Mubadala Development Company PJSC

Consolidated financial statements

31 December 2012

Principal business address
PO Box 45005
Abu Dhabi
United Arab Emirates

Mubadala Development Company PJSC

Consolidated financial statements

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Board of Directors' Report

The Board of Directors is pleased to present the consolidated financial statements for the year ended 31 December 2012, covering the overall performance of the Group in all business sectors and areas of activity.

2012 marked the tenth anniversary of the creation of Mubadala. The company has developed significantly since 2002, building a portfolio of assets that supports the development and diversification of Abu Dhabi. In 2012, Mubadala delivered against its key social infrastructure and global platform plans, and achieved a number of notable operational milestones.

Financial Highlights

Revenues increased 12% to AED 31.3 billion in 2012 compared to AED 27.9 billion in 2011. This was mainly driven by increased sale of semiconductors and satellite capacity service revenue, and revenue from sale of land in 2012. Mubadala's 2012 revenue mix was represented by semiconductors contributing 47%, Oil & Gas contributing 21%, Aerospace contributing 18% and Satellite capacity service revenue contributing 3%.

Mubadala reported gross profits of AED 9.5 billion in 2012, up 67% from AED 5.7 billion in 2011.

Profit before fair value changes on financial investments, impairments, net finance expense and taxes was AED 2.6 billion in 2012 compared to AED 1.2 billion in 2011, reflecting 117% increase.

Profit for the period attributable to the owner of the group was AED 455 million, compared to a loss of AED 3.2 billion in 2011. This profit was primarily driven by improved level of gross margins coupled with lower impairments in 2012.

The favorable performance of available-for-sale financial investments and hedging instruments accounted under other comprehensive income resulted in total comprehensive income attributable to the owner of the group of AED 1.4 billion in 2012 compared to a loss of AED 4.2 billion for 2011.

Total assets increased by 15% to AED 202.8 billion in 2012 from AED 177.1 billion in 2011. The increase in total assets was primarily due to the increase in property, plant and equipment, and loan portfolio.

Total liabilities decreased by 6% to AED 66.8 billion in 2012 from AED 70.7 billion in 2011. The decrease in total liabilities was primarily due to a decrease in interest-bearing borrowing and reduction in trade payables.

Total equity increased by 28% to AED 136 billion in 2012 from AED 106.4 billion in 2011. The increase in equity, primarily in the form of additional cash contributions, reflects the continuing support offered by our Shareholder, the Government of Abu Dhabi.

Looking ahead, Mubadala will continue to seek out new regional and international opportunities to help realize Abu Dhabi's ambition of a diversified, globally integrated and innovation driven economy.

For and on behalf of Board of Directors,

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

Date: 18 March 2013

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

The Shareholder
Mubadala Development Company PJSC
Abu Dhabi
United Arab Emirates

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Mubadala Development Company ("Mubadala" or the "Company") and its subsidiaries (together, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2012 and the consolidated statements of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Deloitte.

INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

As required by UAE Federal Law No. 8 of 1984 (as amended), we further confirm that we have obtained all the information and explanations necessary for our audit, that proper financial records have been kept by the Group, that physical counts of inventories were carried out by management in accordance with established principles, and that the contents of the Director's report which relate to these consolidated financial statements are in agreement with the Groups' financial records. We are not aware of any violation of the above mentioned Law or the Company's Articles of Association, having occurred during the year ended 31 December 2012, which may have had a material effect on the business of the Group or on its financial position.

Deloitte & Touche (M.E.)

Mutasem M. Dajani
Registration No. 726
Abu Dhabi
18 March 2013

Mubadala Development Company PJSC

Consolidated statement of comprehensive income
for the year ended 31 December

	Note	2012 AED '000	2011 AED '000
Revenue from sale of goods and services	*6*	**31,287,016**	27,911,297
Cost of sales of goods and services	*7*	**(21,790,117)**	(22,257,234)
Gross profit		**9,496,899**	5,654,063
Income from investment in equity accounted investees *(net)*	*17*	**1,753,047**	2,672,799
Government grant income		**766,016**	459,646
Dividend income	*11*	**478,125**	393,035
Finance income from commercial loans		**392,469**	316,305
Other income *(net)*	*8*	**952,771**	771,036
Research and development expenses	*9*	**(4,141,384)**	(2,946,806)
Project expenses		**(606,505)**	(747,342)
Exploration costs		**(726,248)**	(345,853)
Other general and administrative expenses	*10*	**(5,814,713)**	(4,986,919)
Profit before fair value changes on financial investments, impairments, net finance expense and taxes		**2,550,477**	1,239,964
Loss from financial investments *(net)*	*11*	**(1,429,713)**	(3,029,595)
Decrease in fair value of investment properties *(net)*	*15*	**(105,141)**	(959,867)
Impairment losses on property, plant and equipment	*13*	**(585,361)**	(652,958)
Impairment losses on equity accounted investees	*17(a)*	**-**	(471,984)
Impairment losses on intangible assets	*14*	**(194,209)**	(29,207)
Profit / (loss) before net finance expense and taxes		**236,053**	(3,903,647)
Finance income and net foreign exchange gain	*12*	**2,177,188**	1,975,801
Finance expense	*12*	**(2,549,504)**	(2,791,782)
Net finance expense	*12*	**(372,316)**	(815,981)
Loss before income tax		**(136,263)**	(4,719,628)
Income tax credit	*35*	**268,673**	196,216
Profit / (loss) for the year		**132,410**	(4,523,412)
Other comprehensive income / (loss)			
Increase / (decrease) in fair value of available-for-sale financial assets		**676,868**	(548,253)
Effective portion of changes in fair values of cash flow hedges and other reserves net of taxes		**141,873**	(89,649)
Net change in translation reserve		**140,307**	(2,802)
Share of effective portion of changes in fair values of hedging instruments and other reserves of equity accounted investees	*17(a,b)*	**(48,117)**	(268,586)
Share of movements in translation reserve of equity accounted investees	*17(a,b)*	**74,736**	2,249
Other comprehensive income / (loss) for the year net of income tax		**985,667**	(907,041)
Total comprehensive income / (loss) for the year		**1,118,077**	(5,430,453)
Profit / (loss) for the year		**132,410**	(4,523,412)
Add: Loss attributable to non-controlling interests		**322,623**	1,323,757
Profit / (loss) for the year attributable to the owner of the Group		**455,033**	(3,199,655)
Total comprehensive income / (loss) for the year		**1,118,077**	(5,430,453)
Add: Total comprehensive loss attributable to non-controlling interests		**241,496**	1,262,724
Total comprehensive income / (loss) for the year attributable to the owner of the Group		**1,359,573**	(4,167,729)

The notes set out on pages 12 to 110 form an integral part of these consolidated financial statements.
The independent auditors' report is set out on pages 3 and 4.

Mubadala Development Company PJSC

Consolidated statement of financial position
as at 31 December

	Note	**2012** **AED '000**	2011 AED '000 (Restated)
Non-current assets			
Property, plant and equipment	*13*	**76,700,848**	69,276,977
Intangible assets	*14*	**6,857,832**	6,767,429
Investment properties	*15*	**6,278,495**	5,637,583
Investment in equity accounted investees			
- associates	*17*	**9,089,505**	7,386,281
- jointly controlled entities	*17*	**8,697,641**	5,812,139
Financial investments	*18*	**15,955,917**	18,175,867
Loans receivable	*19*	**25,295,594**	12,087,994
Other assets		**713,488**	713,887
Receivables and prepayments	*21*	**8,258,109**	8,907,290
Finance lease receivables	*23*	**1,433,024**	1,428,565
Deferred tax assets	*35*	**1,476,904**	1,088,087
Total non-current assets		**160,757,357**	137,282,099
Current assets			
Inventories	*20*	**7,909,223**	6,383,484
Financial investments	*18*	**2,742,805**	1,453,996
Loans receivable	*19*	**3,256,979**	2,475,837
Receivables and prepayments	*21*	**15,640,709**	14,736,873
Assets classified as held for sale	*22*	**609,857**	133,290
Finance lease receivables	*23*	**120,220**	105,582
Cash and cash equivalents	*24*	**11,724,680**	14,524,088
Total current assets		**42,004,473**	39,813,150
Total assets		**202,761,830**	177,095,249

Mubadala Development Company PJSC

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

	Note	**2012** **AED '000**	2011 AED '000 (Restated)
Equity			
Share capital	*31*	**15,000,000**	15,000,000
Reserves and deficit		**(1,676,110)**	(4,295,555)
Additional shareholder contributions	*33(e)*	**120,315,476**	92,068,476
Government grants	*36(b)*	**367,350**	367,350
Total equity attributable to the owner of the Group		**134,006,716**	103,140,271
Non-controlling interests		**1,958,814**	3,234,605
Total equity		**135,965,530**	106,374,876
Non-current liabilities			
Interest bearing borrowings	*28*	**35,506,202**	38,124,157
Government grants	*36(b)*	**1,950,427**	2,062,052
Obligation under finance lease	*30*	**1,353,871**	1,373,380
Deferred tax liabilities	*35*	**1,354,280**	1,583,311
Financial liabilities at fair value	*27*	**1,613,458**	1,397,061
Other liabilities	*29*	**2,388,171**	2,261,474
Total non-current liabilities		**44,166,409**	46,801,435
Current liabilities			
Interest bearing borrowings	*28*	**5,620,457**	5,053,303
Government grants	*36(b)*	**323,359**	309,617
Obligation under finance lease	*30*	**255,739**	147,635
Payables and accruals	*26*	**14,308,374**	16,618,250
Amounts due to equity accounted investees	*17*	**1,266,873**	824,323
Income tax payable	*35*	**463,654**	496,500
Financial liabilities at fair value	*27*	**391,435**	469,310
Total current liabilities		**22,629,891**	23,918,938
Total liabilities		**66,796,300**	70,720,373
Total equity and liabilities		**202,761,830**	177,095,249

These consolidated financial statements were authorised for issue by the Board of Directors on 18 March 2013 and were signed on their behalf by:

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

The notes set out on pages 12 to 110 form an integral part of these consolidated financial statements.
The independent auditors' report is set out on pages 3 and 4.

Mubadala Development Company PJSC

Consolidated statement of changes in equity

for the year ended 31 December

	Share capital AED '000	Statutory reserve[1] AED '000 (note 32)	Fair value reserve[1] AED '000 (note 32)	Foreign currency translation reserve[1] AED '000 (note 32)	Hedging and other reserves[1] AED '000 (note 32)	Accumulated losses AED '000	Reserves and surplus / (deficit) AED '000	Additional shareholder contributions AED '000 (note 33 (e))	Government grants AED '000 (note 36 (b)(i))	Total attributable to the equity holder AED '000	Non-controlling interest AED '000	Total AED '000
At 1 January 2011	**15,000,000**	802,307	2,913,585	629,835	(715,857)	(2,891,523)	**738,347**	45,725,643	367,350	**61,831,340**	285,522	**62,116,862**
Loss for the year	**-**	-	-	-	-	(3,199,655)	**(3,199,655)**	-	-	**(3,199,655)**	(1,323,757)	**(4,523,412)**
Decrease in fair value of available for sale financial assets (net)	**-**	-	(548,253)	-	-	-	**(548,253)**	-	-	**(548,253)**	-	**(548,253)**
Net change in translation reserve	**-**	-	-	(59,328)	-	-	**(59,328)**	-	-	**(59,328)**	56,526	**(2,802)**
Share of movements in translation reserve of equity accounted investees	**-**	-	-	2,249	-	-	**2,249**	-	-	**2,249**	-	**2,249**
Share of effective portion of changes in fair values of hedging instruments and other reserves of equity accounted investees	**-**	-	-	-	(268,586)	-	**(268,586)**	-	-	**(268,586)**	-	**(268,586)**
Effective portion of changes in fair values of cash flow hedges and other reserves net of taxes	**-**	-	-	-	(94,156)	-	**(94,156)**	-	-	**(94,156)**	4,507	**(89,649)**
Total other comprehensive loss	**-**	**-**	**(548,253)**	**(57,079)**	**(362,742)**	**-**	**(968,074)**	**-**	**-**	**(968,074)**	**61,033**	**(907,041)**
Total comprehensive loss	**-**	**-**	**(548,253)**	**(57,079)**	**(362,742)**	**(3,199,655)**	**(4,167,729)**	**-**	**-**	**(4,167,729)**	**(1,262,724)**	**(5,430,453)**
Dividends paid to non-controlling interest	**-**	-	-	-	-	-	**-**	-	-	**-**	(4,335)	**(4,335)**
Additional shareholder contributions	**-**	-	-	-	-	-	**-**	48,776,887	-	**48,776,887**	-	**48,776,887**
Non-controlling interest upon acquisition of subsidiaries	**-**	-	-	-	-	-	**-**	-	-	**-**	790,917	**790,917**
Non-controlling interest upon disposal of stake in a subsidiary *(see note 5(b)(ii))*	**-**	-	-	-	-	(119,838)	**(119,838)**	-	-	**(119,838)**	158,654	**38,816**
Movement in non-controlling interest	**-**	-	-	-	-	-	**-**	-	-	**-**	86,182	**86,182**
At 31 December 2011 ***(as previously reported)***	**15,000,000**	**802,307**	**2,365,332**	**572,756**	**(1,078,599)**	**(6,211,016)**	**(3,549,220)**	**94,502,530**	**367,350**	**106,320,660**	**54,216**	**106,374,876**
Effect of correction of prior period error in calculation of equity attributable to the equity holder of the Group *(see notes 33(e)) and 42)*	**-**	-	-	-	-	(746,335)	**(746,335)**	**(2,434,054)**	**-**	**(3,180,389)**	**3,180,389**	**-**
At 31 December 2011 ***(as restated)***	**15,000,000**	**802,307**	**2,365,332**	**572,756**	**(1,078,599)**	**(6,957,351)**	**(4,295,555)**	**92,068,476**	**367,350**	**103,140,271**	**3,234,605**	**106,374,876**

[1] Non distributable reserves

Mubadala Development Company PJSC

Consolidated statement of changes in equity *(continued)*
for the year ended 31 December

	Share capital AED ’000	Statutory reserve[1] AED ’000 *(note 32)*	Fair value reserve[1] AED ’000 *(note 32)*	Foreign currency translation reserve[1] AED ’000 *(note 32)*	Hedging and other reserves[1] AED ’000 *(note 32)*	Accumulated losses AED ’000	Reserves and surplus / (deficit) AED ’000	Additional shareholder contributions AED ’000 *(note 33 (e))*	Government grants AED ’000 *(note 36 (b)(i))*	Total attributable to the equity holder AED ’000	Non-controlling interest AED ’000	Total AED ’000
At 1 January 2012 *(as restated)*	**15,000,000**	802,307	2,365,332	572,756	(1,078,599)	(6,957,351)	**(4,295,555)**	92,068,476	367,350	**103,140,271**	3,234,605	**106,374,876**
Profit / (loss) for the year	**-**	-	-	-	-	455,033	**455,033**	**-**	**-**	**455,033**	(322,623)	**132,410**
Increase in fair value of available for sale financial assets (net)	**-**	-	676,868	-	-	-	**676,868**	**-**	**-**	**676,868**	**-**	**676,868**
Net change in translation reserve	**-**	-	-	64,791	-	-	**64,791**	**-**	**-**	**64,791**	75,516	**140,307**
Share of movements in translation reserve of equity accounted investees	**-**	-	-	74,736	-	-	**74,736**	**-**	**-**	**74,736**	**-**	**74,736**
Share of effective portion of changes in fair values of hedging instruments and other reserves of equity accounted investees	**-**	-	-	-	(48,117)	-	**(48,117)**	**-**	**-**	**(48,117)**	**-**	**(48,117)**
Effective portion of changes in fair values of cash flow hedges and other reserves net of taxes	**-**	-	-	-	136,262	-	**136,262**	**-**	**-**	**136,262**	5,611	**141,873**
Total other comprehensive income	**-**	**-**	**676,868**	**139,527**	**88,145**	**-**	**904,540**	**-**	**-**	**904,540**	**81,127**	**985,667**
Total comprehensive income / (loss)	**-**	**-**	**676,868**	**139,527**	**88,145**	**455,033**	**1,359,573**	**-**	**-**	**1,359,573**	**(241,496)**	**1,118,077**
Dividends paid to non-controlling interest	**-**	-	-	-	-	-	**-**	**-**	**-**	**-**	**(11,959)**	**(11,959)**
Additional shareholder contributions	**-**	-	-	-	-	-	**-**	**28,247,000**	**-**	**28,247,000**	**-**	**28,247,000**
Transfer to statutory reserve	**-**	13,241	-	-	-	(13,241)	**-**	**-**	**-**	**-**	**-**	**-**
Non controlling interest movement upon acquisition of stake in subsidiaries	**-**	**-**	-	-	**-**	1,280,840	**1,280,840**	**-**	**-**	**1,280,840**	**(1,123,757)**	**157,083**
Non-controlling interest upon disposal of stake in a subsidiary *(see note 5(b)(ii))*	**-**	**-**	-	-	**-**	(20,968)	**(20,968)**	**-**	**-**	**(20,968)**	**99,514**	**78,546**
Other movement in non-controlling interest	**-**	-	-	-	-	-	**-**	**-**	**-**	**-**	**1,907**	**1,907**
At 31 December 2012	**15,000,000**	**815,548**	**3,042,200**	**712,283**	**(990,454)**	**(5,255,687)**	**(1,676,110)**	**120,315,476**	**367,350**	**134,006,716**	**1,958,814**	**135,965,530**

[1] Non distributable reserves

The notes set out on pages 12 to 110 form an integral part of these consolidated financial statements.

Mubadala Development Company PJSC

Consolidated statement of cash flows
for the year ended 31 December

	Note	2012 AED '000	2011 AED '000
Cash flows from operating activities			
Profit / (loss) for the year		**132,410**	(4,523,412)
Adjustments for:			
Depreciation of property, plant and equipment	*13*	**7,555,415**	6,698,142
Amortisation of intangible assets	*14*	**702,778**	781,429
Amortisation of government grants		**(766,016)**	(459,646)
Change in fair value of investment properties	*15*	**105,141**	959,867
Impairment losses on property, plant and equipment and intangible assets	*13,14*	**779,570**	682,165
Gain on disposal of property, plant and equipment	*8*	**(4,249)**	(59,364)
Intangible assets written off	*14*	**302,849**	-
Net change in fair value of financial assets / liabilities at fair value through profit or loss	*11*	**(447,446)**	2,931,036
Revenue recognised for non-monetary consideration	*5(a)(i)*	**(1,019,782)**	-
Finance income relating to finance lease receivables	*23*	**(126,555)**	(80,672)
Other impairment losses		**-**	14,356
Impairment losses on equity accounted investees	*17(a)*	**-**	471,984
Impairment losses on available for sale financial assets	*11*	**1,877,159**	98,559
Gain on disposal of investment in equity accounted investees	*17*	**(48,380)**	(81,951)
Gain on disposal of investment in subsidiaries	*5*	**(14,062)**	(16,330)
Gain on acquisition of stake in subsidiaries		**-**	(231,093)
(Gain) / loss on disposal of financial investments	*8*	**(93,146)**	55,848
Share of results of equity accounted investees			
- associates	*17(a)*	**(795,589)**	(905,549)
- jointly controlled entities	*17(b)*	**(909,078)**	(1,685,299)
Finance income	*12*	**(2,177,188)**	(1,975,801)
Reversal of provision for inventory obsolescence		**(297,261)**	-
Provision for loan		**26,985**	-
Finance expense	*12*	**2,549,504**	2,791,782
Income tax credit	*35*	**(268,673)**	(196,216)
Dividend income	*11*	**(478,125)**	(393,035)
		6,586,261	4,876,800
Change in inventories		**(1,168,111)**	(727,366)
Change in receivables and prepayments		**1,527,268**	(4,569,877)
Change in obligation under finance lease		**88,595**	(287,674)
Change in payables and accruals		**(2,134,651)**	4,766,263
Change in other liabilities		**341,848**	(1,642,116)
Change in other assets		**(135,525)**	667,737
Dividends received from financial investments		**471,772**	393,035
Dividends received from equity accounted investees	*17(a),(b)*	**2,815,976**	1,282,043
Lease rentals received	*23*	**110,676**	63,753
Income taxes paid		**(514,796)**	(327,170)
Net cash generated by operating activities		**7,989,313**	4,495,428

Mubadala Development Company PJSC

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

	Note	**2012** **AED '000**	2011 AED '000
Cash flows from investing activities			
Proceeds from disposal of equity accounted investees		**224,511**	154,496
Proceeds from disposal of financial investments		**1,558,670**	1,034,779
Purchase consideration from acquisition of a subsidiary		**-**	(83,584)
Cash arising from acquisition of subsidiaries		**-**	483,852
Proceeds from disposal of subsidiaries and working interest (net of cash disposed)	*5(b)(i)*	**13,324**	52,732
Investment in equity accounted investees	*17(a)(b)*	**(4,488,872)**	(901,268)
Acquisition of financial investments		**(2,400,350)**	(4,716,268)
Acquisition of property, plant and equipment		**(16,769,288)**	(25,045,994)
Acquisition of investment properties	*15*	**(520,198)**	(1,048,507)
Acquisition of intangible assets		**(970,697)**	(932,147)
Proceeds from disposal of property, plant and equipment		**305,968**	433,313
Disbursements of loans receivable *(net)*	*19*	**(14,014,154)**	(4,244,587)
Interest received		**102,945**	1,975,474
Net cash used in investing activities		**(36,958,141)**	(32,837,709)
Cash flows from financing activities			
Proceeds from interest bearing borrowings	*28*	**8,887,837**	13,633,451
Cash received upon transfer of a subsidiary		**-**	6,092,096
Repayment of interest bearing borrowings	*28*	**(10,547,576)**	(8,945,807)
Proceeds from government grants		**607,658**	1,272,406
Proceeds from disposal of stake in a subsidiary with no loss of control	*5(b)(ii)*	**78,546**	38,816
Additional shareholder contributions	*33(e)*	**28,247,000**	27,983,478
Interest paid		**(2,029,216)**	(3,669,231)
Cash contributed by non-controlling interest	*17(b)*	**967,355**	-
Dividends paid to non-controlling interest		**(11,959)**	(4,335)
Change in non-controlling interest		**1,907**	86,182
Net cash generated by financing activities		**26,201,552**	36,487,056
Net increase / (decrease) in cash and cash equivalents		**(2,767,276)**	8,144,775
Cash and cash equivalents at 1 January		**14,524,088**	6,261,890
Exchange fluctuation on consolidation of foreign entities		**(32,132)**	117,423
Cash and cash equivalents at 31 December *(see note 24)*		**11,724,680**	14,524,088

The notes set out on pages 12 to 110 form an integral part of these consolidated financial statements.

