

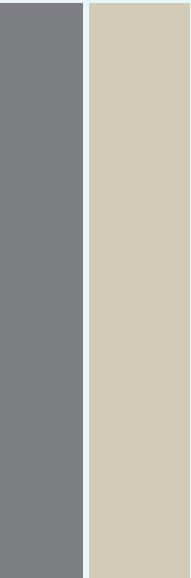
Annual Report 2010



مبادلة
MUBADALA

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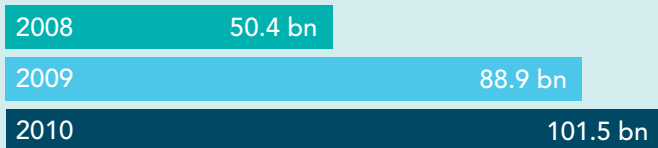


Mubadala's third annual report documents an important year for the company, during which the collective value of assets under management passed AED 100 billion for the first time, and several projects reached significant milestones in their longer-term development.



Key Achievements of 2010

Total assets AED



Revenue AED



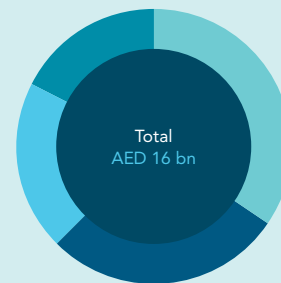
Total equity AED



Net profit AED

1.128 bn

Contribution to total revenues



Energy	38%
Aerospace	31%
Infrastructure	22%
Others	19%

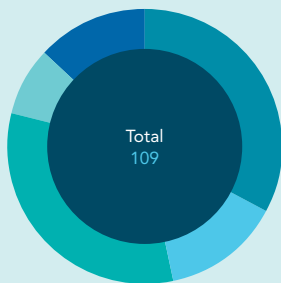
14,000

Approximately 14,000 students can be accommodated via the facilities now available at Paris-Sorbonne University Abu Dhabi and UAE University.

100%

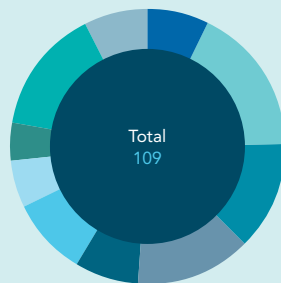
Mubadala students recorded a 100 percent pass rate in Level I of the CFA program, one of the most important programs in the field of investments, economics, accounting, and financial analysis.

Investment holdings by percent



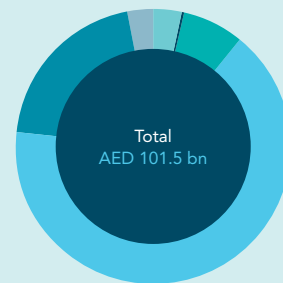
< 25%	36
≥ 25% and < 50%	15
≥ 50% and ≤ 100%	35
Bonds and Convertibles	9
Internal Projects	14

Investments per business unit



Aerospace	8	Information & Communications Technology	6
Capital	19	Infrastructure	5
Corporate	14	Real Estate & Hospitality	16
Energy	15	Services Ventures	8
Healthcare	8		
Industry	10		

Investment holdings by region



Africa	AED 3.42 bn	3.37%
Central Asia	AED 0.39 bn	0.39%
Europe	AED 7.26 bn	7.16%
Middle East	AED 66.95 bn	65.99%
North America	AED 20.41 bn	20.12%
South East Asia	AED 3.02 bn	2.97%

139.4 m

Working interest production in Mubadala's oil and gas investments in 2010 amounted to 139.4 million barrels of oil equivalent – all with no lost time, injuries, or spills greater than one barrel, in directly managed operations.

3

Three Mubadala-sponsored Emirati students traveled to the United States to begin internships with the National Aeronautics and Space Administration (NASA), the renowned US space agency; the first time that the program has been offered to non-US citizens.

60,000

Imperial College London Diabetes Centre (ICLDC) treated more than 60,000 patients in 2010 and received a certification in the clinical treatment of diabetes mellitus from JCI (Joint Commission International), the global gold standard of hospital excellence.

1,142

Through two of Mubadala's youth engagement programs – Tennis in Schools and the Grassroots Festivals – free coaching was provided to 1,142 members of the local community.

Chairman's Message

Consistent with the vision of His Highness Sheikh Khalifa bin Zayed Al Nahyan, President of the United Arab Emirates and Ruler of Abu Dhabi, the delivery of sustainable financial returns to meet the future needs of Abu Dhabi and its people is the main objective of investment companies owned by the Government of Abu Dhabi.

By virtue of its many groundbreaking projects and high-profile international partnerships, few companies fulfill that responsibility in a more visible and economically transformative way than Mubadala.

During 2010, we have witnessed the growing impact of the organization's many commercial initiatives both within the UAE and in an increasing number of international markets. The financial performance of the company's investments, subsidiaries, and joint ventures was strong, while a number of projects contributed significantly to the diversification and development of the local economy.

As its shareholder, the Government of Abu Dhabi highly values Mubadala for both its economic significance and commercial integrity, and expects the scale and diversity of its operations to continue to grow in the future. Benefiting from the patient support of its shareholder, Mubadala has always enjoyed a rare competitive advantage in its ability to take a long-term perspective when evaluating and harnessing opportunities. This approach will continue to serve the company well in the years ahead. While the scale of the organization's international operations continues to increase, the Government of Abu Dhabi's ongoing commitment to economic development and diversification at home still represents the greatest single source of opportunity for Mubadala, and the company remains well positioned to capitalize on that potential.

I would like to thank the board members, the executive leadership and employees of Mubadala for their hard work during the last year and wish each of them ongoing success in the year ahead.

Mohamed bin Zayed Al Nahyan
Crown Prince of Abu Dhabi
Chairman of Mubadala Development Company



Board of Directors

His Highness Sheikh Mohamed bin Zayed Al Nahyan

Crown Prince of Abu Dhabi
Deputy Supreme Commander of the Armed Forces of the UAE
Chairman of Mubadala Development Company



Mohammed Ahmed Al Bowardi

Vice-Chairman



Hamad Al Hurr Al Suwaidi

Member



Mr Al Bowardi is Secretary-General and a member of the Abu Dhabi Executive Council, and is a managing director and board member of the Environment Agency – Abu Dhabi. He is also Deputy Chairman of the Board of Trustees of the Mohamed Bin Zayed Species Conservation Fund. Mr Al Bowardi holds a degree in History and Political Science from Lewis & Clark College, USA.

Mr Al Suwaidi is a member of Abu Dhabi's Executive Council and Chairman of the Department of Finance. He is a member of the Supreme Petroleum Council and a board member of the Abu Dhabi Investment Authority (ADIA), Etisalat, the International Petroleum Investment Company (IPIC), and the Abu Dhabi Water & Electricity Authority. He is also Chairman of TAQA. Mr Al Suwaidi holds a Bachelor of Business Administration from the Dominican University, California, and a Master of Business Administration in Finance from California State University, both in the USA.

**Nasser Ahmed Khalifa
Alsowaidi**

Member



Mr Alsowaidi is Chairman of the Department of Economic Development, the National Bank of Abu Dhabi, the Abu Dhabi Securities Exchange, Union Railway Company, and ZonesCorp. He is also a member of Abu Dhabi's Executive Council and a board member of the International Petroleum Investment Company (IPIC). He has held senior roles in a number of government organizations, including the Abu Dhabi Investment Authority (ADIA) and the Abu Dhabi National Oil Company. Mr Alsowaidi holds a degree in Economics from the California State Polytechnic University, USA.

**Ahmed Ali
Al Sayegh**

Member



Mr Al Sayegh is Chairman of Abu Dhabi Future Energy Company (Masdar). He is Chief Executive Officer of Dolphin Energy. Mr Al Sayegh is also a board member of a number of other private and governmental entities. He has worked throughout his career to support many environmental initiatives in the Emirate of Abu Dhabi, and serves as the Vice Chairman of the Emirates Wildlife Society. Mr Al Sayegh holds a degree in Economics from Lewis & Clark College, USA.

**Mohamed Saif
Al Mazrouei**

Member



Mr Al Mazrouei is currently advisor to His Highness the Chairman, and board member of the UAE Offsets Program Bureau, having been the Bureau's CEO from 2000 to 2008. Before this, he was human resources manager at the Abu Dhabi National Oil Company. He also serves on the boards of Dolphin Energy and the Abu Dhabi Water & Electricity Authority. Mr Al Mazrouei holds a degree in Business Administration from University of La Verne, USA.

**Khaldoon Khalifa
Al Mubarak**

CEO and Managing
Director



Mr Al Mubarak is Chairman of the Abu Dhabi Executive Affairs Authority, which provides strategic policy advice to the Chairman of the Abu Dhabi Executive Council, of which he is also a member. He is Chairman of the Emirates Nuclear Energy Corporation, Abu Dhabi Motorsports Management, the Abu Dhabi Media Zone Authority, and Emirates Aluminium (EMAL). He is also Vice Chairman of the Urban Planning Council, and a board member of First Gulf Bank, Ferrari SpA. Mr Al Mubarak holds a degree in Economics and Finance from Tufts University, Boston, USA.

Chief Executive Officer's Message

Given the far-reaching effects of the recent global economic downturn, the stand-out development for Mubadala in 2010 was, for me, the company's operational performance. To have continued to flourish during this exceptionally difficult period is encouraging for all concerned.

During the last twelve months, a number of our local assets reached significant milestones in their development. EMAL emerged as a key asset, reaching full production capability and substantially boosting its net worth to our shareholder, while STRATA was another prime performer, with the facility coming online on time and ahead of budget.

However, our projects are not confined to Abu Dhabi or the borders of the UAE; we are also driving value with our partners in overseas markets. One of our main challenges in 2010 was to optimize our existing investments – domestically and internationally – in the prevailing economic conditions, and to proactively manage our portfolio in markets that are still in recovery. Of course, these conditions also presented new opportunities and we remained ever alert to the possibility of branching into emerging markets and sectors.

In keeping with that sentiment, 2010 saw us establish several relationships in new markets. These included an agreement with Farglory Group, one of the leading real estate and investment companies in Taiwan, to develop plots on Sowwah Island, and the placement, by Mubadala, of \$100 million into funds managed by Verno Capital, the capital markets fund manager in Russia.

We will continue to proactively explore further opportunities in these and other markets, during 2011 and beyond.

Our financial activity is balanced by our active socio-economic contribution, and during 2010 this was apparent on a number of fronts. We are actively helping to raise the standard of living in our community by creating jobs, providing training, improving facilities and, in the case of care provision, driving standards to new levels.

Finally, the contribution of Mubadala's multi-national workforce during 2010 was, once again, outstanding. Their commitment and performance gives me every confidence that Mubadala is well placed to realize further opportunities in the year ahead.

Khaldoon Khalifa Al Mubarak
CEO and Managing Director

Optimizing existing
investments



Chief Operating Officer's Message

2010 was an important year for Mubadala, and one that saw the company deliver sound financial and operational results.

Several of our assets reached significant milestones in their longer-term development, with the collective value of assets under management growing by 14 percent from 2009, passing AED 100 billion for the first time. Revenues also continued to grow, marking a 22 percent year-on-year increase from AED 13.1 billion to AED 16 billion.

While these figures emphasize the company's considerable growth, they do not reflect the important transition that we have seen during the last twelve months.

In recent years, our primary focus has been on laying foundations that would ensure solid, sustainable growth for each of our assets over the long term. However, during the last year, a number of these assets, including EMAL and STRATA, commenced operations and began to generate revenue.

In this respect, 2010 can be seen as a year of delivery for several Mubadala businesses, with the likes of Mubadala Aerospace and Mubadala Infrastructure making substantial contributions to our revenues.

In addition, we further strengthened our relationships with a number of key strategic partners during the year, most notably Carlyle and Lockheed Martin – a mutual vote of confidence in our joint ability to explore and leverage new opportunities, and evidence that our partnerships have continued to mature.

We also attracted our first Asian partners, the Farglory Group of Taiwan, to Mubadala's flagship Sowwah Square development, and established the Advanced Military Maintenance Repair and Overhaul Center (AMMROC) advanced military maintenance, repair, and overhaul facility joint venture with a number of key local and international partners.

Finally, against the backdrop of a challenging financial climate, we made the effective management of our fiscal performance a priority. In achieving this goal, we have ensured we are well positioned to capitalize on opportunities that arise from the global economic recovery.

While our focus for the coming year remains centered on delivery, I believe we are well placed to continue our expansion into new territories and emerging sectors as we continue to work towards realizing our mandate.

Waleed Ahmed Al Mokarrab Al Muhairi
Chief Operating Officer

A year of delivery



Chief Financial Officer's Message

Our strong operating performance during 2010 is reflected in the company's consolidated financials, headlined by 22 percent year-on-year revenue growth, from AED 13.1 billion to AED 16 billion, and passing the AED 100 billion asset mark for the first time.

As in 2009, our three biggest contributing business units were Energy, Aerospace, and Infrastructure. However, our efforts to diversify revenues have also continued to deliver results.

For example, in 2008 Energy contributed 81 percent of total revenues, but by 2010 this proportion had reduced to 38 percent, with new revenue streams such as aircraft maintenance and social infrastructure respectively accounting for 31 percent and 22 percent of total income.

Certain aspects of our financial performance were negatively impacted by some of our publicly-held securities, with income from other investments falling from AED 4.2 billion to AED 1 billion, a drop in the value of our Aldar and AMD holdings offsetting the positive performance of our investments in Carlyle and GE.

The reduced investment return resulted in our operating income remaining unchanged at AED 17.6 billion, leading to a decrease in our profit for the year from AED 5 billion to AED 1.1 billion as our cost of sales of goods and services increased in line with the growth in revenues.

Total comprehensive income showed a loss of AED 315 million compared to 2009's positive AED 8.9 billion, largely due to a negative mark-to-market valuation of our securities portfolio, including Aldar and AMD.

We anticipate that our earnings in the short and medium term may continue to be impacted by volatility in the global equity markets. Many of these equity stakes are part of our long-term investment strategy, and as an investor we manage our equity stakes for the long run, recognizing that there may be short-term volatility.

Our assets increased by 14 percent year-on-year from AED 88.9 billion to AED 101.5 billion – a significant achievement in passing AED 100 billion for the first time. Expansion of our asset base was driven by PP&E, loans and receivables, and prepayments, while cash and cash equivalents decreased from AED 11.8 billion to AED 6.3 billion as we continued to deploy capital into our asset portfolio.

Within PP&E, a 27 percent increase from AED 21.8 billion to AED 27.6 billion reflects a number of developments, including further progress of Sowwah Island, which is scheduled to become the Central Business District of Abu Dhabi; the completion and impending launch* of our first satellite, Yah1A, which will meet the demand for increasing government and commercial satellite-related services; the continued development of Masdar City as part of our renewable energy business; and the performance of SR Technics, a key part of our aircraft maintenance repair and overhaul business, which continues to demonstrate progress in achieving its business strategy and growth plans.

**Our first satellite, Yah1A, was successfully launched in April 2011*

Continuing to
deliver results



Loans were up from AED 1.3 billion to AED 11 billion due to the continued growth of our commercial finance joint venture with GE, Mubadala GE Capital, as well as our ongoing investment in affiliates and investee companies, including Emirates Aluminium (EMAL), Tabreed, Etisalat Nigeria, and AMMROC. Receivables and prepayments increased from AED 13 to AED 16.5 billion, mainly due to service concession receivables from Zayed University and Paris-Sorbonne University Abu Dhabi.

As we continue to grow and more capital is deployed into our projects, our total equity position for the year increased by 26 percent from AED 49.4 billion to AED 62.1 billion, driven by AED 13 billion of new Government equity compared to AED 8.9 billion in 2009.

The Group's interest-bearing liabilities remained relatively stable year-on-year. Short-term debt decreased from AED 2.9 billion to AED 2 billion and long-term debt was AED 24 billion, in line with the 2009 position.

Our debt to equity ratio dropped year-on-year from 55 percent to 42 percent, with debt remaining stable while equity contributions increased. Similarly, our debt to capitalization decreased from 37 percent to 30 percent. Mubadala monitors leverage carefully, focusing on maintaining the optimal gearing relative to the composition of our portfolio rather than maximizing leverage.

Given Mubadala's strong financial position and close relationship to our shareholder, the Government of Abu Dhabi, our credit ratings remain among the top corporate rankings in the Middle East – in the long-term category at Aa3/AA/AA and in the short term at P-1/A-1+/F1+ by Moody's, Standard & Poor's, and Fitch respectively.

Mubadala continued to diversify its funding base in 2010 with the establishment of our Euro Commercial Paper Programme and activity in the institutional private placement market. We also successfully refinanced our corporate revolving credit facility with 21 international financial institutions, increasing the size of the facility from US\$2 billion to US\$2.5 billion.

Since the year-end, and despite challenging market conditions, Mubadala has secured favorable financing for a number of projects, including the largest solar project financing in the form of a US\$600 million, 22-year non-recourse facility for Shams; and a US\$650 million syndicated loan facility for Etisalat Nigeria. We also raised US\$750 million of 5-year and US\$750 million of 10-year senior unsecured fixed rate corporate bonds, a US\$180 million 20-year senior unsecured fixed rate corporate Yen bond, and continued to expand our Euro Commercial Paper Programme.

As our financial and operating performance for the year demonstrates, Mubadala continues to develop a strong portfolio of assets that will increasingly contribute to the diversification of our revenues and profits.

Operating income AED

17.6 bn

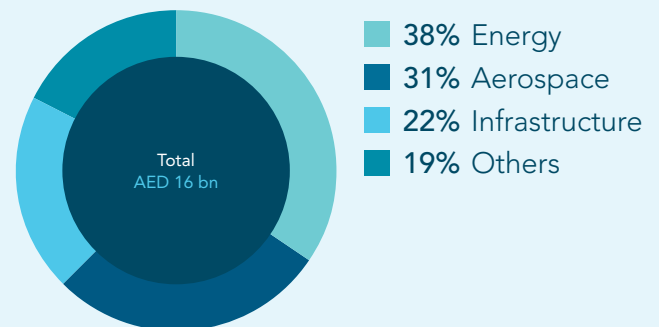
Total assets AED

101.5 bn

Total equity AED

62.1 bn

Contribution to total revenues



Credit ratings

Aa3 / AA / AA

Long-term
Moody's / Standard & Poor's / Fitch

P-1 / A-1+ / F1+

Short-term
Moody's / Standard & Poor's / Fitch

Chief Legal Counsel's Message

Mubadala continues to be committed to the highest standards of corporate governance and compliance across the Group, and we made great strides towards achieving this during 2010.

Corporate Governance

The Board of Directors is responsible for the direction and oversight of Mubadala on behalf of our shareholder and is accountable to our shareholder for all aspects of our business. The Board believes that effective governance is primarily achieved through delegating some of its authority for executive management to the Investment Committee and to the Chief Executive Officer and Managing Director, subject to monitoring by the Board and the limitations defined in the Mubadala Delegation of Authority.

The Board's governance mandate deals with its relationships with our shareholder and executive management, the conduct of the Board's affairs, and the tasks and requirements of Board committees. The Board also monitors Mubadala's focus and commitment to activities that promote our shareholder's interests including, in particular, the active consideration of strategy, risk management, and financial planning and performance.

The CEO describes to the Board in the Annual Business Plan and Budget how Mubadala's strategy is to be delivered, together with an assessment of risk and compliance issues. During the year, the Board monitors the progress made in achieving the goals set out in the Annual Business Plan. The CEO is obliged to review and discuss with the Board all strategic projects and developments, and all material matters currently or prospectively affecting Mubadala and its performance, in accordance with the Delegation of Authority.

Although ultimate responsibility for adopting standards of corporate governance rests with the Board of Directors, the Chief Legal Counsel is responsible for overseeing corporate governance as well as related policies and procedures. In addition, each employee appointed to serve as a Board or Committee member for the Mubadala Group is aware of their important individual duties and responsibilities in shaping our success and development. To aid such individuals, we have developed a Corporate Governance Handbook for directors and committee members, which sets out their key roles, responsibilities, and fiduciary duties. Furthermore, the Chief Legal Counsel oversees the corporate governance training program, whereby regular focused training workshops are provided to relevant individuals.

The performance of boards and committees across the Group is monitored closely and each board and committee is mandated to conduct an annual evaluation process.

Committed to the
highest standards



Board of Directors

The Board of Directors is responsible for the direction and oversight of Mubadala on behalf of its shareholder and is accountable to it for all aspects of Mubadala's business, including corporate governance, focusing on activities that enable it to promote its shareholder's interests and ensure Mubadala is fulfilling its mandate. The Board believes that good corporate governance is underpinned by clear roles, responsibilities, and accountabilities, together with the proper utilization of distinct skills and processes.

