	2019 AED millions	*2018 AED millions*
End of service benefits	**366**	337
Pension plans	**3,103**	2,247
Defined benefit plan liabilities	**3,469**	2,584
Defined benefit plan assets	**1,031**	239

Defined benefit plan liabilities are analysed as follows:

Unfunded	**2,133**	743
Funded	**1,336**	1,841
	3,469	2,584

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 defined benefit plans as defined in IAS 19 *Employee Benefits*.

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

	2019 AED millions	*2018 AED millions*
Defined benefit obligations[1]	**(7,041)**	(6,100)
Fair value of plan assets[1]	**3,938**	3,853
Pension liabilities	**(3,103)**	(2,247)

Expenses related to the Group's defined contribution arrangements included in the consolidated statement of profit or loss as at 31 December 2019 amounted to AED 230 million (*2018: nil*).

[1] These were 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.

24 EMPLOYEES' BENEFIT LIABLITIES continued

	2019 AED millions
Changes in the present value of the defined benefit obligation are as follows:	
At 1 January[1]	**(6,100)**
Current service and interest costs	**(302)**
Employer's and employees' contributions	**52**
Past service pension adjustment	**337**
Actuarial and experiences gains (losses) *(net)*	**(485)**
Benefits paid and liabilities extinguished on settlements	**269**
Foreign exchange differences and other adjustments	**(812)**
At 31 December	**(7,041)**
Changes in the fair value of plan assets are as follows:	
At 1 January[1]	**3,853**
Current service and interest costs	**122**
Employer's and employees' contributions	**167**
Past service pension adjustment	**(317)**
Actuarial and experiences (losses) gains *(net)*	**223**
Return on plan assets (excluding amounts included in net interest expense)	**7**
Benefits paid from plan and assets distributed on settlements	**(247)**
Foreign exchange differences	**130**
At 31 December	**3,938**

[1] These were 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.

The major categories of plan assets are as follows:

	2019 AED millions	*2018 AED millions*
Investments quoted in active markets		
Cash and cash equivalents	**35**	32
Unquoted investments		
Cash and cash equivalents	**-**	21
Equity instruments	**318**	263
Fixed income securities	**2,900**	2,566
Others	**685**	971
Fair value of plan assets at 31 December	**3,938**	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.

24 EMPLOYEES' BENEFIT LIABLITIES continued

The present value of defined benefit obligation is significantly dependent upon the discount rate, rate of increases in pension payments and rate of salary increases. The principal assumptions used in determining pension and post-employment medical obligations for the Group's plans are shown below:

	2019	*2018*
	%	*%*
Rate of salary increases	**3.2 - 3.5**	3.2 - 3.5
Rate of increase in pensions payments	**0.5 - 1.7**	0.5 - 1.9
Discount rate	**1.9 - 3.1**	1.9 - 3.9

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

	Change %	***Impact on defined benefit obligation AED millions***	***Change %***	***Impact on defined benefit obligation AED millions***
2019				
Rate of salary increases	**+1.0**	**172**	**-1.0**	**(278)**
Rate of increase in pensions payments	**+1.0**	**141**	**-1.0**	**(221)**
Discount rate	**+0.5**	**(401)**	**-0.5**	**450**
2018				
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 Group's expected payment contributions to defined benefit obligations within the next 12 months amounts to AED 175 million (*2018: AED 155 million*).

The average duration of the defined benefit obligations at 31 December 2019 is 14 years (*31 December 2018: 14 years*).

25 INCOME TAX

	2019 AED millions	*2018 AED millions*
Income tax recognised in profit or loss:		
Current tax expense		
On taxable profit of the year	**(1,000)**	(293)
Adjustment in respect of prior years' current tax	**254**	5
	(746)	(288)
Deferred tax (expense) / benefit		
Origination and reversal of temporary differences	**255**	(32)
Reduction in tax rate	**253**	(1)
Change in unrecognised deductible temporary differences [1]	**(897)**	-
Impact of tax losses carry forwards	**(27)**	(135)
Deferred tax adjustment on depreciation, depletion and amortisation	**(150)**	72
Deferred tax effect on impairment	**-**	-
Foreign exchange difference	**33**	(28)
Net deferred tax expense	**(533)**	(124)
Share of income tax on equity accounted investees	**(32)**	-
Income tax expense recognised in profit or loss	**(1,311)**	(412)

Income tax expense excludes tax expense from discontinued operations AED 1,670 million (*2018: AED 1,178 million*)

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., Borealis and Mubadala Petroleum (SE Asia) Limited for the year ended 31 December 2019.

[1] The amount includes decrease in deferred tax assets which was recorded for one of the Group's subsidiary on loss carries forward, as a result of the subsidiary changing its business model from a cost-plus reimbursement approach to a resale, or buy-sell compensation arrangement. The ability to forecast future profit under the new intercompany pricing approach is less certain compared to cost plus model. Accordingly, this has resulted in an incremental tax expense and write down of deferred tax assets.

25 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:

	2019 AED millions	*2018 AED millions*
Profit from continuing operations *(before income tax)*	**12,918**	711
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(1,117)**	13
Effect of income that is exempt from taxation	**469**	122
Effect of expenses that are not deductible in determining taxable profit	**(200)**	(173)
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	**(767)**	130
Effect of previously unrecognised and unused tax losses and deductible temporary differences now recognised as deferred tax assets	**(8)**	14
Effect on deferred tax balances due to the change in tax rate	**243**	-
Effect of tax credits	**129**	144
Others	**(314)**	(667)
	(1,565)	(417)
Adjustments recognised in the current year in relation to the current tax of prior years'	**254**	5
Net income tax expense recognised in profit or loss	**(1,311)**	(412)

25 INCOME TAX continued

Deferred tax assets and liabilities

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

	2019 AED millions	*2018 AED millions*
At 1 January	**(449)**	3,156
Transfer from entities under common control *(see note 4)*	**-**	(3,569)
Tax charges recognised in profit or loss	**(790)**	(254)
Divestment of a stake in subsidiary	**(996)**	-
Foreign currency adjustments	**(23)**	(38)
Other adjustments	**295**	256
At 31 December disclosed as deferred tax liabilities	**(1,963)**	(449)

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.

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 2019 amounted to AED 46,171 million *(31 December 2018: AED 50,088 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 11,202 million *(31 December 2018: AED 10,500 million)* in relation to these losses as it is not probable that these losses will be utilised.