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

Mubadala Development Company PJSC

Notes to the consolidated financial statements

1 Legal status and principal activities

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

These consolidated financial statements include the financial performance and position of the Company, its subsidiaries and its jointly controlled assets, (collectively referred to as "the Group"), and the Group's interests in its equity accounted investees (*see notes 5, 16 and 17*).

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

2 Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

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

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

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, 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 judgements *(continued)*

Judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates with a significant risk of material adjustment in the subsequent years are discussed in note 39.

(e) New and revised IFRS

i) **New and revised IFRSs adopted with no material effect on the consolidated financial statements**

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

New and revised IFRSs	***Summary of requirements***
Amendment to IFRS 1 Removal of Fixed Dates for First-time Adopters	The amendment replace references to a fixed date of '1 January 2004' with 'the date of transition to IFRSs', thus eliminating the need for companies adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs.
Amendments to IFRS 7 Financial Instruments: Disclosures, relating to Disclosures on Transfers of Financial Assets	The amendments introduce additional disclosures, designed to allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitisations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.
Amendment to IFRS 1 Severe Hyperinflation	The amendments provide guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation.
Amendment to IAS 12 Income Taxes relating to Deferred Tax – Recovery of Underlying Assets	Amends IAS 12 Income Taxes to provide a presumption that recovery of the carrying amount of an asset measured using the fair value model in IAS 40 Investment Property will, normally, be through sale. As a result of the amendments, SIC-21 Income Taxes - Recovery of Revalued Non-Depreciable Assets would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC-21, which is accordingly withdrawn.

2 Basis of preparation *(continued)*

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

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

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

New and revised IFRSs	*Effective for annual periods beginning on or after*
Amendments to IAS 1 Presentation of Financial Statements: relating to grouping items recognised in other comprehensive income	1 July 2012
IAS 27 Separate Financial Statements (revised in 2011)	1 January 2013
IAS 28 Investments in Associates and Joint Ventures (revised in 2011)	1 January 2013
Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards relating to accounting for government loans at below market interest rate	1 January 2013
Amendments to IAS 32 Financial Instruments: Presentation relating to application of the requirements on offsetting financial assets and liabilities	1 January 2014
Amendments to IFRS 7 Financial Instruments: Disclosures relating to offsetting financial assets and liabilities	1 January 2013
Improvements to IFRSs issued in 2011 and 2012 covering amendments to IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34	1 January 2013
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

For the above mentioned new standards or revisions, management believes that based on its initial assessment, these will not have a significant impact on the financial statements of the Group.

IAS 19 Employee Benefits (revised 2011)	1 January 2013

IAS 19, ‘Employee benefits’ was amended in June 2011. The amendments change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the ‘corridor approach’ permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a ‘net-interest’ amount, which is calculated by applying the discount rate to the net defined benefit liability or asset. The amendments to IAS 19 require retrospective application.

Based on the management's preliminary assessment, when the Group applies the amendments to IAS 19 for the first time for the year ending 31 December 2013, the profit after income tax for the year ended 31 December 2012 would be increased by AED 19,300 thousand and the other comprehensive income after income tax for the said year would be decreased by AED 704,000 thousand with the corresponding adjustments being recognised in the pension assets.

IFRS 9 Financial Instruments (as amended in 2010)	1 January 2015
Amendment to IFRS 7 Financial Instruments: Disclosures relating to transition to IFRS 9 (or otherwise when IFRS 9 is first applied)	1 January 2015

2 Basis of preparation *(continued)*

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

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

IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change as applicable to the Group is that, based on the business model applicable to each financial instrument and available elections, the adoption could result in an impact on opening retained earnings, fair value reserves and the appropriate classification of the financial instruments, the magnitude of which depends on the elections made for classification.

IFRS 10 Consolidated Financial Statements — 1 January 2013

IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

IFRS 11 Joint Arrangements — 1 January 2013

IFRS 11 establishes principles for financial reporting by parties to a joint arrangement.

IFRS 12 Disclosure of Interests in Other Entities — 1 January 2013

IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

IFRS 13 Fair Value Measurement — 1 January 2013

IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs.

Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, and IFRS 12 *Disclosure of Interests in Other Entities* relating to requirements to provide comparative information	1 January 2013
Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 27 *Separate Financial Statements* relating to investment entities and exemption of consolidation of particular subsidiaries	1 January 2014

Management has assessed the impact of IFRS 10, 11, 12 and 13 and related amendments which will be adopted in 2013 financial statements. Management believes that based on its initial assessment, these will not have a significant impact on the financial statements of the Group except some increase in qualitative disclosure pertaining to IFRS 12.

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

(ii) Transfer of entities under common control

Transfers giving rise to transfer of interests in entities, that are under the common control of the shareholder, are accounted for at the date that the transfer occurred without restatement of prior periods. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the books of transferor entity. The components of equity of the acquired entities are added to the same components within Group equity. Any cash paid for the acquisition is recognised directly in equity.

(iii) 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.

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost, which is considered the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition at measurement or when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

(iv) Business combinations

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

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

3 Significant accounting policies *(continued)*

(a) Basis of consolidation *(continued)*

(iv) Business combinations (continued)

• assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

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

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

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

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), 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. The measurement period is the period from the date the Group obtain complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year.

(v) Joint ventures and equity accounted investees

For the purpose of accounting for its interests in joint ventures, the Group segregates its investments in joint ventures into two types - jointly controlled entities and jointly controlled assets. The accounting policies of joint ventures and equity accounted investees are adjusted where necessary to align them with the policies adopted by the Group. The accounting treatment for each of these types, and also for other equity accounted investees, is set out below:

Associates and jointly controlled entities (equity accounted investees)

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

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

3 Significant accounting policies *(continued)*

(a) Basis of consolidation *(continued)*

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

Investments in associates and jointly controlled entities ("equity accounted investees") are accounted for using the equity method and are initially recognised at cost. The cost of the investment 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 equity accounted investee is the fair value of the original investment at the date that significant influence is obtained plus the consideration paid for the additional stake. When the original investment has been classified previously as an available-for-sale financial asset under IAS 39, the revaluation gain or loss recognised in other comprehensive income is not reclassified from equity to profit or loss until such time as there is a realisation event. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences, until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has a constructive or legal obligation to contribute to such losses or has made payments on behalf of the investee.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an equity accounted investee recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss representing gain on acquisition.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an equity accounted investee. 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)).*

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 assets in accordance with IAS 39. The difference between the previous carrying amount of the equity accounted investee attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the equity accounted investee. In addition, the group accounts for all amounts previously recognised in other comprehensive income in relation to equity accounted investee on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by the equity accounted investees would be reclassified to profit or loss on the disposal of the related assets or liabilities.

Jointly controlled assets

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

3 Significant accounting policies *(continued)*

(a) Basis of consolidation *(continued)*

(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

The significant operating activities of the Group include:

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

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

Revenue from sale of goods and services includes income from sale of semi-conductor wafers, sale of hydrocarbons, aircraft maintenance and repairs, satellite capacity service revenue, supply of chilled water, medical services, sale of land, contract revenue and service concession revenue. Revenue from such sales is

(i) Sale of goods and services rendered

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

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

Revenue from services rendered are recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to the proportion of the service rendered. No revenue is recognised if there are significant uncertainties regarding the recovery of the consideration due, the associated costs or the possible return of the goods or the rejection of the services provided.

(ii) Sale of semiconductor wafers

Revenue from semiconductor wafers is derived primarily from fabricating semiconductor wafers and, to a lesser extent, from providing associated subcontracted assembly and test services as well as pre-fabricating services such as masks generation and engineering services. Revenue is recognised when the contractual obligations have been performed and title and risk of loss has passed to the customer, there is evidence of the arrangement as to the specific terms of the agreed upon sales, selling prices to the customers are fixed or determinable, collection of the revenue is reasonably assured, and, where applicable, delivery has occurred. Revenue is measured at the fair value of the consideration received, excluding sales taxes, royalties and other similar levies as applicable. Sales taxes collected from customers and remitted to governmental authorities are accounted for on a net basis and therefore excluded from revenues in the consolidated statement of comprehensive income.

3 Significant accounting policies *(continued)*

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

(iii) Sale of hydrocarbons

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

(iv) Aircraft maintenance and repairs

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

For time and material contracts, maintenance, repair and overhaul work is recognised as revenue when the products are delivered and / or services are rendered to customers. Prepayments by the customers are deferred until then. Related costs, usually completed work-in-progress, are expensed at the same time. The Group's business exhibits a large number of individual work events under time and material contracts. These events are evenly distributed throughout the year, with the average duration of individual work events being relatively short (from a few hours up to a few days).

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

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

As compared to the time and material contracts, the number of individual work events under flat-rate contracts is much smaller, and the events are unevenly distributed throughout the year; furthermore, the average duration of individual work events is longer (several weeks).

(v) Satellite capacity service revenue

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

(vi) Supply of chilled water

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

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

3 Significant accounting policies *(continued)*

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

(vii) Medical services

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

(viii) Sale of land

Revenue from sale of land is recognised when the equitable interest in a property vests in a buyer and all the following conditions have been satisfied:

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

(ix) Contract revenue

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

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

(x) Service concession arrangements

Revenue relating to construction or upgrade services under service concession arrangements is recognised based on the stage of completion of the work performed, consistent with the Group's accounting policy on contract revenue *(see (ix) above)*. The concessionaire is responsible and rewarded for the operations through the concession period (25 years from the end of construction), after construction completion the revenue would primarily be related to the direct operating services rendered on the project like operation and maintenance services and life cycling services. Operation or service revenue is recognised in the period in which the services are provided by the Group.

(c) Oil and gas exploration, evaluation and development expenditures

Mubadala follows the successful efforts method of accounting to account 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.

3 Significant accounting policies *(continued)*

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

(i) Licence and property acquisition costs

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

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

(ii) Exploration & 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.

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 judgement, these costs are written off and classified under "exploration costs". When commercial reserves of hydrocarbons are determined and development is approved by management, the relevant expenditure is transferred to property, plant and equipment.

(iii) Development expenditures

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including service 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(l)(iii)).*

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

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

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

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

3 Significant accounting policies *(continued)*

(d) Research and development costs

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

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

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

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

(e) Project expenses

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

(f) Foreign currency

(i) Foreign currency transactions

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

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

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

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the translation of available for sale financial assets or a financial liability designated as a hedge of the net investment in a foreign operation which are recognised in other comprehensive income.

3 Significant accounting policies *(continued)*

(f) Foreign currency *(continued)*

(ii) Foreign operations

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

Foreign currency differences are recognised in other comprehensive income. Such differences have been recognised in foreign currency translation reserve ("FCTR"). When a foreign operation is disposed of, in part or in full, the associated amount in the FCTR is transferred to profit or loss as a part of profit or loss on disposal. Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, for which settlement is neither planned nor likely to occur 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. These exchange differences will be reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

(g) Financial instruments

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

(i) Non-derivative financial assets

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Non-derivative financial assets primarily comprise fair value through profit or loss investments, available for sale investments, trade and other receivables, cash and cash equivalents, loans and receivables and amounts due from related parties.

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

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

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

3 Significant accounting policies *(continued)*

(g) Financial instruments *(continued)*

(i) Non-derivative financial assets (continued)

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

Financial assets at fair value through profit or loss

A financial asset is classified as held for trading if the Group has acquired it principally for the purpose of selling it in the near term, or on initial recognition it is part of a portfolio of identified financial instruments that the group manages together and has a recent actual pattern of short-term profit-taking, or it is a derivative that is not designated and effective as a hedging instrument. Financial assets are designated at fair value through profit or loss if the Group manages such investments and their performance is evaluated on a fair valuation basis, in accordance with the Group's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Available-for-sale financial assets

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

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

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables, including service concession receivables, amounts due from related parties, receivable against sale of land, other receivables, loans to related parties and third parties *(see notes 19 and 21)*.

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

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

3 Significant accounting policies *(continued)*

(g) Financial instruments *(continued)*

(i) Non-derivative financial assets (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, call deposits and short-term deposits. Bank overdrafts, that are repayable on demand and form an integral part of the Group's cash management, are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. Cash and cash equivalents have a original maturity of three months or less. The carrying amount of these assets is approximately equal to fair value.

(ii) Non-derivative financial liabilities

Classification of 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.

The Group initially recognises debt securities issued on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. For offsetting with financial assets, see note 3 (g)(i)). The Group derecognises a financial liability when its contractual obligations are discharged, or cancelled or expire.

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

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

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

(iii) Derivative financial instruments, including hedge accounting

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contract, interest rate swaps and cross currency swaps. Further details of derivatives financial instruments are disclosed in note 27. Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately, unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

3 Significant accounting policies *(continued)*

(g) Financial instruments *(continued)*

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

Embedded derivatives

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Other non-trading derivatives

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

Hedge accounting

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

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

Cash flow hedges

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

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

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

3 Significant accounting policies *(continued)*

(g) Financial instruments *(continued)*

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

Economic hedges

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

Short selling

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

(h) Government grants

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

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,
- would similar support or assistance be given by the government to an entity not owned by the government.

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

Non-monetary government grants

(i) Land

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

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

3 Significant accounting policies *(continued)*

(h) Government grants *(continued)*

(i) Land (continued)

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

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

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

(ii) Others

Other non-monetary government grants are recognised in the statement of financial position at nominal value, and the granted assets are classified with other assets of the same nature as the granted item. Monetary government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

Monetary government grants

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

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

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

(i) Finance income and expenses

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

(j) Income tax

Income tax expense / credit comprise current and deferred tax. Current and deferred tax 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.

3 Significant accounting policies *(continued)*

(j) Income tax *(continued)*

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

Deferred tax is 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 deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. 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.

(k) 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(i))*.

(l) Property, plant and equipment

(i) Recognition and measurement

Owned assets

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

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

3 Significant accounting policies *(continued)*

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

(i) Recognition and measurement (continued)

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

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

Leased assets

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

Particulars	***Years***
Buildings	7 - 50 years and above
Plant and office equipment	3 - 40
Aircraft	10 - 20
Aircraft materials	3 - 20
Distribution network	50 years and above
Computers	3 - 5
Others	3 - 10

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate *(see note 39(a))* .

3 Significant accounting policies *(continued)*

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

(iv) 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.

(m) Intangible assets

Goodwill

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

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that 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.

Trademarks

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

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.

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

Other intangible assets

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

Subsequent expenditure

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

3 Significant accounting policies *(continued)*

(m) Intangible assets *(continued)*

Amortisation

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

Possible and contingent hydrocarbons reserves acquired in a business combination are amortised on a straight line basis over the life of the project till 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:

	Years
Trademarks	Indefinite
Technology, licence and software	3 - 7
Capitalised development costs	25
Customer contracts	5 - 15
Others	3 - 25

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.

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.

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.

(n) 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.

(o) Leases

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

3 Significant accounting policies *(continued)*

(o) Leases *(continued)*

Group as lessee

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

Group as lessor

Leases where the Group transfers substantially all of the risks and benefits of ownership of the asset through its contractual arrangements to the customer are considered as a finance lease. The amounts due from the lessee are recorded in the balance sheet as financial assets (finance lease receivables) and are carried at the amount of the net investment in the lease after making provision for impairment, if any. 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. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognise on a straight-line basis over the least term.

(p) Inventories

Inventories are primarily comprised of land held for sale, work in progress, consumables, maintenance spares, and drilling materials. Inventories are measured at the lower of cost and net realisable value. For inventories other than land held for sale, cost is based on the weighted average cost method or standard costs approximately equal to cost based on weighted average cost method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

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

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

(q) Contract work in progress

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

3 Significant accounting policies *(continued)*

(q) Contract work in progress *(continued)*

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

(r) Provisions

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

Product warranties
The group warrants that products will meet the stated functionality as agreed to in each sales arrangements. The group provides for the estimated warranty costs under these guarantees based upon historical experience 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 are estimable. Expenses for warranty costs were not significant in any of the periods presented.

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. A corresponding item of plant and equipment in an amount equivalent to the provision is included in the respective class of asset. This is subsequently depreciated or depleted as part of the capital costs of the facility or item of plant. Subsequent to initial recognition, any change, other than unwinding of discount, is recognised in property, plant and equipment.

(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 consolidated statement of financial position date.

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.

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.

3 Significant accounting policies *(continued)*

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

Entities domiciled outside UAE

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

Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

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

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

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

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

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.

(t) Impairment

Financial assets

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

3 Significant accounting policies *(continued)*

(t) Impairment *(continued)*

Financial assets (continued)

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

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

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

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

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

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

Non-financial assets

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

3 Significant accounting policies *(continued)*

(t) Impairment *(continued)*

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

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

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

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

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

(u) Dividend income

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

(v) Investment in gold bullion

Investments in gold bullion are measured at fair value determined by reference to published price quotations, with unrealised and realised gains and losses recorded in profit or loss.

(w) Assets classified as held for sale

Non current assets and disposal groups 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 disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

3 Significant accounting policies *(continued)*

(x) Operating segments

The accounting policies of the reportable segments are the same as the Group's accounting policies described above. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available *(see note 4)* .

4 Operating segments

Information about reportable segments

The Group has ten reportable segments, as described below, which are the Group's strategic business units. The strategic business units are responsible for the screening due diligence, development and implementation of all business ideas, investment opportunities and acquisitions. The following summary describes the operations in each of the Group's reportable segments:

• Oil and Gas – Is focused on diversification in the oil and gas sector; in particular hydrocarbon exploration and production, and creation of a globally competitive oil and gas exploration and production business.

• Renewable Energy - Is focused on achieving the Government of Abu Dhabi's vision of transforming Abu Dhabi into a global leader in sustainable new energy technologies.

• Industry – Is focused on economic development through the development of sustainable industry.

• Real Estate and Infrastructure – Is focused on residential, commercial and retail real estate developments and luxury hotels and resorts, both in Abu Dhabi and internationally along with economic development through developing, owning and operating concession based infrastructure, educational and other facilities.

• Services Ventures - Is focused on economic development by establishing businesses in service-based sectors, such as leasing and financial, maritime transportation, defence and logistics services.

• Aerospace – Is focused on developing aviation and aerospace industry in Abu Dhabi and bringing aerospace technology, skills and facilities to Abu Dhabi.

• Information and Communication Technology - Is focused on economic development by establishing local information, communications and technology clusters.

• Healthcare – Is focused on creating a world class, competitive vertically integrated network of healthcare infrastructure.

• Semiconductor Technology – Is focused on advanced technological sector through fabricating semiconductor wafers and pre-fabricating services such as masks generation and engineering services.

• Corporate / Acquisitions – Develops and drives the strategy for the Group as a whole as well as for acquisitions across all lines of business in collaboration with the relevant business unit. Acquisitions business unit is also mandated to identify and realise opportunities that align with the broader Group strategy through global investments.

All items accounted on IFRS basis are attributed to specific projects mapped to a segment.

Mubadala Development Company PJSC

Notes to the consolidated financial statements

4 Operating segments *(continued)*

Changes in the internal organisation structure have resulted in changes to the composition of reportable segments. During the year, the change in the internal segment organisation relates to the merger of Real estate business unit and Infrastructure business unit into one business unit called "Real estate and Infrastructure".

	Oil & Gas 31-Dec-12 AED '000	Renewable Energy 31-Dec-12 AED '000	Industry 31-Dec-12 AED '000	Real Estate & Infrastructure 31-Dec-12 AED '000	Services Ventures 31-Dec-12 AED '000	Aerospace 31-Dec-12 AED '000	Information & Communication Technology 31-Dec-12 AED '000	Healthcare 31-Dec-12 AED '000	Semi Conductor Technology 31-Dec-12 AED '000	Corporate / Acquisitions 31-Dec-12 AED '000	Consolidated 31-Dec-12 AED '000
Revenues from external customers	**6,461,541**	**101,294**	**1,136,910**	**876,776**	**324,018**	**6,094,210**	**921,278**	**611,917**	**14,736,422**	**22,650**	**31,287,016**
Finance (expense) / income *(net)*	**(131,012)**	**1,800**	**(27,858)**	**147,768**	**7,948**	**18,472**	**219,790**	**840**	**(284,462)**	**(325,602)**	**(372,316)**
Total assets	**14,429,302**	**11,457,364**	**16,695,904**	**23,651,241**	**2,511,555**	**13,703,334**	**14,238,262**	**2,831,705**	**54,030,253**	**49,212,910**	**202,761,830**
Total liabilities	**(5,206,982)**	**(1,268,078)**	**(3,537,736)**	**(7,471,168)**	**(851,615)**	**(5,831,592)**	**(6,949,574)**	**(258,632)**	**(15,326,618)**	**(20,094,305)**	**(66,796,300)**
Equity accounted investees	**965,055**	**359,660**	**1,991,176**	**623,340**	**652,906**	**1,698,747**	**3,063,307**	**-**	**260,554**	**8,172,401**	**17,787,146**
Depreciation and amortisation	**(1,528,769)**	**(261,390)**	**(130,986)**	**(21,784)**	**(4,992)**	**(507,913)**	**(313,873)**	**(18,892)**	**(5,370,026)**	**(99,568)**	**(8,258,193)**
Additions to non-current assets [1]	**2,909,796**	**2,266,405**	**77,676**	**708,787**	**523**	**1,156,407**	**224,457**	**204,910**	**10,721,149**	**44,047**	**18,314,157**
Share of results of equity accounted investees	**1,206,164**	**(45,871)**	**204,383**	**(11,993)**	**34,723**	**89,023**	**(44,054)**	**-**	**(42,424)**	**314,716**	**1,704,667**
Profit / (loss) for the year attributable to the owner of the Group	**2,926,725**	**(251,490)**	**444,836**	**283,895**	**60,273**	**249,345**	**367,226**	**55,285**	**(2,217,358)**	**(1,463,704)**	**455,033**
Total comprehensive income / (loss) attributable to the owner of the Group [2]	**2,928,442**	**(236,011)**	**426,834**	**283,142**	**61,477**	**320,412**	**337,601**	**55,285**	**(2,086,603)**	**(731,006)**	**1,359,573**
Total comprehensive income / (loss) attributable to the owner of the Group excluding impairments and fair value movements on investment property and financial investments[2]	**2,838,534**	**16,090**	**540,836**	**462,997**	**60,296**	**414,568**	**367,226**	**55,285**	**(1,767,867)**	**(151,290)**	**2,836,675**

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

[2] For reconciliation between 'Total comprehensive income / (loss) attributable to the owner of the Group' and 'Total comprehensive income / (loss) attributable to the owner of the Group excluding impairments and fair value movements on investment property and financial investments', refer to page 42.