Certain aspects of the Board's authority are delegated to the CEO, Khaldoon Khalifa Al Mubarak, and members of the Investment Committee. This delegation is subject to ongoing review as well as the limitations set out in Mubadala's Delegation of Authority.

The Board convened six times in 2010, in addition to a large number of informal meetings, discussions, and written resolutions.

Audit, Risk and Compliance Committee

The Audit, Risk and Compliance Committee comprises three non-executive Board members. The members are Hamad Al Hurr Al Suwaidi as the Chairman, Nasser Ahmed Khalifa Alsowaidi, and Mohamed Saif Al Mazrouei. The Audit, Risk and Compliance Committee is mandated by the Board to oversee the financial, risk management and compliance activities of Mubadala, which include the review and monitoring of:

- Recommendation of appointment of external auditors
- Oversight of external audit process
- Integrity of financial statements
- Internal control systems
- Internal risk management systems
- Independence of external auditors and the provision of non-audit services
- Effectiveness of Mubadala's corporate governance and compliance programs

The Committee meets as frequently as required, but at least four times annually, following receipt by Mubadala of the half-year accounts and the final annual audited accounts.

Investment Committee

The Investment Committee is mandated to review, consider, and approve certain corporate, strategic, organizational, operational, performance, investment, and financial matters across Mubadala. It is responsible to the Board for developing and monitoring Mubadala's financial and non-financial strategy.

The Investment Committee, which typically meets around three times a month, comprises the CEO, the COO, the CFO, and the CLC.

Among other responsibilities and duties, the Investment Committee reviews and assesses the annual plans and budgets submitted by each business unit, subsidiary, and jointly controlled entity; monitors, evaluates, and makes recommendations to the Board with respect to existing and potential investments and projects; and approves investments of each of the business units, subsidiaries, and jointly controlled entities in accordance with the financial thresholds set out in the Delegation of Authority. In the case of investments above such amounts, the Investment Committee endorses the investment for approval by the Board.

Compliance

Mubadala is committed to developing an effective Group-wide compliance program based on global best practices. This program consists of the following elements that operate continuously and are focused on protecting the Group by preventing, detecting, and responding to compliance issues:

- Risk assessment – review and identify risks, ensure abatement plans and policies are in place, and prevent and detect unlawful and/or unethical conduct
- Reporting – provide channels to report concerns (including anonymously) and manage compliance investigations
- Training – create training programs and ensure employees are knowledgeable, aware, and committed to acting ethically and compliantly
- Communicating – provide creative and comprehensive programs to build awareness and knowledge
- Evaluating – assess compliance program effectiveness and efficiency, and prepare compliance performance and assessment reports for senior management and the Board
- Relating – build regulator and partner relationships, and identify emerging risks and issues

The Board is responsible for ensuring that there is an effective compliance program in place. It fulfills its oversight duty through the Audit, Risk and Compliance Committee, the CEO, and senior management. The Audit, Risk and Compliance Committee and CEO delegate the review and implementation of the compliance program to the Compliance Review Board, which consists of the COO, CFO and CLC, as well as other members of senior management appointed by them. The Compliance Review Board is assisted by the Compliance Office, which has been established within the Legal & Compliance unit. The compliance program is implemented through a Corporate Compliance Council, which is composed of compliance representatives from each business and corporate unit across the Group.

As part of the compliance program, Mubadala has implemented a comprehensive Code of Conduct applicable to directors and employees of Mubadala and its subsidiaries. Such persons are required to complete training as required and acknowledge their commitment to the Code annually. The Code is also applicable to third parties such as contractors, consultants, and partners who work with or represent the Mubadala Group.

Samer Halawa
Chief Legal Counsel

Aerospace



Mubadala Aerospace is helping to establish Abu Dhabi as a global aerospace hub, a cornerstone of the Emirate's economic diversification strategy. By teaming with world-class business partners, Mubadala Aerospace harnesses capabilities to bring knowledge, specialized support, and technological and innovation expertise to the Emirate.

Capital



Mubadala Capital was created in 2010. It is the primary vehicle for the company's investment activities, focused on the creation of long-term wealth and biased towards capital preservation.

Building the Future

Industry



Mubadala Industry was launched in 2010 as a stand-alone business unit, reflecting the importance of industrial development to the economy of Abu Dhabi, the scale of existing industrial investments such as Emirates Aluminium, and the significant potential for further development of leading new businesses.

Energy



Mubadala Energy builds on Abu Dhabi's rich heritage in hydrocarbons. Through Mubadala Oil & Gas, it is active in the production, exploration, and development of oil and gas resources in the Middle East, North Africa, and Central and Southeast Asia.

Healthcare



Mubadala Healthcare is playing an instrumental role in the creation of a thriving private healthcare sector for the Emirate, working to provide world-class facilities for UAE citizens and residents, particularly patients who would otherwise have to travel abroad for treatment.

Mubadala – Arabic for 'exchange' – invests and operates in areas that are integral to the long-term diversification of Abu Dhabi, focusing on managing long-term, capital-intensive investments that deliver strong financial returns and tangible social benefits for the Emirate.

Information & Communications Technology



Mubadala Information & Communications Technology invests in and develops a portfolio of world-class ICT assets in Abu Dhabi. The aim is to establish a cluster of businesses that create high-value employment opportunities in IT and technology, telecoms, and satellite communications.

Infrastructure



With a predominant focus on education and other social infrastructure, Mubadala Infrastructure is a prime mover in the economic transformation of Abu Dhabi, using public-private partnerships (PPP) with world-class institutions to finance and operate new facilities. Current assets include the UAE University, Paris-Sorbonne University, and Zayed University.

Real Estate & Hospitality



Mubadala Real Estate & Hospitality develops commercial, residential, and leisure districts that are central to Abu Dhabi's long-term development and is helping to facilitate the development of a world-class city that is environmentally, socially, and economically sustainable.

Services Ventures



Mubadala Services Ventures focuses on building scalable regional business platforms across three sectors: defense, logistics and transportation, and financial services and leasing.

The second phase of the Paris-Sorbonne Abu Dhabi University project was completed two weeks ahead of schedule and on budget, despite the scale of the development. The project comprises about 93,000 m² of teaching, library, and recreational facilities.

Investing in the future through world-class education resources










Establishing Abu Dhabi as an integrated global aerospace hub

STRATA's Al Ain plant was completed in August 2010, with its first products – flap-track fairings for the Airbus A330/A340 – delivered a month later. Construction began only 10 months earlier, and transformed desert land into a 21,600 m² aerostructure facility.

Bringing the best international clinical expertise to the region

The official opening of the Tawam Molecular Imaging Centre (TMIC), adjacent to the Tawam Hospital Campus in Al Ain, gave cardiologists, neurologists, and oncologists, throughout the region, access to world-class diagnostic systems.





Only a year after producing its first tonne of metal, Emirates Aluminium (EMAL) reached full first-phase production capacity of 742,500 tonnes. The speed and quality of project execution set a new industry benchmark.

One of the largest industrial investments in the Gulf region



Mubadala GE Capital, a 50:50 joint venture between GE and Mubadala, reached US\$2 billion in commitments in its first full year of operation. The company offers an array of financing solutions – including commercial lending, leasing, and equity finance – to clients across the Middle East and Africa.

Offering financing solutions to help businesses grow



Review of Operations

Realizing opportunity has always been at the core of Mubadala's mission. The company partners with leading global organizations to operate businesses across a wide range of industry sectors including aerospace, financial services, healthcare, information and communications technology, infrastructure, logistics, metals and mining, and real estate. By doing so, Mubadala is accomplishing its mission to expand the economic base of the Emirate, and contributing to the growth and diversification of the Abu Dhabi economy.

The following review provides an overview of Mubadala's sector-specific activity in 2010.

Aerospace

Mubadala Aerospace continued to make significant progress in developing world-class operations in Abu Dhabi, despite the difficulties experienced by the global aviation and aerospace industry during 2010.

Tight budget controls and an emphasis on efficiency reduced the Unit's net operating loss, while portfolio companies recorded a series of landmark achievements.

In June, three Emirati students began Mubadala-sponsored internships with the US National Aeronautics and Space Administration (NASA)

Sanad, Mubadala's aviation component and engine financing company, was launched in February and by the end of the year had signed contracts with Air Berlin and Etihad Airways worth a combined US\$130 million.

In June, three Emirati students began Mubadala-sponsored internships with the US National Aeronautics and Space Administration (NASA) – the first time that NASA's 10-month training program has been offered to non-US citizens.

The Advanced Military Maintenance Repair and Overhaul Center (AMMROC) was launched in July with Abu Dhabi Aircraft Technologies (ADAT) and Sikorsky Aircraft Services as its two founding shareholders.

Lockheed Martin joined AMMROC as an equity partner later in the year. AMMROC is an illustration of a unique business model that seeks to provide full military sustainment service capability to its primary customer, the UAE Air Force, as well as other military customers regionally and nationally.

STRATA's advanced composites aerostructures manufacturing plant in Al Ain was completed in August 2010. Its first products – flap-track fairings for the Airbus A330/A340 – were delivered a month later.

In keeping with Mubadala's commitment to professional development and creation of highly skilled aerospace jobs in Abu Dhabi, STRATA established an initiative with Al Ain International Aviation Academy (AAIAA) to equip UAE nationals with the skills to be part of Abu Dhabi's aerospace industry.

In October, SR Technics – the European aircraft maintenance, repair, and overhaul (MRO) company in which Mubadala holds a 70 percent stake – launched its operations in Malta, where EasyJet's Airbus A320 fleet will be serviced. SR Technics was also named 'Leading Independent MRO Provider' in the *Aviation Week* awards.

ADAT announced further details of its agreement with GE to become an MRO provider for GE engines. An overhaul and test cell workshop for the GENx and GP7200 models is being built in Abu Dhabi – a world first for a GE and Engine Alliance network partner – that will also service GE90 engines.



Capital

Mubadala Capital's primary objective is to develop an Abu Dhabi-based research, alternative asset, and investment management platform.

Investing throughout the capital structure in a diversified portfolio of global public and private securities, Mubadala Capital uses a value oriented investment approach with a primary focus on the creation of long-term value and a bias toward capital preservation.

Mubadala Capital's responsibilities include the management of Mubadala's existing non-UAE financial investment portfolio, including public market investments in AMD and GE and private investments in the Carlyle Group and Related. Mubadala Capital also manages Mubadala's existing fund commitments and activities.

During 2010, Mubadala Capital's primary transaction activities included an additional US\$500 million investment in the Carlyle general partnership in exchange for a combination of additional equity and convertible subordinated notes

During 2010, Mubadala Capital's primary transaction activities included an additional US\$500 million investment in the Carlyle general partnership in exchange for a combination of additional equity and convertible subordinated notes; an investment of US\$100 million in funds managed by Verno Capital, a capital markets fund manager in Russia and the Commonwealth of Independent States (CIS); and the purchase of an additional 2.89 million shares in GE, which took Mubadala's total shareholding to 76.9 million (approximately 0.72 percent).

Aerospace

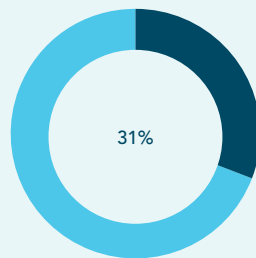
Sanad, Mubadala's aviation component and engine financing company, signed contracts with Air Berlin and Etihad Airways worth a combined US\$130 million.

Sanad signed contracts AED

478 m

Aircraft maintenance and repairs accounted for 31 percent of Mubadala's total revenues.

Contribution to revenue



Capital

Through an investment of US\$100 million in funds managed by Verno Capital, Mubadala announced its first investment in the Russian market.

Investment in funds managed by Verno Capital AED

368 m

Total assets AED





Energy

Working interest production in 2010 amounted to 139.4 million barrels of oil equivalent.

2010 production (barrels)

139.4 m

Operating income AED

2009	6,147 million
2010	7,885 million

Assets AED

2009	18,889 million
2010	20,724 million

Energy

Through Mubadala Oil & Gas, Mubadala Energy delivered net income well in excess of budget during 2010. Steady production was boosted by sustained high oil prices, higher gas sales from Dolphin, and lower costs. Working interest production in 2010 amounted to 139.4 million barrels of oil equivalent – all with no lost time, injuries, or spills greater than one barrel in operations directly managed by Mubadala.

Mubadala acquired its first interest in Malaysia with the signing of the SK320 Production Sharing Contract with Petronas in February

Production from Dolphin and Mukhaizna was on target for the year, and although Tatweer gas sales were below budget, there was no material impact on income. Tatweer oil achieved record monthly production in December.

In Southeast Asia, excellent performance from the Jasmine field drove regional production higher than expected.

Healthcare

Abu Dhabi Knee & Sports Medicine Centre carried out 972 surgical procedures in 2010, playing a significant role in treating knee injuries, which are highly prevalent in the region.

2010 surgical procedures

972

Operating income AED

2009	204 million
2010	323 million

Profit AED

-6.8 million	2009
20.5 million	2010



Mubadala acquired its first interest in Malaysia with the signing of the SK320 Production Sharing Contract with Petronas in February. Mubadala Oil & Gas is the operator and holds a 75 percent working interest.

Exploration continued across a wide geographic spread. The first well in N-Block Kazakhstan was completed and encountered encouraging levels of oil and gas, although further work is needed to assess commercial viability. Excellent progress was made in evaluating and testing the multiple gas discoveries in Block 62 Oman in preparation for integrated development. In the Gulf of Thailand, study of development options continued for the Manora, Nong Yao, and Wassana discoveries.

Development of the Ruby field within the Sebuku PSC in the Makassar Straits off Indonesia is due to be sanctioned in early 2011. Mubadala operates Ruby through the Pearl organization. An amendment to the PSC was agreed in 2010 that will underpin the commercial viability of the development.

Mubadala Oil & Gas chief executive, Maurizio La Noce, was named 'Man of the Year' by the publishers of *Oil & Gas Year* in recognition of his outstanding contributions to the development of Abu Dhabi's energy sector.

Healthcare

The first phase of The National Reference Laboratory was opened at Dubai Technology & Research Park (Dubitech) in March 2010. The Laboratory, which offers a full range of reference laboratory services, was established to reverse the trend of international send-outs and significantly enhance the region's healthcare infrastructure. The main regional hub, a larger Abu Dhabi facility, is expected to open in 2011.

Throughout the year, Mubadala Healthcare continued to leverage partnerships with organizations such as Johns Hopkins Medicine International, Imperial College London, and Cleveland Clinic to bring the best of international healthcare expertise to Abu Dhabi.

Cleveland Clinic Abu Dhabi received the 'Best Hospital Design – Built & Future' award at Hospital Build 2010

Further development of Cleveland Clinic Abu Dhabi progressed with the appointment of Sixco-Samsung Joint Venture as the main contractor. The project also received the 'Best Hospital Design – Built & Future' award at Hospital Build 2010.

The services of the Imperial College London Diabetes Centre (ICLDC) will expand with the provision of a second facility in Al Ain by the end of 2011. ICLDC treated more than 60,000 patients in 2010 and received certification in the clinical treatment of diabetes mellitus from JCI (Joint Commission International), the global gold standard of hospital excellence. This marks the second accolade for the Centre, following its accreditation in ambulatory care last year.

The opening of the Tawam Molecular Imaging Centre, adjacent to the Tawam Hospital Campus in Al Ain, gave cardiologists, neurologists, and oncologists, throughout the region, access to world-class diagnostic systems and the expertise of clinical operators Johns Hopkins Medicine International.

Abu Dhabi Knee & Sports Medicine Centre carried out 972 surgical procedures in 2010, playing a significant role in treating knee injuries, which are highly prevalent in the region.



Industry

Only a year after producing its first tonne of metal, Emirates Aluminium (EMAL) reached full first-phase production capacity of 742,500 tonnes.

EMAL, Mubadala's partnership with Dubai Aluminium, is one of the largest industrial investments in the Gulf outside the oil and gas sector and represents a remarkable achievement on many fronts. The speed and quality of project execution – an average of 13.3 cells energized per week – represents a new industry benchmark. The last cell went live on December 31, 2010.

Through its global partners, Mubadala Industry's power generation operations have installed capacity of 2.6 GW and gross assets exceeding AED 5 billion

Annual production of 353,000 tonnes of primary aluminium significantly exceeded the 245,000 tonnes targeted during ramp-up year – all achieved with impeccable safety and environmental records.

At the same time, EMAL launched the front-end engineering design for Phase II which, if approved for development, will bring aggregated annual production capacity to 1.4 million tonnes. On completion, this will make EMAL the largest single site smelter in the world.

EMAL is the first user of the Khalifa Port facilities, inaugurated at the end of 2009, and is also active in developing the aluminium downstream cluster in the Khalifa Port and Industrial Zone, where several tenant contracts are at the final stages of negotiation.

Mubadala Industry's mining activities focus on bauxite/alumina and iron ore. In partnership with BHP Billiton, development work continued in 2010 for the Guinea Alumina Company's bauxite mine and alumina refinery in Sangaredi, Guinea. Phase I production is estimated at 3.3 million tonnes annually, expandable later to 5.2 million tonnes.

Mubadala Industry's utilities businesses recorded another successful year. Tabreed's district cooling operations, in which the unit held a 15.8 percent stake at year-end, achieved a significant turnaround during the year, recording substantial increases in total revenue and net income as 13 new plants and two expansions came online and added 155,000 TR (Tons of Refrigeration) of gross capacity – bringing total installed capacity to 541,000 TR.

During 2010, Azaliya, Mubadala Industry's joint venture with Veolia EAU, provided water to more than six million customers. New contracts included major projects in Oman and Abu Dhabi.

Through its global partners, Mubadala Industry's power generation operations have installed capacity of 2.6 GW and gross assets exceeding AED 5 billion. New power plants in Algeria and Oman completed their first full year of operation during 2010, and business development activities continued to tap buoyant sector growth in the Middle East and North Africa.



Information & Communications Technology

Yahsat, the Abu Dhabi-based satellite operator, is scheduled to launch the Yah1A satellite* in the second quarter of 2011, followed by Yah1B in the second half of the year. Signed commercial contracts are running ahead of budget and include a five-year operations and maintenance deal with the UAE Armed Forces.

Injazat won the 'Best Data Centre' award in 2010 as well as achieving ISO 20000 and ISO 27001 certification

Injazat, the third largest IT services provider in the UAE, won the 'Best Data Centre' award in 2010 as well as achieving ISO 20000 and ISO 27001 certification.

Etisalat Nigeria (EMTS), Nigeria's fourth licensed mobile operator, saw its subscriber base double during 2010 to reach almost seven million, positioning the company fourth in terms of market share and gaining ground on its competitors. The company also acquired a 3G license during the year, continued with network expansion through 1,500 sites, and was rated 'Best in Quality' by the Nigerian telecoms regulator.

du, the second integrated operator in the UAE, reached more than four million subscribers, representing a 39 percent market share. du was able to raise AED 1 billion in equity. Its revenues and net income (mainly mobile operations) consistently meet or exceed shareholders' expectations.

Prodea, a Texas-based start-up offering home convergent solutions in multimedia, fixed telephony, and data, announced the launch of 'nxt' in the UAE – a suite of digital services designed to enhance daily life. Prodea is collaborating in Egypt with ERTU (Egyptian Radio and Television Union).

Mubadala Information & Communications Technology will continue to expand, develop, and integrate sustainable opportunities in telecom services, satellite services (traditional telecom/broadcasting satellites and geospatial intelligent satellites), IT services, and technology venture capital in selected geographic areas during the coming year.

Industry

Emirates Aluminium (EMAL) reached full first-phase production capacity of 742,500 tonnes.

EMAL production capacity (tonnes – Phase I)

742,500

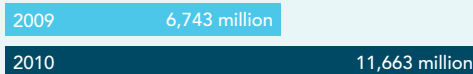
Total assets AED



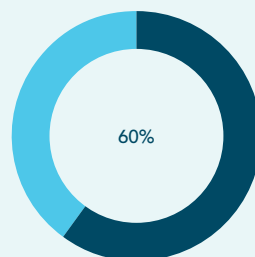
Information & Communications Technology

du, the second integrated operator in the UAE, reached more than four million subscribers, representing a 39 percent market share.

Total assets AED



Percentage of ownership in Injazat



*Our first satellite, Yah1A, was successfully launched in April 2011



Infrastructure

The site area of the new, state-of-the-art Zayed University campus covers almost 1 km² and the university will have capacity for about 6,000 students.