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 2019, 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 *(31 December 2018: AED nil).*

25 INCOME TAX continued

Recognised deferred tax assets and liabilities are attributable to:

	2019			*2018*		
	Assets AED millions	***Liabilities AED millions***	***Net AED millions***	*Assets AED millions*	*Liabilities AED millions*	*Net AED millions*
Property, plant and equipment	**(3,102)**	**(5,792)**	**(8,894)**	(2,452)	(6,083)	(8,535)
Intangible assets	**(1)**	**(480)**	**(481)**	24	(491)	(467)
Derivatives	**10**	**(19)**	**(9)**	13	(264)	(251)
Other assets	**5,202**	**523**	**5,725**	5,653	395	6,048
Interest bearing borrowings	**318**	**(20)**	**298**	37	(49)	(12)
Other liabilities	**1,089**	**(27)**	**1,062**	965	(226)	739
Tax losses recognised	**(1,096)**	**1,095**	**(1)**	(281)	881	600
Others	**(343)**	**680**	**337**	1,984	(555)	1,429
Tax assets / (liabilities)	**2,077**	**(4,040)**	**(1,963)**	5,943	(6,392)	(449)

Income tax recognised in other comprehensive income:

	2019			*2018*		
	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*
Exchange difference on translation of foreign operations	**89**	**-**	**89**	(920)	-	(920)
Gain / (loss) on hedge of net investment in foreign operations *(net)*	**455**	**-**	**455**	(609)	135	(474)
Share of other comprehensive income of equity accounted investees	**291**	**-**	**291**	348	1	349
Effective portion of changes in fair value of cash flow hedges and other reserves *(net of tax)*	**(135)**	**28**	**(107)**	19	41	60
Net movement in defined benefit plan	**(260)**	**54**	**(206)**	-	-	-
	440	**82**	**522**	(1,162)	177	(985)

26 INVENTORIES

	2019 AED millions	2018 AED millions
Finished goods	**4,186**	9,717
Raw materials and consumables	**2,441**	5,078
Land held for sale *(see note 38(a)(i))*	**1,268**	931
Maintenance spares	**1,091**	1,203
Work in progress	**822**	1,048
Drilling materials	**448**	462
Properties held for sale	**283**	282
Goods in transit	**198**	1,891
Others	**249**	245
	10,986	20,857
Less: provision for obsolescence	**(926)**	(1,286)
	10,060	19,571

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

	2019 AED millions	2018 AED millions
At 1 January	**1,286**	1,517
Provision made during the year	**536**	598
Provision reversed during the year	**(352)**	(436)
Write off	**(284)**	(356)
Partial divestment of a subsidiary [1]	**(228)**	-
Transfers from entities under common control	-	(36)
Other movements, including foreign exchange	**(32)**	(1)
At 31 December	**926**	1,286

[1] On partial disposal of CEPSA (*see note 6(i)*), the Group lost control over CEPSA and no longer consolidates the assets and liabilities of CEPSA on a line by line basis.

27 TRADE RECEIVABLES

	2019 AED millions	*2018 AED millions*
Trade receivables - third parties	**8,370**	18,457
Trade receivables - related parties	**1,304**	1,811
Receivables against sale of land	**310**	372
	9,984	20,640
Less: expected credit losses	**(554)**	(1,043)
	9,430	19,597
Disclosed as:		
Current	**9,430**	19,597

28 CASH AND CASH EQUIVALENTS

	2019 AED millions	*2018 AED millions*
Bank balances:		
- deposit accounts	**15,060**	18,163
- call and current accounts	**5,275**	6,318
Cash in hand	**2**	142
Cash and cash equivalents	**20,337**	24,623

Bank balances are placed with commercial banks and are short-term in nature (less than 3 months maturity). Deposit and call accounts earn interest at prevailing market rates. Bank balances include AED 16,551 million *(31 December 2018: AED 12,967 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.

29 OPERATING LEASE ARRANGEMENTS

The minimum lease payments receivable on these are as follows:

	2019 AED millions	*2018 AED millions*
Within one year	**727**	712
After one year but not more than five years	**1,824**	2,179
After five years	**844**	991
	3,395	3,882

30 INTEREST BEARING BORROWINGS continued

(a) Borrowings

	2019 AED millions	*2018 AED millions*
Borrowings *(see note 30(a))*	**114,807**	106,566
Lease liabilities *(see note 30(b))*	**5,512**	1,583
	120,319	108,149
Disclosed as:		
Current	**13,851**	21,421
Non-current	**106,468**	86,728
	120,319	108,149

	2019 AED millions	*2018 AED millions*
Unsecured bank borrowings	**21,340**	29,582
Unsecured corporate bonds	**68,497**	58,643
Unsecured loans	**1,445**	1,632
Secured bank borrowings	**21,976**	14,514
Secured loans	**1,477**	2,093
Secured bonds	**72**	102
	114,807	106,566
Disclosed as:		
Current	**12,773**	21,038
Non-current	**102,034**	85,528
	114,807	106,566

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

	2019 AED millions	*2018 AED millions*
Corporate	**71,285**	54,523
CEPSA *(see note 6(i))*	**-**	14,021
NOVA	**15,417**	11,290
Global Foundries Inc.	**9,503**	10,447
Borealis	**5,937**	5,800
Al Maqsed Development Company PJSC	**2,377**	2,451
Al Yah Satellite Communications Company PJSC	**1,350**	1,744
Other subsidiaries	**8,938**	6,290
	114,807	106,566

30 INTEREST BEARING BORROWINGS continued

(a) Borrowings continued

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

	2019 AED millions	*2018 AED millions*
At 1 January	**106,566**	49,238
Additions	**49,839**	28,298
Repayments	**(41,525)**	(20,877)
Transfer from entities under common control *(see note 4)*	**12,812**	49,932
Partial divestment of a subsidiary[1]	**(13,229)**	-
Foreign exchange fluctuations and other movements	**344**	(25)
At 31 December	**114,807**	106,566

[1] On partial disposal of CEPSA (*see note 6(i)*), the Group control over CEPSA and no longer consolidates the assets and liabilities of CEPSA on a line by line basis.

The fair value of borrowings is AED 116,372 million (*31 December 2018: AED 106,329 million*). It includes borrowings amounting to AED 69,363 million (*31 December 2018: AED 55,889 million*), classified as "Level 1"within the fair valuation hierarchy i.e., fair value is determined using valuation techniques in which significant inputs are based on observable market data. The remaining borrowings amounting to AED 47,009 million (*31 December 2018: AED 50,440 million*) are classified as "Level 3" within the fair value hierarchy since the fair value is determined using valuation techniques in which significant inputs are based on unobservable market data.