4 Operating segments *(continued)*

	Oil & Gas 31-Dec-11 AED '000	Renewable Energy 31-Dec-11 AED '000	Industry 31-Dec-11 AED '000	Real Estate & Infrastructure 31-Dec-11 AED '000	Services Ventures 31-Dec-11 AED '000	Aerospace 31-Dec-11 AED '000	Information & Communication Technology 31-Dec-11 AED '000	Healthcare 31-Dec-11 AED '000	Semi Conductor Technology 31-Dec-11 AED '000	Corporate / Acquisitions 31-Dec-11 AED '000	Consolidated 31-Dec-11 AED '000
Revenues from external customers	7,479,251	100,858	872,432	873,546	298,778	5,934,309	174,650	427,219	11,731,958	18,296	27,911,297
Finance (expense) / income *(net)*	(294,266)	22,599	(121,587)	230,211	26,867	(244,538)	344,863	444	(411,092)	(369,482)	(815,981)
Total assets	13,994,426	9,385,967	11,046,788	22,435,148	2,010,472	14,045,986	13,896,184	2,976,257	49,597,305	37,706,716	177,095,249
Total liabilities	(5,863,783)	(1,075,015)	(4,075,096)	(7,873,100)	(844,849)	(7,526,556)	(6,832,558)	(658,434)	(17,283,707)	(18,687,275)	(70,720,373)
Equity accounted investees	2,057,576	400,398	1,147,947	600,267	550,088	1,424,227	2,876,660	-	291,381	3,849,876	13,198,420
Depreciation and amortisation	(1,424,579)	(255,816)	(92,265)	(18,837)	(10,566)	(473,268)	(65,667)	(14,610)	(5,049,680)	(74,283)	(7,479,571)
Additions to non-current assets [1]	1,986,935	2,292,179	5,270,045	2,060,938	2,361	1,573,192	1,623,191	481,697	43,251,057	270,085	58,811,680
Share of results of equity accounted investees	1,485,980	(109,035)	549,257	22,899	29,803	28,488	(368,655)	-	(4,491)	956,602	2,590,848
Profit / (loss) for the year attributable to the owner of the Group	4,589,342	(700,109)	851,337	(1,434,179)	(10,047)	(100,583)	987	8,101	(3,601,898)	(2,802,606)	(3,199,655)
Total comprehensive income / (loss) attributable to the owner of the Group [2]	4,593,454	(1,000,018)	894,099	(1,433,861)	(2,746)	(161,178)	(108,550)	8,101	(3,620,830)	(3,336,200)	(4,167,729)
Total comprehensive income / (loss) attributable to the owner of the Group excluding impairments and fair value movements on investment property and financial investments [2]	4,618,425	(477,120)	617,993	501,189	(3,660)	(142,644)	987	8,101	(3,603,728)	(434,570)	1,084,973

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

[2] For reconciliation between 'Total comprehensive income / (loss) attributable to the owner of the Group' and 'Total comprehensive income / (loss) attributable to the owner of the Group excluding impairments and fair value movements on investment property and financial investments', refer to page 42.

4 Operating segments *(continued)*

Reconciliation between "total comprehensive income excluding impairment and fair value movements on investment property and financial investments available to the owner of the Group" and "total comprehensive income attributable to the owner of the Group" is as follows:

	2012 **AED '000**	2011 AED '000
Total comprehensive income / (loss) attributable to the owner of the Group	**1,359,573**	(4,167,729)
Impairment losses on available-for-sale financial assets *(see note 11)*	**1,877,159**	98,559
Impairment losses on property, plant and equipment *(net)(see note 13)*	**585,361**	652,958
Impairment losses on intangible assets *(see note 14)*	**194,209**	29,207
Net change in the fair value of derivatives used as economic hedges *(see note 11)*	**176,217**	439,377
Decrease in fair value of investment properties *(net) (see note 15)*	**105,141**	959,867
Impairment losses on equity accounted investees	**96,000**	471,984
Gain on acquisitions	**-**	(839,228)
Non-controlling interest	**(28,782)**	(19,755)
Net change in fair value of financial investments *(see note 11)*	**(623,663)**	2,491,659
Movements in other comprehensive income - attributable to owner	**(904,540)**	968,074
Total comprehensive income attributable to the owner of the Group excluding impairments and fair value movements on investment property and financial investments	**2,836,675**	1,084,973

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 2012 Revenue AED '000	**2012 Non-current assets[1] AED '000**	For the year ended 31 Dec 2011 Revenue AED '000	2011 Non-current assets[1] AED '000
United Arab Emirates *(country of domicile)*	**5,856,563**	**27,692,387**	4,597,813	26,450,159
United States of America	**9,209,445**	**18,334,681**	7,146,397	9,510,346
Singapore	**4,618,221**	**8,668,936**	3,893,012	11,001,415
State of Qatar	**2,725,870**	**4,447,378**	3,061,535	4,668,767
Thailand	**1,741,435**	**1,293,953**	2,096,243	1,313,735
Germany	**1,045,504**	**17,103,572**	1,124,839	18,547,933
Switzerland	**809,087**	**4,145,221**	1,342,799	4,571,081
United Kingdom	**697,381**	**2,134,874**	857,298	1,363,514
Bahrain	**541,351**	**1,788,219**	470,558	1,272,752
Oman	**6,063**	**1,994,018**	5,491	1,926,063
Others	**4,036,096**	**2,233,936**	3,315,312	1,056,224
	31,287,016	**89,837,175**	27,911,297	81,681,989

Mubadala Development Company PJSC

Notes to the consolidated financial statements

4 Operating segments *(continued)*

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

Major customers

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

	2012	2011
	AED '000	AED '000
Entities under common control		
Entities under common control	**3,109,739**	2,160,282
Aerospace	**920,614**	654,248
Information and Communication Technology	**806,840**	133,164
Industry	**391,499**	270,382
Services	**263,404**	248,378
Real estate and Infrastructure	**142,149**	849,349
Renewable energy	**6,179**	2,609
Healthcare	**390**	1,449
Corporate	**371**	703
	2,531,446	2,160,282
Others		
Oil and gas	**2,425,731**	2,998,622
Semi conductor	**7,001,169**	3,667,152

5 Subsidiaries

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

		Ownership interest	
Subsidiaries	**Domicile**	**2012**	2011
GlobalFoundries Inc.[1]	Cayman Islands	100%	88%
Dolphin Investment Company LLC	UAE	100%	100%
Liwa Energy Limited LLC	UAE	100%	100%
Abu Dhabi Future Energy Company PJSC	UAE	100%	100%
Al Yah Satellite Communications Company PJSC	UAE	100%	100%
Mubadala Petroleum (SE Asia) Limited [2]	Singapore	100%	100%
Take off Top Luxco SA[3]	Luxembourg	100%	70%
Abu Dhabi Finance PJSC	UAE	52%	52%
Abu Dhabi Aircraft Technologies LLC	UAE	100%	100%
Al Hikma Development Company PJSC	UAE	100%	100%
Manhal Development Company PJSC	UAE	51%	51%
Al Maqsed Development Company PJSC	UAE	75%	100%

5 Subsidiaries *(continued)*

Subsidiaries	Domicile	Ownership interest 2012	2011
Fifteenth Investment LLC	UAE	100%	100%
Treasury Holding Company LLC	UAE	100%	100%
National Central Cooling Company PJSC ("Tabreed")	UAE	27%[4]	27%[4]
Nile Acquisition Holding Company Limited [5]	Cayman Islands	46%	-

[1] Subsidiary of Advanced Technology Investment Company LLC *(see also note 5(a)(i))* .

[2] Subsidiary of Beta Investment Company LLC.

[3] Holding Company of SR Technics Group *(see also note 5(a)(ii))* .

[4] In the prior year the Group owned 26.9 percent of the issued share capital of Tabreed through existing shareholding, additional purchase during the prior year and conversion of existing mandatory convertible bond into ordinary shares during the prior year up to 31 March 2011. On 1 April 2011, the Group converted an existing loan of AED 1.7 billion given to Tabreed into mandatory convertible bonds maturing in 2019, with an early conversion call option at the discretion of the Group, which, when considered on a fully diluted basis, increases the Group's effective equity ownership of the investee by an additional 50.9 percent, thereby taking the total effective equity ownership to 77.8 percent. Considering the features of the new mandatory convertible bonds, they were assessed to provide the Group at present with rights incidental to ownership interest in the equity of the investee. Accordingly, on the basis of 77.8 percent *(2012: 79.3 percent)* effective controlling equity interest, Tabreed was consolidated with effect from 1 April 2011, with the remaining 22.2 percent *(2012: 20.7 percent)* attributed to the non-controlling interest holders.

[5] Holding company of equity accounted investee, DH Publishing Limited *(see note 17(b) footnote 1)* .

(a) Acquisition of subsidiaries

i) Acquisition of non-controlling stake in GlobalFoundries Inc.

During the year, the Group has increased its stake in its subsidiary GlobalFoundries Inc. ("GF").

The Group's interest in GF was held through a number of debt and equity instruments until March 2012. During the year, the Group increased its contractual ownership in GF from 88.48 percent as at 31 December 2011 to 89.06 percent as at 3 March 2012.

On 4 March 2012, the Group's ownership stake in GF increased to 100 percent as a result of amendment to the Wafer Supply Agreement ("WSA"), the details of which are outlined below.

Amendment to the WSA and acquisition of non-controlling interest

The Group had a WSA with a non-controlling shareholder in GF, Advanced Micro Devices, Inc. ("AMD"), which is also one of GF's key customers. On 4 March 2012, the Group and AMD entered into an amendment to the WSA which established a wafer price mechanism with negotiated price based on a take-or-pay arrangement in 2012, and a framework for wafer pricing in 2013 and a limited waiver of an exclusivity arrangement with AMD which permitted AMD to manufacture certain 28nm APU products at a competitor for an aggregate consideration of AED 2,581 million. In partial consideration of the limited waiver, AMD agreed to pay AED 1,561 million over installments in 2012. As part of the amendment, for the balance consideration, AMD also agreed to surrender all of its shares in GF. As a result, since 4 March 2012, AMD is no longer a non-controlling shareholder in GF. The Group has recognised the aggregate consideration of AED 2,581 million of the limited waiver as revenue ratably over the 2012 wafer supply period *(see note 6).*

5 Subsidiaries *(continued)*

(a) Acquisition of subsidiaries *(continued)*

ii) Acquisition of non-controlling stake in Take Off Top Luxco SA

On 24 September 2012, Mubadala increased its shareholding in Take Off Top Luxco SA from 70 percent to 100 percent. Considering that the transaction does not change the Group's control over the subsidiary, the increase in ownership interest has been accounted for as an equity transaction with non-controlling interest.

(b) Disposals

(i) Disposal of subsidiaries

During the year, the Group disposed its wholly owned subsidiary, PearlOil (East Muriah) Limited which holds 50 percent working interest in East Muriah PSC. Furthermore, there is disposal of 50 percent working interest in one of concession block in Thailand.

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

	2012	2011
	AED '000	AED '000
Carrying value of the net assets	**809**	19,984
Goodwill on acquisition	**-**	37,110
Gain on disposal of subsidiaries and working interest recognised in profit or loss	**14,062**	16,330
Purchase consideration - net of professional fees	**14,871**	73,424
Cash balances of subsidiaries disposed	**(1,547)**	(20,692)
Net proceeds arising from the disposal	**13,324**	52,732

(ii) Disposal of stake in a subsidiary without loss of control

During the year, the Group disposed of 25 percent stake in one of its subsidiaries. Following the disposal, the Group still controls the subsidiary and retains 75 percent of the ownership interest. During the prior year, the Group disposed of 49 percent stake in one of its subsidiaries. Following the disposal, the Group still controls the subsidiary and retains 51 percent of the ownership interest.

These transactions have been accounted for as equity transactions with non-controlling interests, resulting in the disclosure mentioned on the next page.

5 Subsidiaries *(continued)*

(b) Disposals

(ii) Disposal of stake in a subsidiary without loss of control *(continued)*

	2012	2011
	AED '000	AED '000
Net proceeds from disposal of 25% stake in a subsidiary *(2011: 49%)*	**78,546**	38,816
Net assets attributable to non-controlling interest	**(99,514)**	(158,654)
Decrease in equity attributable to the owner of the Group	**(20,968)**	(119,838)
Represented by:		
Increase in accumulated losses	**(20,968)**	(119,838)

6 Revenue from sale of goods and services

	2012	2011
	AED '000	AED '000
Sale of semi conductor wafers [1]	**14,639,491**	11,611,385
Sale of hydrocarbons [2]	**6,461,541**	7,479,251
Aircraft maintenance and repairs	**5,557,839**	5,599,963
Satellite capacity service revenue	**855,488**	174,650
Revenue from supply of chilled water	**690,727**	529,005
Medical services	**610,236**	425,854
Sale of land	**513,861**	-
Operating lease income	**452,081**	115,700
Contract revenue	**261,516**	205,159
Service concession revenue *(refer note 40)*	**173,321**	844,990
Others	**1,070,915**	925,340
	31,287,016	27,911,297

[1] *See note 5(a)(i)*

[2] Sale of hydrocarbons is recorded net of royalties amounting to AED 394,380 thousand *(2011: AED 462,417 thousand).*

7 Cost of sales of goods and services

	2012	2011
	AED '000	AED '000
Depreciation of property, plant and equipment	**6,698,107**	5,971,463
Staff costs	**4,545,306**	4,741,613
Raw material	**4,467,619**	4,736,743
Maintenance	**1,448,305**	1,461,293
Amortisation of intangible assets	**213,557**	280,001
Service concession cost	**143,443**	577,346
Others	**4,273,780**	4,488,775
	21,790,117	22,257,234

8 Other income *(net)*

	2012	2011
	AED '000	AED '000
Gain / (loss) on disposal of financial assets at fair value through profit or loss	**82,192**	(55,848)
Management fee	**43,425**	67,240
Rental income	**40,253**	89,366
Gain on disposal of available for sale financial assets	**10,954**	-
Income from insurance claim	**6,337**	101,080
Gain on disposal of property, plant and equipment	**4,249**	59,364
Gain on acquisition of stake in subsidiaries [1]	**-**	231,093
Others [2]	**765,361**	278,741
	952,771	771,036

[1] 2011 primarily includes gain on acquisition of stake in National Central Cooling Company PJSC ("Tabreed").

[2] 2012 primarily includes amount relating to fees for construction and delivery of Masdar Institute of Science & Technology campus MIST 1A and 1B *(see note 43(b))* .

9 Research and development expenses

	2012	2011
	AED '000	AED '000
Staff costs	**1,394,769**	815,763
Materials costs	**652,726**	444,582
Joint development agreement fees	**484,902**	448,167
Depreciation of property, plant and equipment	**324,399**	260,622
Maintenance costs	**260,921**	158,049
Amortisation of intangible assets	**157,459**	159,891
Other research and development expenses	**866,208**	659,732
	4,141,384	2,946,806

Research and development expenses primarily represents research and development expenses incurred by ATIC, which is engaged in microprocessor manufacturing process development activities primarily through a joint development agreement with other technology companies.

10 Other general and administrative expenses

	2012 AED '000	2011 AED '000
Staff costs	**2,795,296**	2,497,358
Office expenses	**570,954**	540,349
Depreciation of property, plant and equipment	**532,909**	466,057
Maintenance and repair expenses	**346,372**	110,120
Amortisation of intangible assets	**331,762**	341,537
Public relations	**246,314**	285,057
Other expenses and losses	**991,106**	746,441
	5,814,713	4,986,919

11 Loss from financial investments *(net)*

	2012 AED '000	2011 AED '000
Financial assets / liabilities at fair value through profit or loss		
Net change in fair value of investments	**623,663**	(2,491,659)
Net change in the fair value of derivatives used as economic hedges - not designated for hedge accounting	**(176,217)**	(439,377)
	447,446	(2,931,036)
Available for sale financial assets		
Impairment losses *(see note 18(b)(i))*	**(1,877,159)**	(98,559)
	(1,429,713)	(3,029,595)

Dividend income from financial assets at fair value through profit or loss was AED 257,438 thousand *(2011: AED 164,753 thousand)* and dividend income from available-for-sale financial assets was AED 220,687 thousand *(2011: AED 228,282 thousand).*

12 Finance income and expense

	2012 AED '000	2011 AED '000
Finance income		
Interest income	**2,067,261**	1,937,714
Net foreign exchange gain	**109,927**	38,087
	2,177,188	1,975,801
Finance expense		
Borrowing costs[1]	**(2,549,504)**	(2,791,782)
Net finance expense	**(372,316)**	(815,981)

[1] The Group incurred transaction costs in relation to securing various long term financing facilities *(see note 28)*. These costs, which include legal consultancy charges, facility arrangement and structuring fees, are deducted from the carrying values of the respective loans, and are being amortised using the effective interest method. The amortisation expense is included within the related borrowing costs. The balance of these deferred unamortised costs at 31 December 2012 is AED 397,930 thousand *(2011: AED 519,837 thousand)*.

13 Property, plant and equipment

	Land & Buildings[2, 3] AED '000	Oil and gas assets AED '000	Plant, & office equipment AED '000	Aircraft & aircraft materials[1] AED '000	Computers AED '000	Distribution network AED '000	Others AED '000	Capital work in progress AED '000	Total AED '000
Cost									
At 1 January 2011	2,503,234	10,622,848	1,768,444	2,439,029	186,439	-	58,813	10,402,243	27,981,050
Additions	480,063	1,335,379	374,867	1,202,937	140,999	-	5,137	22,318,968	25,858,350
Acquisition through business combination	7,514,954	-	12,011,196	-	5,537	1,624,646	(21)	7,893,142	29,049,454
Transfer to investment properties *(see note 15)*	-	-	-	-	-	-	-	(81,229)	(81,229)
Disposals	(27,774)	-	(546,202)	(72,385)	(20,285)	(822)	(3,689)	(22,292)	(693,449)
Other transfers	849,133	161,615	14,804,610	7,706	34,345	156,581	76,842	(17,040,874)	(950,042)
Effect of movement in foreign exchange rates	(12,544)	-	(24,939)	7,123	827	-	(25)	(49,436)	(78,994)
At 31 December 2011	11,307,066	12,119,842	28,387,976	3,584,410	347,862	1,780,405	137,057	23,420,522	81,085,140
At 1 January 2012	**11,307,066**	**12,119,842**	**28,387,976**	**3,584,410**	**347,862**	**1,780,405**	**137,057**	**23,420,522**	**81,085,140**
Additions	**46,334**	**1,434,675**	**213,587**	**898,347**	**47,040**	**-**	**1,461**	**14,181,818**	**16,823,262**
Disposals	**(23,676)**	**-**	**(199,154)**	**(277,523)**	**(744)**	**-**	**(451)**	**(10,543)**	**(512,091)**
Transfer to investment properties *(see note 15)*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(225,855)**	**(225,855)**
Transfer to inventories	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(60,367)**	**(60,367)**
Transfer to assets classified as held for sale	**(47,626)**	**-**	**-**	**-**	**-**	**-**	**-**	**(479,136)**	**(526,762)**
Other transfers	**5,771,862**	**139,694**	**8,454,626**	**(22,527)**	**33,400**	**54,194**	**5,330**	**(14,672,171)**	**(235,592)**
Effect of movement in foreign exchange rates	**8,005**	**-**	**32,576**	**71,854**	**905**	**-**	**336**	**85,922**	**199,598**
At 31 December 2012	**17,061,965**	**13,694,211**	**36,889,611**	**4,254,561**	**428,463**	**1,834,599**	**143,733**	**22,240,190**	**96,547,333**

13 Property, plant and equipment *(continued)*

	Land & Buildings[2, 3] AED '000	Oil and gas assets AED '000	Plant, & office equipment AED '000	Aircraft & aircraft materials[1] AED '000	Computers AED '000	Distribution network AED '000	Others AED '000	Capital work in progress AED '000	Total AED '000
Accumulated depreciation and impairment losses									
At 1 January 2011	(106,095)	(3,615,048)	(362,657)	(344,573)	(98,311)	-	(11,674)	(240,718)	(4,779,076)
Charge for the year *(see notes 7,9 and 10)*	(891,239)	(1,216,743)	(4,297,776)	(200,942)	(52,849)	(24,069)	(14,524)	-	(6,698,142)
Other transfers	10,389	26,629	41,759	3,721	(34,822)	1,426	(4,465)	(48,960)	(4,323)
Impairment[4]	(1,642)	-	(17,754)	(11,744)	(25)	-	-	(621,793)	(652,958)
Disposals	27,010	-	245,017	18,628	15,073	222	3,037	-	308,987
Effect of movement in foreign exchange rates	2,284	-	10,319	5,268	(603)	-	81	-	17,349
At 31 December 2011	(959,293)	(4,805,162)	(4,381,092)	(529,642)	(171,537)	(22,421)	(27,545)	(911,471)	(11,808,163)
At 1 January 2012	**(959,293)**	**(4,805,162)**	**(4,381,092)**	**(529,642)**	**(171,537)**	**(22,421)**	**(27,545)**	**(911,471)**	**(11,808,163)**
Charge for the year *(see notes 7,9 and 10)*	**(1,075,890)**	**(1,289,544)**	**(4,754,592)**	**(311,037)**	**(73,138)**	**(36,596)**	**(14,618)**	**-**	**(7,555,415)**
Other transfers	**2,474**	**(2,389)**	**(72,892)**	**-**	**1,936**	**-**	**-**	**-**	**(70,871)**
Transfer to assets classified as held for sale	**7,213**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**7,213**
Impairment[4]	**(173,024)**	**39,233**	**(388,936)**	**-**	**-**	**-**	**-**	**(62,634)**	**(585,361)**
Disposals	**21,348**	**-**	**163,142**	**25,270**	**257**	**-**	**355**	**-**	**210,372**
Effect of movement in foreign exchange rates	**4,687**	**-**	**(14,574)**	**(33,399)**	**(832)**	**-**	**(142)**	**-**	**(44,260)**
At 31 December 2012	**(2,172,485)**	**(6,057,862)**	**(9,448,944)**	**(848,808)**	**(243,314)**	**(59,017)**	**(41,950)**	**(974,105)**	**(19,846,485)**
Carrying amounts									
At 1 January 2011	2,397,139	7,007,800	1,405,787	2,094,456	88,128	-	47,139	10,161,525	23,201,974
At 31 December 2011	10,347,773	7,314,680	24,006,884	3,054,768	176,325	1,757,984	109,512	22,509,051	69,276,977
At 31 December 2012	**14,889,480**	**7,636,349**	**27,440,667**	**3,405,753**	**185,149**	**1,775,582**	**101,783**	**21,266,085**	**76,700,848**

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

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

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

[4] Impairment in the current year primarily relates to, one of the subsidiary in the Group deciding to change the future intended use of certain manufacturing facilities. Accordingly, the subsidiary evaluated the ongoing value of the related long-lived asset groups and recorded an impairment loss at the relevant CGU level. Further based on the ageing analysis performed for some of the assets under construction during the year, the subsidiary determined that some of the assets are obsolete and classified them as held for sale with a fair value of AED nil resulting in impairment. Prior year represents impairment on project costs previously capitalized. Based on management's current estimate these projects were unlikely to materialize. Further, impairment losses in 2011 also included write-off of certain redundant design costs and infrastructure assets of one of the Group companies.