Zayed University capacity (no. of students)

6,000

Operating income AED

2009	2,850 million
2010	3,241 million

Total assets AED

2009	5,218 million
2010	8,408 million

Real Estate & Hospitality

The first foreign investment in Sowwah Island was concluded with the Farglory Group undertaking to develop luxury waterfront towers, known as The Galleria at Sowwah Square, across four sites totaling approximately 17,000 m².

The Galleria at Sowwah Square

17,000 m²

Total assets AED

2009	10,315 million
2010	12,359 million

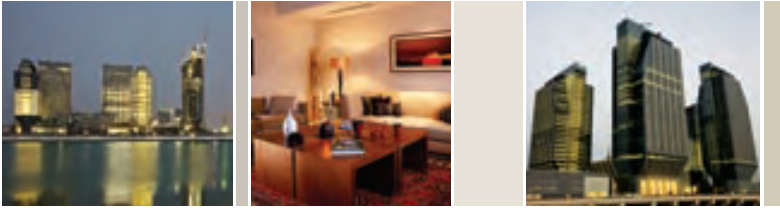
Infrastructure

The second phase of the Paris-Sorbonne University Abu Dhabi project was completed in 2010, and brought the total campus capacity to 2,000 students, comprising about 93,000 m² of teaching and recreational facilities, including a library of 200,000 books. Work finished on schedule and to budget.

The second stage of UAE University, the Crescent Building, was completed and handed over in Q4 2010

Construction of the new state-of-the-art Zayed University campus is well advanced and the first students will be on the premises for the 2011 academic year. The site area covers almost 1 km² and the university will have capacity for about 6,000 students. The campus will house a four-storey library, tiered amphitheater, on-site dormitories, and services from pharmacies to hair salons. Public facilities include a 1,000-seat theater and convention center.

The second stage of UAE University, the Crescent Building, was also completed and handed over in Q4 2010. It houses staff and faculty offices, male and female student libraries, the Chancellor's Office, and Great Hall. The UAEU Stage 3 male campus is currently under construction and is due for completion in Q3 2011.



Construction progress is on track, with the first two towers scheduled for handover in the second quarter of 2011, followed by the remaining two towers and the ADX headquarters in the second half of the year.

Landmark projects such as Sowwah Island are attracting some of the world's leading hotel and leisure operators, as well as blue-chip local developers and tenants.

The unit is also involved in a number of other projects, including the development of a new campus for New York University Abu Dhabi on Saadiyat Island, scheduled to be completed in the first quarter of 2014. Al-Futtaim Carillion (Abu Dhabi) LLC was appointed as the design and build contractor in April 2010.

Mubadala Infrastructure also refined its business strategy during the year, marketing PPP deals to sectors other than education, its traditional area of strength.

Real Estate & Hospitality

Key projects being undertaken by Mubadala Real Estate & Hospitality include Arzanah, a 1.4 million m² residential and mixed-use community development; Sowwah Island, the heart of Abu Dhabi's visionary new Central Business District; and the Mina Zayed Waterfront, a mixed-use leisure and entertainment district.

At Sowwah Island, two bridges were completed in 2010, enabling access from neighboring Abu Dhabi Island and Reem Island.

Sowwah Square is the central development in the island's business environment, made up of four investment grade towers and the distinctive new headquarters of the Abu Dhabi Securities Exchange (ADX).

The first tower of Sowwah Square, comprising 40,400 m², was pre-leased by more than 13 international and regional firms. New tenant agreements secured in 2010 include Clifford Chance, Latham & Watkins, White & Case, Herbert Smith, and Baker Botts

The first foreign investment in Sowwah Island was concluded with the Farglory Group, Taiwan's leading real estate and construction company, undertaking to develop luxury waterfront towers, known as The Galleria at Sowwah Square, across four sites totaling about 17,000 m².

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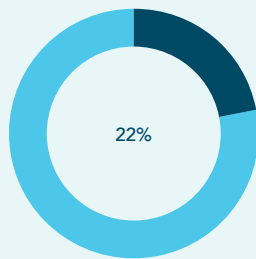
During 2010, Four Seasons Hotels and Resorts announced their partnership in the development of Four Seasons Hotel Abu Dhabi at Sowwah Island, marking the prestigious hotel group's UAE debut. This hotel joins Rosewood Abu Dhabi, also on Sowwah Island, which is progressing on schedule to be completed in early 2013.



Services Ventures

The operational launch of Bayanat, a wholly-owned subsidiary set to become a national leader in surveying, mapping and geospatial information services, was formalized with the signing of a five-year contract with the UAE Armed Forces.

Increase in operating income



Operating income AED

2009	303.3 million
2010	369.7 million

Total assets AED

2009	1,867.9 million
2010	1,996.5 million

Services Ventures

The year was marked by a 22 percent increase in Mubadala Services Ventures' operating income against 2009. Shareholder agreements for the formation of two financial services joint ventures were signed: one with the Pramerica Real Estate Investors arm of Prudential Financial, to create Mubadala Pramerica Real Estate Investors, and another with Mesiraw Financial.

These two ventures will provide bespoke investment management solutions to institutional investors, corporations, and family offices across the region and will help to drive Abu Dhabi's development as a center of excellence in asset management. Mubadala Pramerica will import capital from overseas to promote real estate developments in Abu Dhabi and the region, supporting the growth of developers through offering alternative sources of financing, while Mesiraw Financial will focus on commodity and currency risk management services.

The operational launch of Bayanat was formalized with the signing of a five-year contract with the UAE Armed Forces. Leveraging 37 years of experience with the UAE military, Bayanat provides surveying, mapping, and geospatial information services to a number of strategic government entities and private sector companies.

Abu Dhabi Finance more than doubled the size of its loan book during the year and underwrote the largest market share of mortgages for Aldar and Sorouh, the leading Abu Dhabi-based developers.

It also successfully introduced its new Mamlakaty private residential mortgage product for UAE nationals, offering the lowest rate available in Abu Dhabi.

LeasePlan Emirates grew its vehicle leasing fleet by more than 40 percent, securing contracts with a number of leading clients, including Gasco, du, EMAL, and Musanada. The company also achieved its first monthly break-even, ahead of plan.

Eships increased its number of vessels from 12 to 23, including the acquisition of three medium range chemical tankers, resulting in a 120 percent increase in revenues

In the defense services sector, Al Taif Technical Services continued to deliver on its commitments to provide state-of-the-art maintenance, repair, and overhaul services for the entire wheeled and tracked vehicle fleet of the UAE Armed Forces, and maintain the highest levels of readiness for the fleet. The company also introduced lean six sigma concepts to its structure, improving its operations and efficiency.

Transportation and logistics activities saw Agility Abu Dhabi sign contracts with Samsung for logistics services in Abu Dhabi and handle Abu Dhabi Formula One Grand Prix logistics for the second successive year.

Agility delivered on its contractual commitment to Borouge by completing the logistics hub and chemical compound manufacturing unit in Shanghai, facilities that are set to become a catalyst for chemical logistics in China.

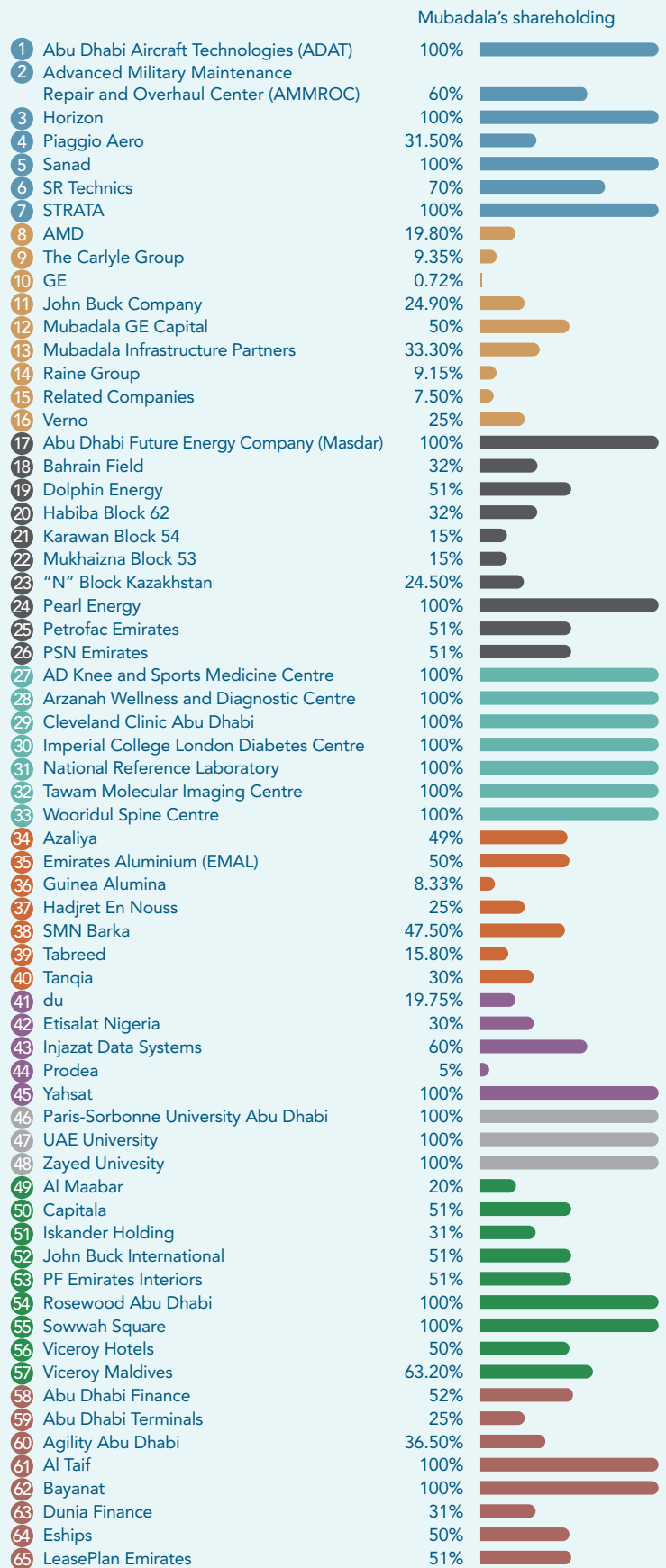
Emirates Ship Investment Company increased its owned or controlled fleet of dry bulk and product/chemical tanker carriers from 12 vessels to 23, including the acquisition of three medium range vessels, resulting in a more than doubling of revenues. The company also took delivery of two new build LPG tankers, now employed on a 7-year charter to Total. The company continues to deliver high-quality services focusing on local/regional industrial players and international blue-chip companies, including Emirates Steel Industries, Emirates Aluminium, Total, Shell, and Louis Dreyfus.

Dunia Finance, the consumer finance JV with Waha Capital and Fullerton Financial Holdings, expanded its product offering and grew its customer base from 10,900 to 55,710 during 2010. The company entered into the first-of-its-kind agreement to provide mobile banking services in partnership with du, one of the UAE's two mobile operators.

Abu Dhabi Terminals continued to be a key contributor to the unit's performance, with General Cargo & Project Related Shipments increasing by 9 percent and 28 percent respectively against 2009 performance. Half of Mubadala's stake (25 percent) was sold down to Mubadala Infrastructure Partners at the beginning of 2010.

Key Assets

A selection of key assets,
as at 31 December 2010





Investment by origin	
UAE	69
USA	14
Oman	5
Italy	3
Algeria	3
Libya	2
Netherlands	1
Bahrain	1
Nigeria	1
Sudan	1
Switzerland	1
Kazakhstan	1
Singapore	1
Malaysia	1
Guinea	1
UK	1
Maldives	1
China	1
Russia	1
Total	109



Sustainability

Mubadala acknowledges that its decisions and activities (including products, services and processes) have impacts on society and the environment. It has made a commitment to advancing sustainable development, including the health and welfare of society. Through transparent and ethical behavior, corporate responsibility is integrated throughout the organization and practiced within the sphere of influence of its relationships.

Corporate Responsibility

The diverse nature of Mubadala's business activities creates corporate and social responsibilities that are wide-ranging and complex. Not only must each of Mubadala's businesses be responsible for their social, environmental, and economic performance, they must each align these principles with the delivery of sustainable financial returns to the Emirate of Abu Dhabi.



Strategic Partnerships

Mubadala is an active and contributing partner to a select number of organizations, making significant investments of human and financial capital to grow capacity and capability in key areas of development for Abu Dhabi. These focus on two primary areas – youth development in partnership with Tawteen, and Social Entrepreneurship in partnership with the Emirates Foundation New Civil Society Organizations Project. Taken in tandem, these partnerships work to develop leadership capabilities among young Emiratis and encourage social entrepreneurs who will contribute to civil society.



Community Development

Mubadala believes in the mutual advantage that stems from supporting the communities that are integral to its opportunity to do business. Through pro bono support and general volunteering, the company actively participates in and financially assists civil society initiatives on a range of key themes such as developing talent, culture and the arts, and environmental stewardship.





Sustainability

For Mubadala, a focus on sustainability recognizes that the ways the company contributes to its communities, and the way it runs its businesses, needs to be integrated into its management systems and aligned to its values.

Corporate Responsibility

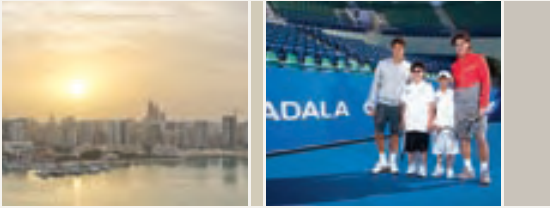
In 2010 Mubadala became a member of the Abu Dhabi Sustainability Group (ADSG), a membership organization launched by the Environment Agency-Abu Dhabi (EAD). As a member, Mubadala has a platform to engage key stakeholders in the community and is able to share and benefit from sustainability best practices.

As part of its longer-term strategy, Mubadala will develop and implement a set of best practice standards to manage environmental, social, and governance issues; reporting and monitoring; employee engagement; and stakeholder consultation.

Strategic Partnerships

Mubadala is an active, contributing partner with a select number of organizations with whom it makes significant investments of human and financial capital to grow capacity and capability in key areas of development for Abu Dhabi:

- Youth Development – in partnership with the Tawteen Program, an initiative of the Emirates Foundation for Philanthropy, Mubadala is working with local businesses and academic institutions to develop leadership capabilities among young Emiratis and to prepare them for future careers in the private sector. Mubadala sponsors the Tawteen Leadership Academy, which provides experiential learning and teaches international theories of leadership and problem solving to 18-26 year old Emiratis.
- Social entrepreneurship – Mubadala has entered into a partnership agreement to support the Emirates Foundation New Civil Society Organizations Project. This encourages Emirati social entrepreneurs to lead new projects in education, community development, environmental sustainability, and public awareness, and to drive citizen participation to enrich the fabric of national civil society.



Community Development

Business is an integral and influential participant in society and has a vital role to play in shaping the prosperity and wellbeing of the world around us. Mubadala believes it is important to support the communities that allow it the opportunity to do business.

Mubadala actively supports community development programs around a range of themes:

- Developing talent
- Health and wellbeing
- Culture and the arts
- Social entrepreneurship
- Environmental conservation

Aerospace

Mubadala Aerospace sponsored 'Reach for the Sky', an event that taught children about planets, galaxies, the earth, and stars. Children explored the phases of the moon and their relationship with Arabian months, including the month of Ramadan, and Islamic achievements in the fields of science and astronomy – all designed to stimulate young people's interest in science and foster a love for learning and discovery.

'Reach for the Sky' was presented in collaboration with The Emirates Foundation for Philanthropy, one of the UAE's leading philanthropic institutions, that brought the legendary Sesame Street children's show concept to the UAE. The Sesame Workshop used live performances with Sesame Street characters to foster interest in science, astronomy, and space travel.

Mubadala Aerospace also worked with The Museum of Flight, which brought its popular Flying Gizmo Show and Apollo Moon School to the program.

Energy

In Southeast Asia, Mubadala Oil & Gas – through the Pearl organization and as part of a wider industry consortium – participated in a major mangrove rehabilitation programme that was recognized by HRH The Princess Royal of Thailand.

Healthcare

Imperial College London Diabetes Centre held its third annual community walkathon, 'Walk UAE', at Yas Marina Circuit, in which about 15,000 people took part; continued the 'I Eat Right' campaign in schools; continued the 'I Cook Healthily' campaign with a televised cooking program on Fatafeat; and organized a community football tournament during Ramadan as part of its 'I Play Sports' community campaign.

Information & Communications Technology

Through Injazat, Mubadala ICT was Silver Sponsor for the fourth Arab Giving Forum. Injazat also sponsored the third annual 'Play Sports! Live Healthily!' Ramadan football tournament.

Real Estate & Hospitality

Mubadala Real Estate & Hospitality generated funds for Special Care Centre, a charity that builds schools for special needs children in Abu Dhabi, and partnered with Agility Logistics to ship more than 5,000 pieces of stationery to an underprivileged primary school in Uganda.

Services Ventures

Abu Dhabi Finance was active in campaigns for breast cancer awareness and fundraising, blood donation, and Pakistan disaster relief, as well as generating funds for the Future Centre for Autistic Children.

Dunia Finance was recognized for its outstanding corporate social responsibility standards and initiatives at the Arabian Business Achievement Awards.

Abu Dhabi Terminals waived rental, water, and electricity fees for the Red Crescent, and generated relief funds following the earthquake in Pakistan.

Mubadala World Tennis Championship

Sponsorship of the Community Cup by Mubadala gave club players an opportunity to play with one of the stars at the Mubadala World Tennis Championship, while establishment of the Tennis in Schools Program aims to develop new tennis talents in the UAE and promote a healthy lifestyle for the generation of tomorrow.

Executive Management

1 Khaldoon Khalifa Al Mubarak
CEO and Managing Director

"Given the far-reaching effects of the recent global economic downturn, the stand-out development for Mubadala in 2010 was, for me, the company's operational performance. To have continued to flourish during this exceptionally difficult period is encouraging for all concerned."

2 Waleed Ahmed Al Mokarrab Al Muhairi
Chief Operating Officer

"Last year, a number of our assets reached important milestones against their long-term plans. We are confident that through the progress we have made and continue to make, we are delivering a tangible impact on the economy of Abu Dhabi."

3 Carlos Obeid
Chief Financial Officer

"As our financial and operating performance for the year demonstrates, Mubadala continues to develop a strong portfolio of assets that will increasingly contribute to the diversification of our revenues and profits."

4 Samer Halawa
Chief Legal Counsel

"2010 saw the Legal & Compliance Unit continuing to protect and promote the best interests of the Mubadala Group by working closely with the Business and Corporate Units. Of particular significance to the team was the successful launch of the Mubadala Code of Conduct."

5 Moiz Chakkiwala
Executive Director, Finance

"Finance continued its transformation. Key achievements included the embedding of our business partnering team, enhancement of our corporate planning processes, and continued improvements to reporting timeframes."

6 Fatema Hafeez
Associate Director, Human Resources & Administration

"We embarked on a full-scale HR transformation designed to meet the growing needs of the business. 2011 will see the implementation of a new business model with representatives embedded in business units, and centers of excellence created to provide direction, oversight, and advisory support in resourcing and professional development."

7 Matthew Hurn
Executive Director,
Group Treasury

"We continued to develop all areas of Treasury, Tax, and Insurance, from people and systems development through to policy and process implementation. These improvements support not only the Group's governance and control initiatives, but also provide value-added services to the business units and investee companies, enabling them to achieve their objectives."

8 Joe Ioculano
Head of Internal Audit

"Our first recruits started coming on board in March, and by late summer we had completed our first high-level risk assessment of the Group's most important activities. This work led to our risk-based audit plan for 2011 and laid the foundations for the year ahead."

9 Rod Mathers
Executive Director, Construction Management Services

"We successfully launched Mubadala Construction Management Services. The unit is responsible for the delivery and construction management of all projects within Mubadala's construction portfolio. During 2011 we intend to focus on delivery through standardizing our procurement systems and optimizing performance."

10 Nasir Al Nabhani
Head of Corporate Support Services

"Our joint procurement initiative has delivered recurring annual savings of AED 40 m for Mubadala and our investees by leveraging group spend and implementing frame agreements across a range of categories, including travel, IT, telecom, marketing, financial services advisory, facilities services, and office supplies."