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

Particulars	*Currency*	*Nominal interest rate*	*Year of maturity*	***Carrying value 2019 AED millions***	*Carrying value 2018 AED millions*
Unsecured bank borrowings	EUR	EURIBOR + margin / fixed	2020-2030	**16,396**	10,278
Unsecured bank borrowings	USD	LIBOR + margin / fixed	2020-2027	**4,615**	17,374
Unsecured bank borrowings	GBP	Fixed	2021	**146**	631
Unsecured bank borrowings	CNY	PBOC + margin	2020-2024	**-**	1,212
Unsecured bank borrowings	BRL	BRAZILIAN LIBOR + margin	2021-2024	**14**	87
Unsecured bank borrowings	JPY	JPY LIBOR + margin	2024	**169**	-
Unsecured corporate bonds	EUR	Fixed	2021-2025	**10,457**	11,545
Unsecured corporate bonds	JPY	Fixed	2031	**505**	500
Unsecured corporate bonds	USD	Fixed	2020-2049	**54,261**	43,365
Unsecured corporate bonds	GBP	Fixed	2026	**3,274**	3,233
Unsecured loans	USD	Fixed	2021	**1,351**	1,538
Unsecured loans	AED	EIBOR + margin / fixed	2020-2022	**94**	94
Secured bank borrowings	AED	EIBOR + margin	2020-2035	**2,762**	2,320
Secured bank borrowings	USD	LIBOR + margin / fixed OTHERS + margin	2020-2035	**15,762**	11,251
Secured bank borrowings	BRL	BRAZILIAN LIBOR + margin	2020	**-**	13
Secured bank borrowings	GBP	LIBOR + margin	2025	**654**	721
Secured bank borrowings	EUR	EURIBOR + margin	2024	**205**	209
Secured bank borrowings	EUR	EURIBOR + margin / fixed	2026	**2,593**	-
Secured loans	USD	LIBOR + margin / fixed	2020-2027	**1,477**	2,093
Secured bonds	USD	LIBOR + margin / fixed	2021	**72**	102
				114,807	106,566

30 INTEREST BEARING BORROWINGS continued

(a) Borrowings continued

The secured bank borrowings are secured over property, plant and equipment, letters of credit, inventory, loans receivable from third parties and restricted cash with carrying amount of AED 34,502 million, AED 102 million, AED 896 million, AED 4,522 million and AED 259 million respectively (*31 December 2018: AED 12,205 million, AED 282 million, AED nil, AED 2,002 million and AED 236 million respectively*). In addition to this, certain loans are secured through pledges on project proceeds (receivables), a net investment in joint operations, shares and bank balances.

Included in unsecured corporate bonds EUR and unsecured bank borrowings USD at 31 December 2019 were borrowings of AED 9,234 million (*31 December 2018: 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))*.

Total undrawn borrowing facilities as at the reporting date amount to AED 36,531 million *(31 December 2018: AED 30,937 million).*

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 (AED 2,755 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 MDGH) through BNP Paribas, tendered and re-purchased USD 415 million (AED 1,525 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 (AED 2,755 million), 3.25% Notes due in 2022)
In November 2018, MDC - GMTN B.V. tendered and re-purchased USD 369 million (AED 1,356 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 (AED 1,525 million) of 2021 Notes and USD 369 million (AED 1,356 million) of 2022 Notes, MDC - GMTN BV issued USD 800 million (AED 2,939 million) Notes in November 2018 which are due in November 2028 and bearing interest rate of 4.5% payable semi-annually. These notes are guaranteed by the Company.

(b) Lease liabilities

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

	2019		*2018*	
	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	**1,326**	**1,078**	587	383
After one year but not more than five years	**2,886**	**2,284**	1,091	773
After five years	**3,569**	**2,150**	516	427
Total	**7,781**	**5,512**	2,194	1,583
Less: future finance charges	**(2,269)**	**-**	(611)	-
Present value of minimum lease payments	**5,512**	**5,512**	1,583	1,583

30 INTEREST BEARING BORROWINGS continued

(b) Lease liabilities continued

	2019 AED millions	*2018 AED millions*
Disclosed as:		
Current	**1,078**	383
Non-current	**4,434**	1,200
	5,512	1,583

The following are the amounts recognised in profit or loss relating to leases:

	2019 AED millions
Interest expense on lease liabilities	**312**
Expense relating to short-term leases	**38**
Expense relating to leases of low-value assets	**4**
Variable lease payments not included in the measurement of lease liabilities	**1**
Total (included in cost of sales, research, development and exploration expenses and general and administrative expenses)	**321**
Income from subleasing of right-of-use assets (included in other revenue)	**34**

The movement in lease liabilities is set out below:

	2019 AED millions	*2018 AED millions*
At 1 January	**1,583**	1,278
Adjustments on initial application of IFRS 16	**7,355**	-
Additions	**886**	507
Partial divestment of a subsidiary [1]	**(3,147)**	-
Rentals paid	**(1,509)**	(145)
Interest expense on leases	**312**	(20)
Foreign exchange and other movements	**32**	(37)
At 31 December	**5,512**	1,583

[1] On partial disposal of CEPSA (*see note 6(i)*), the Group lost control over CEPSA and no longer consolidates the assets and liabilities of CEPSA on a line by line basis.

31 PROVISIONS

Movement in provisions during the year is set out below:

	Decommissioning liabilities AED millions	2019 Other provisions AED millions	Total AED millions
At 1 January	**3,954**	**7,548**	**11,502**
Additions	**202**	**571**	**773**
Partial disposal of a subsidiary [1]	**(1,044)**	**(2,000)**	**(3,044)**
Reversals	**(43)**	**(105)**	**(148)**
Provisions utilised [2]	**-**	**(4,303)**	**(4,303)**
Unwinding of discount	**68**	**-**	**68**
Foreign exchange and other movements	**30**	**(99)**	**(69)**
At 31 December	**3,167**	**1,612**	**4,779**

	2019 AED millions	*2018 AED millions*
Disclosed as:		
Current	**1,420**	5,743
Non-current	**3,359**	5,759
	4,779	11,502

(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.

[1] On partial disposal of CEPSA (*see note 6(i)*), the Group lost control over CEPSA and no longer consolidates the assets and liabilities of CEPSA on a line by line basis.

[2] This primarily relates to Dow litigations *(see note 37)*.

32 OTHER LIABILITIES

	2019 AED millions	*2018 AED millions*
Accrued expenses	**5,730**	5,851
Advances, loans and deposits from related parties *(see note 35(d))*	**3,194**	3,315
Amounts due to related parties *(see note 35(d))*	**2,192**	2,302
Taxes payable	**179**	1,270
Unearned revenue	**1,154**	1,371
Staff costs payable	**1,468**	1,922
Deferred government grants	**103**	467
Other liabilities	**4,325**	7,237
	18,345	23,735
Disclosed as:		
Current	**14,596**	19,345
Non-current	**3,749**	4,390
	18,345	23,735

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

33 SHARE CAPITAL

	2019 AED millions	*2018 AED millions*
Authorised, issued and fully paid up:		
56,135,590,000 equity shares of AED 1 each	**56,136**	56,136

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 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 1 January 2019	**1,582**	**-**	**(1,041)**	**(130)**	**411**
Exchange difference on translation of foreign operations	**-**	**-**	**(985)**	**-**	**(985)**
Gain on hedge of net investment in foreign operations	-	-	**56**	**-**	**56**
Effective portion of changes in fair values of cash flow hedges and other reserves *(net of tax)*	-	-	-	**(257)**	**(257)**
Share of other comprehensive income of associates and joint ventures	-		**(3)**	**304**	**301**
Net movement in defined benefit plan *(net of tax)*	-	-	-	**(206)**	**(206)**
Recycling of reserve on partial disposal of CEPSA *(see note 6(i)* [1]	-	-	**1,766**	**133**	**1,899**
At 31 December 2019	**1,582**	**-**	**(207)**	**(156)**	**1,219**

[1] During the year ended 31 December 2019, the Group lost control of one of its subsidiaries, CEPSA, upon partial disposal of its stake (*see note 6(i)*) subsequent to which the remaining interest has been accounted for as a joint venture. Accordingly, the accumulated foreign currency translation and other reserves amounting to AED 1,899 million were recycled to the statement of profit or loss.