[5] Property, plant and equipment having carrying value of AED 1,238,119 thousand has been pledged as security *(2011: AED 1,415,631 thousand).*

[6] Property, plant and equipment having carrying value of AED 1,137,654 thousand *(2011: AED 1,596,478 thousand)* are held under finance lease.

[7] The amount of borrowing costs capitalised during the year were AED 50,232 thousand *(2011: AED 431,459 thousand)* and the average capitalisation rate used was within the range of 4 to 6 percent *(2011: 2 to 6 percent)* .

Mubadala Development Company PJSC

Notes to the consolidated financial statements

14 Intangible assets

	Exploration licenses AED '000	Trademarks AED '000	Proved and probable oil and gas reserves AED '000	Possible and contingent oil and gas reserves AED '000	Goodwill AED '000	Technology, Licence & Software AED '000	Customer Contracts AED '000	Others AED '000	Total AED '000
Cost									
At 1 January 2011	630,332	2,210,012	2,313,996	1,143,722	593,539	255,135	452,868	1,436,610	9,036,214
Additions	73,470	-	-	-	238,858	326,282	-	293,537	932,147
Acquisition through business combination	-	-	-	-	159,823	1,293,720	270,051	199,628	1,923,222
Disposals	-	-	-	-	(51,004)	(109,522)	-	-	(160,526)
Other transfers	2,007	12,737	(3)	(39,036)	(6,932)	147,425	(132,613)	(122,339)	(138,754)
Effect of movement in foreign exchange rates	-	9,000	-	-	-	406	756	(815)	9,347
At 31 December 2011	705,809	2,231,749	2,313,993	1,104,686	934,284	1,913,446	591,062	1,806,621	11,601,650
At 1 January 2012	**705,809**	**2,231,749**	**2,313,993**	**1,104,686**	**934,284**	**1,913,446**	**591,062**	**1,806,621**	**11,601,650**
Additions	**-**	**-**	**-**	**-**	**-**	**345,791**	**-**	**624,906**	**970,697**
Write off	**(15,568)**	**-**	**-**	**-**	**-**	**(71,846)**	**-**	**(286,643)**	**(374,057)**
Other transfers	**109,060**	**-**	**-**	**-**	**-**	**(76,304)**	**-**	**158,448**	**191,204**
Effect of movement in foreign exchange rates	**-**	**67,055**	**-**	**-**	**-**	**3,372**	**24,520**	**5,915**	**100,862**
At 31 December 2012	**799,301**	**2,298,804**	**2,313,993**	**1,104,686**	**934,284**	**2,114,459**	**615,582**	**2,309,247**	**12,490,356**

14 Intangible assets *(continued)*

Accumulated amortisation and impairment losses	**Exploration licenses AED '000**	**Trademarks AED '000**	**Proved and probable oil and gas reserves AED '000**	**Possible and contingent oil and gas reserves AED '000**	**Goodwill AED '000**	**Technology, Licence & Software AED '000**	**Customer Contracts AED '000**	**Others AED '000**	**Total AED '000**
At 1 January 2011	(84,924)	-	(1,769,316)	(1,034,829)	(548,012)	(72,509)	(38,063)	(598,150)	(4,145,803)
Charge for the year *(see notes 7,9 and 10)*	(78,033)	-	(90,486)	(21,358)	-	(427,623)	(125,630)	(38,299)	(781,429)
Impairment	-	-	-	-	-	(124)	-	(29,083)	(29,207)
Disposals	-	-	-	-	-	103,881	-	-	103,881
Other transfers	-	-	(143,716)	114,254	-	(60,230)	58,712	42,144	11,164
Effect of movement in foreign exchange rates	-	-	-	-	-	(454)	6,686	941	7,173
At 31 December 2011	(162,957)	-	(2,003,518)	(941,933)	(548,012)	(457,059)	(98,295)	(622,447)	(4,834,221)
At 1 January 2012	**(162,957)**	**-**	**(2,003,518)**	**(941,933)**	**(548,012)**	**(457,059)**	**(98,295)**	**(622,447)**	**(4,834,221)**
Charge for the year *(see notes 7,9 and 10)*	**(117,094)**	**-**	**(56,249)**	**(21,534)**	**-**	**(384,353)**	**(61,522)**	**(62,026)**	**(702,778)**
Impairment	**-**	**(156,811)**	**-**	**-**	**(29,838)**	**(7,560)**	**-**	**-**	**(194,209)**
Write off	**15,568**	**-**	**-**	**-**	**-**	**55,827**	**-**	**(187)**	**71,208**
Other transfers	**(55,920)**	**-**	**-**	**-**	**-**	**49,763**	**-**	**57,916**	**51,759**
Effect of movement in foreign exchange rates	**-**	**-**	**-**	**-**	**-**	**(2,083)**	**(16,074)**	**(6,126)**	**(24,283)**
At 31 December 2012	**(320,403)**	**(156,811)**	**(2,059,767)**	**(963,467)**	**(577,850)**	**(745,465)**	**(175,891)**	**(632,870)**	**(5,632,524)**
Carrying amounts									
At 1 January 2011	545,408	2,210,012	544,680	108,893	45,527	182,626	414,805	838,460	4,890,411
At 31 December 2011	542,852	2,231,749	310,475	162,753	386,272	1,456,387	492,767	1,184,174	6,767,429
At 31 December 2012	**478,898**	**2,141,993**	**254,226**	**141,219**	**356,434**	**1,368,994**	**439,691**	**1,676,377**	**6,857,832**

14 Intangible assets *(continued)*

Impairment losses

Based on impairment assessment of hydrocarbons producing oil fields, there is no impairment loss recognised during the year as the recoverable amounts were higher than carrying amounts *(2011: the carrying amounts of intangibles at Bulu and East Muriah fields were assessed and an impairment loss of AED 29,083 thousand was recognised accordingly)*.

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

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

- Cash flows were projected for each field based on the projected production plan of the fields' 2P (proved and probable) reserves.

- Oil prices are based on average Brent spot prices *(2011: Brent future prices)* for the year and are adjusted for quality, transportation fees and regional price differences.

- A post-tax discount rate of 11.4 – 13.5 percent *(2011 : 11 percent to 14.5 percent)* was applied in determining the recoverable amount of the respective units.

The carrying value of AED 2,141,993 thousand *(2011: AED 2,231,749 thousand)* represents trademarks identified during one of the Group's acquisition through business combination. The life of the trademark is assessed as indefinite and is tested for impairment according to the requirements of IFRSs. For this purpose, it is allocated to the identified CGU. The basis of impairment test is value in use calculation. Based on this calculation, impairment of AED 156,811 thousand *(2011: AED nil)* was recognised during the year. The underlying assumptions, which were determined based on external sources, are a royalty rate of 2.4 percent *(2011: 2.4 percent)* of the operating businesses' revenue, a residual life of more than 30 years, a growth rate of 4.1 percent for the first five years after the business plan period and a perpetual growth rate of 3 percent for the years thereafter and a discount rate of 9 percent *(2011: a residual life of more than 30 years, a growth rate of 4.1 percent for the first five years after the business plan period and a perpetual growth rate of 3 percent for the years thereafter and discount rate of 6.8 percent was used)*.

Intangible assets include goodwill amounting to AED 317,842 thousand *(2011: AED 347,680 thousand)*, primarily arising out of acquisition within one of Group's subsidiary. During the year, management of the subsidiary performed goodwill impairment review for goodwill allocated to certain CGUs based on a forecast of cash flows. The recoverable amounts of these CGUs were estimated on the basis of their value in use, which is determined by discounting the future cash flows from the continuing use of wafer fabrication plants. The pre-tax discount rate applied to discount the cash flows is 11 percent and zero growth rate was used to extrapolate the cash flows beyond the ten year period. Based on the results of the goodwill impairment assessment, the management concluded that the recoverable amount of these CGUs is higher than their carrying values and no impairment of goodwill is recorded. However for one another CGU as part of impairment review performed, management decided to write off full amount of goodwill, amounting to AED 29,828 thousand, allocated to this CGU primarily due to negative performance indicators.

14 Intangible assets *(continued)*

Impairment losses (continued)

Key assumptions used and value in use calculations

The calculation of value in use is most sensitive to the following assumptions:

a) Sales prices - sales prices used for revenue projections are based on prevailing price levels and historical trends of change in prices while moving from one technological node to another. Gross margins are based on average values expected to be achieved based on product mix and forecasted demand over the forecast period after adjustment for anticipated efficiency improvements and change in product mix overtime.

b) Discount rates - discount rates represent the current market assessment of the risks specific to the business. The discount rate is derived from the weighted average cost of capital (WACC). WACC takes into account both debt and equity. Cost of equity is derived from the expected return on investment by the Group and cost of debt is based on the interest bearing borrowings which the Group is obliged to service.

c) Market share assumptions - these assumptions are important because, as well as using industry data for growth rates, management assesses how the business position, relative to its competitors, might change over the forecast period. Management expects the Group's share of semi conductor market to moderately grow over the forecast period.

Sensitivity to change in assumptions

With regard to the assessment of value in use of the businesses, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying values of the units to materially exceed their recoverable amounts.

15 Investment properties

	2012	2011
	AED '000	AED '000
Investment properties	**5,284,370**	1,427,800
Investment properties under development	**994,125**	4,209,783
	6,278,495	5,637,583

Movement in investment properties is as follows:

	2012	2011
At 1 January	**1,427,800**	63,353
Transferred from investment property under development	**3,863,795**	-
Transferred from advances	**-**	1,372,519
Decrease in fair value	**(7,225)**	(8,072)
	5,284,370	1,427,800

15 Investment properties *(continued)*

Movement in investment properties under development is as follows:

	2012	2011
	AED ’000	AED ’000
At 1 January	**4,209,783**	4,573,529
Transferred to investment properties	**(3,863,795)**	-
Additions during the year	**520,198**	1,048,507
Transferred from property, plant and equipment *(see note 13)*	**225,855**	81,229
Decrease in fair value *(net)*	**(97,916)**	(951,795)
Transferred to inventories	**-**	(541,687)
	994,125	4,209,783

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 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 for which the property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing, wherein the parties had each acted knowledgeably and willingly. Where appropriate, the specific approved usage of the investment property is given due consideration.

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

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

Investment properties comprise the New Fish Market land, Sowwah Square property, Rihan Heights, Musaffah land, Rosewood, and Masdar City land.

The New Fish Market land is in the city of Abu Dhabi and was granted by the Government of Abu Dhabi. The fair value of this plot of land, amounts to AED 19,097 thousand *(2011: AED 20,981 thousand).*

During the year, as construction completed on a number of components of the Sowwah Square property, all completed components were reclassified from investment properties under development to investment properties. At year end, the fair value of the investment property was AED 3,858,454 thousand *(2011: AED nil)* and the fair value of the investment property under development was AED 578,298 thousand *(2011: AED 4,060,767 thousand).*

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

15 Investment properties *(continued)*

Investment properties of Rihan Heights represents certain purchased units, which based on the intended commercial use, have been classified as investment property. The Group has valued the Rihan Heights units using the income approach through a discounted cash flow technique. Cash flow projections are based on management's estimated future cash inflows, supported by existing leases, current market rents for similar properties and estimated future cash outflows primarily in relation to servicing and repair and maintenance of these units. Based on this valuation the fair value of this investment property as at 31 December 2012 amounts to AED 1,372,519 thousand *(2011 : AED 1,372,519 thousand)* .

The Group values Musaffah land at its fair value amounting to AED 34,300 thousand *(2011: AED 34,300 thousand)*

Within Rosewood development, the lease apartments have been classified as investment property due to the intended commercial use. The Group has valued the Rosewood lease apartments using residual valuation methodology through a discounted cash flow technique. Cash flow projections are based on estimated future cash inflows from anticipated lease rentals and future cash outflows for construction cost and operational expenses. Anticipated lease rentals are based on current market rents for similar properties. Construction cost is based on construction contracts already awarded.

Investment properties of Masdar comprise Masdar City land and the cost of development of few commercial buildings, which includes direct project costs and an appropriate share of the overall city infrastructure works as well as any value enhancing developments. The Group has valued this investment property using residual valuation methodology through a discounted cash flow technique. Valuation is based on estimated future cash inflows expected for the net lettable area and future cash outflows based on construction contracts already awarded for part of the land and estimate of the development costs where contracts have not yet been awarded. The fair value of this property under development amounts to AED 311,152 thousand *(2011 : AED 149,016 thousand)* .

The cash flows from the New Fish Market land, Sowwah Square property, Rosewood, Rihan Heights and Masdar City land are discounted using discount rates ranging from 7.4 - 10.5 percent that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

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

16 Interest in jointly controlled assets

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

Contract area	Held by	Description	Group's working interest 2012 %	Group's working interest 2011 %
Concession blocks in Oman				
Block 53	Liwa Energy Limited	Production stage	**15**	15
Block 62	Sixteenth Investment Company LLC	Exploration & appraisal stage	**32**	32
Concession blocks in Qatar				
Qatar - North Field	Dolphin Investment Company LLC	Production stage	**51**	51
Concession blocks in Kazakhstan				
Block N – Caspian sea	MDC (Oil & Gas N Block Kazakhstan) GMBH	Exploration stage	**24.5**	24.5
Concession blocks in Bahrain				
Bahrain Field	MDC Oil & Gas (Bahrain Field) LLC	Development and production stage	**32**	32
Concession block in Tanzania				
Block 7	MDC Oil & Gas (TZ Block 7) Limited	Exploration stage	**20**	20
Concession blocks in Indonesia				
Sebuku PSC	Pearl Oil (Sebuku) Ltd.	Development stage	**70**	70
Kerapu PSC	Pearl Oil (Tachylyte) Limited	Exploration stage	**100**[1]	100[1]
Concession blocks in Thailand				
B5/27	Pearl Oil (Thailand) Limited	Production stage	**100**[1]	100[1]
G1/48	Pearl Oil (Amata) Limited	Development stage	**40**	40
	Pearl Oil (G1) Limited	Development stage	**20**	20
G6/48	Pearl Oil (Amata) Limited	Exploration Stage	**40**	40
	Pearl Oil (G3 - G6) Limited	Exploration Stage	**20**	20
G10/48	Pearl Oil (Thailand) Limited	Exploration Stage	**50**	50
	Pearl Oil (G2-G10) Limited	Exploration stage	**25**	25
G2/48 [2]	Pearl Oil Offshore Limited	Exploration stage	**50**	100
G11/48	Pearl Oil Bangkok Limited	Exploration stage	**50**	50
	Pearl Oil (G11) Limited	Exploration stage	**25**	25
G3/48	Pearl Oil (Aoa Thai) Limited	Exploration stage	**40**	40
	Pearl Oil (G3-G6) Limited	Exploration stage	**20**	20

16 Interest in jointly controlled assets *(continued)*

Contract area	Held by	Description	Group's working interest 2012 %	2011 %
Concession blocks in Thailand *(continued)*				
G2/50	Pearl Oil (Petroleum) Limited	Exploration stage	**100[1]**	100[1]
Concession blocks in Vietnam				
07/03 PSC [3]	Pearl Oil (Ophiolite) Limited	Exploration stage	**25**	15
04/02 PSC	Pearl Oil (Tephrite) Limited	Exploration stage	**90**	90
135/136 PSC	Pearl Oil (Vung May) Limited	Exploration stage	**20**	20
133/134 PSC	Pearl Oil (133 / 134) Limited	Exploration stage	**15**	15
Concession block in Malaysia				
SK320	MDC Oil & Gas (SK 320) Limited	Exploration stage	**75**	75
PM324	MDC Oil & Gas (PM 324) Limited	Exploration stage	**20**	20

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

[2] During the year, the Group disposed its working interest of 50 percent in the Block G2/48 through its subsidiary Pearl Oil (Offshore) Limited.

[3] During the year, the Group through is subsidiary Pearl Oil (Ophiolite) Limited, acquired additional working interest of 10 percent in Block 07/03, Offshore Vietnam.

17 Investments in equity accounted investees

Income from investments in equity accounted investees

	2012	2011
	AED '000	AED '000
Share of results of jointly controlled entities	**909,078**	1,685,299
Share of results of associates	**795,589**	905,549
Gain on disposal of investment in equity accounted investees	**48,380**	81,951
	1,753,047	2,672,799

(a) Investments in associates

The Group has the following significant interests in associates:

	Beneficial ownership interest [1]		
	2012	2011	**Principal business activity**
Aldar Properties PJSC ("Aldar")	**49**	49	Development, sales, investment, construction and associated services for real estate
Emirates Integrated Telecommunications Company PJSC ("Du") [2]	**20.1**	19.8	Provision of telecommunication services
Advanced Micro Devices, Inc. ("AMD") [3]	**15**	-	Global semi conductor company involved in sale and supply of x86 microprocessors, graphics, video and multimedia products
Qatar Central Cooling Company PJSC [4]	**44**	44	Construct, own, assemble, install, operate and maintain cooling and air conditioning systems, distribution and sale of chilled water for use in district cooling technologies
Abu Dhabi Ship Building PJSC ("ADSB")	**40**	40	Ship building
Torresol Energy Investment SA	**40**	40	Develop, own and operate solar power plants
SMN Power Holding Company S.A.O.G. [5]	**30.9**	30.9	Special purpose entity for holding power sector investments

[1] Beneficial ownership in certain cases may differ from legal ownership.

[2] Effective 1st November 2011 following its decision to increase its stake in Du which as at 31 December 2012 was at 20.1 percent, the Group changed its classification of the investment in shares from available for sale investment to Investment in associate. Following the decision to increase, the Group now exercises significant influence over Du. The results of operations of Du have been accounted for under the equity method of accounting since 1st November 2011. The fair value of Du as of acquisition date was deemed the carrying amount of investment in associate at the date of reclassification.

17 Investments in equity accounted investees *(continued)*

(a) Investments in associates *(continued)*

The fair value reserve associated with Du is kept as part of equity reserves until the investment is sold, collected, or is determined to be impaired.

The Group's share of values based on a purchase price allocation exercise are as follows:

	AED '000
Total assets	**2,899**
Total liabilities	**(1,094)**
Net assets value	**1,805**
Goodwill	**820**
Carrying value at the time of acquisition	**2,625**

[3] During the current year, following the acquisition of significant influence in AMD the Group changed its classification of its investment in shares of AMD from available for sale and fair value through profit or loss to Investment in an associate. The results of operations of AMD have been accounted for under the equity method of accounting since 1st October 2012 considering ordinary shareholding only which as at 1 October 2012 was at 15 percent. The warrants which constitute approximately 5 percent of AMD whilst considered for significant influence assessment, continue to be accounted at fair value through profit and loss account. The fair value of AMD as of acquisition date of AED 1,320,697 thousand, was deemed the carrying amount of investment in associate at the date of reclassification. The fair value reserve associated with AMD is kept as part of the consolidated statement of changes in equity until the investment is sold, collected, or is determined to be impaired.

The Group's share of provisional values of purchase price allocation are as follows:

	AED '000
Total assets	**3,107,781**
Total liabilities	**(1,998,384)**
Net assets value	**1,109,397**
Goodwill	**211,300**
Carrying value at the time of acquisition	**1,320,697**

[4] Became associate through acquisition of Tabreed in the prior year *(see note 5 footnote 4).*

[5] During the prior year, the Group had transferred the assets held by SMN Power Holding Company JAFZA (SMN JAFZA) to SMN Power Holding Company SAOC (SMN SAOC), a company existing under the laws of the Sultanate of Oman. As a part of the restructuring, the Group received an interest in SMN SAOC equivalent to the interest held in SMN JAFZA. SMN SAOC was converted into a public company, SMN Power Holding Company SAOG (SMN SAOG). SMN SAOG made a public offer of 35 percent of its issued share capital and was listed on Muscat Securities market on 23 October 2011, with each of the initial shareholders selling 35 percent of its shareholding. The Group's share was reduced from 47.5 percent, to 30.875 percent as a result of public offering. The restructuring and public listing satisfied obligations in accordance with an agreement entered into between the initial shareholders and the government of Oman. The Group had recognised a profit of AED 82 million in the consolidated statement of comprehensive income in the prior year, on this transaction.