11 Ajit Naidu
Chief Information Officer

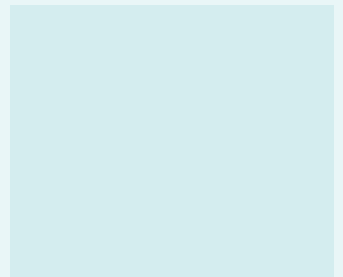
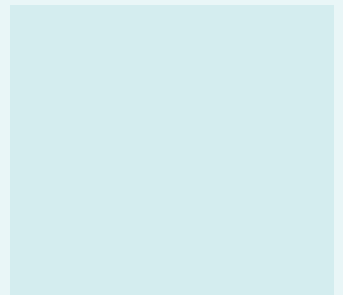
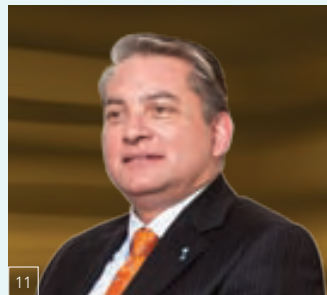
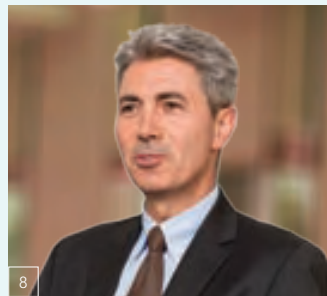
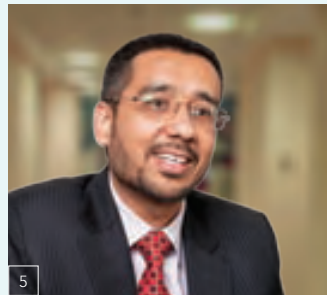
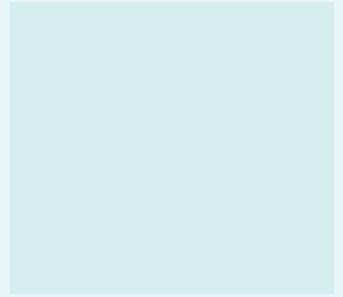
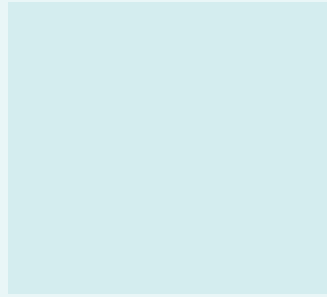
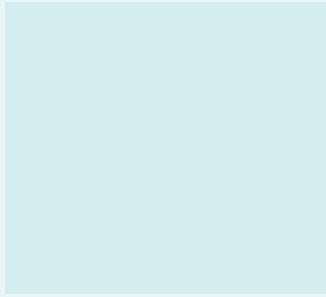
"We laid the foundations for a new technology infrastructure, forming a new IT team to drive the process. We also maintained our focus on improving intra-BU efficiencies, enhanced our Intranet capability, and further automated manual processes and workflows, including career mapping and tracking corporate registrations, to streamline operational performance."

12 Derek Rozycki
Executive Director, Structured Finance & Capital Markets

"The Structured Finance & Capital Markets Unit was established in 2010 to centralize management of the Company's debt procurement, global funder, and credit rating agency relationship initiatives. This year we successfully broadened our access to the traditional project finance and global debt capital markets and are well positioned to meet the Company's funding needs in 2011 and beyond."

13 Kate Triggs
Executive Director,
Group Communications

"Group Communications continued to handle the business's multi-faceted communications needs, articulating complex messages to a diverse range of local and international stakeholders."



14 Suhail Mahmood Al Ansari
Executive Director,
Mubadala Healthcare

"2010 was a seminal year for Mubadala Healthcare, and one which saw the unit post an AED 20.5 million profit. The continuing development of Cleveland Clinic Abu Dhabi, and opening of the Tawam Molecular Imaging Centre, helped to mark an exciting year of growth."

15 Hani Barhoush
Executive Director,
Mubadala Capital

Executive Director,
Mergers & Acquisitions

"We successfully launched Mubadala Capital, a direct investing platform that is primarily responsible for Mubadala's financial investing activities. We are looking forward to the continued successful build-out of Mubadala Capital during 2011."

16 Laurent Depolla
Executive Director,
Mubadala Services Ventures

"The formation of Mubadala Pramerica Real Estate Investors joint venture and the launch by Abu Dhabi Finance of Mamlakaty, a new mortgage product targeted at UAE Nationals; the more than doubling of Eships' revenues and sell down of half of our stake in Abu Dhabi Terminals; and the establishment of Bayanat, were some of our stand-out achievements in financial services, transportation and defense during 2010."

17 Ahmed Yahia Al Idrissi
Executive Director,
Mubadala Industry

"Emirates Aluminium (EMAL) reaching full first-phase production capacity only a year after producing its first tonne of metal was a remarkable achievement, with its completion setting a new industry benchmark. The project also boasts an impeccable environmental, health, and safety record, of which we are proud."

18 Maurizio La Noce
Executive Director,
Mubadala Energy

Chief Executive Officer,
Mubadala Oil & Gas

"2010 was about delivery and growth – from core assets like Dolphin and Mukhaizna to new opportunities and exploration in Malaysia and Kazakhstan. We enhanced our technical capabilities and proved ourselves to be a safe and highly competent operator, building the platform for the next stage in our development."

19 Ali Eid Al Mehairi
Associate Director,
Mubadala Infrastructure

"Significant progress was made on the construction of all four universities being developed within our portfolio, from the management of construction and budget through to completion and handover."

20 Homaid Al Shemmari
Executive Director,
Mubadala Aerospace

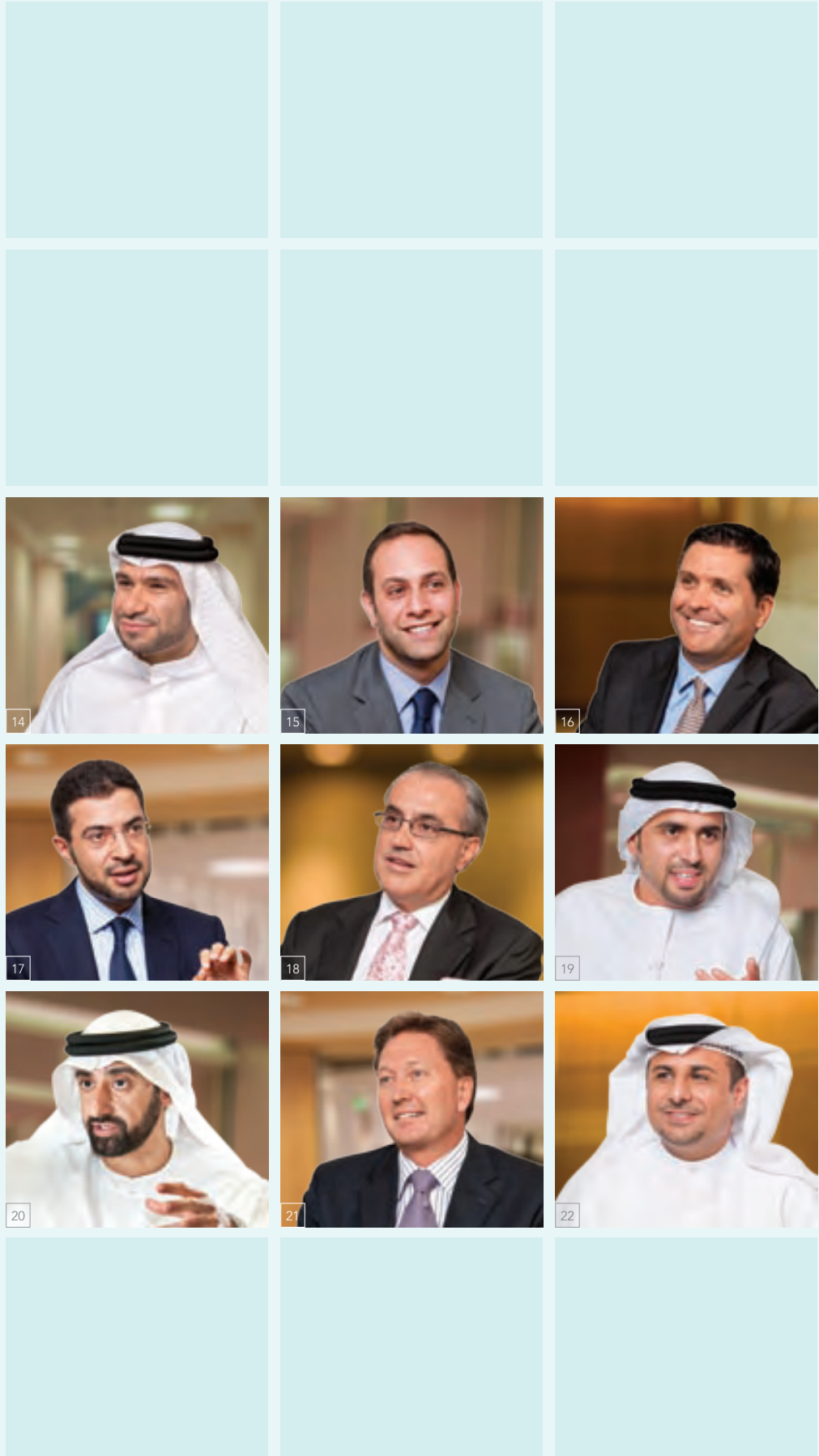
"2010 was a year of delivery for Aerospace; from the delivery of STRATA's first aerostructures components, to the introduction of the Advanced Military Maintenance Repair and Overhaul Center (AMMROC), and the establishment of the NASA internship program."

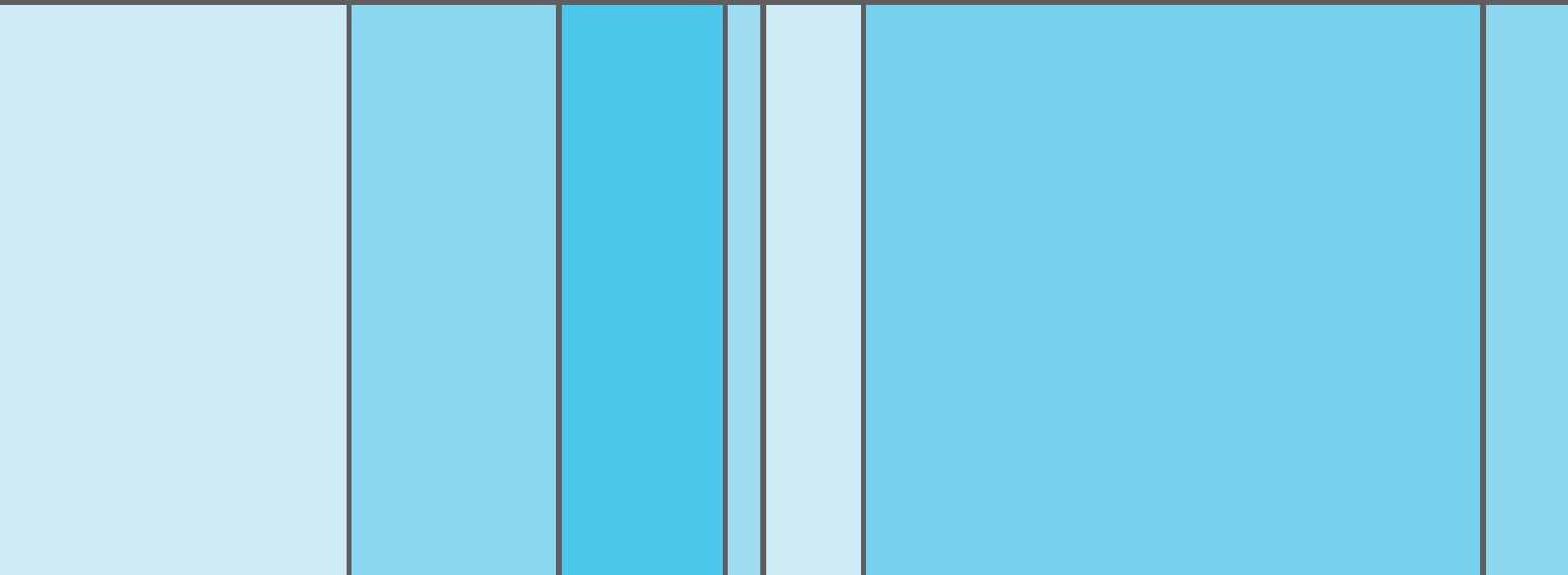
21 Peter Wilding
Executive Director, Mubadala
Real Estate & Hospitality

"All projects under development proceeded according to plan – notably Arzanah and Sowwah Island, where we concluded our first investment with the Farglory Group, Taiwan's leading real estate and construction company."

22 Jassem Mohamed Al Zaabi
Executive Director, Mubadala
Information & Communications
Technology

"Our domestic telecom operator – du – reached an excellent and mature 39 percent mobile market share position in the UAE, while all our other domestic and international ICT interests performed well."





Consolidated Financial Statements

31 December 2010

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Board of Directors' Report

The Board of Mubadala is pleased to present the consolidated financial statements for the year ended 31 December 2010, covering the overall performance of the Group in all business sectors and areas of activity.

Financial Highlights

Mubadala reported a profit for the year of AED 1.1 billion and an increase in operating income to AED 17.6 billion. Notably, revenues from the sale of goods and services increased by 22% to AED 15.9 billion, strengthened by further revenue growth in the Oil & Gas, Infrastructure and Aerospace Units.

At the total comprehensive income level Mubadala reported a loss of AED 315 million. The continued volatility in global markets reduced the fair valuation of investments by AED 819 million, with the majority of the loss coming from a decrease in the value of Aldar and AMD shares, which were partially offset by gains on GE shares and Carlyle investments. The downturn in the domestic real estate market resulted in a decrease in the fair value of investment properties of AED 928 million.

Mubadala's Oil & Gas Unit remained the biggest contributor to revenue as the Company continued to develop and grow other sectors in line with its diversification mandate. Significant contributors to the full year revenue again included Aerospace, Infrastructure and Real Estate & Hospitality.

Dolphin Energy contributed AED 3.3 billion in operating revenue, with Pearl Energy adding AED 1.6 billion, an increase on last year primarily driven due by rising oil and gas prices throughout the year.

The Aerospace Unit contributed AED 4.9 billion of operating revenue through its two main operating units, both of which are focused on Maintenance, Repair and Overhaul (MRO) services; SR Technics, a Zurich based aviation specialist and Abu Dhabi Aircraft Technologies (ADAT) which was consolidated for the first time. Notably, STRATA completed the construction of its Al Ain facility in August 2010.

Mubadala Infrastructure's education related Public Private Partnership (PPP) projects continue to bring valuable private sector expertise to the Government of Abu Dhabi and contributed AED 3.5 billion of revenue in 2010.

Sowwah Island, being developed by Mubadala Real Estate and Hospitality, will be the core of Abu Dhabi's new Central Business District and home of the new headquarters of the Abu Dhabi Stock Exchange. Plot sales at Sowwah Island continued through 2010 including signing up the Farglory Group, its first international investor.

The liquidity position of the Group remains strong with cash and cash equivalents of AED 6.3 billion at the year end, the reduction on last year largely due to increased capital expenditure, additional investments and loans.

Mubadala has been rated since September 2008. Our long term ratings Aa3 / AA / AA by Moody's, Standard & Poor's and Fitch Ratings respectively all with stable outlook. Mubadala's ratings are a reflection of the strength of our portfolio and the continuing support offered by our sole shareholder, the Government of Abu Dhabi.

During 2010, the Group's equity increased by 26% to AED 62 billion, while total assets increased by 14% to AED 101.5 billion.

The prudent management of our portfolio resulted in solid growth in 2010 and we look forward to driving our performance in 2011 to new levels. Mubadala will continue to create value and position its assets to capitalize on expected growth both here and around the world.

For and on behalf of Board of Directors,

Director

Chief Executive Officer & Managing Director

Chief Financial Officer

21 March 2011

Independent Auditors' 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 PJSC ("Mubadala" or "the Company"), its subsidiaries and its jointly controlled assets (collectively referred to as "the Group"). These consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, the Articles of Association of the Company and the UAE Federal Law No. (8) of 1984 (as amended), 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.

Auditors' 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 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 our judgement, 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, we consider internal control relevant to the entity's preparation and fair presentation of 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 principles 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.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2010, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and comply, where appropriate, with the Articles of Association of the Company and the UAE Federal Law No. 8 of 1984 (as amended).

Emphasis of matter – significant uncertainties

Without qualifying our opinion, we draw attention to notes 3 (g)(i) and 36 (a)(i) to the consolidated financial statements, which states the existence of significant uncertainties with respect to the recognition and valuation of land received as government grants, the resolution of which is dependent upon future events.

Other matters

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 Directors' report which relate to these consolidated financial statements are in agreement with the Group's 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 2010, which may have had a material adverse effect on the business of the Group or on its financial position.

21 March 2011

KPMG

Consolidated Statement of Comprehensive Income

for the year ended 31 December

	Note	2010 AED '000	2009 AED '000 (Restated) ¹
Revenue from sale of goods and services	8	15,952,565	13,092,612
Income from other investments (net)	13	1,041,060	4,191,950
Change in fair value of investment properties	17	(927,650)	44,060
Share of results of equity accounted investees:			
- associates	19(a)	86,526	14,928
- jointly controlled entities	19(b)	729,527	536,773
Impairment losses	14	(264,349)	(1,336,242)
Reversal of impairment loss on an equity accounted investee	19(b)	-	148,067
Gain on acquisition of stake in a subsidiary		-	167,941
Other operating income	9	996,590	517,418
Operating income	6	17,614,269	17,377,507
Cost of sales of goods and services	10,15	(10,840,404)	(8,426,840)
Impairment losses on intangible assets and property, plant and equipment	15,16	(519,532)	(201,528)
Reversal of impairment losses on intangible assets and property, plant and equipment	15,16	-	655,775
General and administrative expenses	10,15	(3,648,277)	(2,912,496)
Project expenses		(549,920)	(463,598)
Exploration costs	11	(534,976)	(498,827)
Results from operating activities		1,521,160	5,529,993
Finance income	12	1,399,653	1,000,849
Finance expenses	12	(1,624,910)	(1,156,169)
Net finance expense	12	(225,257)	(155,320)
Profit before income tax		1,295,903	5,374,673
Income tax expense (net)	35	(168,147)	(394,735)
Profit for the year	6	1,127,756	4,979,938
Other comprehensive (loss) / income			
Net change in fair value of available-for-sale financial assets	20(b)	(1,401,184)	3,310,507
Effective portion of changes in fair values of cash flow hedges		(265,495)	292,204
Net change in exchange fluctuation reserve		189,746	272,982
Share of effective portion of changes in fair values of hedging instruments of equity accounted investees	19(a,b)	32,041	91,911
Share of movements in exchange fluctuation reserves of equity accounted investees	19(b)	2,314	(5,128)
Other comprehensive (loss) / income for the year net of income tax		(1,442,578)	3,962,476
Total comprehensive (loss) / income for the year		(314,822)	8,942,414
Profit attributable to:			
Equity holder of the Company		1,205,355	5,125,447
Non-controlling interests		(77,599)	(145,509)
Profit for the year		1,127,756	4,979,938
Total comprehensive (loss) / income attributable to:			
Equity holder of the Company		(337,539)	9,048,989
Non-controlling interests		22,717	(106,575)
Total comprehensive (loss) / income for the year		(314,822)	8,942,414

The notes set out on pages 64 to 126 form an integral part of these consolidated financial statements.

¹ See note 2(e)(iii) for restatement on account of change in accounting policies.

The independent auditors' report is set out on page 57.