34 OTHER RESERVES continued

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 comprised of the cumulative net change in the fair value of available-for-sale financial assets. This reserve has been derecognised following the adoption of IFRS 9.

Hedging and other reserve
Hedging reserve comprises the effective portion of the cumulative net change from 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.

As at 31 December 2019, borrowings with notional amounts of AED 8,489 million (EUR 2,061 million) (*2018: AED 5,229 million (EUR 1,200 million)*) were designated as a hedge of the net investments in certain foreign operations with EUR functional currencies. These borrowings are used to hedge the Group's exposure to EUR foreign exchange risk on those investments. Gains on the retranslation of these borrowings amounting to AED 192 million (*2018: loss of AED 69 million*) were recognised in other comprehensive income to offset losses on translation of foreign operations. There was no hedge ineffectiveness recorded during the year. Prior to the partial disposal of CEPSA (refer Note 6(i)), the Group had designated a borrowing with notional amount of AED 4,896 million (EUR 1,200 million) (*2018: AED 5,229 million (EUR 1,200 million)*) as hedging instrument in relation to its net investments in CEPSA Upon the partial disposal of the Group's interest in CEPSA, an amount of AED 185 million of hedging reserves was recycled from other comprehensive income to profit or loss. Subsequent to the partial disposal of CEPSA, the Group re-designated a borrowing with notional amount of AED 5,036 million (EUR 1,200 million), included in AED 8,489 million above, as hedging instrument in relation to its remaining net investment in CEPSA.

Also, certain subsidiaries whose functional and reporting currency is in Euro have designated certain US $ denominated loans, cross currency interest swaps and foreign exchange forwards as hedges of net investments in their foreign operations. The designated hedging instruments amounted to AED 5,389 million (USD 1,433 million) *(31 December 2018: AED 10,162 million (US $ 2,766 million)*). The related foreign exchange losses amounted to AED 314 million (*31 December 2018: AED 405 million*) was recognised in other comprehensive income to offset the gains / (losses) that arose on translation of foreign operations.

The Group, as at 31 December 2019, has also designated the EUR leg of certain swaps as hedging instruments for net investments in certain foreign operations with EUR functional currencies, with notional amount of AED 7,875 million (EUR 1,912 million). A portion of the fair value gains on the hedging instruments, relating to foreign exchange gains and amounting to AED 178 million, was recognised in other comprehensive income to offset losses on translation of foreign operations. The difference between the fair value of the swaps and related foreign exchange difference, amounting to a gain of AED 275 million, was recorded in profit or loss within fair value gains from derivative financial instruments *(net)*. Prior to the partial disposal of CEPSA (*see note 6(i)*), the Group had designated the EUR leg of certain swaps as hedging instruments for its net investments in CEPSA with notional amount of AED 2,572 million (EUR 643 million). Upon the partial disposal of the Group's investment in CEPSA, an amount of AED 134 million of hedging reserves was recycled from other comprehensive income to profit or loss. Subsequent to the partial disposal of CEPSA, the Group re-designated the EUR leg of certain swaps with notional amounts of AED 2,645 million (EUR 643 million), included in AED 7,875 million above, as hedging instrument in relation to its remaining net investment in CEPSA.

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, 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 200 million *(2018: AED 244 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 and other funding given AED millions*	*Loans recovered AED millions*	*Finance income AED millions*	*Finance cost AED millions*
2019								
Entities under common control	**4,650**	**1,056**	**2,757**	**516**	**-**	**-**	**393**	**212**
Associates	**2,602**	**7,447**	**-**	**-**	**18**	**-**	**3**	**-**
Joint ventures	**702**	**1,028**	**-**	**189**	**1,249**	**302**	**90**	**72**
Ultimate parent	**53**	**-**	**-**	**-**	**-**	**-**	**21**	**-**
	8,007	**9,531**	**2,757**	**705**	**1,267**	**302**	**507**	**284**
2018								
Entities under common control	4,181	650	245	557	-	-	348	222
Associates	630	41	-	-	-	-	-	-
Joint ventures	598	1,036	-	324	391	1,828	114	95
Ultimate parent	92	-	-	-	-	-	21	-
	5,501	1,727	245	881	391	1,828	483	317

	2019 AED millions	*2018 AED millions*
Other significant transactions:		
Ultimate parent reimbursements received for recoverable projects	**443**	2,400
Recharge of expenses from Shareholder	**1,109**	946
Cash calls paid to joint ventures for joint operations	**1,319**	812
Income from provision of manpower, project management and consultancy services to joint ventures	**193**	210
Other miscellaneous transactions with associates, joint ventures and to entities under common control	**938**	379
Partial settlement of shareholder current account (*see note 4(iv)*)	**20,106**	-

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[1,2] AED millions*	*Amounts due from related parties[3] AED millions*	*Advances from related parties[2] AED millions*	*Loans and deposits from related parties[2] AED millions*	*Loans to related parties[4] AED millions*	*Finance lease related parties AED millions*	*Interest bearing receivables AED millions*	*Additional shareholder contributions[5] AED millions*
Entities under common control	**16,551**	**8,020**	**1,174**	**8,240**	**1,069**	**-**	**362**	**1,350**	**3,569**	**-**
Associates	**-**	**-**	**729**	**542**	**-**	**-**	**64**	**-**	**-**	**-**
Joint ventures	**-**	**-**	**212**	**857**	**-**	**-**	**2,912**	**88**	**1,351**	**-**
Ultimate parent	**-**	**-**	**77**	**11,402**	**1,376**	**749**	**-**	**-**	**-**	**-**
Shareholder	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**123,155**
31 December 2019	**16,551**	**8,020**	**2,192**	**21,041**	**2,445**	**749**	**3,338**	**1,438**	**4,920**	**123,155**
Entities under common control	12,967	9,119	724	8,591	1,069	-	378	1,299	4,222	-
Associates	-	-	978	493	-	9	70	-	-	-
Joint ventures	-	-	549	731	-	18	2,726	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	3,174	2,250	5,760	123,155

[1] The balances in the table above are net of impairment and ECLs, where applicable.