17 Investments in equity accounted investees *(continued)*

(a) **Investments in associates** *(continued)*

	2012	2011
	AED'000	AED'000
Fair values of investments in listed associates		
Du	**3,200,138**	2,610,408
Aldar	**2,452,176**	1,839,984
AMD *(see footnote 3 above)*	**943,355**	-
SMN Power Holding Company S.A.O.G	**264,620**	213,946
ADSB	**78,779**	127,063

The movements in investment in associates are set out below:

	2012	2011
	AED'000	AED'000
At 1 January	**8,178,287**	1,237,679
Share of results for the year	**795,589**	905,549
Addition during the year	**109,737**	545,290
Acquisition through business combinations	**-**	366,172
Share of movements in hedging reserves	**(39,342)**	(18,862)
Share of movements in translation reserves	**9,211**	(14,581)
Transferred to jointly controlled entities	**(4,334)**	-
Transferred from jointly controlled entities	**-**	(135,503)
Transferred from financial investments	**1,320,697**	5,404,314
Dividends received	**(281,906)**	(78,836)
Intercompany income eliminated	**(206,428)**	(32,935)
Other movements	**33,782**	-
	9,915,293	8,178,287
Impairment [1]	**(825,788)**	(825,788)
At 31 December	**9,089,505**	7,352,499
Disclosed as:		
Investment in associates	**9,089,505**	7,386,281
Due to associates	**-**	(33,782)
	9,089,505	7,352,499

[1] Impairment includes a charge of AED nil *(2011: AED 471,984 thousand).* Prior year charge primarily includes an amount of AED 360,042 thousand arising from existence of internal and external indicators, for decline in value of one of Group's investment in associates.

17 Investments in equity accounted investees *(continued)*

(a) Investments in associates *(continued)*

Summary financial information for associates, not adjusted for the percentage ownership of the Group as follows:

	2012	2011
	AED '000	AED '000
Total assets	**78,795,838**	60,186,952
Total liabilities	**55,396,126**	45,226,311
Revenue	**28,064,450**	18,000,521
Profit	**1,486,721**	1,870,363

(b) Investments in jointly controlled entities

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

Jointly controlled entities	**Domicile**	**Beneficial Ownership interest %**		**Principal business activity**
		2012	2011	
Dolphin Energy Limited ("DEL")	UAE	51	51	Procurement, distribution and marketing of hydrocarbons (natural gas)
Advanced Military Maintenance Repair and Overhaul Center LLC (AMMROC)	UAE	60	60	Fully' integrated military aircraft, supply chain management, modification/upgrade, maintenance, repair and overhaul center
MGE Holdings LP	Bermuda	50	50	Commercial finance business, asset management and investment activities
Mubadala GE Capital	UAE	50	50	Commercial finance business, asset management and investment activities
Emirates Aluminium Company Limited PJSC ("EMAL")	UAE	50	50	Develop, construct, operate, finance and maintain aluminium smelter
Emirates Ship Investment Company LLC ("Eships")	UAE	50	50	Cargo transportation and other marine services
DH Publishing Limited [1]	United States	27.4	-	Music publishing
EMTS Holding B.V.	Netherlands	30	30	Special purpose entity for holding telecom investments

[1] On 29 June 2012, the Group acquired a controlling interest, through 45.52 percent effective equity ownership and Board of Directors representations, in 'Nile Acquisition Holding Company Limited', a limited liability company incorporated in Cayman Islands ("NAHCL"). The Group consolidates NAHCL since 29 June 2012 as a subsidiary with 54.48 percent non-controlling interest *(see note 5 footnote 5)*. NAHCL invested into 60.16 percent of equity ownership of 'DH Publishing Limited', a limited liability company incorporated in Cayman Islands ("DH JV"). NAHCL accounts for DH JV as an equity accounted joint venture. DH JV was formed to acquire the music publishing business of EMI Group Limited.

As of 31 December 2012, the allocation of purchase price is being completed. Consequently, an amount of AED 1,775,525 thousand was recognised as an investment in a jointly controlled entity and a corresponding non-controlling interest of AED 967,355 thousand has been recognised.

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

17 Investments in equity accounted investees *(continued)*

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

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

	2012	2011
	AED '000	AED '000
At 1 January	**5,169,855**	4,520,302
Additions during the year	**4,379,135**	355,978
Acquisition through business combinations	**-**	350,298
Disposals during the year	**(176,131)**	(18,582)
Share of results for the year	**909,078**	1,685,299
Dividends received during the year	**(2,534,070)**	(1,203,207)
Share of movements in translation reserves	**65,525**	16,830
Share of movements in hedging reserves	**(19,931)**	(249,724)
Share of movement in other reserves	**11,156**	-
Other transfers	**12,889**	95,539
Transfer to loans	**-**	(446,114)
Exchange fluctuation	**(30,953)**	46,281
Intercompany income eliminated	**(224,013)**	(63,094)
Other movements	**16,485**	80,049
	7,579,025	5,169,855
Impairment	**(148,257)**	(148,257)
At 31 December	**7,430,768**	5,021,598
Disclosed as:		
Investment in jointly controlled entities	**8,697,641**	5,812,139
Due to jointly controlled entities[1]	**(1,266,873)**	(790,541)
	7,430,768	5,021,598

[1] In certain jointly controlled entities the Group's share of losses of those entities exceeded its interest in those entities. The shares of losses exceeding the Group's interests in such entities have been presented within current liabilities in the consolidated statement of financial position, since the Group has a constructive or legal obligation to contribute to such losses.

17 Investments in equity accounted investees *(continued)*

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

Summary financial information for jointly controlled entities, adjusted for the percentage ownership of the Group:

	2012	2011
	AED '000	AED '000
Current Assets	**19,271,695**	17,869,698
Non Current Assets	**31,350,055**	24,709,350
Current Liabilities	**20,427,602**	22,244,857
Non Current Liabilities	**23,327,919**	15,016,207
Income	**13,251,284**	14,003,045
Expenses	**12,423,186**	12,327,091

18 Financial investments

	2012	2011
	AED '000	AED '000
Financial assets at fair value through profit or loss		
- quoted securities	**8,694,534**	8,228,122
- funds	**2,843,881**	2,274,006
- convertible bonds issued by related parties[1]	**609,325**	470,914
- unquoted securities	**551,025**	-
- other bonds	**188,755**	1,108,595
- investments held for trading	**51,452**	46,506
- derivative assets	**60,520**	94,739
	12,999,492	12,222,882
Available for sale financial assets		
- quoted securities	**4,890,503**	2,914,111
- unquoted securities[2]	**719,935**	4,492,870
	5,610,438	7,406,981
Other derivative assets	**88,792**	-
At 31 December	**18,698,722**	19,629,863
Disclosed in the consolidated statement of financial position as:		
Less: current portion	**(2,742,805)**	(1,453,996)
Non-current portion	**15,955,917**	18,175,867

18 Financial investments *(continued)*

a) Financial assets at fair value through profit or loss

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

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

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

[1] Convertible bonds issued by related parties primarily comprise mandatory convertible bonds acquired in the year 2011, carrying interest rates ranging from 0 percent to 4 percent and maturing in the year 2013-2014. These are convertible only at maturity date at a predetermined conversion rate or at any earlier date as mutually agreed between the parties. Conversion rates are adjusted in case new shares are issued or bonus shares are declared. Such bonds are not transferable without the prior approval of the issuer. Upon conversion, shares are restricted from being sold in the market for a certain time and/or exceeding certain quantities.

b) Available for sale financial assets

i) Quoted securities

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

Included under available for sale financial assets, is one of the Group's investment in an asset management firm, which was carried in December 2011 at cost less impairment on the basis that a reliable measure of the fair value was not available and accordingly classified under unquoted securities in the prior year. During the current year, this asset management firm has completed a partial Initial Public Offering (IPO), following which management revised its basis of measurement from cost less impairment basis to fair value and accordingly this investment is now disclosed under quoted securities. Prior to designation at fair value, management assessed the investment for impairment and recognised an amount of AED 1,877,159 thousand *(2011: AED nil)* as an impairment charge. *(see note 11)*.

ii) Unquoted securities

Unquoted securities are carried at cost less impairment, since no reliable measure of fair value is available. There was a net decrease of AED 223 thousand *(2011: net decrease of AED 461 thousand due to disposal of an investment)* in the carrying value of unquoted securities due to exchange loss recognised in other comprehensive income during the year.

The value of the Group's investments in unquoted securities which are carried at cost less impairment was reassessed at the reporting date. The recoverable values of the investments were reassessed based on the current market conditions. Based on the reassessment, no impairment losses were recognised by the Group except discussed in note 18(b)(i) above.

18 Financial investments *(continued)*

b) Available for sale financial assets (continued)

ii) Unquoted securities (continued)

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

In assessing the impairment on this unquoted investment, assumptions used are risk adjusted discount factors 6.8 percent *(2011: 7.2 percent)*, exit cap rates from 5.2 percent to 5.8 percent *(2011: from 5.6 percent to 5.9 percent)*, and rent growth rates from 4.5 percent to 4.8 percent *(2011: 4.5 percent to 4.8 percent)* were used.

19 Loans receivable

	2012	2011
	AED '000	AED '000
Loans to jointly controlled entities	**15,423,942**	6,143,738
Loans to associates	**181,865**	101,296
Loans to related parties	**15,605,807**	6,245,034
Loans to third parties	**12,946,766**	8,318,797
	28,552,573	14,563,831
Less: current portion	**(3,256,979)**	(2,475,837)
Non-current portion	**25,295,594**	12,087,994

Loans given to third parties mentioned above are disclosed net of provision amounting to AED 72,902 thousand *(2011: AED 45,917 thousand).* There is no provision on loans given to related parties.

Loans to related parties

The significant loans to related parties include the following:

Loans given to a joint venture, in the amount of AED 4,734,002 thousand *(2011: AED 1,750,176 thousand)* and AED 2,497,660 thousand *(2011: AED 284,597 thousand),* which carry interest at LIBOR plus margin and are repayable on demand.

Loans given to a joint venture, in the amount of AED 2,228,264 thousand *(2011: AED 1,933,192 thousand),* AED 555,817 thousand *(2011: AED 503,882 thousand), and AED 557,053 thousand (2011: AED 483,287 thousand)* which carry fixed interest and mature in 2014, 2017 and 2014 respectively.

Loans given to a joint venture, in the amount of AED 244,088 thousand *(2011: AED 178,356 thousand)* which carries interest at EIBOR plus margin and AED nil *(2011: AED 111,943 thousand)* which carried fixed interest. At year end, out of the total outstanding balance, AED 29,888 thousand is due in 2013 and AED 214,200 thousand is due in 2014.

19 Loans receivable *(continued)*

Loans to related parties (continued)

Loans given to a joint venture, in the amount of AED 4,285,480 thousand *(2011: AED 414,894 thousand)* which carry interest at LIBOR plus margin and fixed interest and these loans mature from 2013 to 2020.

Loans to third parties

The significant loans to third parties include the following:

Loan given to a third party, in the amount of AED 7,347,000 thousand *(2011: nil)*, which carries 7.5 percent interest rate and matures in 5 years with an option to extend it for another 2 years. The Group holds collateral against the loans in the form of security interests over shares, corporate and personal guarantees.

Loans given to third parties include commercial loans amounting to AED 3,941,646 thousand *(2011: AED 6,206,541 thousand),* which carry interest at varying rates and having different maturities. The Group holds collateral against these commercial loans in the form of security interests over physical assets, corporate and personal guarantees.

Loan given to a third party, in the amount of AED 928,718 thousand *(2011: AED 805,375 thousand),* which carries fixed interest and mature in 2014.

Loan given to a third party, in the amount of AED 470,000 thousand *(2011: AED 470,000 thousand)*, which is an interest free loan and is repayable on demand. This loan is secured partly by bonds.

20 Inventories

	2012 **AED '000**	2011 AED '000
Work in progress	**2,818,144**	2,031,794
Land held for sale *(see note 36(a)(i))*	**2,481,404**	2,556,813
Building held for sale	**1,217,936**	-
Inventory under development	**121,763**	1,072,598
Consumables	**539,112**	474,838
Maintenance spares	**388,666**	429,039
Drilling materials	**412,884**	340,452
Raw material	**224,085**	120,985
Medical supplies	**45,585**	32,969
Others	**237,076**	198,689
	8,486,655	7,258,177
Less: provision for obsolescence	**(577,432)**	(874,693)
	7,909,223	6,383,484

21 Receivables and prepayments

	2012 AED '000	2011 AED '000
Non-current portion		
Service concession receivables[1]	**6,685,777**	7,059,891
Receivable against sale of land	**725,623**	371,521
Restricted and long term deposits[2]	**70,000**	750,000
Amounts due from related parties *(see note 33(d))*	**19,884**	-
Other long term receivables and advances	**756,825**	725,878
	8,258,109	8,907,290
Current portion		
Amounts due from related parties *(see note 33(d))*	**6,074,794**	3,931,592
Trade receivables	**3,067,621**	4,225,264
Restricted and long term deposits[2]	**1,496,374**	311,675
Service concession receivables[1]	**968,278**	971,184
Prepaid expenses	**603,333**	758,908
Receivables against government grants *(see note 36(b))*	**530,733**	1,208,086
Interest receivable from third parties	**459,199**	270,976
Contract work in progress	**360,987**	541,677
Sales tax recoverable	**341,536**	488,056
Advances to contractors	**269,230**	598,350
Receivable against sale of land	**-**	96,383
Other receivables	**1,728,210**	1,535,780
	15,900,295	14,937,931
Less: allowance for impairment	**(259,586)**	(201,058)
	15,640,709	14,736,873

[1] Service concession receivables primarily represent receivables from related parties, on account of services relating to the construction of buildings for certain universities and facility management services. Service concession receivables will be recovered over the respective concession periods of the universities *(see note 40).* Details are shown below:

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

	2012 AED '000	2011 AED '000
Opening balance	**8,031,075**	7,341,527
Effective interest on receivables	**569,785**	598,635
Attributable profits	**27,471**	263,255
Costs incurred during the year	**18,482**	488,977
Less: transferred to intangible assets	**(15)**	(2,658)
Less: availability charges received	**(992,743)**	(658,661)
	7,654,055	8,031,075
Non-current portion	**6,685,777**	7,059,891
Current portion	**968,278**	971,184
	7,654,055	8,031,075

22 Assets classified as held for sale

	2012	2011
	AED ’000	AED ’000
Assets classified as held for sale [1]	**609,857**	133,290

[1] 2012 includes primarily certain offshore transmission assets held by the Group in connection with one of its power generation projects. These transmission assets as per United Kingdom’s regulatory requirements are required to be sold out through a regulated tender process. This regulated tender process for sale is substantially completed and sale of these transmission assets is expected to take place during 2013.

23 Finance lease receivables

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

	2012	2011
	AED '000	AED '000
At 1 January	**1,534,147**	-
Acquisition through business combination	**-**	1,082,228
Transfers from capital work in progress during the period	**-**	435,000
Finance lease income	**126,555**	80,672
Lease rentals received during the period	**(110,676)**	(63,753)
Other movements	**3,218**	-
At 31 December	**1,553,244**	1,534,147

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

	2012		2011	
	Minimum lease payments AED '000	**Present value of payments AED '000**	Minimum lease payments AED '000	Present value of payments AED '000
Within one year	**125,522**	**120,220**	110,676	105,582
After one year but not more than five years	**506,396**	**396,375**	501,327	393,034
After five years	**3,278,366**	**1,036,649**	3,405,739	1,035,531
Total	**3,910,284**	**1,553,244**	4,017,742	1,534,147
Less: amount representing finance charges	**(2,357,040)**	**-**	(2,483,595)	-
Present value of minimum lease payments	**1,553,244**	**1,553,244**	1,534,147	1,534,147

23 Finance lease receivables *(continued)*

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

	2012 AED '000	2011 AED '000
Current	**120,220**	105,582
Non-current	**1,433,024**	1,428,565
	1,553,244	1,534,147

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

The discount rate used to determine the present value of the finance lease receivables at inception of the leases ranges between 7 - 9 percent. This rate is assessed based on the risk associated with the asset and the credit rating of the customer.

24 Cash and cash equivalents

	2012 AED '000	2011 AED '000
Bank balances:		
- deposit accounts	**7,581,937**	10,720,945
- call and current accounts	**4,142,572**	3,806,474
Cash in hand	**2,866**	1,834
	11,727,375	14,529,253
Bank overdrafts	**(2,695)**	(5,165)
Cash and cash equivalents for the purpose of the statement of cash flows	**11,724,680**	14,524,088

Deposit and call accounts are placed with commercial banks and are short-term in nature. Deposit and call accounts earn interest at prevailing market rates. Deposit accounts include AED 1,082,741 thousand *(2011: AED 1,147,279 thousand)* held with entities under common control *(see note 33(d))*. The Group's exposure to credit, currency and interest rate risk related to cash and cash equivalents is disclosed in note 38.

25 Operating lease receivables

Operating lease receivables of the Group are as follows:

	2012 AED '000	2011 AED '000
Within one year	**702,370**	453,573
After one year but not more than five years	**3,098,185**	2,226,983
After five years	**4,889,315**	4,488,640
	8,689,870	7,169,196

26 Payables and accruals

	2012 AED ’000	2011 AED ’000
Accrued expenses	**3,524,623**	3,580,268
Trade payables	**2,552,709**	5,275,428
Unearned revenue [1]	**1,621,858**	249,610
Deposit from the Shareholder [2] *(see note 33(d))*	**675,570**	665,646
Staff costs payable	**662,390**	445,130
Amounts due to related parties *(see note 33(d))*	**580,810**	511,621
Interest free loan from the Shareholder [3] *(see note 33(d))*	**399,106**	372,260
Provision for staff terminal benefits	**343,174**	304,677
Retentions payable	**315,277**	467,214
Provisions	**251,387**	468,693
Advance from an associate *(see note 33(d))*	**73,869**	400,000
Other payables	**3,307,601**	3,877,703
	14,308,374	16,618,250

[1] Included above is unearned revenue with regard to an agreement amendment within one of the Group's subsidiaries. During 2012 the subsidiary, entered into an agreement amendment with one of its customer which establishes the products to be delivered by the subsidiary to its customer over a fifteen month period ending 31 December 2013, and the related pricing. Also, the customer will pay the Group a termination fee of AED 1,175,520 thousand in consideration for release of certain contractual volume obligations. In the absence of standalone values, the Group has determined the components of the arrangements constitute a combined unit of accounting and consequently, will recognise the termination fee in proportion to the volume of products sold through 31 December 2013. The Group recognised AED 77,143 thousand in revenue during the year ended 31 December 2012, and recorded deferred revenue of AED 1,098,377 thousand which is included under unearned revenue *(see note 33(d)).*

[2] Deposit from the Shareholder has original maturity of less than three months and at the reporting date carried an annual effective interest rate of 1.46 percent per annum (2011: 1.51 percent per annum).

[3] The loan was a liability transfer from Gulf Aircraft Maintenance Company ("GAMCO"). In July 1991, GAMCO obtained an interest free loan amounting to AED 505 million from the Government of Abu Dhabi with no fixed repayment terms. Under the terms of the revised loan agreement dated 31 December 1994, the loan was to be repaid in annual instalments, each equal to 80 percent of GAMCO’s annual profit, commencing from the year ended 31 December 1996. The total payments made until 2003 amounted to AED 15.46 million and the instalments due until the current year are classified in the statement of financial position as short-term obligations. The fair value of the loan is not equivalent to its carrying value due to the fact that it is non-interest bearing. However, as there is no repayment date, a fair value cannot be reasonably determined.

The Group’s exposure to currency, liquidity and interest rate risk related to payables and accruals is disclosed in note 38.

27 Financial liabilities at fair value

	2012	2011
	AED '000	AED '000
Non-current portion		
Derivatives		
Derivatives that are designated and effective as hedging instruments carried at fair value[1]		
- interest rate swaps	**597,092**	598,075
Financial liabilities carried at fair value through profit or loss[2]		
- interest rate swaps	**1,006,732**	798,342
- foreign exchange forward contracts	**9,634**	644
	1,613,458	1,397,061
Current portion		
Derivatives		
Derivatives that are designated and effective as hedging instruments carried at fair value[1]		
- interest rate swaps	**142,720**	153,453
- foreign exchange forward contracts	**17,662**	93,934
	160,382	247,387
Financial liabilities carried at fair value through profit or loss		
- interest rate swaps[2]	**29,322**	25,112
- foreign exchange forward contracts[2]	**23,305**	62,193
- equity options	**13,102**	41,726
- equity swaps	**11,673**	3,244
	77,402	132,275
Other financial liabilities		
Exchange traded securities[3]	**153,651**	89,648
	391,435	469,310

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

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

Foreign exchange forward contract

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

27 Financial liabilities at fair value

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

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

[3] 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 statement of financial position in liabilities under financial liabilities at fair value through profit or loss. These positions are shown as financial liabilities at fair value through profit or loss until they are realised, when they are shown in the statement of comprehensive income as net gain or loss on financial liabilities at fair value through profit or loss. The theoretical risk of loss from short sales is unlimited.