Consolidated Statement of Financial Position

as at 31 December

	Note	2010 AED '000	2009 AED '000 (Restated) ¹
Non-current assets			
Property, plant and equipment	15	27,637,320	21,779,033
Intangible assets	16	4,890,411	4,640,240
Investment properties	17	201,536	1,129,186
Investment in equity accounted investees			
- associates	19(a)	411,513	305,922
- jointly controlled entities	19(b)	5,848,288	4,619,276
Other investments (non-current portion)	20	23,692,852	22,472,784
Loans (non-current portion)	21	10,304,837	1,090,783
Other assets	22	971,709	970,908
Receivables and prepayments (non-current portion)	24	8,777,229	4,302,102
Total non-current assets		82,735,695	61,310,234
Current assets			
Inventories	23	3,814,962	3,267,902
Other investments (current portion)	20	204,812	82,651
Loans (current portion)	21	718,160	191,045
Receivables and prepayments (current portion)	24	7,728,204	8,676,033
Assets classified as held for sale	25	-	3,603,449
Cash and cash equivalents	26	6,261,890	11,776,577
Total current assets		18,728,028	27,597,657
Total assets		101,463,723	88,907,891
Equity			
Share capital	31	15,000,000	5,514,579
Reserves and surplus		738,347	1,075,886
Additional shareholder contributions	33	45,725,643	42,211,064
Government grants	36(b)	367,350	367,350
Total equity attributable to the equity holder of the Company		61,831,340	49,168,879
Non-controlling interests		285,522	262,805
Total equity		62,116,862	49,431,684
Non-current liabilities			
Interest bearing loans (non-current portion)	29	24,420,884	24,185,960
Deferred tax liabilities	35	1,100,758	1,193,707
Derivatives (non-current portion)	28	723,062	373,282
Other liabilities	30	1,843,179	2,126,748
Total non-current liabilities		28,087,883	27,879,697
Current liabilities			
Interest bearing loans (current portion)	29	1,968,047	2,918,463
Payables and accruals	27	8,084,756	7,969,522
Derivatives (current portion)	28	202,294	100,247
Amounts due to jointly controlled entities	19(b)	1,003,881	608,278
Total current liabilities		11,258,978	11,596,510
Total liabilities		39,346,861	39,476,207
Total equity and liabilities		101,463,723	88,907,891

These consolidated financial statements were authorized for issue by the Board of Directors on 21 March, 2011 and were signed on their behalf by:

Director

Chief Executive Officer & Managing Director

Chief Financial Officer

The notes set out on pages 64 to 126 form an integral part of these consolidated financial statements.

¹ See note 2(e)(iii) for restatement on account of change in accounting policies.

The independent auditors' report is set out on page 57.

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
At 1 January 2009 (as originally stated)	5,514,579	191,537	1,004,262
Effect of change in accounting policy for exploration and evaluation costs (see note 2(e)(iii))	-	-	-
At 1 January 2009 (as restated)	5,514,579	191,537	1,004,262
Total comprehensive income for the year			
Profit for the year	-	-	-
Other comprehensive income			
Increase in fair value of available for sale investments (net)	-	-	3,310,507
Net change in exchange fluctuation reserve	-	-	-
Share of movement in exchange fluctuation reserve of equity accounted investees	-	-	-
Net movement in hedging reserve	-	-	-
Share of effective portion of changes in fair value of hedging instruments of equity accounted investees	-	-	-
Effective portion of changes in fair value of cash flow hedges	-	-	-
Total other comprehensive income	-	-	3,310,507
Total comprehensive income	-	-	3,310,507
Transactions with the shareholder recorded directly in equity			
Contributions by and distribution to the shareholder			
Additional shareholder contributions	-	-	-
Transfer to statutory reserve	-	497,994	-
Changes in ownership interest in subsidiaries			
Acquisition of minority interest	-	-	-
Fair value of non-controlling interest upon acquisition of subsidiaries	-	-	-
Total transactions with the shareholder	-	497,994	-
At 31 December 2009	5,514,579	689,531	4,314,769
At 1 January 2010 (as originally stated)	5,514,579	671,005	4,314,769
Effect of change in accounting policy for exploration and evaluation costs (see note 2(e)(iii))	-	18,526	-
At 1 January 2010 (as restated)	5,514,579	689,531	4,314,769
Total comprehensive loss for the year			
Profit for the year	-	-	-
Other comprehensive loss			
Decrease in fair value of available for sale investments (net)	-	-	(1,401,184)
Net change in exchange fluctuation reserve	-	-	-
Share of movement in exchange fluctuation reserve of equity accounted investees	-	-	-
Share of effective portion of changes in fair value of hedging instruments of equity accounted investees	-	-	-
Effective portion of changes in fair value of cash flow hedges	-	-	-
Total other comprehensive loss	-	-	(1,401,184)
Total comprehensive loss	-	-	(1,401,184)
Transactions with the shareholder recorded directly in equity			
Contributions by and distribution to the shareholder			
Additional shareholder contributions	-	-	-
Conversion of additional shareholder contributions to share capital (see note 33)	9,485,421	-	-
Transfer to statutory reserve	-	112,776	-
Total transactions with the shareholder	9,485,421	112,776	-
At 31 December 2010	15,000,000	802,307	2,913,585

The notes set out on pages 64 to 126 form an integral part of these consolidated financial statements.

¹ Non distributable reserves

	Foreign currency translation reserve ¹ AED '000	Hedging and other reserves ¹ AED '000	Accumulated losses AED '000	Reserves and surplus AED '000	Additional shareholder contributions AED '000 (note 33)	Government grants AED '000 (note 36)	Total attributable to the equity holder AED '000	Non-controlling interest AED '000	Total AED '000
	296,761	(854,108)	(8,737,192)	(8,098,740)	33,353,568	367,350	31,136,757	188,535	31,325,292
	-	-	125,637	125,637	-	-	125,637	-	125,637
	296,761	(854,108)	(8,611,555)	(7,973,103)	33,353,568	367,350	31,262,394	188,535	31,450,929
	-	-	5,125,447	5,125,447	-	-	5,125,447	(145,509)	4,979,938
	-	-	-	3,310,507	-	-	3,310,507	-	3,310,507
	249,534	-	-	249,534	-	-	249,534	23,448	272,982
	(5,128)	-	-	(5,128)	-	-	(5,128)	-	(5,128)
	-	(3,721)	-	(3,721)	-	-	(3,721)	15,486	11,765
	-	91,911	-	91,911	-	-	91,911	-	91,911
	-	280,439	-	280,439	-	-	280,439	-	280,439
	244,406	368,629	-	3,923,542	-	-	3,923,542	38,934	3,962,476
	244,406	368,629	5,125,447	9,048,989	-	-	9,048,989	(106,575)	8,942,414
	-	-	-	-	-	-	-	-	-
	-	-	-	-	8,857,496	-	8,857,496	-	8,857,496
	-	-	(497,994)	-	-	-	-	-	-
	-	-	-	-	-	-	-	(207,086)	(207,086)
	-	-	-	-	-	-	-	387,931	387,931
	-	-	(497,994)	-	8,857,496	-	8,857,496	180,845	9,038,341
	541,167	(485,479)	(3,984,102)	1,075,886	42,211,064	367,350	49,168,879	262,805	49,431,684
	541,167	(485,479)	(4,421,984)	619,478	42,211,064	367,350	48,712,471	262,805	48,975,276
	-	-	437,882	456,408	-	-	456,408	-	456,408
	541,167	(485,479)	(3,984,102)	1,075,886	42,211,064	367,350	49,168,879	262,805	49,431,684
	-	-	1,205,355	1,205,355	-	-	1,205,355	(77,599)	1,127,756
	-	-	-	(1,401,184)	-	-	(1,401,184)	-	(1,401,184)
	86,354	-	-	86,354	-	-	86,354	103,392	189,746
	2,314	-	-	2,314	-	-	2,314	-	2,314
	-	32,041	-	32,041	-	-	32,041	-	32,041
	-	(262,419)	-	(262,419)	-	-	(262,419)	(3,076)	(265,495)
	88,668	(230,378)	-	(1,542,894)	-	-	(1,542,894)	100,316	(1,442,578)
	88,668	(230,378)	1,205,355	(337,539)	-	-	(337,539)	22,717	(314,822)
	-	-	-	-	-	-	-	-	-
	-	-	-	-	13,000,000	-	13,000,000	-	13,000,000
	-	-	-	-	(9,485,421)	-	-	-	-
	-	-	(112,776)	-	-	-	-	-	-
	-	-	(112,776)	-	3,514,579	-	13,000,000	-	13,000,000
	629,835	(715,857)	(2,891,523)	738,347	45,725,643	367,350	61,831,340	285,522	62,116,862

Consolidated Statement of Cash Flows

for the year ended 31 December

	Note	2010 AED '000	2009 AED '000 (Restated) ¹
Cash flows from operating activities			
Profit for the year		1,127,756	4,979,938
<i>Adjustments for:</i>			
Depreciation	15	1,740,505	1,307,539
Amortization and write off of intangible assets	16	425,991	162,084
Change in fair value of investment properties	17	927,650	(44,060)
Impairment losses on intangible assets and property, plant and equipment	15,16	519,532	201,528
Reversal of impairment losses on intangible assets and property, plant and equipment	15,16	-	(655,775)
Gain on disposal of property, plant and equipment		-	(128,084)
Gain on acquisition of stake in a subsidiary		-	(167,941)
Net change in fair value of financial instruments at fair value through profit or loss (<i>net</i>)	13	(582,700)	(3,753,668)
Other impairment losses	14	26,781	331,012
Impairment losses on equity accounted investees	14	10,295	365,652
Impairment losses on available for sale financial assets	14	227,273	639,578
Reversal of impairment losses on an equity accounted investee	19(b)	-	(148,067)
Gain on disposal of investment in an equity accounted investee		(75,646)	-
Gain on disposal of investment in subsidiaries	7(b)	(57,270)	-
Gain on disposal of other investments	7(b),13	(177,658)	(25,092)
Share of results of equity accounted investees			
- associates	19(a)	(86,526)	(14,928)
- jointly controlled entities	19(b)	(729,527)	(536,773)
Finance income	12	(1,399,653)	(1,000,849)
Finance expense	12	1,624,910	1,152,899
Income tax expense	35	168,147	395,804
Dividend income	13	(331,378)	(413,190)
		3,358,482	2,647,607
Change in inventories	23	(169,074)	(210,689)
Change in receivables and prepayments	7,24	(2,698,913)	(4,222,065)
Change in payables and accruals	7,27	576,652	461,106
Change in other liabilities	7,30	(655,902)	649,011
Change in other assets	7,22	(84,164)	(134,172)
Income taxes paid		(283,675)	(403,505)
Net cash from / (used in) operating activities		43,406	(1,212,707)

The notes set out on pages 64 to 126 form an integral part of these consolidated financial statements.

¹ See note 2(e)(iii) for restatement on account of change in accounting policies.

The independent auditors' report is set out on page 57.

Consolidated Statement of Cash Flows (continued)

for the year ended 31 December

	Note	2010 AED '000	2009 AED '000 (Restated) ¹
Cash flows from investing activities			
Proceeds from disposal of equity accounted investees	19	87,051	-
Proceeds from disposal of other investments		259,438	89,928
Proceeds from disposal of assets held for sale	25	3,593,818	-
Acquisition of subsidiaries net of cash	7	(126,817)	724,179
Proceeds from disposal of subsidiaries and working interest (net of cash disposed)	7	288,904	-
Investment in equity accounted investees	19	(2,530,765)	(1,261,610)
Acquisition of other investments	20	(3,496,201)	(1,964,948)
Acquisition of property, plant and equipment	15	(8,983,602)	(8,285,488)
Acquisition of intangible assets	16	(357,233)	(615,583)
Acquisition of other assets		-	(18,768)
Proceeds from disposal of property, plant and equipment		53,969	341,791
Loans given	21	(8,521,446)	(919,923)
Interest received		1,358,567	579,583
Dividends received from equity accounted investees	19	957,419	712,239
Dividends received from other investments	13	331,378	289,169
Net cash used in investing activities		(17,085,520)	(10,329,431)
Cash flows from financing activities			
Proceeds from interest bearing loans	29	6,415,197	16,899,208
Repayment of borrowings	29	(6,802,125)	(4,624,051)
Additional shareholder contributions	33	13,000,000	8,751,192
Interest paid		(1,259,936)	(971,100)
Net cash from financing activities		11,353,136	20,055,249
Net (decrease) / increase in cash and cash equivalents		(5,688,978)	8,513,111
Cash and cash equivalents at 1 January	26	11,776,577	3,019,344
Exchange fluctuation on consolidation of foreign entities		174,291	244,122
Cash and cash equivalents at 31 December	26	6,261,890	11,776,577

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 7, 18 and 19).

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, basic industries and services, real estate and hospitality, infrastructure, aerospace, information and communications technology, sea port operations, medical services and commercial finance.

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, helicopters and helicopter spare parts 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.

The methods used to determine fair values are discussed in note 4.

(c) Functional and presentation currency

These consolidated financial statements are presented in United Arab Emirates Dirhams ("AED"), which is the Company's functional and 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 recognized in the period in which the estimates are revised and in any future periods affected.

Judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements and estimates with a significant risk of material adjustment in the subsequent years are discussed in note 38.

Notes to the Consolidated Financial Statements

2 Basis of preparation *(continued)*

(e) Changes in accounting policies

Overview

Starting as of 1 January 2010, the Group changed its accounting policies in the following areas:

- Accounting for business combinations
- Accounting for acquisition of non-controlling interests
- Oil and gas exploration and evaluation expenditures

(i) Accounting for business combinations

From 1 January 2010, the Group has applied IFRS 3 Business Combinations (2008) in accounting for business combinations. The change in accounting policy has been applied prospectively and has had no material impact on the consolidated financial statements.

Business combinations are now accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

Acquisitions on or after 1 January 2010

For acquisitions on or after 1 January 2010, the Group measures goodwill at the acquisition date as the excess of:

- the fair value of the consideration transferred; plus
- the recognized amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; over
- the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of preexisting relationships. Such amounts are generally recognized in profit or loss.

Costs relating to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination, are expensed as incurred.

Any contingent consideration payable is recognized at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in profit or loss.

Acquisitions before 1 January 2010

For acquisitions prior to 1 January 2010, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognized amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree.

When the excess was negative, a bargain purchase gain was recognized immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalized as part of the cost of the acquisition.

(ii) Accounting for acquisition of non-controlling interests

From 1 January 2010 the Group has applied IAS 27 Consolidated and Separate Financial Statements (2008) in accounting for acquisitions of non-controlling interests. The change in accounting policy has been applied prospectively and has had no material impact on the consolidated financial statements.

Notes to the Consolidated Financial Statements

2 Basis of preparation (continued)**(e) Changes in accounting policies** (continued)*(ii) Accounting for acquisition of non-controlling interests* (continued)

Under the new accounting policy, acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. Previously, goodwill was recognized on the acquisition of non-controlling interests in a subsidiary, which represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of the transaction.

(iii) Oil and gas exploration and evaluation expenditures

During the year, the Group has voluntarily changed its accounting policy for oil and gas exploration and evaluation expenditures to better reflect the performance of the Group and to align itself with industry practice.

Previously, license and property acquisition costs and all exploration expenses, including geological and geophysical costs and the costs relating to the drilling of exploratory wells, were charged to exploration expenses when incurred. Currently, Mubadala uses the successful efforts method to account for its oil and gas properties. See note 3(c).

The change in accounting policy has been applied retrospectively and the comparative information has been restated where needed. The impact of successful exploration and evaluation costs incurred prior to 2009, now capitalized as a result of change in accounting policy, is immaterial in relation to the Group as a whole, and therefore, the statement of financial position as at 1 January 2009 is not presented. The effects of change in accounting policy on the consolidated financial statements are as follows:

	1 Jan 2010 to 31 Dec 2010 AED '000	1 Jan 2009 to 31 Dec 2009 AED '000
Statement of comprehensive income statement items		
<i>Increase / (decrease) in</i>		
Exploration costs	(321,624)	(360,909)
Finance (income) / expense	(1,032)	3,270
Depreciation, depletion and amortization	45,428	27,937
Deferred tax expenses	31,379	(1,069)
Impairment losses	10,124	-
	(235,725)	(330,771)
Attributable to equity holder of the Company	(235,725)	(330,771)
Attributable to non-controlling interest	-	-
	(235,725)	(330,771)

	31 Dec 2010 AED '000	31 Dec 2009 AED '000	1 Jan 2009 AED '000
Statement of financial position items			
Accumulated profits as at 1 January	456,408	125,637	144,335
Intangible assets	660,031	385,580	60,021
Property, plant and equipment	35,397	37,833	52,458
Deferred tax liabilities / (assets)	23,092	(14,228)	(13,159)
Other assets	19,797	18,768	-

Notes to the Consolidated Financial Statements

2 Basis of preparation *(continued)*

(e) Changes in accounting policies *(continued)*

(iv) Accounting standards not yet adopted

The Group has not adopted the following standards (IFRS / IAS) and interpretations to standards (IFRIC) that have been issued but are not yet effective.

Reference	Description	Effective date (Annual periods beginning on or after)
IAS 32	<i>Financial instruments presentation - Amendments relating to accounting for rights issues</i>	1 February 2010
IFRIC 19	Extinguishing financial liabilities with equity	1 July 2010
IAS 24	Related party disclosures (Revised)	1 January 2011
IFRIC 14	IAS 19 - The limit on a defined benefit asset, Minimum funding requirements and their interaction - Amendments relating to prepayments of a minimum funding requirements	1 January 2011
IFRS 9	Financial instruments	1 January 2013
	Improvements to IFRS issued in 2010	1 January 2011

Other than those explained above, a number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2010, and have not been applied in preparing these consolidated financial statements. The Group does not expect that the above new or amended standards, other than IFRS 9 and IAS 24, will have a significant effect on its consolidated financial statements. The Group is currently assessing the impact of IFRS 9 and IAS 24 on its consolidated financial statements.

3 Significant accounting policies

Except as detailed in note 2(e) to the consolidated financial statements, the accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by all the Group entities.

(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) Acquisition of entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for at the date that the transfer occurred. The assets and liabilities acquired are recognized at the carrying amounts recognized 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 recognized directly in equity.

(iii) Loss of control

Upon the loss of control, the Group derecognizes 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 recognized 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. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Notes to the Consolidated Financial Statements

3 Significant accounting policies *(continued)*

(a) Basis of consolidation *(continued)*

(iv) 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 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% 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.

Investments in associates and jointly controlled entities are accounted for using the equity method ("*equity accounted investees*") and are initially recognized at cost. The cost of the investment includes transaction costs. 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 an obligation to contribute to such losses or has made payments on behalf of the investee.

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.

(v) Transactions eliminated on consolidation

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

(b) Operating activities

The significant operating activities of the Group include:

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

Notes to the Consolidated Financial Statements

3 Significant accounting policies *(continued)*

(b) Operating activities *(continued)*

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

Revenue from the sale of goods and services includes income from the sale of hydrocarbons, aircraft maintenance and repairs, service concessions, the sale of land, medical services and flight training services. Revenue from such sales is recognized as follows:

(i) *Sale of goods and services rendered*

Revenue from the sale of goods, other than hydrocarbons, is recognized in profit or loss when significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered are recognized 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 recognized 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 hydrocarbons*

Revenue associated with the sale of hydrocarbons is recognized 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 recognized on the basis of the Group's working interest in such projects (the entitlement method). Differences between the Group's share of production sold and its share of production are recognized as inventory or as a liability.

(iii) *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 recognized 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). Thus the application of the percentage of completion method would not result in any significant differences in revenue recognition. It would, however, lead to significant additional administrative efforts; the insignificant benefit obtained does not justify such efforts.

For flat-rate contracts, the repairs, maintenance and overhaul work is recognized applying the percentage of completion method: revenue is recognized based on a certain stage of completion of the contract. Prepayments by customers are deferred and not recognized as revenue until a certain stage of completion of the contract is reached. Flat-rate contracts are reviewed periodically regarding the expected revenue and costs until completion of the contract. Any expected losses are provided for immediately. 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).

(iv) *Service concession arrangements*

Revenue relating to construction or upgrade services under service concession arrangements is recognized based on the stage of completion of the work performed, consistent with the Group's accounting policy on contract revenue (see (vi) below). Operation or service revenue is recognized in the period in which the services are provided by the Group.

Notes to the Consolidated Financial Statements

3 Significant accounting policies *(continued)*

(b) Operating activities *(continued)*

(v) Sale of land

Revenue from the sale of land is recognized 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.

(vi) 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 recognized 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 recognized 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 recognized only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognized immediately in profit or loss.

(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, the costs of acquiring properties, drilling successful exploration and appraisal wells, and all development costs are capitalized. All other costs are charged to profit or loss as and when incurred.

Any applicable recoverable tax paid, (e.g. VAT) as part of license and acquisition costs, exploration, appraisal or development expenditures, is not included in the capitalized cost, rather, is held as a separate recoverable and is classified as current or long term (after discounting, if required) based on management's best estimate of the recoverability of the same. If required, appropriate provisions for irrecoverability are made.

(i) License and property acquisition costs

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

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

Notes to the Consolidated Financial Statements

3 Significant accounting policies *(continued)*

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

(ii) Exploration & appraisal expenditures

Annual lease rentals, exploratory geological and geophysical costs, including seismic costs incurred during the exploration phase, are charged to income statement as and when incurred.