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

[3] Amounts due from related parties are included in other receivables and prepayments (*see note 21*) and trade receivables *(see note 27)*.

[4] Loans to related parties are included in loan receivable (*see note 22(a)*).

[5] Additional shareholder contributions represent 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:

	2019 AED millions	*2018 AED millions*
Commitments for capital expenditure	**10,385**	19,503
Commitments for equity investments	**14,839**	7,673
Unfunded loan commitments	**5,131**	-
Exploration commitments	**67**	84
	30,422	27,260

(b) Commitments – Joint ventures

In addition to the above, the commitments made by the Group's joint ventures, after reflecting the Group's ownership in them, at the end of the reporting period, are as follows:

	2019 AED millions	*2018 AED millions*
Commitments for capital expenditure	**5,589**	3,757
Commitment to provide loans	**529**	753
	6,118	4,510

(c) Contingencies

Contingencies of the Group and Group's joint ventures and associates, after reflecting the Group's ownership in them, at the end of the reporting period, are as follows:

	2019 AED millions	*2018 AED millions*
Contingent liabilities *	**15,571**	24,785
Group's share of contingent liabilities of joint ventures and associates	**7,970**	728

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

36 COMMITMENTS AND CONTINGENT LIABILITIES continued

(d) Guarantee overlay

In 2018, the Company provided guarantee overlay to IPIC for certain of its 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 records 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, The Dow Chemical Company ("Dow Chemical") filed a Statement of Claim against NOVA in Federal Court in Canada alleging that certain grades of NOVA's SURPASS® polyethylene film resins infringe a Dow Chemical Canadian patent. NOVA filed its statement of defence and counterclaim in March 2011. A trial on the infringement issue commenced in September 2013 and concluded in November 2013. In May 2014, the judge for the Federal Court issued an adverse judgment, which NOVA appealed and was dismissed by the Federal Court. A subsequent trial to determine damages commenced in December 2016 and concluded in January 2017. In April 2017, the Federal Court issued its Judgment and Reasons in the damages phase, providing assumptions and other considerations to be used in calculating the quantum of damages and pre-judgment interest. In May 2017, NOVA filed a Notice of Appeal with the Federal Court of Appeal regarding the particular findings in the Federal Court's damages decision, and Dow Chemical filed a cross appeal. In June 2017, the Federal Court issued Confidential Supplemental Judgment and Reasons, which became public in July 2017. In July 2017, NOVA paid Dow Chemical USD 501 million (AED 1,840 million to satisfy the judgment. NOVA filed a Notice of Appeal with the Federal Court of Appeal regarding the Supplemental Judgment and Reasons in July 2017, and the appeals were merged by the Federal Court of Appeal. Arguments on all issues occurred on 19 June 2018. There is no defined time limit in which the Federal Court of Appeal will render a decision.

37 LITIGATIONS continued

Dow Litigations continued

In 2006, Dow Chemical Canada ULC and its European affiliate (collectively, "Dow") filed a claim against NOVA in the Court of Queen's Bench of Alberta concerning the jointly owned third ethylene plant at the Joffre site. NOVA counterclaimed in the same action. In June 2018, the Court of Queen's Bench of Alberta issued its decision covering the period of 2001-2012 and dismissed the counterclaim. Based on NOVA management's best estimate of the quantification of the exposure under this claim and considering the provision in relation to this matter that NOVA already recorded at 31 December 2017 as well as an estimated range of USD 250 million (AED 918 million) to USD 350 million (AED 1,286 million) for damages and interest for the period beyond 2012 to the date of judgment, NOVA recorded in 2018, a USD 727 million (AED 2,671 million) net charge related to this claim.

On 24 September 2019, a judgment was filed with the Court of Queen's Bench of Alberta awarding Dow damages and interest for the period 2001-2012 in the aggregate amount of CAD 1,430 million (AED 3,959 million). On 10 October 2019, utilizing liquidity on hand, NOVA paid an aggregate amount of CAD 1,430 million (AED 3,959 million) to satisfy the judgment for the period 2001-2012 in full. Payment was made against the provision in the books.

Damages for the period beyond 2012 to the date of judgment in June 2018 will be determined independently.

NOVA has appealed this decision to the Court of Appeal of Alberta and filed written arguments in April 2019. Oral arguments have been scheduled for June 2020, but there is no defined time limit in which the Court of Appeal of Alberta will render a decision. The parties continued to explore a negotiated settlement of this litigation in the fourth quarter of 2019.

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 (AED 1,189 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 to EUR 142 million (AED 569 million) has been transferred, thereby resulting in an additional tax assessment for the year 2009 of EUR 62 million (AED 248 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 ("HAC") on 6 March 2017 (for TOY) and on 15 December 2017 (for BOY). On 19 March 2019, HAC issued decisions on both cases. For BOY, HAC unanimously accepted the appeal of Borealis and returned the case to the Finnish tax administration ("FTA") to re-assess the amount of arm's length royalties. For TOY, HAC dismissed the appeal of Borealis, but reduced the amounts to be reassessed.

On 7 June 2019, the Finnish and Austrian Tax Authorities reached an agreement on both cases. The dispute was resolved through a Mutual Agreement Procedure ("MAP") between Finland and Austria.

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 2019 AED millions***	*Carrying amount as at 31 Dec 2018 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
Al Maryah Island - Plots for sale [2]	2006	**3,980,985**	**447**	447	Inventory
Al Maryah Island – ADGM Square Development [2]	2006	**506,413**	-	-	IP
Al Maryah Island – ADGM Square Retail	2006	**240,605**	**-**	-	IP
New Fish Market	2006	**484,448**	**9**	10	IP
Old Fish Market Land - New York Institute of Technology	2006	**163,877**	-	-	IP
Masdar City Land [6,9]	2008	**33,889,587**	**700**	484	Inventory
Masdar City Land [6,7]	2008	**2,308,564**	-	-	PPE
Masdar City Land [6,8]	2008	**1,646,884**	**320**	310	IP
		83,425,709			
Future economic benefits uncertain / no future economic benefits [3]					
Masdar City Land [5]	2008	**19,551,571**	**-**	-	N/A
Madinat Zayed [1]	2008	**116,202,049**	**-**	-	N/A
Masdar Institute of Science and Technology [10]	2008	**356,817**	**-**	-	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
		241,522,365			

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 11,100,370 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 3,980,985 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 (*31 December 2018: 11,186,944 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 337 million (*31 December 2018: AED 265 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 buildings 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 33,889,587 square feet (*31 December 2018: 27,729,903 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 700 million (*31 December 2018: AED 484 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 are 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 and IP stands for Investment Property.