28 Interest bearing borrowings

	2012	2011
	AED '000	AED '000
Unsecured bank borrowings	**2,719,503**	3,299,463
Unsecured borrowing	**1,555,045**	1,015,689
Secured bank borrowing	**1,299,899**	718,136
Others	**46,010**	20,015
Current portion	**5,620,457**	5,053,303
Unsecured corporate bonds	**12,889,380**	12,930,937
Secured bank borrowings	**10,880,039**	13,755,111
Unsecured bank borrowings	**8,372,440**	6,551,135
Unsecured borrowings	**3,364,343**	4,886,974
Non-current portion	**35,506,202**	38,124,157

28 Interest bearing borrowings *(continued)*

Terms and debt repayment schedule

Particulars	Entity name / Project name	Currency	Nominal interest rate	Year of maturity	**31 Dec 2012 Carrying amount AED '000**	31 Dec 2011 Carrying amount AED '000
Current						
Secured bank loan [2]	Al Hikma Development Company PJSC (UAE University)	USD	LIBOR + margin	2013	**105,534**	96,559
Secured bank loan [2]	Manhal Development Company PJSC (Sorbonne University)	USD	LIBOR + margin	2013	**47,836**	46,479
Secured bank loan [2]	Manhal Development Company PJSC (Sorbonne University)	AED	EIBOR + margin	2013	**15,946**	15,493
Secured bank loan [2]	Al Maqsed Development Company PJSC (Zayed University)	USD	LIBOR + margin	2013	**53,517**	49,923
Secured bank loan [2]	Al Maqsed Development Company PJSC (Zayed University)	AED	EIBOR + margin	2013	**97,960**	91,382
Secured bank loan [7]	National Central District Cooling Company PJSC- Tabreed Islamic Finance	AED	EIBOR + margin	2013	**22,893**	11,110
Secured bank loan [7]	National Central District Cooling Company PJSC	USD / AED / OMR	LIBOR/EIBOR + margin	2013	**135,382**	72,810
Secured bank loan [1]	Abu Dhabi Aircraft Technologies LLC	AED	EIBOR + margin	2013	**30,000**	30,000
Secured bank loan [4]	SR Technics	CHF/EUR/USD	LIBOR + margin	2013	**139,485**	235,194
Secured bank loan [8]	Sanad Aero 1 Limited	USD	LIBOR + margin	2013	**38,095**	37,053
Secured bank loan [9]	Sanad Aero Solutions Investment LLC	USD	LIBOR + margin	2013	**30,066**	-
Secured bank loan [10]	Sanad Aero Ireland 1 Limited	USD	LIBOR + margin	2013	**45,066**	-
Secured bank loan [5]	Mubadala Development Company PJSC	AED	Fixed coupon	2013	**480,411**	-
Secured bank loan [1]	Abu Dhabi Aircraft Technologies LLC	USD	LIBOR + margin	2013	**6,268**	12,888
Secured bank loan [1]	Abu Dhabi Aircraft Technologies LLC	AED	EIBOR + margin	2013	**51,440**	19,245
Unsecured bank loan	Beta Investment Company LLC	USD	LIBOR + margin	2012	**-**	255,532
Unsecured bank loan	MDC - GMTN B.V. - Commercial Paper	USD/GBP/HKD/CHF	Fixed coupon	2013	**1,879,218**	625,776
Unsecured bank loan	Mubadala Corporate EUR Term Loan	EUR	EURIBOR + margin	2012	**-**	1,174,749
Unsecured bank loan	Mubadala - Corporate revolver	GBP	LIBOR + margin	2013	**177,987**	170,253
Unsecured bank loan	Al Yahsat Communications Company PJSC	USD	LIBOR + margin	2013	**239,078**	122,681
Unsecured bank loan	ATIC - EXIM guaranteed loan	USD	LIBOR + margin	2012	**-**	216,736
Unsecured bank loan	ATIC - EXIM guaranteed loan	USD	LIBOR + margin	2013	**423,220**	426,319
Unsecured bank loan	ATIC - Societe Generale term loan	USD	LIBOR + margin	2012	**-**	87,415
Unsecured bank loan	ATIC - JBIC / SMBC term loan (Tranche B)	USD	LIBOR + margin	2012	**-**	109,127
Unsecured bank loan	ATIC - JBIC / SMBC term loan (Tranche A)	USD	Fixed coupon	2012	**-**	110,875
Unsecured notes	ATIC - Senior notes	USD	Fixed coupon	2013	**972,280**	-
Unsecured loan	Dolphin Investment Company LLC	USD	LIBOR + margin / Fixed	2013	**204,156**	446,275
Unsecured loan	Abu Dhabi Aircraft Technologies LLC	USD	Fixed coupon	2013	**374,340**	565,180
Unsecured loan	The Specialist Diabetes Treatment and Research Centre LLC	AED	Fixed coupon	2013	**4,269**	4,234
Unsecured deposits	Abu Dhabi Finance	AED	EIBOR + margin	2013	**46,010**	20,015
Current total					**5,620,457**	5,053,303

28 Interest bearing borrowings *(continued)*

Terms and debt repayment schedule *(continued)*

Particulars	Entity name / Project name	Currency	Nominal interest rate	Year of maturity	31 Dec 2012 Carrying amount AED '000	31 Dec 2011 Carrying amount AED '000
Non-Current						
Secured bank loan [2]	Al Hikma Development Company PJSC (UAE University)	USD	LIBOR + margin	2014-2022	**1,121,985**	1,227,518
Secured bank loan [2]	Manhal Development Company PJSC (Sorbonne University)	USD	LIBOR + margin	2014-2028	**719,688**	767,524
Secured bank loan [2]	Manhal Development Company PJSC (Sorbonne University)	AED	EIBOR + margin	2014-2028	**239,896**	255,841
Secured bank loan [2]	Al Maqsed Development Company PJSC (Zayed University)	USD	LIBOR + margin	2014-2019	**1,159,603**	1,213,120
Secured bank loan [2]	Al Maqsed Development Company PJSC (Zayed University)	AED	EIBOR + margin	2014-2019	**2,122,601**	2,220,562
Secured bank loan [3]	Sigma Investment Company (BVI) (PTC) Limited (GE margin loan)	USD	LIBOR + margin	2015	**1,345,869**	1,332,890
Secured bank loan [4]	SR Technics	CHF/EUR/USD	LIBOR + margin	2014-2017	**750,734**	883,832
Secured bank loan [8]	Sanad Aero 1 Limited	USD	LIBOR + margin	2023	**375,099**	412,722
Secured bank loan [9]	Sanad Aero Solutions Investments LLC	USD	LIBOR + margin	2018	**123,165**	-
Secured bank loan [10]	Sanad Aero Ireland 1 Limited	USD	LIBOR + margin	2020	**359,783**	-
Secured bank loan [6]	ATIC - Syndicated loan	USD	LIBOR + margin	2015	**-**	2,204,100
Secured bank loan [7]	National Central District Cooling Company PJSC- Tabreed Islamic Finance	AED	EIBOR + margin	2019	**505,790**	527,096
Secured bank loan [7]	National Central District Cooling Company PJSC	USD / AED / OMR	LIBOR/EIBOR + margin	2014-2019	**1,963,172**	2,110,921
Secured bank loan	Mubadala Development Company PJSC	AED	Fixed coupon	2013	**-**	472,412
Secured bank loan [1]	Abu Dhabi Aircraft Technologies LLC	AED	EIBOR + margin	2016	**92,654**	120,259
Secured bank loan [1]	Abu Dhabi Aircraft Technologies LLC	USD	LIBOR + margin	2013	**-**	6,314
Unsecured bank loan [6]	ATIC - Syndicated loan	USD	LIBOR + margin	2015	**1,639,288**	-
Unsecured bank loan	Al Yah Satellite Communications Company PJSC	USD	LIBOR + margin	2022	**3,180,850**	3,183,703
Unsecured bank loan	Treasury Holding Company LLC - EIB term loan	EUR	EURIBOR + margin	2019	**1,141,636**	1,118,368
Unsecured bank loan	Treasury Holding Company LLC - EIB term loan	EUR	EURIBOR + margin	2020	**1,456,305**	-
Unsecured bank loan	ATIC - EXIM guaranteed loan	USD	LIBOR + margin	2013	**-**	108,248
Unsecured bank loan	ATIC - EXIM guaranteed loan	USD	LIBOR + margin	2014-2016	**954,361**	1,390,165
Unsecured bank loan	ATIC - Societe Generale term loan	USD	LIBOR + margin	2013	**-**	87,939
Unsecured bank loan	ATIC - JBIC / SMBC term loan (Tranche B)	USD	LIBOR + margin	2015	**-**	329,371
Unsecured bank loan	ATIC - JBIC / SMBC term loan (Tranche A)	USD	Fixed coupon	2015	**-**	333,341
Unsecured notes	ATIC - Senior notes	USD	Fixed coupon	2013	**-**	965,400
Unsecured notes	ATIC - Senior notes	USD	Fixed coupon	2015	**356,752**	357,609
Unsecured loan	Dolphin Investment Company LLC	USD	LIBOR + margin / Fixed coupon	2014-2021	**2,826,358**	2,770,361
Unsecured loan	The Specialist Diabetes Treatment and Research Centre LLC	AED	Fixed coupon	2020	**29,572**	32,375
Unsecured loan	SR Technics	EUR	Fixed coupon + variable component	2019	**-**	761,229
Unsecured loan [11]	Manhal Development Company PJSC (Sorbonne University)	AED	Fixed coupon		**71,294**	-
Unsecured loan [11]	Al Maqsed Development Company PJSC (Zayed University)	AED	Fixed coupon		**80,367**	-
Unsecured corporate bond	MDC - GMTN B.V. - JPY Private Placement	JPY	Fixed coupon	2031	**637,786**	708,244
Unsecured corporate bond	GMTN BV EUR Private Placement	EUR	Fixed coupon	2018	**386,839**	378,748
Unsecured corporate bond	MDC - GMTN B.V. - Corporate Bond 2014	USD	Fixed coupon	2014	**4,574,537**	4,563,264
Unsecured corporate bond	MDC - GMTN B.V. - Corporate Bond 2016	USD	Fixed coupon	2016	**2,731,605**	2,724,873
Unsecured corporate bond	MDC - GMTN B.V. - Corporate Bond 2019	USD	Fixed coupon	2019	**1,822,315**	1,821,604
Unsecured corporate bond	MDC - GMTN B.V. - Corporate Bond 2021	USD	Fixed coupon	2021	**2,736,298**	2,734,204
Non-Current total					**35,506,202**	38,124,157
Total					**41,126,659**	43,177,460

28 Interest bearing borrowings *(continued)*

[1] Secured bank loans represent term loans which are secured against lien on bank deposits of AED 60 million *(2011: AED 60 million)*.

[2] The purpose of these loans is to fund university projects *(see note 40)*. The loans are secured against the following onshore and offshore securities:

Onshore securities

• Commercial mortgages over their equipment to the extent possible and enforceable under the United Arab Emirates law including all existing and subsequently acquired tangible and intangible assets.

• A UAE law assignment agreement covering:
i) the Project Documents consisting of Operating Agreement, Project Agreement, Tripartite Agreement, Musataha Agreement, Advance Payment Bond and Performance Bond; and
ii) Direct Insurance policies consisting of combined Construction/Property All Risk Policy and Terrorism Policy and all insurance proceeds in respect of direct insurances.
• Pledge of shares.
• Powers of attorneys.
• An onshore account pledge of monies and any authorised investments held in the Onshore Project Accounts (as defined in the Onshore Account Pledge).
• A mortgage over the Musataha Agreement.

Offshore Securities

• An English law assignment and charge (the Security Agreement) covering:

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

[3] The loan is secured by a pledge of 71,335,605 GE shares with a market value of AED 5,500,457 thousand *(2011: 71,335,605 shares with a value of AED 4,735,267 thousand),* out of which the number of shares lent to lender was zero *(2011: 20,000,000 shares with a market value AED 1,327,603 thousand)*.

[4] The loans are secured by pledged assets including bank accounts of AED 241,295 thousand *(2011: AED 169,413 thousand)* and trade receivables of AED 953,350 thousand *(2011: AED 690,264 thousand)* of SR Technics Holdco 1 GMBH and its subsidiaries ("the SRT Group"). Furthermore, shares of the SRT Group are also pledged against this loan. Pledged property plant and equipment is disclosed in note 13.

[5] This loan is secured against a pledge of an associated company of the Group. The shares have a carrying value of AED 726,336 thousand.

[6] This loan is drawn from a consortium of banks and was secured initially by a pledge of ordinary shares of a subsidiary company. However during the year pledged shares have been replaced by guarantee given by Mubadala Development Company PJSC and accordingly classified as unsecured bank loan as at 31 December 2012.

[7] These loans are secured by pledges of plants, equipment *(see note 13)* and trade debtors.

28 Interest bearing borrowings *(continued)*

[8] This loan is secured by aircraft engines, with a carrying value of AED 574,915 thousand *(2011: AED 598,780 thousand)* .

[9] The loan is secured against aircraft engines with a carrying value of AED 275,382 thousand.

[10] The loan is secured against aircraft components with a carrying value of AED 625,369 thousand.

[11] These loans are repayable subject to certain conditions which are not expected to be met within next twelve months.

Movements in interest bearing borrowings during the reporting period were as follows:

	2012	2011
	AED '000	AED '000
At 1 January	**43,177,460**	26,939,064
New borrowings	**8,887,837**	13,633,451
Acquisitions on business combinations	**-**	11,451,557
Repayments	**(10,547,576)**	(8,945,807)
Foreign exchange fluctuations and other movements	**(391,062)**	99,195
At 31 December	**41,126,659**	43,177,460

29 Other liabilities

	2012	2011
	AED '000	AED '000
Advance from a related party *(see note 33(d))*	**1,068,988**	1,068,988
Decommissioning liabilities	**303,679**	276,089
Asset retirement obligation	**141,331**	124,168
Interest free loan from the Shareholder[1] *(see note 33(d))*	**90,435**	117,281
Others	**783,738**	674,948
	2,388,171	2,261,474

[1] See note 26 for interest free loan details.

30 Obligation under finance lease

During the prior year, the transfer of ATIC *(see note 33(e))* resulted primarily in the recognition of obligation under finance lease in the books of the Group. ATIC has service contracts with suppliers of bulk gases, pursuant to which the suppliers have built certain equipment, which the suppliers use to provide the Group with gases used in the manufacturing process. ATIC pays a fixed annual fee over the term of the agreement, plus a variable charge based on the quantity of the gases delivered. Furthermore, obligation under finance lease also resulted from acquisition of Tabreed in the prior year *(see note 5 footnote 4).*

30 Obligation under finance lease *(continued)*

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

	31 Dec 2012		31 Dec 2011	
	Minimum lease payments AED '000	**Present value of payments AED '000**	Minimum lease payments AED '000	Present value of payments AED '000
Within one year	**429,276**	**255,739**	283,514	147,635
After one year but not more than five years	**1,149,355**	**840,205**	1,121,705	734,209
After five years	**589,412**	**513,666**	801,735	639,171
Total	**2,168,043**	**1,609,610**	2,206,954	1,521,015
Less: amount representing finance charges	**(558,433)**	**-**	(685,939)	-
Present value of minimum lease payments	**1,609,610**	**1,609,610**	1,521,015	1,521,015

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

	2012 AED '000	2011 AED '000
Current	**255,739**	147,635
Non-current	**1,353,871**	1,373,380
	1,609,610	1,521,015

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

31 Share capital

	2012 AED '000	2011 AED '000
Authorised, issued and fully paid up:		
15,000,000 equity shares *(2011: 15,000,000 equity shares)* of AED 1,000 each	**15,000,000**	15,000,000

32 Reserves

Statutory reserve

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

32 Reserves *(continued)*

Fair value reserve

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

Foreign currency translation reserve

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

Hedging reserve

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

33 Significant balances and transactions with related parties

(a) Identity of related parties

The Group has a related party relationship with its shareholder, subsidiaries *(see note 5)*, jointly controlled entities and associates *(see note 17)*, and with its directors, executive officers and parties which are under common control of the above parties.

(b) Transactions with key management personnel

Key management personnel compensation	**2012** **AED '000**	2011 AED '000
Directors' remuneration	**56,025**	39,874
Short term benefits	**138,836**	135,522
Post employment benefits	**9,369**	10,160
	148,205	145,682

(c) Other related party transactions

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

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

Significant transactions with related parties during the year were as follows:

	2012	2011
	AED '000	AED '000
Revenue		
Entities under common control	**2,531,446**	2,160,282
Associates	**1,382,465**	106,908
Jointly controlled entities	**400,223**	585,833
Shareholder	**35,386**	240,018
	4,349,520	3,093,041
Interest income		
Entities under common control	**531,233**	480,213
Jointly controlled entities	**429,612**	345,411
Shareholder	**38,552**	132,154
Associates	**14,908**	69,522
	1,014,305	1,027,300
Interest expense		
Jointly controlled entities	**162,898**	168,083
Shareholder	**64,300**	91,012
Entities under common control	**21,663**	31,127
	248,861	290,222
Income from provision of manpower, project management and consultancy services		
Jointly controlled entities	**306,011**	72,568
Entities under common control	**7,330**	27,591
Associates	**-**	21,999
	313,341	122,158
Purchase of goods and services		
Associates	**480,910**	667,381
Jointly controlled entities	**414,630**	961,666
Entities under common control	**142,738**	603,508
Shareholder	**208**	-
	1,038,486	2,232,555
Interest bearing borrowing repaid		
Jointly controlled entities	**404,040**	822,046
Interest bearing borrowing drawn		
Entity under common control	**-**	472,412

Mubadala Development Company PJSC

Notes to the consolidated financial statements

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

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

	2012	2011
	AED '000	AED '000
Loans given		
Jointly controlled entities	**5,274,592**	949,351
Associates	**3,909,840**	52,449
	9,184,432	1,001,800
Loans recovered		
Entities under common control	**492,047**	-
Jointly controlled entities	**50,000**	229,654
	542,047	229,654
Investment in convertible bond of an associate	**-**	2,800,000
Investment in a jointly controlled entity	**151,752**	-
Restricted cash with an entity under common control *(see note 21)*	**-**	750,000
Deposit received from the Shareholder	**9,925**	309,953
Advance received from an associate *(see note 26)*	**-**	400,000
Other income from the Shareholder	**517,082**	41,794
Advance given to a jointly controlled entity	**338,763**	-
Loans received from a jointly controlled entity	**151,661**	-
Cash calls paid to jointly controlled entities for jointly controlled assets	**2,281,766**	1,847,703

(d) Related party balances

	2012	2011
	AED '000	AED '000
Amounts due to related parties *(see note 26)*		
Jointly controlled entities	**246,241**	246,603
Entities under common control	**165,257**	265,018
Associates	**165,170**	-
Shareholder	**4,142**	-
	580,810	511,621
Advances from related parties		
Entity under common control *(see note 29)*	**1,068,988**	1,068,988
Associates *(see note 26)*	**73,869**	400,000
	1,142,857	1,468,988

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

(d) Related party balances *(continued)*

Amounts due from related parties *(see note 21)*		
Shareholder	**3,447,989**	2,350,225
Associates	**1,093,796**	409,801
Entities under common control	**811,259**	757,648
Jointly controlled entities	**741,634**	413,918
	6,094,678	3,931,592
Loan and deposits from the shareholder *(see notes 26 and 29)*	**1,165,111**	1,155,187
Deposits with entities under common control *(see note 24)*	**1,082,741**	1,147,279
Loans to related parties *(see note 19)*		
Jointly controlled entities	**15,423,942**	6,143,738
Associates	**181,865**	101,296
	15,605,807	6,245,034
Financial investment in shares of an entity under common control	**587,234**	545,990
Financial investment in warrants of an associate	**307,288**	-
Convertible bonds of an associate *(see note 18)*	**609,325**	470,914
Service concession receivables *(see note 21)*		
Entities under common control	**7,006,930**	7,325,460
Shareholder	**647,125**	705,615
	7,654,055	8,031,075
Interest bearing borrowings *(see note 28)*		
Entities under common control	**5,519,740**	5,157,772
Jointly controlled entities	**3,404,854**	3,781,816
Associates	**33,841**	36,609
	8,958,435	8,976,197
Unearned revenue from an associate *(see note 26)*	**1,098,377**	-

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

(e) Additional shareholder contributions

	2012	2011
	AED '000	AED '000
		(Restated)
As at 1 January	**92,068,476**	45,725,643
Cash contributions	**28,247,000** [2]	27,983,478 [1]
Contribution arising from transfer of ATIC *(as previously reported)*	**-**	20,793,409 [3]
	120,315,476	94,502,530
Effect of correction of prior period error *(see note 42)*	**-**	(2,434,054)
As at 31 December	**120,315,476**	92,068,476

[1] Cash contributions represent interest free loans from the Shareholder. As per the terms of the agreement for the amounts received in the years 2008 and onwards, any repayments are at the discretion of the Board of Directors of the Company, who do not intend to repay any such amounts in the foreseeable future. In addition, the terms of the agreements specify that, on dissolution of the Company, the rights, benefits and obligations in the residual net assets and liabilities, attached to these loans, shall rank pari passu with those attached to the share capital of the Company. Therefore, these loans are more akin to equity instruments rather than liabilities, and accordingly are presented within equity.

[2] Cash contributions in the current year represent equity funding received from the Shareholder.

[3] Effective 1 January 2011, the Government of Abu Dhabi formally approved the transfer of its ownership in ATIC to the Company. The consideration is in the nature of soft loan without interest and without condition or repayment date, and may be transferred fully or partially into shares of the Company *(see note 42).*

34 Commitments and contingent liabilities

Commitments and contingencies

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

	2012	2011
	AED '000	AED '000
Capital commitments	**17,231,833**	19,825,303
Contingent liabilities[1]	**7,300,241**	18,558,044
	24,532,074	38,383,347

[1] Contingent liabilities include bank guarantees, performance bonds, advance payment bonds, completion guarantees and counter guarantees. In addition to the above, the Group's share, in the commitments and contingencies of its joint ventures and contingencies of its associates, is as follows:

	2012	2011
	AED '000	AED '000
Commitments and contingencies	**6,361,886**	7,019,368

34 Commitments and contingent liabilities *(continued)*

Exploration commitments

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

	2012 AED '000	2011 AED '000
Due in less than one year	**579,468**	781,737
Later than one year but not later than five years	**319,984**	719,276
At 31 December	**899,452**	1,501,013

A subsidiary of the Group has production bonus commitments that range from AED 90,368 thousand *(2011: AED 108,730 thousand)* to AED 345,676 thousand *(2011: AED 404,450 thousand)* which may be payable depending upon achievement of certain preset production targets. The management believes that such commitments are not likely to be payable within one year. Due to uncertainty of the future production levels and future reserve discoveries, it is not possible to estimate production bonus that may be payable after one year.

Furthermore, operating lease commitments of the Group are as follows:

	2012 AED '000	2011 AED '000
Within one year	**529,447**	493,786
After one year but not more than five years	**1,390,593**	970,269
After five years	**1,310,253**	1,247,276
Total	**3,230,293**	2,711,331

35 Income tax

	2012 AED '000	2011 AED '000
Income tax recognised in profit or loss:		
Current tax expense		
On taxable profit of the year	**(404,539)**	(426,959)
Adjustment in respect of prior years current tax	**(11,206)**	(49,320)
	(415,745)	(476,279)
Deferred tax credit / (expense)		
Origination and reversal of temporary differences	**435,454**	196,583
Reduction in tax rate	**(10,353)**	-
Recognition of previously unrecognised tax losses	**82,779**	663,006
Deferred tax adjustment on depreciation, depletion and amortisation	**1,341**	58,420
Foreign exchange difference	**175,197**	(232,171)
Others	-	(13,343)
Net deferred tax credit	**684,418**	672,495
Income tax credit recognised in profit or loss	**268,673**	196,216

35 Income tax *(continued)*

The United Arab Emirates does not enforce any domestic income tax decrees and, therefore, the domestic tax rate is nil. Income tax is calculated at tax rates prevailing in the respective jurisdictions, and primarily arises from Takeoff Top Luxco SA and overseas subsidiaries of Beta Investment Company LLC and Advanced Technology Investment Company LLC.