Costs associated directly with the drilling of exploratory wells are capitalized within exploration and evaluation assets until the drilling of the 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 capitalized 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. 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 capitalized within property, plant and equipment and is depreciated upon the commencement of production as described in the accounting policy for property, plant and equipment. *(see note 3(k)(iv)).*

(iv) Abandonment

Liabilities for decommissioning costs are recognized when the Group has an obligation to dismantle and remove a facility or an item of plant and to restore the site on which it is located, and when a reliable estimate of that liability can be made. The amount recognized is the present value of the estimated future expenditure determined in accordance with local conditions and requirements.

A corresponding item of property, plant and equipment of an amount equivalent to the provision is also recognized. This is subsequently depreciated as part of the asset. Subsequent to initial recognition, any change in such estimate, except for unwinding of discount, is capitalized as part of property, plant and equipment along with a corresponding effect in decommissioning liabilities.

(v) Depreciation, depletion & amortization 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 amortization 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 amortization of license and acquisition costs, see note 3(c)(i).

(d) 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 recognized 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.

Notes to the Consolidated Financial Statements

3 Significant accounting policies *(continued)*

(e) Foreign currency

(i) Foreign currency transactions

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

Foreign currency gains or losses on monetary items is the difference between the amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized 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 recognized in profit or loss, except for differences arising on the translation of available for sale equity instruments or a financial liability designated as a hedge of the net investment in a foreign operation which are recognized in other comprehensive income (see note 3(e)(iii) below).

(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 recognized in other comprehensive income. Such differences have been recognized 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, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognized in other comprehensive income, and are presented within equity in the FCTR.

(iii) Hedge of net investments in foreign operations

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in a foreign operation are recognized in other comprehensive income to the extent that the hedge is effective and are presented within equity in the FCTR. To the extent that the hedge is ineffective, such differences are recognized in profit or loss. When the hedged part of net investment is disposed of, the relevant amount in the FCTR is transferred to profit or loss as part of the profit or loss on disposal.

(f) Financial instruments

(i) Non-derivative financial assets

Non-derivative financial assets comprise investments in equity securities, trade and other receivables, cash and cash equivalents, loans and receivables and amounts due from related parties.

The Group initially recognizes 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 recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

Notes to the Consolidated Financial Statements

3 Significant accounting policies *(continued)*

(f) Financial instruments *(continued)*

(i) *Non-derivative financial assets (continued)*

The Group derecognizes a financial asset 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. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

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 realize the asset and settle the liability simultaneously.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. 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 recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized 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 21 and 24).

The Group recognizes 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 amortized 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 recognized initially at the fair value of the consideration received or receivable (see note 3(l)).

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, call deposits and 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.

Available-for-sale financial assets

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

(ii) *Non-derivative financial liabilities*

The Group initially recognizes 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 recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

Notes to the Consolidated Financial Statements

3 Significant accounting policies *(continued)*

(f) Financial instruments *(continued)*

(ii) Non-derivative financial liabilities (continued)

The Group derecognizes a financial liability when its contractual obligations are discharged, or cancelled or expire.

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 realize the asset and settle the liability simultaneously.

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

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

(iii) Compound financial instruments

Compound financial instruments held by the Group primarily include mandatory convertible bonds which are convertible only at maturity date at a predetermined rate unless called by the issuers. 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.

As per the documented investment strategy of the Group, such instruments are designated as financial assets through profit or loss since inception. For accounting policy of financial assets through profit or loss refer note 3(f)(i).

Interest on these mandatorily convertible bonds is recognized directly in profit or loss.

(iv) Derivative financial instruments, including hedge accounting

The Group holds derivative financial instruments, primarily to hedge its interest rate risk exposures. 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.

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, 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%. 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.

Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

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 recognized 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 recognized in other comprehensive income and presented in the hedging reserve in equity.

Notes to the Consolidated Financial Statements

3 Significant accounting policies *(continued)*

(f) Financial instruments *(continued)*

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

The amount recognized 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 recognized 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 recognized 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, the amount recognized in other comprehensive income is transferred to the carrying amount of the asset when the asset is recognized. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognized immediately in profit or loss. In other cases the amount recognized in other comprehensive income is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Economic hedges

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

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 recognized immediately in profit or loss.

(g) Government grants

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 utilize 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 recognized 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.

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 the use of such lands. These are not recognized 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 recognized 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. If, at the point of initial recognition, the future use is unspecified, the parcel of land is transferred to investment property, and accounted for in accordance with the policy in place for investment property.

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

Notes to the Consolidated Financial Statements

3 Significant accounting policies *(continued)*

(g) Government grants *(continued)*

Non-monetary government grants (continued)

(ii) Others

Other non-monetary government grants are recognized 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

Monetary grants that compensate the Group for expenses to be incurred are initially recognized 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 recognized.

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.

(h) 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, amortization of loan arrangement fees and foreign exchange gains and losses that are recognized in profit or loss. Interest income and expenses are recognized in profit or loss as they accrue using the effective interest method. Foreign currency gains and losses are reported on a net basis.

(i) Income tax

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

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 recognized 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 recognized 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 recognized 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 realized simultaneously.

A deferred tax asset is recognized 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 utilized. 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 realized.

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

Notes to the Consolidated Financial Statements

3 Significant accounting policies *(continued)*

(j) Borrowing costs

The Group capitalizes all borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

Other borrowing costs are recognized as an expense in the period in which they are incurred (see note 3(h)).

(k) 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(g)). Cost includes expenditures that are directly attributable to the acquisition of the assets.

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

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

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 recognized net within "other operating income" 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) Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Property that is being constructed for future use as investment property is accounted for at fair value. Any gain arising on remeasurement is recognized in profit or loss to the extent the gain reverses a previous impairment loss on the specific property, with any remaining gain recognized in other comprehensive income and presented in the revaluation reserve in equity.

Any loss is recognized in other comprehensive income and presented in the revaluation reserve in equity to the extent that an amount had previously been included in the revaluation reserve relating to the specific property, with any remaining loss recognized immediately in profit or loss.

(iii) Subsequent costs

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

Notes to the Consolidated Financial Statements

3 Significant accounting policies *(continued)*

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

(iv) 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)(v) for accounting policy on depreciation, depletion and amortization 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:

	Years
Buildings	6 - 30
Plant and office equipment	2 - 25
Aircraft	10 - 20
Aircraft materials	1 - 24
Computers	3 - 7
Others	3 - 8

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate (see note 38).

Capital work in progress

The Group capitalizes all costs relating to the construction of property, plant and equipment as capital work in progress, up to the date of the completion and commissioning of the asset. These costs are transferred from capital work in progress to the appropriate asset classification upon completion and commissioning, and are depreciated over the useful economic life applicable to the respective asset category, from the date of such completion and commissioning.

(l) Intangible assets

Goodwill

Goodwill acquired in a business combination is initially measured at the 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.

Trademarks

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

Notes to the Consolidated Financial Statements

3 Significant accounting policies *(continued)*

(l) Intangible assets *(continued)*

Service concession arrangements

The Group recognizes 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 capitalized borrowing costs, less accumulated amortization and accumulated impairment losses.

Other intangible assets

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

Subsequent expenditure

Subsequent expenditure is capitalized 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 recognized in profit or loss as incurred.

Amortization

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

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

License fee for telecom license is amortized on a straight-line basis over the period of the licence from the date of commencement of commercial operations.

Amortization of other intangible assets is recognized 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
Software	5 - 7
Capitalized development costs	25
Others	4 - 25

Amortization 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.

(m) Investment properties

Investment properties are those which are held either to earn rental income and / or for capital appreciation, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured at fair value with any change therein recognized in profit or loss.

When the use of a property changes – such that it is reclassified to another asset category – its fair value at the date of reclassification becomes its cost for subsequent accounting.

Notes to the Consolidated Financial Statements

3 Significant accounting policies *(continued)*

(m) Investment properties *(continued)*

IAS 40, Investment Property is amended for periods beginning on or after 1 January 2009. As a result of the amendments, property under construction for development for future use as investment property is included in IAS 40's definition of "investment property". The amendments apply prospectively, but permit retrospective fair valuation of investment property under construction from any date before 1 January 2009. The Group opted in 2009 to apply this amendment prospectively to investment property on which construction commenced after 1 January 2009. Accordingly, investment property under construction from any date before 1 January 2009 will not be fair valued.

(n) Inventories

Inventories are comprised of land held for sale, drilling materials, maintenance spares and medical supplies. Inventories are measured at the lower of cost and net realizable value. For inventories other than land held for sale, the cost is based on the 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 realizable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.

(o) 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 recognized to date, less progress billings and recognized losses. Cost includes all expenditure directly related to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

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

(p) Provisions

Provisions are recognized 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 recognized as a finance cost.

Decommissioning liabilities

Liabilities for decommissioning costs are recognized 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.

Notes to the Consolidated Financial Statements

3 Significant accounting policies *(continued)*

(q) Staff terminal benefits and pensions

Entities domiciled in UAE

For the Group entities domiciled in UAE, 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 balance sheet date.

Monthly pension contributions are made in respect of UAE National employees, who are covered by the Law No. 2 of 2000. The contribution made by the Company is recognized in profit or loss. The pension fund is administered by the Government of Abu Dhabi, Finance Department, represented by the Abu Dhabi Retirement Pensions and Benefits Fund. Other than the monthly pension contributions there is no further obligation on the Group.

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

Entities domiciled outside UAE

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

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, 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 recognized 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 unrecognized 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% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives. Pension assets are recognized to the extent that they represent probable expected refunds or reductions in contributions.

Current service costs are recognized in the profit or loss. Past service costs are recognized 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 amortized 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 recognized as employee benefit expenses when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

Notes to the Consolidated Financial Statements

3 Significant accounting policies *(continued)*

(r) Impairment

Financial assets

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

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, 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 amortized 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 recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized 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 investment securities are recognized by transferring the cumulative loss that has been recognized in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognized in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income.

Non-financial assets

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

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

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

Notes to the Consolidated Financial Statements

3 Significant accounting policies *(continued)*

(r) Impairment *(continued)*

Non-financial assets (continued)

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

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

(s) Assets classified as held for sale

Assets that are expected to be recovered primarily through sale, rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, these assets are remeasured in accordance with the Group's accounting policies. Thereafter generally, these assets are measured at the lower of their carrying amount and fair value, less costs to sell.

(t) Operating segments

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 6).

4 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair values, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumption made in determining the fair values is disclosed in the notes specific to that asset or liability.

(a) Property, plant and equipment

The fair value of property, plant and equipment recognized as a result of a business combination is based on market values. The market value of property is the estimated amount for which a 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. The fair value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate.

(b) Intangible assets

The fair value of oil and gas reserves acquired in a business combination is based on the net present value of the cash flows estimated from the exploitation of such reserves.

Intangible assets received as consideration for providing construction services in a service concession arrangement are measured at fair value upon initial recognition, estimated by reference to the fair value of the construction services provided. When the Group receives an intangible asset and a financial asset as consideration for providing construction services in a service concession arrangement, the Group estimates the fair value of intangible assets as the difference between the fair value of the construction services provided and the fair value of the financial asset received.

The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and / or eventual sale of the assets.

Notes to the Consolidated Financial Statements

4 Determination of fair values *(continued)*

(c) Investment property

Management uses the work of external experts wherever necessary to assess the fair value of investment properties. External, independent valuation companies, having appropriate recognized professional qualifications and recent experience in the location and category of property being valued, are consulted for the same. 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.

(d) Investments in equity and debt securities

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.

(e) Derivative financial instruments

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The fair value of interest rate swaps is based on external quotes. These quotes are tested for reasonableness by the Group. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

(f) Non-derivative financial liabilities

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.

5 Financial risk management

Overview

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

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Notes to the Consolidated Financial Statements

5 Financial risk management *(continued)*

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Audit 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 55% (2009: 54%) of the receivables are from related parties primarily parties under common control of the Company's shareholder. However, there is limited concentration of credit risk with the overall exposure 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 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).

(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.

Notes to the Consolidated Financial Statements

5 Financial risk management *(continued)*

Risk management framework *(continued)*

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income 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), but also US Dollars (USD).

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.

Interest rate risk

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.

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 Board of Directors.

The primary goal of the Group's investment strategy is to maximize 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.

(d) Capital management

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

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

Certain subsidiaries are subject to debt covenants requiring the maintenance of specific debt 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), with which they are compliant.

Notes to the Consolidated Financial Statements

6 Operating segments

Information about reportable segments

The Group has 10 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 and Energy – is focused on diversification in the oil and gas sector; in particular, hydrocarbon exploration and production, and the creation of a globally competitive oil and gas exploration and production company. The business unit is also involved in the development of energy linked infrastructure (including public entities).
- Renewable Energy (formerly "New Energy Technologies") – 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 Hospitality – is focused on residential, commercial and retail real estate developments and luxury hotels and resorts, both in Abu Dhabi and internationally.
- Infrastructure – is focused on economic development through developing, owning and operating concession based infrastructure and educational, health and other facilities.
- Services Ventures (formerly "Services") - is focused on human resource and economic development by establishing businesses in service-based sectors, such as leasing and financial services, maritime transportation services, defence services and logistics services.
- Aerospace – is focused on creating aviation and aerospace industry in Abu Dhabi and bringing aerospace technology, skills and facilities to Abu Dhabi.
- Information and Communication Technology - is focused on human resource and 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.
- 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. The acquisitions business unit is also mandated to identify and realize opportunities that align with the broader Group strategy through investments around the globe.

Geographical segments

Significant operations of the Group are based in the United Arab Emirates, the State of Qatar and Europe.

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

Geographical information

	For the year ended 31 Dec 2010 Revenue AED '000	As at 31 Dec 2010 Non-current assets AED '000	For the year ended 31 Dec 2009 Revenue AED '000	As at 31 Dec 2009 Non-current assets AED '000 (Restated) ¹
United Arab Emirates	5,929,090	17,678,914	4,285,475	12,945,174
State of Qatar	3,299,265	5,010,112	2,830,577	5,388,246
Europe	3,848,696	5,911,493	4,000,519	5,101,036
Others	2,875,514	4,128,748	1,976,041	4,114,003
	15,952,565	32,729,267	13,092,612	27,548,459

¹ See note 2(e)(iii) for restatement on account of change in accounting policies.

Notes to the Consolidated Financial Statements

6 Operating segments (continued)

Major customers

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

	2010 AED '000	2009 AED '000
<i>Entities under common control</i>		
Entities under common control ²	4,191,087	3,777,755
<i>External entities</i>		
Oil and gas	2,676,260	2,164,950

² This primarily represents revenue from the Infrastructure operating segment.

Changes in the internal organization structure have resulted in changes to the composition of reportable segments. During the year the change in the internal segment organization relates to the transfer of the Energy business unit from the Industry segment (formerly "Other Energy and Industry") to Oil and Gas and Energy segment (formerly "Oil and Gas").

	Oil & Gas & Energy 31 December 2010 AED '000	Renewable Energy 31 December 2010 AED '000	Industry 31 December 2010 AED '000	Real Estate & Hospitality 31 December 2010 AED '000	Infrastructure 31 December 2010 AED '000	Services Ventures 31 December 2010 AED '000	Aerospace 31 December 2010 AED '000	Information & Communications, Technology 31 December 2010 AED '000	Healthcare 31 December 2010 AED '000	Corporate / Acquisitions 31 December 2010 AED '000	Consolidated 31 December 2010 AED '000
31 December 2010											
Segment operating income / (loss)	7,466,218	418,796	(14,136)	(541,050)	3,240,523	369,726	5,239,844	(270,410)	322,981	1,381,777	17,614,269
Segment profit / (loss)	2,892,003	(847,395)	(72,099)	(806,354)	326,453	35,072	(239,956)	(509,560)	20,455	329,137	1,127,756
Segment total assets	12,746,958	7,976,631	3,686,111	12,359,394	8,408,361	1,996,450	11,060,173	11,662,513	968,487	30,598,645	101,463,723
31 December 2009	(Restated) ¹										(Restated) ¹
Segment operating income / (loss)	5,938,267	208,861	(129,532)	834,643	2,849,728	303,333	4,260,792	(1,881)	204,305	2,908,991	17,377,507
Segment profit / (loss)	2,717,297	(412,642)	(165,468)	652,617	497,882	81,056	(367,519)	(111,687)	(6,773)	2,095,175	4,979,938
Segment total assets	12,665,220	6,223,553	1,464,754	10,315,270	5,217,505	1,867,927	8,747,837	6,742,695	371,933	35,291,197	88,907,891

¹ See note 2(e)(iii) for restatement on account of changes in accounting policies.

Notes to the Consolidated Financial Statements

7 Subsidiaries

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

Subsidiaries	Domicile	Ownership interest	
		2010	2009
Dolphin Investment Company LLC	UAE	100%	100%
Liwa Energy Limited LLC	UAE	100%	100%
Abu Dhabi Future Energy Company PJSC	UAE	100%	100%
Al Hikma Development Company PJSC	UAE	100%	100%
Mubadala Holdings Cyprus Limited	Cyprus	100%	100%
Al Yah Satellite Communications Company PJSC	UAE	100%	100%
Beta Investment Company LLC	UAE	100%	100%
Pearl Energy Limited ¹	Singapore	100%	100%
Takeoff Top Luxco S.A. ²	Luxembourg	70%	70%
Abu Dhabi Finance PJSC	UAE	52%	52%
Abu Dhabi Aircraft Technologies LLC	UAE	100%	100%
Manhal Development Company PJSC	UAE	100%	100%
Al Maqsed Development Company PJSC	UAE	100%	100%
Fifteenth Investment LLC	UAE	100%	100%
Treasury Holding Company LLC	UAE	100%	100%

¹ Subsidiary of Beta Investment Company LLC.

² This entity holds the controlling interest in the SR Technics Group.

Notes to the Consolidated Financial Statements

7 Subsidiaries *(continued)***(a) Acquisition of a subsidiary***Acquisition of Pearl Energy (Thailand) Limited ("PETL")*

During the year, the Group acquired 100% of the voting shares of Pearl Energy (Thailand) Limited that owns working interests in certain concession blocks in Thailand.

The fair values of the identifiable assets and liabilities of PETL and its subsidiaries as at the date of acquisition were as follows:

	Fair value recognized on acquisition AED '000
Cash	14,041
Other current assets	3,104
Total assets (A)	17,145
Trade payables	(694)
Other payables	(12,255)
Total liabilities (B)	(12,949)
Total identifiable net assets at fair value (A + B)	4,196
Goodwill arising on acquisition	184,457
Purchase consideration transferred	188,653
Non cash consideration	(47,796)
	140,857
Analysis of cash flows on acquisition	
Net cash acquired with the subsidiary	14,040
Cash paid	(140,857)
	(126,817)

The goodwill recognized above was attributable to the possibility of the addition of certified reserves by the end of the financial year. As the exploration and evaluation for the relevant blocks was unsuccessful, the goodwill was fully impaired at year end as this was not achieved.

(b) Disposals*(i) Disposal of subsidiaries*

During the year, the Company, through its subsidiary, disposed of its investments in Pearl Oil (Basin) Limited, Pearl Oil (Island) Limited and Pearl Oil (Tungkal) Limited.

Notes to the Consolidated Financial Statements

7 Subsidiaries (continued)**(b) Disposals** (continued)*(i) Disposal of subsidiaries* (continued)

The 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:

	AED '000
Cash	11,227
Other current assets	69,003
Current liabilities	(107,439)
Net current liabilities	(27,209)
Property, plant and equipment	179,649
Other non-current assets	47,465
Deferred tax liabilities	(59,143)
Termination indemnity	(41,962)
Other non-current liabilities	(11,083)
	114,926
Carrying value of the net assets	87,717
Gain on disposal of subsidiaries	57,270
Purchase consideration - net of professional fees	144,987
Cash balances of subsidiaries disposed	(11,226)
Net proceeds arising from the disposal	133,761

(ii) Disposal of working interest

During the year, the Group disposed of 30% of its working interest in a concession block in Indonesia. In 2009, the Group disposed of 20% of its working interest in certain concession blocks in Thailand.

The net assets disposed of in the transactions are as follows:

	2010 AED '000	2009 AED '000
Cash	44	386
Other current assets	3,343	37
Current liabilities	(2,369)	(511)
Net current assets	1,018	(88)
Property, plant and equipment	14,808	-
Intangible assets	23,242	-
Other non-current assets	42,708	-
Deferred tax liabilities	(15,032)	-
Net assets	66,744	(88)
Gain on disposal of working interest	50,676	9,132
Reimbursement of current year expenditure	37,767	-
Purchase consideration	155,187	9,044
Purchase consideration outstanding	-	(5,705)
Cash balances disposed	(44)	(386)
Net proceeds arising from disposal during the year	155,143	2,953

Notes to the Consolidated Financial Statements

8 Revenue from the sale of goods and services

	2010 AED '000	2009 AED '000
Sale of hydrocarbons ¹	6,055,502	4,804,657
Aircraft maintenance and repairs	4,921,994	4,298,980
Service concession revenue (refer note 39)	3,457,959	2,657,148
Contract revenue	223,699	200,834
Sale of land	488,292	810,763
Medical services	314,731	202,132
Sale of thin film panels	100,329	8,989
Flight training services	44,691	63,457
Others	345,368	45,652
	15,952,565	13,092,612

¹ Sale of hydrocarbons is recorded net of royalties amounting to AED 472,382 thousand (2009: AED 467,541 thousand).