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

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

(ii) *Use of land for construction of buildings*

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

(b) Monetary government grants

(i) During 2006, the Group received an amount of USD 100 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.

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

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

38 GOVERNMENT GRANTS continued

(b) Monetary government grants continued

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 fulfil 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 not 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 23% *(2018: 27%)* of the receivables and 30% *(2018: 53%)* 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:

	2019 AED millions	*2018 AED millions*
Trade receivables	**9,430**	19,597
Other receivables		
Amounts due from related parties	**19,350**	18,342
Finance lease receivables	**1,987**	2,495
Restricted and long-term deposits	**42,166**	20,195
Others	**11,725**	7,731
Other financial assets		
Loans receivable	**11,501**	5,969
Investments in non-derivative financial investments[1]	**4,935**	3,691
Derivative assets at FVTPL	-	3,270
Cash at bank	**20,335**	24,481
	121,429	105,771

[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 2019	*Gross exposure AED millions*	*Provision AED millions*	*Net amount AED millions*
Stage 1			
Loans receivable	**8,856**	**(79)**	**8,777**
Debt Securities	**183**	**-**	**183**
Cash at bank, including restricted and long-term deposits	**62,489**	**-**	**62,489**
	71,528	**(79)**	**71,449**
Stage 2			
Loans receivable	**2,509**	**(325)**	**2,184**
Stage 3			
Loans receivable	**710**	**(170)**	**540**
Purchased or originally credit impaired			
Cash at bank	**12**	**-**	**12**
	74,759	**(574)**	**74,185**

For financial assets other than those mentioned above, the Group applies the IFRS 9 simplified approach to measure 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 2019	*Ratio of expected credit loss %*	*Estimated gross carrying amount at default AED millions*	*Expected credit loss AED millions*	*Net carrying amount AED millions*
Neither past due nor impaired	**0.03%**	**34,231**	**9**	**34,222**
Less than 30 days	**0.00%**	**829**	**-**	**829**
31 - 90 days	**1.53%**	**326**	**5**	**321**
91 - 120 days	**0.14%**	**1,433**	**2**	**1,431**
Past due 121 - 180 days	**2.06%**	**679**	**14**	**665**
Above 180 days	**16.99%**	**6,052**	**1,028**	**5,024**
	2.43%	**43,550**	**1,058**	**42,492**

39 FINANCIAL RISK MANAGEMENT continued

(a) Credit risk continued

31 December 2018	*Gross exposure AED millions*	*Provision AED millions*	*Net amount AED millions*
Stage 1			
Loans receivable	3,856	(42)	3,814
Cash at bank, including restricted and long-term deposits	44,676	-	44,676
	48,532	(42)	48,490
Stage 2			
Loans receivable	2,124	(251)	1,873
Stage 3			
Loans receivable	502	(220)	282
	51,158	(513)	50,645

For financial assets other than those mentioned above, the Group applies the IFRS 9 simplified approach to measure 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	*Ratio of expected credit loss %*	*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%	40,335	-	40,335
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	2,235	5,332
	4.86%	50,640	2,474	48,166

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:

	2019 AED Millions	*2018 AED millions*
At 1 January	**512**	205
Adjustment on initial application of IFRS 9	-	486
Divestment of a stake in subsidiary	**(76)**	-
Provision for ECL during the year, including changes to ECL	**216**	103
Reversals during the year	**(79)**	(152)
New financial assets originated or purchased	-	8
Written off during the year and other adjustments	**7**	(134)
Effect of exchange rate difference	**(6)**	(3)
At 31 December	**574**	513

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

	2019 AED Millions	*2018 AED millions*
At 1 January	**2,475**	2,234
Adjustment on initial application of IFRS 9	-	56
Transfer from entities under common control	**-**	68
Divestment of a stake in subsidiary	**(555)**	-
Provision for ECL during the year	**392**	81
Reversals during the year	**(40)**	(61)
Written off during the year	**(1,183)**	(55)
Other adjustments	**(3)**	178
Effect of exchange rate difference	**(28)**	(27)
At 31 December	**1,058**	2,474

(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:

	Notes	2019 Carrying value AED millions	2019 Contractual cash flows AED millions	2019 1 year or less AED millions	2019 1-5 years AED millions	2019 More than 5 years AED millions	2018 Carrying value AED millions	2018 Contractual cash flows AED millions	2018 1 year or less AED millions	2018 1-5 years AED millions	2018 More than 5 years AED millions
Trade payables		**6,548**	**(6,548)**	**(6,548)**	**-**	**-**	17,154	(17,154)	(17,154)	-	-
Interest bearing borrowings	30	**120,319**	**(149,995)**	**(18,127)**	**(81,803)**	**(50,065)**	108,149	(129,529)	(24,217)	(69,847)	(35,465)
Other liabilities		**7,319**	**(8,014)**	**(5,650)**	**(1,581)**	**(783)**	10,061	(10,176)	(9,173)	(957)	(46)
Derivative financial liabilities	23	**1,781**	**(17,323)**	**(3,643)**	**(6,418)**	**(7,262)**	2,463	(19,712)	(4,208)	(8,646)	(6,858)
Total financial liabilities		**135,967**	**(181,880)**	**(33,968)**	**(89,802)**	**(58,110)**	137,827	(176,571)	(54,752)	(79,450)	(42,369)

Total undrawn borrowing facilities as at the reporting date amount to AED 36,531 million *(31 December 2018: AED 30,937 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 outflows. However, those amounts may be settled gross or net. The following table shows the corresponding gross future cash inflow and outflow amounts of the derivative financial instruments:

	2019 Contractual cash flows AED millions	2019 1 year or less AED millions	2019 1-5 years AED millions	2019 More than 5 years AED millions	2018 Contractual cash flows AED millions	2018 1 year or less AED millions	2018 1-5 years AED millions	2018 More than 5 years AED millions
Cash inflows	**18,647**	**4,432**	**8,231**	**5,984**	20,410	6,809	6,974	6,627
Cash outflows	**(17,323)**	**(3,643)**	**(6,418)**	**(7,262)**	(19,712)	(4,208)	(8,646)	(6,858)
	1,324	**789**	**1,813**	**(1,278)**	698	2,601	(1,672)	(231)

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, equity prices and commodity 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 utilised 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 subsidiaries use certain Euro and USD borrowings and derivatives, respectively, to hedge their exposure to foreign exchange risk on certain investments in foreign operations.

Included in interest bearing loans and derivatives liabilities at 31 December 2019 were borrowings of AED 9,234 million (*31 December 2018: AED 15,391 million*) and swap derivatives of AED 734 million (*31 December 2018: nil*) that have been designated as a hedge of the net investments in certain foreign operations. These borrowings and swap derivatives are being used to hedge the Company's and certain subsidiaries' exposure to the Euro and USD foreign exchange risk on these investments. Gains or losses on the retranslation of borrowings and portion of the fair value gains or losses on the swap derivatives that relates to foreign exchange gains or loss are transferred to OCI to offset any gains or losses on translation of the net investments in the foreign operations.