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

	2012	2011
	AED '000	AED '000
Loss before tax from continuing operations	**(136,263)**	(4,719,628)
Income tax expense calculated at domestic tax rate	**-**	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	**296,689**	(99,152)
Effect of income that is exempt from taxation	**148,788**	122,801
Effect of expenses that are not deductible in determining taxable profit	**(357,002)**	(639,354)
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	**(171,060)**	(111,699)
Effect of previously unrecognised and unused tax losses and deductible temporary differences now recognised as deferred tax assets	**42,431**	615,104
Effect on deferred tax balances due to the change in tax rate	**(10,353)**	-
Effect of tax credits	**255,641**	298,564
Others	**74,745**	59,272
	279,879	245,536
Adjustments recognised in the current year in relation to the current tax of prior years	**(11,206)**	(49,320)
Income tax credit recognised in profit or loss	**268,673**	196,216

Current tax liabilities

	2012	2011
	AED '000	AED '000
Income tax payable	**463,654**	496,500

Deferred income tax assets and liabilities *(non-current)*

	2012	2011
	AED '000	AED '000
Deferred tax assets	**1,476,904**	1,088,087
Deferred tax liabilities	**(1,354,280)**	(1,583,311)
Net deferred tax assets / (liabilities)	**122,624**	(495,224)

35 Income tax *(continued)*

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

	2012	2011
	AED '000	AED '000
At 1 January	**(495,224)**	(1,022,681)
Fair value adjustments arising from business combination	**-**	(158,005)
Credit to profit or loss	**684,418**	672,495
Foreign currency adjustments	**(28,396)**	10,038
Other adjustments	**(38,174)**	2,929
At 31 December	**122,624**	(495,224)

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 2012 amounted to AED 15,696,325 thousand *(2011: AED 13,430,467 thousand)* and are available for offset against future taxable income. These losses, allowances and cost pools have expiry ranging from 2 years to unlimited carry forward period. The Group has not recognised a deferred tax asset of AED 2,493,628 thousand *(2011: AED 1,914,684 thousand)* in relation to these losses as it is not probable that these losses will be utilised.

The decision to recognise deferred tax assets was due to sufficient evidence to support the realisation of those benefits based upon anticipated future taxable income levels.

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 2012, 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 *(2011: AED nil)*.

Mubadala Development Company PJSC

Notes to the consolidated financial statements

35 Income tax *(continued)*

Recognised deferred tax assets and liabilities are attributable to:

	Assets		**Liabilities**		**Net**	
	2012	2011	**2012**	2011	**2012**	2011
	AED '000	AED '000	**AED '000**	AED '000	**AED '000**	AED '000
Property, plant and equipment	**195**	100,298	**(478,699)**	(1,127,191)	**(478,504)**	(1,026,893)
Intangible assets	**-**	-	**(801,077)**	(623,903)	**(801,077)**	(623,903)
Fair value through profit or loss investments	**-**	-	**(318)**	(2,189)	**(318)**	(2,189)
Derivatives	**-**	-	**(39,594)**	(5,831)	**(39,594)**	(5,831)
Other assets	**-**	125,446	**(104,393)**	(62,684)	**(104,393)**	62,762
Other liabilities	**-**	878	**(151,251)**	(63,243)	**(151,251)**	(62,365)
Payables and accruals	**419,150**	241,856	**(19,126)**	-	**400,024**	241,856
Tax losses recognised	**1,087,281**	757,435	**-**	-	**1,087,281**	757,435
Others	**216,862**	227,360	**(6,406)**	(63,456)	**210,456**	163,904
Tax assets / liabilities	**1,723,488**	1,453,273	**(1,600,864)**	(1,948,497)	**122,624**	(495,224)

Income tax recognised in other comprehensive income:

	2012			2011		
	Before tax	**Tax (expense) / credit**	**Net of tax**	Before tax	Tax (expense) / credit	Net of tax
	AED '000	**AED '000**	**AED '000**	AED '000	AED '000	AED '000
Net change in fair value of available-for-sale financial assets	**676,868**	-	**676,868**	(548,253)	-	(548,253)
Effective portion of changes in fair values of cash flow hedges and other reserves	**184,315**	**(42,442)**	**141,873**	(92,578)	2,929	(89,649)
Net change in translation reserve	**140,307**	-	**140,307**	(2,802)	-	(2,802)
Share of effective portion of changes in fair values of hedging instruments of equity accounted investees	**(48,117)**	-	**(48,117)**	(268,586)	-	(268,586)
Share of movements in translation reserve of equity accounted investees	**74,736**	-	**74,736**	2,249	-	2,249
	1,028,109	**(42,442)**	**985,667**	(909,970)	2,929	(907,041)

36 Government grants

(a) Non-monetary government grants

(i) Land

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

Land identification	Granted in year	Approximate area in square feet[9]	**Carrying amount as at 31 Dec 2012 AED '000**	Carrying amount as at 31 Dec 2011 AED '000	Currently classified as[8]
Future economic benefits certain					
Madinat Zayed[1]	2008	143,111,825	-	-	PPE
Arzanah land	2006	13,302,119	**1,944,109**	1,944,109	Inventory
Arzanah Medical Complex	2006	179,486	-	-	PPE
Military City	2009	12,242,393	-	-	PPE
Maryah Island - Abu Dhabi Financial centre[2]	2006	747,019	-	-	IP/IPUD
Maryah Island - Development work in progress[2]	2006	103,985	-	-	Inventory
Maryah Island - Plots for sale[2]	2006	4,139,343	**537,295**	612,704	Inventory
Maryah Island[2]	2006	697,864	**31,087**	30,236	PPE
New Fish Market	2006	484,448	**19,097**	20,981	IP
New Headquarter	2004	102,675	-	-	PPE
Parking lot - New Headquarter	2009	70,000	-	-	PPE
Musaffah	2007	4,041,526	**34,300**	34,300	IP
Hai Al Dawoody	2009	1,076	-	-	PPE
Hamran	2009	1,076	-	-	PPE
Masdar City Land					
Masdar Institute of Science and Technology[6]	2008	353,090	-	-	PPE
10MW Power Plant[6]	2008	2,367,200	-	-	PPE
Masdar Head Quarter[6]	2008	272,163	-	-	PPE
Masdar City [6]	2008	573,508	-	-	PPE
Masdar City [6]	2008	437,283	**67,787**	67,787	IPUD
Al Falah- Plot 3	2007	4,719,243	-	-	PPE
Future economic benefits uncertain / no future economic benefits[3]					
Jabel Al Dhannah[7]	2009	10,956,700	-	-	N/A
Masdar City Land[5] (remaining portion)	2008	55,853,548	-	-	N/A
Al Reem Island - Sorbonne University[4]	2006	1,001,934	-	-	N/A
Maryah Island - Cleveland Clinic[2]	2006	1,007,158	-	-	N/A
Maryah Island (remaining portion)[2]	2006	4,907,950	-	-	N/A
Khalifa City - Zayed University[4]	2006	8,207,745	-	-	N/A
East Al Reem Island	2006	3,609,265	-	-	N/A
Old Fish Market - New York Institute of Technology	2006	163,877	-	-	N/A
Al Falah- Plot 5	2008	1,599,939	-	-	N/A
Al Falah- Plot 3 (remaining portion)	2007	18,360,558	-	-	N/A
Others	2004-09	61,965,983	-	-	N/A

36 Government grants *(continued)*

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

(i) Land (continued)

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

[2]On Maryah Island, out of the total unsold land area of 11,603,319 square feet, an area of 1,007,158 square feet has been allocated for the Cleveland Clinic Project, which is a Government of Abu Dhabi project. No future economic benefit from this project is likely to flow to the Group. Furthermore, approximately 851,004 square feet of land has been allocated for construction of the Abu Dhabi Financial Centre which has been recognised as investment property except for 103,985 square feet of land which has been recognised as inventory. The Group identified and earmarked certain plots of land for sale at Maryah Island. Accordingly, these plots of land with a land area of 4,139,343 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. Maryah Island includes approximately five million square feet of land earmarked for roads and waterfront for common public use.

[3]Having regard to the disclosure in footnote 5 below, 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. 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 in the books of the Group. Included in this category are plots of land where it is established that, based on their current or intended use, no future economic benefits will flow to the Group.

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

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

Furthermore, whilst the Government of Abu Dhabi has recently reaffirmed its commitment to provide financial support in the form of government grants to fund infrastructure costs, the extent of such support is still to be confirmed.

Therefore, based on management's best estimates, the possibility of any future economic benefits that will flow to the Group is uncertain and therefore the land has not been recognised as an asset in the consolidated financial statements, except for the portions of the land as described in footnote 6 below which have already been recognised as assets.

36 Government grants *(continued)*

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

(i) Land (continued)

[6]The portion of land of Masdar City relating to these buildings has been recognised as property, plant and equipment at nominal value based on the expectation that these building will be used by Abu Dhabi Future Energy Company ("ADFEC") to carry out its operations. Further, additional portion of land has been recognised as investment property under development based on its commercial use.

The 10 megawatt power plant produces and supplies power to the national grid of the UAE. A feed-in tariff with Abu Dhabi Water and Electricity Company ("ADWEC") and a green subsidy from the Government of Abu Dhabi has been agreed and in the process of getting formal agreements signed.

[7]The Jabel Al Dhannah land has been identified previously for the purpose of construction of a Hydrogen Power Plant. The project has been suspended until further notice while ADFEC gets clear guidance from government and accordingly, has been classified under uncertain future economic benefit category.

[8]In the above table, PPE stands for property, plant and equipment, IP stands for investment property and IPUD stands for investment property under development.

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

(ii) Helicopter and helicopter spare parts

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

(iii) Use of land for construction of buildings

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

(b) Monetary government grants

i) During 2006, the Group received an amount of USD 100,000 thousand, equivalent to AED 367,350 thousand, from the Government of Abu Dhabi for investment in Masdar Clean Tech Fund L.P. ("the Fund") registered in Cayman Islands. As at 31 December 2012, the Group had an outstanding commitment to invest an additional AED 27,619 thousand (31 December 2011: AED 47,971 thousand) in the Fund.

ii) During the year, the Group received government grants of AED 824,890 thousand *(2011: AED 5,304,172 thousand)* including government grants acquired through business combinations of AED nil *(2011: AED 2,770,165 thousand)*. Where such monetary grants represent 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 on a systematic basis. Where such grants are received to compensate for cost of assets, such assets are carried at cost, less the value of grants received.

36 Government grants *(continued)*

(b) Monetary government grants (continued)

During the year movement in government grants were as follows:

	2012	2011
	AED '000	AED '000
At 1 January	**2,371,669**	73,761
Assumed from control of subsidiaries	**-**	1,469,400
Additions	**607,658**	1,272,406
Amortised during the year	**(644,048)**	(294,195)
Netted off against assets	**-**	(50,826)
Other movements	**(61,493)**	(98,877)
At 31 December	**2,273,786**	2,371,669
Current	**323,359**	309,617
Non-current	**1,950,427**	2,062,052
	2,273,786	2,371,669

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 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 refer note 21.

37 Employee benefits

The Group operates various pension schemes for its employees in Switzerland, UK and Ireland.

In Switzerland, the employees of one of the Group's subsidiary are covered by two pension plans. The "General Pension Scheme" conforms to Swiss Pension Law which stipulates certain minimum benefits for all employees above certain earnings levels. The "Management Insurance Scheme" provides additional benefits to management personnel exceeding certain salary thresholds. Both schemes qualify as defined benefit schemes. In addition, the Swiss subsidiaries also provide for further benefits, shown below as "Employee benefits", which relate to jubilee gratifications and to early retirement for shift employees.

In the UK, a defined benefit pension scheme was in place until 2010 when the scheme was settled following the decision to restructure the operations in UK. For employees in Ireland defined contribution schemes are in place.

	2012	2011
	AED '000	AED '000
Defined benefit asset	**527,615**	278,354
Pension liabilities	**(23,782)**	(31,714)
	503,833	246,640

37 Employee benefits *(continued)*

The decrease of the provision for employee benefits relates to lower jubilee gratifications.

The amounts recognised in the balance sheet are determined as follows:

	Defined benefit pension plans 2012 AED '000	**Other employee benefits 2012 AED '000**	Defined benefit pension plans 2011 AED '000	Other employee benefits 2011 AED '000
Present value of defined benefit obligation	**(3,540,350)**	**(23,782)**	(3,883,868)	(31,714)
Fair value of plan assets	**3,506,087**	**-**	3,296,906	-
Funded status	**(34,263)**	**(23,782)**	(586,962)	(31,714)
Unrecognised net actuarial loss	**561,878**	**-**	865,316	-
	527,615	**(23,782)**	278,354	(31,714)

The movement in the defined benefit obligation over the year is as follows:

	2012 AED '000	2011 AED '000
At 1 January	**3,883,868**	3,837,060
Foreign exchange difference	**101,800**	1,272
Current service cost	**92,329**	103,681
Interest cost	**89,834**	108,203
Contribution by plan participants	**47,004**	53,739
Losses due to assumption changes	**39,548**	82,003
Actuarial losses / (gains)	**(58,919)**	14,491
Increase due to plan amendment (past service cost)	**(290,863)**	(34,461)
Benefits paid	**(364,251)**	(282,120)
At 31 December	**3,540,350**	3,883,868

The movement in the fair value of plan assets for the year is as follows:

	2012 AED '000	2011 AED '000
At 1 January	**3,296,906**	3,350,081
Actuarial (losses) / gains	**237,462**	(70,597)
Expected return on plan assets	**119,231**	140,771
Exchange differences	**98,720**	7,178
Employer contributions	**71,015**	97,854
Employee contributions	**47,004**	53,739
Benefits paid	**(364,251)**	(282,120)
At 31 December	**3,506,087**	3,296,906

37 Employee benefits *(continued)*

The above calculations are based on following assumptions:

	2012	2011
Discount rate	**2.00%**	2.40%
Expected return on plan assets	**3.50%**	3.70%
Future salary increases	**1.25%**	1.50%
Future pension increases	**0.00%**	0.50%

Assumptions regarding future mortality experience are set based on advice, published statistics and experience.

The actual return on plan assets was AED 356,528 thousand *(2011: AED 70,294 thousand)*.

The components of employee benefit expense are as follows:

	Defined benefit pension plans 2012 AED '000	**Other employee benefits 2012 AED '000**	Defined benefit pension plans 2011 AED '000	Other employee benefits 2011 AED '000
Current service costs	**92,329**	**(773)**	97,397	8,069
Interest costs	**89,834**	**557**	101,645	2,223
Amortisation of unrecognised actuarial (gains) / losses	**63,967**	**(122)**	35,799	(5,044)
Amortisation of past service costs	**(290,863)**	**-**	(32,372)	(50,619)
Expected return on plan assets	**(119,231)**	-	(132,239)	-
Net periodic employee benefit cost / (income)	**(163,964)**	**(338)**	70,230	(45,371)

The Group's incorporated gain from the defined benefit plans is AED 163,964 thousand in 2012 *(2011: loss of AED 70,230 thousand)*; the cost related to defined contribution employee benefit schemes amounted to AED 3,922 thousand *(2011: AED 4,159 thousand)*. All employee benefit costs are included in Personnel costs. The expected contributions to defined benefit plans for 2013 amount to AED 80,822 thousand.

The net employee benefit assets and liabilities movement is summarised as follows:

	Defined benefit pension plans 2012 AED '000	**Other employee benefits 2012 AED '000**	Defined benefit pension plans 2011 AED '000	Other employee benefits 2011 AED '000
Assets / (liabilities) at 1 January	**278,354**	**(31,714)**	255,645	(86,301)
Net periodic employee benefit cost	**163,964**	**338**	(70,230)	45,371
Employer contributions	**71,015**	**97,854**	97,854	9,916
Foreign exchange difference	**14,282**	**(90,260)**	(4,915)	(700)
Assets / (liabilities) at 31 December	**527,615**	**(23,782)**	278,354	(31,714)

37 Employee benefits *(continued)*

Plan assets consist of the following:

	2012 AED '000	2012	2011 AED '000	2011
Bonds	**1,378,318**	**39.3%**	1,353,184	41.1%
Equity securities	**773,186**	**22.1%**	723,183	21.9%
Investments in property	**734,621**	**21.0%**	630,974	19.1%
Others	**619,962**	**17.7%**	589,565	17.9%
	3,506,087		3,296,906	

Pension plan assets do not include any shares of the Company. The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity and property investments reflect long-term rates of return experienced in the respective markets.

At 31 December	**2012 AED '000**	2011 AED '000
Present value of defined benefit obligation	**(3,540,350)**	(3,883,868)
Fair value of plan assets	**3,506,087**	3,296,906
Surplus / (deficit)	**(34,263)**	(586,962)
Experience adjustments on plan liabilities	**(58,919)**	(13,613)
Experience adjustments on plan assets	**237,462**	(66,319)

38 Financial instruments

Overview

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

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are detailed below.

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.

38 Financial instruments *(continued)*

Risk management framework *(continued)*

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

(a) Credit risk

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

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

Approximately 58 percent *(2011: 53 percent)* of the receivables are from related parties primarily parties under common control of the Company's shareholder. However, this concentration of credit risk is mitigated by the fact that the overall exposure is being spread over a number of customers.

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

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

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

	2012	2011
	AED '000	AED '000
Financial investments at fair value through profit or loss		
Convertible bonds issued by related parties	**609,325**	470,914
Other bonds	**240,207**	1,155,101
Derivatives	**60,261**	94,739
Other derivative assets	**88,792**	-
Receivables and prepayments		
Service concession receivables	**7,654,055**	8,031,075
Due from related parties	**6,083,398**	3,931,592
Other receivables	**3,107,968**	3,443,756
Trade receivables	**2,808,035**	4,057,540
Restricted and long term deposits	**1,566,374**	1,061,675
Receivable against sale of land	**725,623**	467,904
Contract work in progress	**525,740**	688,002
Loans receivable	**28,552,573**	14,563,831
Other assets	**35,242**	56,585
Finance lease receivables	**1,553,244**	1,534,147
Cash at bank	**11,724,509**	14,527,419
	65,335,346	54,084,280

38 Financial instruments *(continued)*

(a) ***Credit risk*** *(continued)*

For movement in service concession receivables please refer to note 21.

For collateral held against loans receivable, refer to note 19. The ageing of the loans receivable is as follows:

	2012		2011	
	Gross AED '000	**Impairment AED '000**	Gross AED '000	Impairment AED '000
Not past due	**28,342,663**	**(41,458)**	14,115,516	(45,917)
Past due 0 - 120 days	**131,525**	**-**	246,798	-
Past due 121- 180 days	**79,680**	**(31,444)**	99,548	-
Past due above 180 days	**71,607**	**-**	147,886	-
	28,625,475	**(72,902)**	14,609,748	(45,917)

Approximately 55 percent *(2011: 43 percent)* of loans neither past due nor impaired are loans receivable from related parties. Further another 26 percent of loans neither past due nor impaired is due from a third party, with adequate security in the form of interest over shares, corporate and personal guarantees.

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

	2012		2011	
	Gross AED '000	**Impairment AED '000**	Gross AED '000	Impairment AED '000
Not past due	**33,977,352**	**(27,317)**	35,491,128	(45,883)
Past due 0 - 120 days	**1,252,997**	**(47,246)**	1,585,958	(13,848)
Past due 121- 180 days	**157,603**	**(10,775)**	1,045,220	(2,765)
Past due above 180 days	**1,654,407**	**(174,248)**	1,599,201	(138,562)
	37,042,359	**(259,586)**	39,721,507	(201,058)

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

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

	2012 AED '000	2011 AED '000
Balance at January 1	**246,975**	235,479
Provision during the year	**180,887**	72,638
Effect of exchange rate difference	**(42,578)**	2,918
Written off during the year	**(52,796)**	(64,060)
Balance at December 31	**332,488**	246,975

(b) ***Liquidity risk***

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group ensures that it has sufficient cash and liquid assets on demand to meet its expected operational expenses; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

38 Financial instruments *(continued)*

(b) Liquidity risk (continued)

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

	Note	2012 Carrying value AED '000	2012 Contractual cash flows AED '000	2012 1 year or less AED '000	2012 1-5 years AED '000	2012 More than 5 years AED '000	2011 Carrying value AED '000	2011 Contractual cash flows AED '000	2011 1 year or less AED '000	2011 1-5 years AED '000	2011 More than 5 years AED '000
Non - derivative financial liabilities											
Payables and accruals	*26*	**11,389,552**	**(11,299,172)**	**(11,299,172)**	**-**	**-**	15,187,416	(15,187,416)	(15,154,234)	(33,182)	-
Interest bearing borrowings	*28*	**41,126,659**	**(48,267,587)**	**(6,879,348)**	**(21,082,841)**	**(20,305,398)**	43,177,460	(53,583,324)	(6,690,482)	(26,867,603)	(20,025,239)
Obligation under finance lease	*30*	**1,609,610**	**(2,162,137)**	**(428,795)**	**(1,148,435)**	**(584,907)**	1,521,015	(2,193,776)	(283,129)	(1,121,164)	(789,483)
Amounts due to equity accounted investees	*17*	**1,266,873**	**(1,266,873)**	**(1,266,873)**	**-**	**-**	824,323	(824,323)	(824,323)	-	-
Other liabilities	*29*	**542,596**	**(548,104)**	**(122,343)**	**(268,646)**	**(157,115)**	266,131	(287,056)	(66,722)	(188,335)	(31,999)
Bank overdraft	*24*	**2,695**	**(2,695)**	**(2,695)**	**-**	**-**	5,165	(5,165)	(5,165)	-	-
Derivative financial liabilities											
Derivatives designated and effective as hedging instruments carried at fair value											
- interest rate swaps	*27*	**739,812**	**(843,289)**	**(153,880)**	**(456,717)**	**(232,692)**	751,528	(823,314)	(151,017)	(508,237)	(164,060)
- foreign exchange forward contracts	*27*	**17,662**	**(17,662)**	**(17,662)**	**-**	**-**	93,934	(93,934)	(93,934)	-	-
Financial liabilities carried at fair value through profit or loss											
- interest rate swaps	*27*	**1,036,054**	**(3,731,954)**	**(265,406)**	**(959,851)**	**(2,506,697)**	823,454	(1,782,454)	(40,382)	(138,096)	(1,603,976)
- foreign exchange forward contracts	*27*	**32,939**	**(1,568,745)**	**(1,303,946)**	**(264,799)**	**-**	62,837	(64,491)	(64,454)	(37)	-
- equity options	*27*	**13,102**	**(13,102)**	**(13,102)**	**-**	**-**	41,726	(41,726)	(41,726)	-	-
- equity swaps	*27*	**11,673**	**(11,673)**	**(11,673)**	**-**	**-**	3,244	(3,244)	(3,244)	-	-
Other financial liabilities											
Exchange traded securities	*27*	**153,651**	**(153,651)**	**(153,651)**	**-**	**-**	89,648	(89,648)	(89,648)	-	-
		57,942,878	**(69,886,644)**	**(21,918,546)**	**(24,181,289)**	**(23,786,809)**	62,847,881	(74,979,871)	(23,508,460)	(28,856,654)	(22,614,757)

The total undrawn borrowing facilities as at the reporting date is AED 10,580,248 thousand *(2011: AED 11,573,006 thousand)*.