9 Other operating income

	2010 AED '000	2009 AED '000
Government grant income ¹	280,602	200,034
Management fee	66,198	56,860
Income from consulting services	107,350	24,897
Rental income	24,552	7,112
Gain on disposal of subsidiaries (see note 7(b)(i))	57,270	-
Gain on disposal of equity accounted investees	75,646	-
Others	384,972	228,515
	996,590	517,418

¹ Government grant income represents a grant received from the Government of Abu Dhabi, the shareholder of the Company.

10 Staff costs

The Group incurred staff costs amounting to AED 4,049,424 thousand (2009: AED 2,354,898 thousand), which have been included within the cost of sales, general and administrative expenses and property, plant and equipment.

11 Exploration costs

	2010 AED '000	2009 AED '000 (Restated) ¹
Exploration costs	534,976	498,827

¹ See note 2(e)(iii) for restatement on account of change in accounting policies.

Exploration costs mainly include exploratory geological and geophysical costs, including seismic costs, as well as costs relating to the drilling of unsuccessful exploratory wells. These costs include rig costs, delay rentals and payments made to contractors. During the year, the Group changed its accounting policy for recognition of exploration costs (see note 2(e)(iii)).

Notes to the Consolidated Financial Statements

12 Finance income and expense

	2010 AED '000	2009 AED '000 (Restated)
<i>Finance income</i>		
Interest income	1,358,567	886,744
Net foreign exchange gain	41,086	114,105
	1,399,653	1,000,849
<i>Finance expense</i>		
Borrowing costs ¹	(1,624,910)	(1,156,169)
Net finance expense	(225,257)	(155,320)

¹ The Group incurred legal costs in relation to securing various long term financing facilities (see note 29). 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 amortized using the effective interest method. The amortization expense is included within the related borrowing costs. The balance of these deferred unamortized costs at 31 December 2010 is AED 421,306 thousand (2009: AED 303,059 thousand).

13 Income from other investments

	2010 AED '000	2009 AED '000
Net change in fair value of investments at fair value through profit or loss ¹ (see note 20)	847,295	3,574,900
Net change in the fair value of derivatives used as economic hedges	(264,595)	178,768
Gain on disposal of other investments	126,982	25,092
Dividend income	331,378	413,190
	1,041,060	4,191,950

¹ During the year, the Group invested USD 500 million in an unquoted hybrid convertible preferred instrument. The Group also received free warrants, immediately convertible into shares, equivalent to 2% of the investee company's equity after the conversion. Both these instruments were recognized at fair value through profit or loss. Upon conversion of the warrants, the equity shares have been classified as available for sale financial assets and a gain of AED 794,945 thousand, representing the fair value of the equity shares upon conversion, has been recognized, and included, in the net change in fair value of investments at fair value through profit or loss.

14 Impairment losses

	2010 AED '000	2009 AED '000
Impairment losses on:		
- equity accounted investees (see note 19(b))	10,295	365,652
- available for sale financial assets (see note 20)	227,273	639,578
- other assets	-	331,012
- loans	26,781	-
	264,349	1,336,242

15 Property, plant and equipment

Details of property, plant and equipment are set out in Schedule I on pages 124 and 125. Depreciation charges have been allocated as follows:

	2010 AED '000	2009 AED '000
Cost of sales	1,501,433	1,209,724
Administrative expenses	239,072	97,815
	1,740,505	1,307,539

Notes to the Consolidated Financial Statements

16 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	Others AED '000	Total AED '000
Cost							
At 1 January 2009 (as originally stated)	212,145	-	2,313,996	1,427,038	399,971	618,328	4,971,478
Effect of change in accounting policy	-	-	-	39,034	-	116,494	155,528
At 1 January 2009 (as restated)	212,145	-	2,313,996	1,466,072	399,971	734,822	5,127,006
Additions	229,172	-	-	-	-	274,738	503,910
Acquisitions through business combinations	-	1,799,919	-	-	10,946	464,890	2,275,755
Disposals	-	-	-	-	-	(32,584)	(32,584)
Effect of change in accounting policy	191,022	-	-	-	-	147,850	338,872
Effect of movement in foreign exchange rates	-	224,484	-	-	-	68,129	292,613
At 31 December 2009 (restated)	632,339	2,024,403	2,313,996	1,466,072	410,917	1,657,845	8,505,572
At 1 January 2010 (as originally stated)	441,317	2,024,403	2,313,996	1,427,038	410,917	1,393,501	8,011,172
Effect of change in accounting policy	191,022	-	-	39,034	-	264,344	494,400
At 1 January 2010 (as restated)	632,339	2,024,403	2,313,996	1,466,072	410,917	1,657,845	8,505,572
Additions	-	-	-	-	184,687	468,258	652,945
Transfers (to) / from property, plant and equipment	(2,007)	-	-	-	-	149,496	147,489
Disposals	-	-	-	(322,350)	(2,065)	(195,788)	(520,203)
Effect of movement in foreign exchange rates	-	185,609	-	-	-	64,802	250,411
At 31 December 2010	630,332	2,210,012	2,313,996	1,143,722	593,539	2,144,613	9,036,214
Accumulated amortization and impairment losses							
At 1 January 2009 (as originally stated)	(10,056)	-	(2,090,321)	(1,113,287)	(351,899)	(512,184)	(4,077,747)
Effect of change in accounting policy	-	-	-	(39,034)	-	(56,473)	(95,507)
At 1 January 2009 (as restated)	(10,056)	-	(2,090,321)	(1,152,321)	(351,899)	(568,657)	(4,173,254)
Charge for the year	(14,639)	-	(40,247)	(27,162)	-	(80,036)	(162,084)
Provision for impairment	-	-	-	(178,095)	(11,656)	-	(189,751)
Reversal of impairment provision	-	-	536,456	88,421	-	15,204	640,081
Disposals	-	-	-	-	-	31,932	31,932
Effect of change in accounting policy	(1,837)	-	-	-	-	(11,476)	(13,313)
Effect of movement in foreign exchange rates	-	-	-	-	-	1,057	1,057
At 31 December 2009 (restated)	(26,532)	-	(1,594,112)	(1,269,157)	(363,555)	(611,976)	(3,865,332)
At 1 January 2010 (as originally stated)	(24,695)	-	(1,594,112)	(1,230,123)	(363,555)	(544,027)	(3,756,512)
Effect of change in accounting policy	(1,837)	-	-	(39,034)	-	(67,949)	(108,820)
At 1 January 2010 (as restated)	(26,532)	-	(1,594,112)	(1,269,157)	(363,555)	(611,976)	(3,865,332)
Charge for the year ¹	(58,392)	-	(173,459)	(23,268)	-	(170,872)	(425,991)
Provision for impairment	-	-	(1,745)	(30,597)	(184,457)	(22,782)	(239,581)
Disposals	-	-	-	288,193	-	119,824	408,017
Effect of movement in foreign exchange rates	-	-	-	-	-	(22,916)	(22,916)
At 31 December 2010	(84,924)	-	(1,769,316)	(1,034,829)	(548,012)	(708,722)	(4,145,803)
Carrying amounts							
At 1 January 2009	202,089	-	223,675	313,751	48,072	166,165	953,752
At 31 December 2009	605,807	2,024,403	719,884	196,915	47,362	1,045,869	4,640,240
At 31 December 2010	545,408	2,210,012	544,680	108,893	45,527	1,435,891	4,890,411

¹ See note 2(e)(iii) for impact on account of change in accounting policies.

Notes to the Consolidated Financial Statements

16 Intangible assets (continued)

Impairment losses

During the year, the Group changed its accounting policy relating to exploration and evaluation expenditures, as explained in note 2(e)(iii). As a result of this change, the carrying values of cash generating units, Sebuku and Jasmine, increased due to the capitalization of certain past successful exploratory drilling and acquisition costs. This increase, along with the increase in future estimated operating and capital costs for Sebuku, have resulted in impairment losses of these cash generating units ("CGUs").

The carrying amounts of intangibles at Sebuku and Jasmine were reassessed during the current year and an impairment loss of AED 55,124 thousand was recognized during the year (2009: AED 189,751 thousand impairment loss for Sebuku, Basin and Tungkal). Basin and Tungkal have been disposed of during the year (see note 7(b)).

Furthermore, there was an impairment of goodwill recognized on acquisition of Pearl Energy Thailand Limited amounting to AED 184,457 thousand (2009: AED nil) (see note 7(a)).

There were no reversals of impairment provisions during the year (2009: AED 640,081 thousand on Jasmine and Island fields due to the increase in oil prices). Island field has been disposed off during the year (see note 7(b)).

The recoverable amounts of the cash-generating units (the producing field that produces hydrocarbons) were estimated based on their value in use, which was determined with the assistance of independent valuers. 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 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. The cash flows from Jasmine include, in addition to the 2P reserves, management's expectation of the realization of the contingent resources in that field;
- Oil prices are based on 31 December 2010 Brent future prices and are adjusted for quality, transportation fees and regional price differences.

A post-tax discount rate of 11 – 13% was applied in determining the recoverable amount of the respective units. The discount rate was estimated based on an industry average weighted average cost of capital, which was based on a possible range of debt leveraging of 20% at a market interest rate of 5.8 - 6.0% and corporate tax rate of 30 to 35%.

The carrying value of AED 2,210,012 thousand (2009: AED 2,024,403 thousand) represents trademarks identified when SR Technics was acquired through business combination. The life of the trademark is assessed as indefinite. The trademark 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, no impairment was recognized during the year (2009: AED nil). The underlying assumptions, which have been determined based on external sources, are a royalty rate of 2.4% (2009: 2.4%) of the operating businesses' revenue, a residual life of more than 30 years, a growth rate of 4.1% for the first five years after the business plan period and a perpetual growth rate of 3% for the years thereafter (2009: perpetual growth rate 1.5% for all years after business plan period). Further a discount rate of 7.2% (2009: 8.1%) was assumed.

17 Investment properties

	2010 AED '000	2009 AED '000
At 1 January	1,129,186	1,085,126
(Decrease) / increase in fair value (see note 36(a)(i))	(927,650)	44,060
	201,536	1,129,186

Investment properties comprise the New Fish Market land, Al Sowwah Square land and the Musaffah land.

The New Fish Market land is in the city of Abu Dhabi and was granted by the Government of Abu Dhabi free of cost. The fair value of this plot of land, amounts to AED 23,003 thousand (2009: AED 25,173 thousand).

Notes to the Consolidated Financial Statements

17 Investment properties *(continued)*

Having regard to the nature of the property and the lack of comparable market data, the Group has valued the Al Sowwah Square land in the current and previous 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, primarily based on construction contracts already awarded. 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. The cost of development includes direct project costs and an appropriate share of the overall island infrastructure works as well as any value enhancing developments. The cost of value enhancing developments (net of revenue, if any) is allocated to the plots that are most likely to derive future economic benefits from any such developments. The fair value of this land amounts to AED 138,183 thousand (2009 : AED 1,063,663 thousand). The valuation methodology and assumptions have been reviewed and critiqued by a firm of independent valuers who have appropriate qualifications and experience in the valuation of similar properties.

The cash flows from both the New Fish Market land and Al Sowwah Square land are discounted using discount rates ranging from 10-11% that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The Group has reassessed the value of the Musaffah land in the current year and has found no significant variation in the fair value as compared to the carrying value which was determined by the independent valuers based on the income capitalization approach in the prior year. The fair value of this land amounts to AED 40,350 thousand (2009: AED 40,350 thousand).

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

18 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 consolidated on a line by line basis with items of a similar nature. Details of significant jointly controlled assets are set out below.

Contract area	Held by	Description	Group's working interest	
			2010 %	2009 %
Concession blocks in Oman				
Block 53	Liwa Energy Limited	Production stage	15	15
Block 62	Sixteenth Investment Company LLC	Exploration 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 stage	32	32

Notes to the Consolidated Financial Statements

18 Interest in jointly controlled assets (continued)

Contract area	Held by	Description	Group's working interest	
			2010 %	2009 %
Concession blocks in Indonesia				
Salawati Island PSC	Pearl Oil (Island) Limited ²	Production of crude oil under production sharing contract	-	37.4
Salawati Basin PSC	Pearl Oil (Basin) Limited ²	Production of crude oil under production sharing contract	-	34.1
Sebuku PSC	Pearl Oil (Sebuku) Ltd. ³	Exploration stage	70	100 ¹
Tungkal PSC	Pearl Oil (Tungkal) Limited ²	Production of crude oil under production sharing contract	-	70
West Salawati PSC	Pearl Oil (Salawati) Limited	Exploration stage	100 ¹	100 ¹
Bulu PSC	Pearl Oil (Satria) Limited [Formerly known as PearlOil (Sebana) Limited]	Exploration stage	42.5	42.5
Karana PSC	Pearl Oil (K) Limited	Exploration stage	100 ¹	100 ¹
Sibaru PSC	Pearl Oil (Sandstone) Limited	Exploration stage	40	40
Kerapu PSC	Pearl Oil (Tachylite) Limited	Exploration stage	100 ¹	100 ¹
East Muriah PSC	Pearl Oil (East Muriah) Limited	Exploration stage	50	50
Concession blocks in Thailand				
B5 / 27	Pearl Oil (Thailand) Limited	Production of crude oil under concession agreement	100 ¹	100 ¹
G1 / 48	Pearl Oil (Amata) Limited	Exploration stage	40	40
G10 / 48	Pearl Oil (G1) Limited	Exploration stage	20	-
	Pearl Oil (Thailand) Limited	Exploration stage	50	50
G2 / 48	Pearl Oil (G2-G10) Limited	Exploration stage	25	-
	Pearl Oil Offshore Limited	Exploration stage	80	80
G11 / 48	Pearl Oil (G2-G10) Limited	Exploration stage	20	-
	Pearl Oil Bangkok Limited	Exploration stage	50	50
G3 / 48	Pearl Oil (G11) Limited	Exploration stage	25	-
	Pearl Oil (Aoa Thai) Limited	Exploration stage	40	40
G2 / 50	Pearl Oil (G3-G6) Limited	Exploration stage	20	-
	Pearl Oil (Petroleum) Limited	Exploration stage	100 ¹	100 ¹
Concession blocks in Vietnam				
07 / 03 PSC	Pearl Oil (Ophiolite) Limited	Exploration stage	15	15
04 / 02 PSC	Pearl Oil (Tephrite) Limited	Exploration stage	90	90
06 / 94 PSC	Pearl Oil (Nam Con Son) Limited formerly known as Pearl Oil (Taconite) Limited	Exploration stage	33.3	33.3
Concession block in Malaysia				
Malaysia SK320	MDC Oil & Gas (SK 320) Limited	Exploration stage	75	-

¹ Contract areas, wherein the Group's effective working interest is at 100%, are included in the details of joint ventures for presentation purposes in order to disclose a list of significant contract areas being held by the Group as at the balance sheet date. They are not to be construed as joint ventures since there are no joint operating contracts with other joint venture partners on the balance sheet date.

² See note 7(b)(i).

³ See note 7(b)(ii).

Notes to the Consolidated Financial Statements

19 Investments in equity accounted investees**(a) Investments in associates**

The Group has the following significant interests in associates:

	Ownership interest %		Principal business activity
	2010	2009	
Abu Dhabi Ship Building PJSC ("ADSB")	40	40	Ship building
The John Buck Company LLC	24.9	24.9	Property ownership and integrated real estate services

The movements in investment in associates are set out below:

	2010 AED '000	2009 AED '000
At 1 January	305,922	430,654
Share of results for the year	86,526	14,928
Addition during the year	5,132	59,720
Disposal during the year	(5,132)	-
Share of movements in hedging and other reserves recorded during the year	28,236	(12,839)
Transferred to investment in jointly controlled entities	-	(178,840)
Dividends received	(9,171)	(7,701)
At 31 December	411,513	305,922

Summarized financial information on associates is set out in Schedule II on page 125.

Notes to the Consolidated Financial Statements

19 Investments in equity accounted investees (continued)**(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	Ownership interest %		Principal business activity
		2010	2009	
Algerian Utilities International Limited	UAE	49	49	Special purpose entity for holding utilities (power) sector investments
Dolphin Energy Limited ("DEL")	UAE	51	51	Procurement, distribution and marketing of hydrocarbons (natural gas)
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
Guinea Alumina Corporation Limited ("GACL") ¹	British Virgin Islands	8.3	8.3	Extraction of bauxite
EMTS Holding B.V. ²	Netherlands	30	30	Telecoms
SMN Power Holding Company S.A.O.C.	Oman	47.5	47.5	Special purpose entity for holding power sector investments
Azaliya	France	49	49	Water treatment, distribution and waste water management
Advanced Military Maintenance Repair and Overhaul Center LLC (AMMROC) ³	UAE	60	-	Fully integrated military aircraft, supply chain management, modification / upgrade, maintenance, repair and overhaul center
Torresol Energy Investment S.A.	Spain	40	40	Develop, own and operate solar power plants
Shams One Company LLC	UAE	60	-	Generation of electricity through solar power

¹ Interest in GACL is treated as an investment in a joint venture, since the Group is a participant in the joint venture and has significant influence over it but does not have joint control.

² During the year, the Group acquired an additional 15% of the shares in EMTS Holding B.V. which were beneficially held on behalf of a related party in 2009 (see note 30).

³ During the year, the Group entered into a joint venture agreement with two other joint venture partners for the purpose of the establishment and operation of AMMROC. The Group transferred three contracts to the joint venture at their fair value of AED 275,750 thousand and recognized 40% of the fair valuation gain attributable to other joint venture partners, amounting to AED 110,100 thousand, as again on the transfer of contracts in other operating income.

Although the Company holds more than 50% 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.

Notes to the Consolidated Financial Statements

19 Investments in equity accounted investees *(continued)***(b) Investment in jointly controlled entities** *(continued)*

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

	2010 AED '000	2009 AED '000
At 1 January	4,502,764	3,706,683
Exchange fluctuation in opening balance	(1,877)	6,071
Acquisitions / investments during the year	2,525,633	1,240,726
Disposals during the year	(6,273)	-
Share of results for the year	729,527	536,773
Reversal of impairment losses	-	148,067
Dividends received during the year	(948,248)	(704,538)
Share of movements in exchange fluctuation reserves	2,314	(5,128)
Share of movements in hedging and other reserves	3,805	104,750
Transfer to loans	(1,219,723)	-
Transferred from investment in associates	-	178,840
Transfer upon acquisition of controlling stake	-	(609,892)
Intercompany income eliminated	(241,454)	(99,588)
	5,346,468	4,502,764
Provision for impairment ⁴	(502,061)	(491,766)
At 31 December	4,844,407	4,010,998
Disclosed as:		
Investment in jointly controlled entities	5,848,288	4,619,276
Due to jointly controlled entities ⁵	(1,003,881)	(608,278)
	4,844,407	4,010,998

⁴ Provision for impairment includes AED 465,746 thousand (2009: AED 465,746 thousand) on the Group's investment in Piaggio Aero Industries S.p.A.

⁵ In certain jointly controlled entities the Group's share of losses of those entities has 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 an obligation to contribute to such losses.

Summarized financial information on jointly controlled entities is set out in Schedule III on pages 125 and 126.

Notes to the Consolidated Financial Statements

20 Other investments

	2010 AED '000	2009 AED '000
Financial assets at fair value through profit or loss		
- funds, derivatives and quoted securities	11,901,877	8,243,651
- convertible bonds / loan and securities issued by related parties ^{1,2}	2,488,148	3,705,298
	14,390,025	11,948,949
Investments available for sale		
- quoted securities	5,696,088	7,049,291
- unquoted securities	3,811,551	3,557,195
	9,507,639	10,606,486
At 31 December	23,897,664	22,555,435
Disclosed in the statement of financial position as:		
Less: current portion	(204,812)	(82,651)
Non-current portion	23,692,852	22,472,784

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

This represents the Group's investments in funds, derivatives, quoted equity securities and convertible bonds / loans issued by related parties. During the year total additions amounting to AED 4,115,522 thousand (2009: AED 1,922,612 thousand) have been made and an amount of AED 847,295 thousand (2009: AED 3,521,990 thousand increase), representing an increase in the fair value, has been recorded in profit or loss (see note 13).