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 and EUR and USD swap derivatives. 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 operations becomes lower than the amount of the designated borrowings and swap derivatives.

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:

	2019 AED millions	*2018 AED millions*
Notional amounts	**21,753**	15,314
Change in fair value of the hedging instruments used for measuring ineffectiveness for the year	**56**	(474)
Change in the value of hedged items used for measuring ineffectiveness for the year	**56**	(474)
Total hedging gains (loss) recognised in OCI included in net gains / (losses) arising on hedge of net investments in foreign operations	**56**	(474)
Hedge ineffectiveness recognised in profit or loss	**-**	-

Sensitivity analysis
The following table demonstrates the sensitivity of AED to a reasonably possible strengthening of 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.

	2019		*2018*	
	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	**277**	**(2,008)**	(626)	(829)
GBP	**-**	**(248)**	-	(122)
CHF	**-**	**(24)**	-	1
Others	**159**	**765**	(33)	(217)

The effect of weakening or 10% 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 swaps.

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

	2019 AED millions	*2018 AED millions*
Financial assets		
Loans receivable	**6,791**	2,566
Other receivables	**-**	388
Cash and cash equivalents	**3,692**	2,879
	10,483	5,833
Financial liabilities		
Interest bearing borrowings	**(27,999)**	(27,813)
Other liabilities	**(1,787)**	(753)
	(29,786)	(28,566)
	(19,303)	(22,733)

Sensitivity analysis
An increase of 100 basis points ("100bps") in interest rates at the reporting date would have decreased the profit or loss by an amount of AED 193 million *(31 December 2018: AED 227 million)*. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The effect of a decrease of 100bps in interest rates at the reporting date is expected to be equal but opposite impact.

IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform
Following the financial crisis, the replacement of benchmark interest rates such as LIBOR and other interbank offered rates ('IBORs') has become a priority for global regulators. The IASB has embarked on a two-phase project to consider what, if any, reliefs to give from the effects of the IBOR reform. The IASB has issued amendments to IFRS 9, IAS 39 and IFRS 7 in September 2019 with an effective date for annual periods beginning on or after 1 January 2020. The amendments bring reliefs enabling not to discontinue hedge accounting for hedges exposed to uncertainties arising from the reform. MDGH continuously monitors the latest developments in the IBOR reform.

The impact of the replacement of interbank offered rates ('Ibors') with alternative risk-free rates on the Group's products and services remains a key area of focus. The Group have a significant and growing volume of contracts referencing Ibors, such as LIBOR and EIBOR, extending past 2021 when it is likely that these Ibors will cease being published. Management has started a project to coordinate the Group's transition activities aims to minimise the volume of such contracts outstanding upon the cessation of these Ibors, and therefore the associated disruption to financial flows and potential economic losses. The project is significant in terms of scale and complexity and will impact multiple products, currencies, systems and processes. The process of adopting new reference rates exposes the Group to operational and financial risks such as earnings volatility resulting from contract modifications and changes in hedge accounting. The Group continue to engage with various stakeholders to support an orderly transition and to mitigate the risks resulting from the transition

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.

	2019		*2018*	
	Effect on profit or loss ***AED millions***	***Effect on equity*** ***AED millions***	*Effect on profit or loss* *AED millions*	*Effect on equity* *AED millions*
Effect of change in equity portfolio of the Group	**(1,926)**	**(1,926)**	(1,753)	(1,753)

Recent global developments in equity markets, as a result of COVID-19 and oil price movements have caused abnormally large mark to market volatility. The scale and duration of these developments remain uncertain but may impact the Group's performance, cash flows and financial position, the effect of which cannot be determined yet as global events continue to evolve.

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:

	2019 AED millions	*2018 AED millions*
Carrying amount of the commodity derivative assets included in other financial assets	**105**	571
Carrying amount of the commodity derivative liabilities included in derivative financial liabilities	**94**	302
Notional amount of feedstock contracts (tonnes)	**275**	254
Notional amount of electricity contracts (GWh)	**6**	6
Change in fair value of the hedging instruments used for measuring ineffectiveness for the year	**440**	393
Change in fair value of the hedged items used for measuring ineffectiveness for the year	**440**	393
Total loss recognised in OCI included in effective portion of changes in fair value of cash flow hedges and other reserves ǂ	**(167)**	-

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	***2019*** ***Effect on profit before tax AED millions***	***Effect on equity AED millions***	*2018* *Effect on profit before tax AED millions*	*Effect on equity AED millions*
Crude oil	+10%	**67**	**-**	88	-
Natural gas	+10%	**(13)**	**(9)**	(8)	(4)
Electricity	+10%	**(59)**	**33**	(87)	31
Petrochemical feedstock					
Propylene	+10%	**32**	**-**	54	7
Polyethylene	+10%	**813**	**-**	1,024	-
Other petrochemical feedstock*	+10%	**995**	**15**	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.

Recent global developments and uncertainty in oil supply have caused added abnormally large volatility in commodity markets. The scale and duration of these developments remain uncertain but may impact the Group's performance, cash flows and financial position, the effect of which cannot be determined yet as events continue to evolve.

(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 2019

	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	**20,002**	**20,002**	**18,960**	**-**	**1,042**
Debt securities	**2,028**	**2,028**	**768**	**-**	**1,260**
Others	**49**	**49**	**-**	**49**	**-**
Unquoted investments					
Convertible bonds	**2,483**	**2,483**	**-**	**660**	**1,823**
Equity securities	**3,509**	**3,509**	**-**	**-**	**3,509**
Funds	**14,809**	**14,809**	**-**	**2,130**	**12,679**
Debt securities	**241**	**241**	**-**	**-**	**241**
Others	**131**	**131**	**-**	**-**	**131**
Financial assets designated at FVOCI					
Quoted debt securities	**183**	**183**	**183**	**-**	**-**
	43,435	**43,435**	**19,911**	**2,839**	**20,685**
Derivative financial assets					
Fair value hedge					
Commodity swaps	**14**	**14**	**-**	**14**	**-**
Interest rate swaps	**4**	**4**	**-**	**4**	**-**
Cash flow hedge					
Commodity swaps	**41**	**41**	**-**	**41**	-
Currency forwards	**64**	**64**	**-**	**61**	**3**
Interest rate swaps	**41**	**41**	**-**	**41**	-
Others	**75**	**75**	**-**	**75**	-
Financial assets held-for-trading					
Commodity swaps	**5**	**5**	**-**	**5**	-
Equity options	**17**	**17**	**17**	**-**	**-**
	261	**261**	**17**	**241**	**3**
Financial liabilities measured at fair value					
Derivative financial liabilities					
Fair value hedge					
Interest rate swaps	**58**	**58**	**-**	**58**	-
Cash flow hedge					
Commodity swaps	**24**	**24**	-	**24**	**-**
Currency forwards	**23**	**23**	-	**23**	**-**
Interest rate swaps	**41**	**41**	-	**41**	**-**
Others	**82**	**82**	-	**82**	**-**
Financial liabilities designated at fair value					
Interest rate swaps	**667**	**667**	**-**	**667**	-
Currency forwards	**196**	**196**	**-**	**196**	-
Financial liabilities held-for-trading					
Commodity swaps	**27**	**27**	**-**	**27**	-
Currency forwards	**15**	**15**	**-**	**15**	-
Interest rate forwards	**648**	**648**	**-**	**648**	**-**
	1,781	**1,781**	**-**	**1,781**	**-**