To the extent that interest is based on floating rates, the undiscounted amount is derived from spot rates at the balance sheet date. For the derivative instruments, where the payable or receivable is not fixed, the amount disclosed has been determined by reference to the spot rates at the balance sheet date.

38 Financial instruments *(continued)*

(c) Market risk

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

Currency risk

The Group is exposed to currency risk on its transactions, investments and borrowings that are denominated in a currency other than the respective functional currencies of the Group entities, primarily the Euro (EUR), Swiss Francs (CHF), British Pound (GBP) and Singapore Dollar (SGD).

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

Exposure to currency risk

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

	2012			
	Euro '000	**GBP '000**	**CHF '000**	**SGD '000**
Fair value through profit or loss investments	**101,680**	**6,820**	**-**	**-**
Available for sale financial assets	**5,090**	**-**	**-**	**-**
Trade and other receivables	**206,093**	**17,211**	**70,298**	**15,488**
Loans receivable	**83,540**	**75,079**	**43,083**	**13,952**
Cash and cash equivalents	**425,489**	**47,431**	**23,679**	**35,152**
Other assets	**5,988**	**1,009**	**4,386**	**-**
Trade and other payables	**(167,065)**	**(29,049)**	**(151,756)**	**(58,729)**
Interest bearing borrowings	**(366,004)**	**(60,807)**	**(77,397)**	**-**
Other liabilities	**(183,849)**	**(3,268)**	**-**	**(168,393)**
Net exposure	**110,962**	**54,426**	**(87,707)**	**(162,530)**

	2011			
	Euro '000	GBP '000	CHF '000	SGD '000
Fair value through profit or loss investments	60,025	12,813	-	-
Available for sale financial assets	3,194	-	-	-
Trade and other receivables	2,942	22,131	52,863	286
Loans receivable	321,862	57,280	-	-
Cash and cash equivalents	70,549	47,698	37,498	667
Other assets	16,264	-	1	-
Trade and other payables	(22,083)	(33,673)	(32,081)	(76)
Interest bearing borrowings	(565,126)	(34,994)	(452,027)	-
Other liabilities	(16,011)	(883)	89	-
Net exposure	(128,384)	70,372	(393,657)	877

38 Financial instruments *(continued)*

(c) ***Market risk*** *(continued)*

Currency risk *(continued)*

The following significant exchange rates applied during the year:

	2012			
	Euro - AED	**GBP - AED**	**CHF - AED**	**SGD - AED**
Closing rate	**4.8543**	**5.9329**	**4.021**	**3.0009**
Average rate	**4.7327**	**5.8249**	**3.9222**	**2.938**

	2011			
	Euro - AED	GBP - AED	CHF - AED	SGD - AED
Closing rate	4.7553	5.6751	3.9073	2.8266
Average rate	5.1167	5.8937	4.1594	2.8269

Sensitivity analysis

A 10 percent strengthening of the AED against the Euro, GBP, CHF and SGD at 31 December would have increased / (decreased) equity and consolidated profit or loss for the year by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis for 2011.

	Equity AED ’000	**Profit / (loss) AED ’000**
31 December 2012		
Euro	**(2,471)**	**(51,393)**
GBP	**-**	**(32,290)**
CHF	**-**	**35,267**
SGD	**-**	**48,774**
31 December 2011		
Euro	(1,519)	62,569
GBP	-	(39,937)
CHF	-	153,814
SGD	-	(247)

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

Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The Group adopts a policy of ensuring that its exposure to significant changes in interest rates is reduced by hedging such risks. This is achieved by entering into interest rate collars and interest rate swaps.

38 Financial instruments *(continued)*

(c) Market risk (continued)

***Interest rate risk** (continued)*

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

	2012	2011
	AED '000	AED '000
Fixed rate instruments		
Financial assets	**17,184,588**	17,486,652
Financial liabilities	**(20,817,925)**	(17,832,569)
	(3,633,337)	(345,917)
Variable rate instruments		
Financial assets	**16,304,206**	10,984,030
Financial liabilities	**(22,600,042)**	(27,980,545)
	(6,295,836)	(16,996,515)

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis was performed on the same basis for 2011.

31 December 2012

In thousands of AED

	Profit/ (loss)	
	100bp increase	**100bp decrease**
Variable rate instruments	**47,590**	**(47,590)**

31 December 2011

In thousands of AED

Variable rate instruments	(50,511)	50,511

38 Financial instruments *(continued)*

(c) Market risk (continued)

Other market price risk

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

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

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

	Effect on profit or loss AED ’000	**Effect on equity AED ’000**
31 December 2012		
Effect of change in equity portfolio of the Group	**(444,164)**	**(241,869)**
31 December 2011		
Effect of change in equity portfolio of the Group	(416,995)	(145,706)

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

	Effect on profit or loss AED ’000	**Effect on equity AED ’000**
31 December 2012		
Effect of change in equity portfolio of the Group	**444,164**	**241,869**
31 December 2011		
Effect of change in equity portfolio of the Group	416,995	145,706

38 Financial instruments *(continued)*

(d) Fair value

Fair value versus carrying amounts

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

	2012		2011	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Assets carried at fair value	**AED '000**	**AED '000**	AED '000	AED '000
Financial assets at fair value through profit or loss				
- Quoted securities	**8,694,534**	**8,694,534**	8,228,122	8,228,122
- Funds	**2,843,881**	**2,843,881**	2,274,006	2,274,006
- Convertible bonds issued by related parties	**609,325**	**609,325**	470,914	470,914
- Unquoted securities[1]	**551,025**	-	-	-
- Other bonds	**188,755**	**188,755**	1,108,595	1,108,595
- Investments held for trading	**51,452**	**51,452**	46,506	46,506
- Derivative assets	**60,520**	**60,520**	94,739	94,739
Available for sale financial assets				
- Quoted securities	**4,890,503**	**4,890,503**	2,914,111	2,914,111
- Unquoted securities[1]	**719,935**	-	4,492,870	-
Other derivative assets	**88,792**	**88,792**	-	-
	18,698,722		19,629,863	
Assets carried at amortised cost [2]				
Receivables and prepayments	**22,471,193**	**22,471,193**	21,681,544	21,681,544
Loans receivable	**28,552,573**	**28,552,573**	14,563,831	14,563,831
Finance lease receivables	**1,553,244**	**1,553,244**	1,534,147	1,534,147
Other assets	**35,242**	**35,242**	56,585	56,585
Cash and cash equivalents	**11,724,680**	**11,724,680**	14,524,088	14,524,088
	64,336,932		52,360,195	
Liabilities carried at fair value				
Derivatives designated and effective as hedging instruments carried at fair value				
- interest rate swaps	**(739,812)**	**(739,812)**	(751,528)	(751,528)
- foreign exchange forward contracts	**(17,662)**	**(17,662)**	(93,934)	(93,934)
Financial liabilities carried at fair value through profit or loss				
- interest rate swaps	**(1,036,054)**	**(1,036,054)**	(823,454)	(823,454)
- foreign exchange forward contracts	**(32,939)**	**(32,939)**	(62,837)	(62,837)
- equity options	**(13,102)**	**(13,102)**	(41,726)	(41,726)
- equity swaps	**(11,673)**	**(11,673)**	(3,244)	(3,244)
Exchange traded securities	**(153,651)**	**(153,651)**	(89,648)	(89,648)
	(2,004,893)		(1,866,371)	

38 Financial instruments *(continued)*

(d) Fair value (continued)

Fair value versus carrying amounts (continued)

	2012		2011	
	Carrying amount AED '000	**Fair value AED '000**	Carrying amount AED '000	Fair value AED '000
Liabilities carried at amortised cost [2]				
Payables and accruals	**(11,389,552)**	**(11,389,552)**	(15,187,416)	(15,187,416)
Obligation under finance lease	**(1,609,610)**	**(1,609,610)**	(1,521,015)	(1,521,015)
Amounts due to equity accounted investees	**(1,266,873)**	**(1,266,873)**	(824,323)	(824,323)
Other liabilities	**(542,596)**	**(542,596)**	(266,131)	(266,131)
Interest bearing borrowings	**(41,126,659)**	**(42,727,550)**	(43,177,460)	(44,210,675)
	(55,935,290)		(60,976,345)	

[1] Unquoted equity instruments are carried at cost less impairment, since no reliable measure of fair value is available *(see note 18)* .

[2] Fair values disclosed for financial assets and liabilities carried at amortised cost indicate management's estimate of minimum realisable values.

Fair value hierarchy

The table below 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).

31 December 2012

	Level 1 AED '000	**Level 2 AED '000**	**Level 3 AED '000**	**Total AED '000**
Financial assets at fair value through profit or loss	**8,847,402**	**757,184**	**3,394,906** [1]	**12,999,492**
Available for sale financial assets				
Quoted securities	**4,890,503**	**-**	-	**4,890,503**
Other derivative assets	**-**	**88,792**	-	**88,792**
Financial liabilities at fair value through profit or loss				
Cash flow hedges	**-**	**(757,474)**	-	**(757,474)**
Interest rate swaps used as economic hedges	**-**	**(1,036,054)**	-	**(1,036,054)**
Other derivatives	**(13,102)**	**(44,612)**	-	**(57,714)**
Exchange traded securities	**(153,651)**	**-**	-	**(153,651)**
	13,571,152	**(992,164)**	**3,394,906**	**15,973,894**

38 Financial instruments *(continued)*

(d) Fair value (continued)

31 December 2011

	Level 1 AED '000	Level 2 AED '000	Level 3 AED '000	Total AED '000
Financial assets at fair value through profit or loss	8,447,165	524,424	3,251,293 [1]	12,222,882
Available for sale financial assets				
Quoted securities	2,914,111	-	-	2,914,111
Derivatives				
Cash flow hedges	-	(837,655)	-	(837,655)
Interest rate swaps used as economic hedges	-	(831,262)	-	(831,262)
Other derivatives	(17,614)	(90,192)	-	(107,806)
Exchange traded securities	(89,648)	-	-	(89,648)
	11,254,014	(1,234,685)	3,251,293	13,270,622

[1] Primarily represents investments in private equity funds which are valued based on net assets value reported by the respective fund managers, as per accepted industry practices.

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

	2012 AED '000	2011 AED '000
At 1 January	**3,251,293**	3,616,663
Additions during the year	**972,672**	570,436
Increase in fair value recognised in profit or loss *(net)* [2]	**284,456**	36,259
Disposals during the year[1]	**(1,113,515)**	(972,065)
At 31 December	**3,394,906**	3,251,293

[1] Disposals include the disposal of a financial asset at fair value through profit or loss resulted in gain of AED nil thousand *(2011: AED 36,735 thousand)* .

[2] Includes increase in fair value recognised in profit or loss, attributable to assets held at the balance sheet date, amounts to AED 307,912 thousand *(2011: AED 37,839 thousand).* The total net increase in fair value was recorded in "(Loss) / income from financial investments" in the statement of comprehensive income.

(e) Capital management

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

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

38 Financial instruments *(continued)*

(e) ***Capital management*** *(continued)*

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

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

	2012	2011
	AED '000	AED '000
Interest bearing borrowings *(see note 28)*	**41,126,659**	43,177,460
Obligation under finance lease *(see note 30)*	**1,609,610**	1,521,015
Less: cash and cash equivalents *(see note 24)*	**(11,724,680)**	(14,524,088)
Net debt	**31,011,589**	30,174,387
Total capital	**135,965,530**	106,374,876
Total capital and net debt	**166,977,119**	136,549,263
Gearing ratio	**19%**	22%

39 Significant accounting estimates and judgements

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

a) Significant accounting estimates

Impairment losses and determination of fair values

The Group reviews its investments in equity accounted investees, other 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 trade and other receivables and other items disclosed in *note 38(a)*. In determining whether impairment losses should be recorded in profit or loss, the Group makes judgements 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.

Determination of fair values

Refer to *notes 15, 18, 27 and 38* for determination of fair values of investment properties and financial instruments.

39 Accounting estimates and judgements *(continued)*

a) Significant accounting estimates *(continued)*

Estimated useful lives of property, plant and equipment

Management assigns useful lives and residual values to the items of property, plant and equipment based on the intended use of the assets and the expected economic lives of those assets. Subsequent changes in circumstances such as technological advances or prospective 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(l)* for details of the estimated useful lives of property, plant and equipment.

Quantities of proved oil and gas reserves

Depreciation on certain of the Group's property, plant and equipment is estimated on the basis of oil and gas reserves. There are numerous uncertainties inherent in estimating quantities of proved and probable oil reserves. Oil reserve engineering is a subjective process of estimating underground volumes of oil that cannot be precisely measured, and estimates of other engineers might differ materially from the estimates utilised by the Group. The accuracy of any reserve estimate is a function of the quality of available data and associated engineering and geological interpretations and judgements. 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.

Estimation of costs

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

Business combinations

Accounting for the acquisition of a business requires the allocation of the purchase price to the various assets and liabilities of the acquired business. For most assets and liabilities, the purchase price allocation is accomplished by recording the asset or liability at its estimated fair value. Determining the fair value of assets acquired and liabilities assumed requires judgement 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.

Income taxes

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

A deferred tax asset is recognised for deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Management assesses the likelihood that whether the Group will be able to recover deferred tax assets. If recovery is not probable, the deferred tax assets are derecognised. Past performance, and future expected taxable income are considered in determining whether to recognise the deferred tax assets or not.

39 Accounting estimates and judgements *(continued)*

b) Significant judgements

Possibility of future economic benefits from land received as government grants
Refer to *notes 3(h) and 36* for a description of judgements and estimates used to ascertain the possibility of future economic benefits from land received as government grants.

Decommissioning liabilities
Management periodically assesses the numerous uncertainties inherent in estimating the decommissioning and other environmental liabilities, including judgements relating to cost estimation and the timing of these costs *(see note 29)*.

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

Furthermore, as per the terms of the arrangement, in addition to a fixed availability charge for construction of the Universities and rendering of facility management services the Group will also receive small rental income from the letting out of commercial spaces in the universities.

Therefore the Group's consideration is divided into two components - financial assets component based on the guaranteed amount and intangible assets for the remainder.

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

Project expenses
Project expenses comprise expenses incurred on screening, feasibility studies and pre-development phases of various business development / investment projects undertaken by the Group. As stated in *note 3(e)*, the portion of such expenditure relating to property, plant and equipment is capitalised when there is reasonable certainty that projects will be developed in the future and future economic benefits will flow to the Group. The process of estimating the degree of certainty involves significant judgments on the part of senior management. Some of these projects tend to have long gestation periods and in some cases depend on some form of Government support. Furthermore, in some instances, the project size and economics are reassessed in the light of the changing economic climate, resulting in an increase in the overall project development timelines, or a downsizing of the project or certain of its components. Management periodically assesses the likelihood of such projects proceeding and uses the results of such assessments to determine whether any provision for impairment losses are required. The estimates and underlying judgments are reviewed on an ongoing basis. Actual results may differ from these estimates and judgments.

40 Service concession arrangements

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

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

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

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

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

41 Significant non-cash transactions

Current year

During the current year, the Group entered into the following non-cash investing activities which are not reflected in the consolidated statement of cash flows.

Acquisition of non-controlling interest in GlobalFoundries Inc. by Advanced Technology Investment Company LLC as a result of limited waiver of an exclusivity arrangement with a customer *(see note 5(a)(i)).*

Acquisition of additional stake in Take off Top Luxco from 70% to 100% *(see note 5(a)(ii)).*

Prior year

Ownership interest in Du has increased, due to acquisition of additional stake by the Group *(see note 17(a)).*

Convertible bonds included in financial investments, having carrying value of AED 1,498,212 thousand have been converted into shares during the prior year.

Ownership interest in Aldar increased in the prior year, resulted from conversion of convertible bonds.

ATIC was transferred to the Group by the Shareholder in the prior year *(see note 33(e)).*

The Group in the prior year acquired control over Tabreed from conversion of an existing loan, given by the Group to Tabreed in the prior years, into mandatory convertible bonds *(see note 5 footnote 4).*

42 Comparative figures

a) On 1 January 2011, the Government of Abu Dhabi transferred its ownership in ATIC from Executive Affairs Authority to the Group. The consideration for the transfer of ownership was determined to be equal to the net assets or equity of ATIC attributable to the Shareholder of AED 20,793,409 thousand as at 31 December 2010.

During 2012, ATIC noted an error in calculation of net assets attributable to the shareholder of the company as at 31 December 2011 and 2010 wherein:

- the company's share in losses of the company's subsidiary GF was properly allocated between the company and non-controlling shareholder for 2011 and 2010,
- but the net assets attributable to the company was not correctly reflected.

ATIC has corrected this error during the current year by restating its consolidated statement of financial position as at 31 December 2011 and 2010 and consolidated statement of changes in equity for the year 2011 and 2010 wherein the corrected equity attributable to parent of the company as at 31 December 2011 and 31 December 2010 is AED 29,620,467 thousand and AED 18,359,355 thousand respectively.

The above error had no impact on the previously reported profit, total comprehensive income, total assets, total liabilities, total equity and cash flows for the year ended 31 December 2011. The effect of the above error as on 31 December 2011 was as follows: *(see note 33(e))*

	As previously reported	Reclassification	With reclassification as currently reported
Additional shareholder contributions	94,502,530	(2,434,454)	92,068,076
Reserves and (deficit)	(3,549,220)	(746,335)	(4,295,555)
Non-controlling interests	54,216	3,180,389	3,234,605

b) Certain comparative figures within certain classifications of statement of comprehensive income such as cost of sales, research and development expenses and general and administrative expenses have been reclassified, without having any impact on the total of each classification, to conform to the presentation adopted in these consolidated financial statements.

43 Subsequent events

a) Aldar Properties PJSC ("Aldar") and Sorouh Real Estate PJSC ("Sorouh") announced on 21 January 2013 that their respective boards of directors had voted unanimously to recommend a merger of the two companies to their shareholders. On 3 March 2013, the shareholders of Aldar and Sorouh approved the merger. Subject to the satisfaction of the conditions to the merger, upon the effective date of the merger the assets and liabilities of Sorouh will be assumed by Aldar in consideration for the issue of new Aldar shares to Sorouh shareholders. Upon the merger becoming effective, shareholders of Sorouh will become shareholders in Aldar Sorouh, the Sorouh shares will be delisted from the Abu Dhabi Securities Exchange and Sorouh will be dissolved. The merger will result in new Aldar shares (which will be listed on the Abu Dhabi Securities Exchange) being issued to Sorouh shareholders on the basis of 1.288 Aldar shares for each Sorouh share they hold.

As on 31 December 2012, Mubadala had a 35 percent legal ownership with a 49 percent beneficial interest in Aldar and accounts for its investment in Aldar as an associate. Subsequently in 2013 Mubadala converted all of its Aldar mandatory convertible bonds in the amount of AED 693,876 thousand, thereby increasing its legal ownership in Aldar to 41 percent. Once the merger becomes effective, and after giving effect to this dilution Mubadala's ownership will equal approximately 31 percent.

43 Subsequent events *(continued)*

b) In accordance with Decision 18 of 2013 of the Executive Council, dated and effective 12 February 2013, the Group was required to transfer the Masdar Institute of Science & Technology campus MIST 1A and 1B to the Abu Dhabi Education Council. The impact of the above decision would be derecognition in 2013 of Property, Plant and Equipment with a carrying amount of AED 3,030,624 thousand with a corresponding reduction in additional shareholder contribution *(see Note 8)* .

Summary of oil and gas reserves *(unaudited)*

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

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

Gas reserves (unaudited)

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

	Natural gas (Billion SCF)	
	2012	2011
Proved reserves as of:		
1 January	**3,538**	2,979
Revision of previous estimates / additions during the year	**(522)**	721
Production during the year	**(155)**	(162)
31 December	**2,861**	3,538
Proved developed reserves as of:		
31 December	**2,739**	3,415

Condensate reserves (unaudited)

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

	Condensate (Million STB)	
	2012	2011
Proved reserves as of:		
1 January	**83**	93
Revision of previous estimates / additions during the year	**(10)**	(4)
Production during the year	**(5)**	(6)
31 December	**68**	83

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

Proved condensate reserves (unaudited) *(continued)*

Proved developed reserves as of:

	Condensate (Million STB)	
	2012	2011
31 December	**68**	83

Crude oil reserves (unaudited)

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

	Crude oil (Million STB)	
	2012	2011
Proved reserves as of:		
1 January	**31.5**	37.8
Revision of previous estimates / additions during the year	**14.8**	3.9
Disposal of working interest in certain joint ventures	**-**	-
Production during the year	**(10.1)**	(10.2)
31 December	**36.2**	31.5
Proved developed reserves as of:		
31 December	**19.7**	19.1

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

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

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