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	22,361	22,361	20,153	1,213	995
Debt securities	1,819	1,819	48	-	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 designated at FVOCI					
Quoted debt securities	136	136	136	-	-
	38,855	38,855	20,337	1,263	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 forwards	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 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 forwards	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	-

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

39 FINANCIAL RISK MANAGEMENT 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 equity securities – Level 1	Quoted bid prices in an active market	N/A
Quoted equity securities – Level 3	Combination of market and income approach	Discount rate of 12-14%. 5 year historical average performance and dividend pay-out
Quoted debt securities – Level 1	Quoted bid prices in an active market	N/A
Quoted debt securities – Level 3	Discounted cash flows	Discount rate of 14-16% including company risk premium.
Financial assets designated at FVTPL – Unquoted		
Unquoted convertible bonds – Level 2	Black Scholes model using straight bond value, conversion value and issuers options	5% spread to the equivalent maturity of US treasury and volatility of 41.3%.
Unquoted convertible bonds – Level 3	Combination of market and income approach	Blended cap rate
Unquoted equity securities – Level 3	Combination of market and income approach	• Net assets value provided by the General Partner; or • Enterprise value ("EV")/EBITDA multiple of 10x to 15x where applicable
Unquoted funds – Level 2	Quoted bid prices in an active market	N/A
Unquoted funds – Level 3	Income approach	Net assets value provided by the fund manager Cap rate of 4% to 8%
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, risk free rate and a dilution factor
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

39 FINANCIAL RISK MANAGEMENT continued

(d) Fair value continued

Type of financial asset / liability	***Valuation techniques and key inputs***	***Significant unobservable inputs***
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
Equity options	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

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

	2019 AED millions	*2018 AED millions*
At 1 January	**17,255**	14,073
Adjustments on initial application of IFRS 9	**-**	220
Additions during the year	**7,292**	4,213
Increase in fair value recognised in profit or loss *(net)* [1]	**625**	1,148
Disposals and other movements	**(4,488)**	(3,283)
Transfers from level 1 to 3	**1**	330
Transfer from an entity under common control	**-**	554
At 31 December	**20,685**	17,255

[1] Includes increase in fair value recognised in profit or loss, attributable to assets held during the year. 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 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.

39 FINANCIAL RISK MANAGEMENT continued

(e) *Capital management* continued

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 lease liabilities less cash and long term deposits.

	2019 AED millions	*2018 AED millions*
Interest bearing borrowings *(see note 30(a))*	**114,807**	106,566
Lease liabilities *(see note 30(b))*	**5,512**	1,583
Less: cash and long-term deposits *(see note 21 and 28)* [1]	**(61,508)**	(44,283)
Net debt	**58,811**	63,866
Total Equity	**218,666**	226,294
Total Equity and net debt	**277,477**	290,160
Gearing ratio	**21%**	22%

[1] Excludes restricted cash

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.

Risk related to COVID-19
On 31 December 2019, the World Health Organisation ('WHO') was informed that a limited number of cases of pneumonia, of an unknown cause, were detected in Wuhan, China. On 7 January 2020, Chinese authorities identified a new type of coronavirus (COVID-19) as the cause. Since 31 December 2019, the development and spread of COVID-19 has resulted in the occurrence of a multitude of associated events which have had a significant detrimental impact on socio-economic environment across the globe. Subsequent to 31 December 2019, on 11 March 2020, WHO declared coronavirus as a pandemic.

40 OTHER RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Risk related to COVID-19 continued

Actions taken by governments and non-governmental organisations as well as those taken by private entities, in relation to COVID-19, which are publicly knowable and could reasonably have been deemed to affect an entity's financial statements, have substantially all occurred after the reporting period. Accordingly, the events resulting from the development and spread of COVID-19 after 31 December 2019 have been considered as non-adjusting events and accordingly, amounts recognised in these financial statements have not been adjusted to reflect the economic impact of COVID-19.

Management expects the global spread of COVID-19 and the resultant detrimental effect on global social and economic environment, will have an impact on the Group's performance in 2020, though at this point, the estimated impact cannot be quantified as the events continue to evolve.

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. Relevant significant accounting estimates and judgements have been disclosed throughout the financial statements and below.

(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.

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.

41 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS continued

(a) Significant accounting judgements continued

Classification of investments continued
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 proven 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 proven 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 taxable 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 2019, the Group has recognised a balance of AED 2,077 million *(31December 2018: AED 5,943 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 liabilities
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(n(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 identifiable 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.

Discount rate used for initial measurement of lease liability
The Group, as a lessee, measures the lease liability at the present value of the unpaid lease payments at the commencement date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. Incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use assets in similar economic environment.

The Group determines its incremental borrowing rate with reference to its existing and historical cost of borrowing adjusted for the term and security against such borrowing.

42 SIGNIFICANT NON-CASH TRANSACTIONS

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

43 OFF BALANCE SHEET ITEMS

As at 31 December 2019, the Group managed third party capital of AED 7,358 million (*31 December 2018: AED 7,459 million*). These third-party assets under management are not part of these consolidated financial statements as they are not assets of the Group, but only being managed by the Group.

44 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.

45 MATERIAL SUBSEQUENT EVENTS

(i) On 12 March 2020, the Group signed an agreement with OMV to sell its 39% of stake in Borealis for a consideration amounting to AED 17.2 billion (US$ 4.68 billion). The transaction is expected to close in 2020 and is subject to regulatory approvals. Following completion of this sale, OMV will hold 75% interest in Borealis and Mubadala will retain 25% interest in Borealis.

(ii) On 30 April 2020, the Group completed the sale of 34.05% of shares in MEDGAZ to Naturgy after obtaining all the necessary approvals and satisfying all conditions precedent. All conditions precedent relating to the sale of the Group's remaining ~8.04% of shares have been fulfilled and the definitive transfer of shares to Sonatrach is expected to be completed in 2020. Accordingly, the Group is expected to recognise the full disposal of its stake in MEDGAZ in 2020.