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

¹ Convertible bonds / loans issued by related parties primarily comprise mandatorily convertible bonds acquired in 2008, carrying interest rates ranging from 0% to 6.11% and maturing in the year 2011. These are convertible only at maturity date at a predetermined conversion rate unless called by the issuers. 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.

² During the year the Group exercised a put option to exit a convertible loan amounting to AED 648,040 thousand. Whilst the counter party defaulted on its obligations to repay, it has subsequently agreed terms with the Group for revised repayment terms. The management believes that it has sufficient collateral to realize the amount. Further, based on the ongoing discussions, the management believes that the amount can be realized and is accordingly classified as receivables at the amortized cost of AED 524,544 thousand.

Notes to the Consolidated Financial Statements

20 Other investments *(continued)*

(b) Investments available for sale

(i) Quoted securities

During the year the Group invested AED 197,304 thousand (2009: AED 42,336 thousand) in quoted securities classified as available for sale. There was a net decrease of AED 1,550,590 thousand (2009: net increase of AED 2,629,028 thousand) in the fair value of quoted securities during the year, of which AED 1,323,317 thousand was recorded as a decrease (2009: AED 3,268,606 thousand increase) in the fair value reserve in other comprehensive income and impairment losses of AED 227,273 thousand (2009: AED 639,578 thousand) were recorded in profit or loss (see note 14).

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 the profit or loss.

(ii) Unquoted securities

Unquoted equity instruments are carried at cost less impairment, since no reliable measure of fair value is available. There was a net decrease of AED 77,867 thousand (2009: net increase of AED 7,785 thousand) in the fair value of unquoted securities recognized in other comprehensive income during the year.

In addition to the impairment in the carrying values of quoted equity instruments above, the value of the Group's investments in unquoted investments 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 recognized by the Group.

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

	Effect on profit or loss AED '000	Effect on equity AED '000
31 December 2010		
Effect of change in equity portfolio of the Group	(468,361)	(226,512)
31 December 2009		
Effect of change in equity portfolio of the Group	(371,120)	(352,465)

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

	Effect on profit or loss AED '000	Effect on equity AED '000
31 December 2010		
Effect of change in equity portfolio of the Group	409,960	284,912
31 December 2009		
Effect of change in equity portfolio of the Group	371,120	352,465

Notes to the Consolidated Financial Statements

21 Loans

	2010 AED '000	2009 AED '000
Loans to related parties	6,368,037	750,907
Loans to third parties	4,654,960	530,921
	11,022,997	1,281,828
Less: current portion	(718,160)	(191,045)
Non-current portion	10,304,837	1,090,783

Loans to related parties

The significant loans to related parties include the following:

- Loan to a joint venture, in the amount of AED 2,111,926 thousand (excluding interest) (2009: AED nil), which carries fixed interest and is repayable on or after 30 June 2017.
- Loan to a joint venture, in the amount of AED 1,576,837 thousand (excluding interest) (2009: AED 304,638 thousand), which carries interest at LIBOR plus margin and is maturing in 2017.
- Loan to a joint venture, in the amount of AED 163,200 thousand (excluding interest) (2009: AED 163,200 thousand), which carries interest at EIBOR plus margin and is maturing in 2013.
- Loan to a related party, in the amount of AED 1,255,000 thousand (excluding interest) (2009: AED nil), which carries interest at EIBOR plus margin. This loan is expected to be converted to a mandatory convertible bond subsequent to the year end.

22 Other assets

	2010 AED '000	2009 AED '000 (Restated)
Investment in unquoted embedded derivatives ¹	578,180	578,180
Deferred tax asset (see note 35)	78,077	71,268
Defined benefit plan asset	255,645	247,002
Others	59,807	74,458
	971,709	970,908

¹ The Group has invested in the above unquoted embedded derivative instruments ("bonds") of a real estate developer. The bonds carry interest at a fixed rate of 4.72% 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.

Based on the market conditions then prevailing, the Company reassessed the recoverable value of its investment in the unquoted embedded derivative instruments which are to be settled in unquoted equity instruments. The reassessment was based on revised valuation of the entity provided by the management of that entity. Based on such reassessment, no impairment losses (2009: impairment losses of AED 331,012 thousand) were recognized during the year.

Notes to the Consolidated Financial Statements

23 Inventories

	2010 AED '000	2009 AED '000
Land held for sale (see note 36(a)(i))	2,838,141	2,520,818
Maintenance spares	788,131	607,025
Drilling materials	299,407	283,573
Medical supplies	19,879	13,250
Others	111,285	-
	4,056,843	3,424,666
Less: provision for obsolescence	(241,881)	(156,764)
	3,814,962	3,267,902

24 Receivables and prepayments

	2010 AED '000	2009 AED '000
<i>Non-current portion</i>		
Service concession receivables ¹	6,705,394	3,602,740
Receivable against sale of land ²	467,903	133,637
Other long term receivables and advances	1,603,932	565,725
	8,777,229	4,302,102
<i>Current portion</i>		
Trade receivables	1,761,308	1,224,130
Service concession receivables ¹	636,133	431,158
Advances to contractors	1,143,900	2,021,135
Amounts due from related parties (see note 33)	1,726,957	3,349,530
Prepaid expenses	367,194	624,393
Receivable against sale of land ²	225,108	466,381
Contract work in progress	457,682	167,789
Receivable against disposal of available for sale investment	595,638	-
Other receivables	1,049,763	604,675
	7,963,683	8,889,191
Less: allowance for impairment	(235,479)	(213,158)
	7,728,204	8,676,033

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 (see note 39). Details of the same are set out below:

Notes to the Consolidated Financial Statements

24 Receivables and prepayments (continued)

	2010 AED '000	2009 AED '000
Opening balance	4,033,898	1,389,826
Costs incurred during the year	2,767,966	2,224,702
Attributable profits	657,881	454,514
Effective interest on receivables	373,347	181,203
Less: availability charges received	(485,308)	(191,848)
Less: transferred to intangible assets	(6,257)	(24,499)
	7,341,527	4,033,898
Non-current portion	6,705,394	3,602,740
Current portion	636,133	431,158
	7,341,527	4,033,898

Service concession receivables will be recovered over the respective concession periods of the universities (see note 39).

² Includes AED 205,119 thousand (2009: AED 600,018 thousand) receivable from related parties.

25 Assets classified as held for sale

	2010 AED '000	2009 AED '000
Assets classified as held for sale		
Investment in GMH ¹	-	3,593,818
Equity shares in a UAE PJSC	-	9,631
	-	3,603,449

¹ In 2005, the Group acquired a 25% interest in LeasePlan Corporation N.V. ("LeasePlan") by entering into a joint venture agreement with Volkswagen AG and another third party. The Group's interest was acquired through Global Mobility Holding B.V. ("GMH"), a company in which a wholly owned subsidiary, MDC-LP Holding S.à r.l., holds a 25% interest.

The Group had a preferential right to dividends over Volkswagen AG, since it was treated as a preferential investor in the acquisition in accordance with the joint venture agreement. The Group had the right to sell to Volkswagen AG, and Volkswagen AG had the obligation to acquire and pay for, all the shares the Group holds in GMH ("the put option"). The price of the put option, if exercised, would be equal to the initial investment made and the higher of the profits recorded or 6.1% preferred dividend.

During 2008, the Group exercised the put option on its investment in GMH. Accordingly, the Group's interest in GMH was classified as an asset held for sale. During the current year, the Group received the entire consideration for the sale of its interest in GMH.

Notes to the Consolidated Financial Statements

26 Cash and cash equivalents

	2010 AED '000	2009 AED '000
Bank balances:		
- deposit accounts	4,194,464	10,598,261
- call and current accounts	2,064,265	1,179,748
Cash in hand	10,608	1,179
	6,269,337	11,779,188
Bank overdrafts used for cash management purposes	(7,447)	(2,611)
Cash and cash equivalents for the purpose of the statement of cash flows	6,261,890	11,776,577

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. The Group's exposure to credit, currency and interest rate risk related to cash and cash equivalents is disclosed in note 37.

27 Payables and accruals

	2010 AED '000	2009 AED '000
Trade payables	2,552,939	1,728,842
Accrued expenses	2,642,240	3,813,550
Other payables and retentions	1,381,469	782,459
Income tax payable	301,805	313,268
Amounts due to related parties (see note 33)	500,372	557,647
Interest free loan from the Shareholder ¹	372,260	347,132
Provision for staff terminal benefits	289,586	306,065
Deferred grants	44,085	120,559
	8,084,756	7,969,522

¹ 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 installments, each equal to 80% 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 installments due until the current year are classified in the statement of financial position as short-term obligations. No repayments have been made in the current year as the legal formalities on this transfer, including the possibility of conversion of the loan to equity, are yet to be finalized.

The Group's exposure to currency, liquidity and interest rate risk related to payables and accruals is disclosed in note 37.

Notes to the Consolidated Financial Statements

28 Derivatives

	2010 AED '000	2009 AED '000
<i>Non-current portion</i>		
Derivatives used for hedging ¹	410,861	259,162
Derivatives used as economic hedges ²	304,365	114,120
Other derivatives	7,836	-
	723,062	373,282
<i>Current portion</i>		
Derivatives used for hedging ¹	70,823	39,332
Other derivatives	131,471	60,915
	202,294	100,247

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.

Interest rate swap

The Group also has an obligation to pay interest at variable rates (LIBOR plus margin) in connection with a forecasted 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 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.

29 Interest bearing loans

	2010 AED '000	2009 AED '000
Unsecured bank loans	1,332,190	2,422,798
Unsecured corporate bonds	71,086	378,395
Secured bank loan	186,761	117,270
Unsecured loan	378,010	-
Current portion	1,968,047	2,918,463
Secured bank loans	8,033,785	6,308,312
Unsecured bank loans	9,638,788	11,492,728
Unsecured corporate bonds	6,373,971	6,384,920
Unsecured loan	374,340	-
Non-current portion	24,420,884	24,185,960

Notes to the Consolidated Financial Statements

29 Interest bearing loans (continued)

Terms and debt repayment schedule

Particulars	Entity name / Project name	Currency	Nominal interest rate	Year of maturity	2010		2009	
					Face value AED'000	Carrying amount AED'000	Face value AED'000	Carrying amount AED'000
Current								
Secured bank loan ¹	Abu Dhabi Aircraft Technologies LLC	USD	LIBOR + margin	2011	30,000	30,000	30,000	30,000
Secured bank loan ²	Al Hikma Development Company PJSC (UAE University)	USD	LIBOR + margin	2011	91,782	91,280	86,219	86,219
Secured bank loan ⁴	Aerospace Holding Company	CHF / EUR / USD	LIBOR + margin	2011	-	-	1,051	1,051
Secured bank loan ²	Manhal Development Company PJSC (Sorbonne University)	USD	LIBOR + margin	2011	49,902	49,111	-	-
Secured bank loan ²	Manhal Development Company PJSC (Sorbonne University)	AED	EIBOR + margin	2011	16,634	16,370	-	-
Unsecured bank loan	Abu Dhabi Aircraft Technologies LLC	USD / AED	LIBOR / EIBOR + margin	2011	74,258	74,258	70,101	70,101
Unsecured bank loan	Beta Investment Company LLC (Pearl)	USD	LIBOR + margin	2011	517,351	507,014	1,784,216	1,784,216
Unsecured bank loan	The Specialist Diabetes Treatment and Research Centre LLC	AED	EIBOR + margin	2011	4,170	4,170	10,498	10,498
Unsecured bank loan ⁵	Dolphin Investment Company LLC	USD	LIBOR + margin	2011	634,876	619,280	557,983	557,983
Unsecured bank loan	MDC - GMTN B.V. - Commercial Paper 2011	USD	Fixed coupon	2011	128,573	127,468	-	-
Unsecured loan ⁵	Abu Dhabi Aircraft Technologies LLC	USD	LIBOR + margin	2011	378,010	378,010	-	-
Unsecured corporate bond	MDC - GMTN B.V. - Corporate Bond 2010	USD	Fixed coupon	2010	-	-	378,395	378,395
Unsecured corporate bond	MDC - GMTN B.V. - Corporate Bond 2011	SGD	Fixed coupon	2011	71,086	71,086	-	-
Current total					1,996,642	1,968,047	2,918,463	2,918,463
Non-Current								
Secured bank loan ¹	Abu Dhabi Aircraft Technologies LLC	AED	EIBOR + margin	2015	120,327	120,327	75,323	75,323
Secured bank loan ²	Al Hikma Development Company PJSC (UAE University)	USD	LIBOR + margin	2022	1,327,715	1,322,571	1,174,613	1,174,613
Secured bank loan ²	Manhal Development Company PJSC (Sorbonne University)	USD	LIBOR + margin	2028	825,060	811,816	681,185	681,185
Secured bank loan ²	Manhal Development Company PJSC (Sorbonne University)	AED	EIBOR + margin	2028	275,020	270,606	227,062	227,062
Secured bank loan ²	Al Maqsed Development Company PJSC (Zayed University)	USD	LIBOR + margin	2019	1,014,178	982,173	440,547	440,547
Secured bank loan ²	Al Maqsed Development Company PJSC (Zayed University)	AED	EIBOR + margin	2019	1,856,409	1,797,825	806,642	806,642
Secured bank loan ³	Sigma Investment Company (BVI) (PTC) Limited (GE margin loan)	USD	LIBOR + margin	2012	1,345,869	1,326,541	1,296,348	1,296,348
Secured bank loan ⁴	Aerospace Holding Company	CHF / EUR / USD	LIBOR + margin	2015	1,440,180	1,401,926	1,606,592	1,606,592
Unsecured bank loan	Abu Dhabi Aircraft Technologies LLC	USD / AED	LIBOR / EIBOR + margin	2013	19,272	19,272	36,365	36,365
Unsecured bank loan	Al Yah Satellite Communications Company PJSC	USD	LIBOR + margin	2022	2,644,920	2,574,544	1,602,267	1,602,267
Unsecured bank loan	Beta Investment Company LLC (Pearl)	USD	LIBOR + margin	2012	258,676	255,532	761,826	761,826
Unsecured bank loan	Corporate EUR 1bn Term Loan	EUR	EURIBOR + margin	2012	2,433,185	2,393,343	5,199,190	5,199,190
Unsecured bank loan	The Specialist Diabetes Treatment and Research Centre LLC	AED	EIBOR + margin	2020	35,033	35,033	57,229	57,229
Unsecured bank loan ⁵	Dolphin Investment Company LLC	USD	LIBOR + margin	2019	3,269,728	3,216,574	3,835,851	3,835,851
Unsecured bank loan	Treasury Holding Company LLC	EUR	EURIBOR + margin	2019	1,145,058	1,144,490	-	-
Unsecured loan ⁵	Abu Dhabi Aircraft Technologies LLC	USD	LIBOR + margin	2012	374,340	374,340	-	-
Unsecured corporate bond	MDC - GMTN B.V. - Corporate Bond 2014	USD	Fixed coupon	2014	4,591,875	4,549,947	4,591,875	4,555,623
Unsecured corporate bond	MDC - GMTN B.V. - Corporate Bond 2019	USD	Fixed coupon	2019	1,836,750	1,824,024	1,836,750	1,829,297
Non-Current total					24,813,595	24,420,884	24,229,665	24,185,960
Total					26,810,237	26,388,931	27,148,128	27,104,423

¹ Secured bank loan represents term loans which are secured against lien on bank deposits.

² The purpose of these loans is to fund university projects (refer note 39). The loans are secured against the following onshore and offshore securities:

Notes to the Consolidated Financial Statements

29 Interest bearing loans (continued)

Onshore securities

- Commercial mortgages over their equipment to the extent possible and enforceable under UAE law including all existing and subsequently acquired tangible and intangible assets.
- A UAE law assignment agreement covering:
 - the Project Documents consisting of Operating Agreement, Project Agreement, Tripartite Agreement, Musataha Agreement, Advance Payment Bond and Performance Bond; and
 - 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 attorney.
- An onshore account pledge of monies and any authorized 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:
 - a fixed charge over certain bank accounts (the Offshore Project Accounts as defined in the Security Agreement); and
 - 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 against a pledge of GE shares held by the Group.

⁴ The loans are secured against pledged assets that mainly comprise bank accounts and trade receivables of SR Technics Holdco 1 GMBH or its subsidiaries ("the SRT Group"). Furthermore, shares of the SRT Group are also pledged against this loan.

⁵ These represent loans obtained from related parties.

30 Other liabilities

	2010 AED '000	2009 AED '000
Investment held beneficially on behalf of a related party ¹	-	697,611
Advances from a related party	1,068,988	748,292
Signature bonus payable	-	213,886
Interest free loan from the Shareholder ²	117,281	142,409
Retentions payable	54,480	72,102
Decommissioning liabilities	315,379	17,146
Others	287,051	235,302
	1,843,179	2,126,748

¹ This represents 50% of the carrying value of the Group's investment in EMTS Holding B.V. which was beneficially held on behalf of a related party. During the year the Company acquired the related party's rights for a consideration of AED 759,860 thousand. Accordingly, the Group now holds a 30% interest in EMTS Holding BV, a joint venture.

² See note 27 for interest free loan details.

31 Share capital

	2010 AED '000	2009 AED '000
Authorized, issued and fully paid up:		
15,000,000 equity shares (2009: 5,514,579 shares) of AED 1,000 each (see note 33)	15,000,000	5,514,579

Notes to the Consolidated Financial Statements

32 Statutory reserve

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

33 Significant transactions with related parties

Identity of related parties

The Group has a related party relationship with its shareholder, subsidiaries (see note 7), joint ventures and associates (see note 19), and with its directors, executive officers and parties which are under common control of the above parties.

Transactions with key management personnel

Key management personnel compensation is as follows:

	2010 AED '000	2009 AED '000
Directors' remuneration	20,908	35,407
Short term benefits	92,121	77,295
Post employment benefits	7,789	6,417
	99,910	83,712

Other related party transactions

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

Significant transactions with related parties (in addition to those disclosed in notes 7, 9, 19, 20, 21, 24, 27, 29 and 30) during the year were as follows:

	2010 AED '000	2009 AED '000
Revenue	4,941,262	4,550,057
Interest income	1,122,448	326,790
Income from provision of manpower, project management and consultancy services	277,914	100,484
Purchase of goods and services ²	1,075,821	636,721
Sale of goods and services	279,186	-
Consideration for sale of interest in a jointly controlled entity	81,919	-
Loans to jointly controlled entities	4,676,534	266,258
Loans to other related parties	2,360,195	-
Loans recovered from jointly controlled entities	1,198,469	-
Loan from a related party	752,350	-
Interest bearing loan drawn down ¹	-	4,682,593
Interest bearing loan repaid ¹	576,861	4,791,166

¹ This represents refinancing of the loan from Dolphin Energy Limited, a joint venture. The loan is disclosed as an interest bearing loan (see note 29).

² Purchase of goods and services include advance against property under development, amounting to AED 680,906 thousand, given during the year.

Notes to the Consolidated Financial Statements

33 Significant transactions with related parties *(continued)*

Amounts due from related parties *(see note 24)*

Amounts due from related parties primarily comprise amounts recoverable from the Government of Abu Dhabi for expenses incurred on its behalf and service concession receivables from related parties.

Additional shareholder contributions

	2010 AED '000	2009 AED '000
As at 1 January	42,211,064	33,353,568
Cash contributions ¹	13,000,000	8,751,192
Conversion to share capital ²	(9,485,421)	-
Application for share capital ³	-	106,304
As at 31 December	45,725,643	42,211,064

¹ Cash contributions represent interest free loans from the Shareholder. As per the terms of the agreement for the amounts received in 2007, there are no contractual obligations to repay the loans. As per the terms of the agreements for the amounts received subsequent to 2007, any repayments are at the discretion of the Board of Directors of the Company, who do not intend to repay any such amounts in the foreseeable future. In addition, the terms of the agreements specify that, on dissolution of the Company, the rights, benefits and obligations in the residual net assets and liabilities, attached to the loans, shall rank pari passu with those attached to the share capital of the Company. Therefore, these loans are more akin to equity instruments rather than liabilities, and accordingly have been presented within equity.

² During the year, the Shareholder has approved an increase in the share capital of the Company to AED 15,000,000 thousand, by converting additional shareholder contributions amounting to AED 9,485,421 thousand, received by the Group in previous years *(see note 31)*.

³ Application for share capital represents the value of the net assets of Gulf Aircraft Maintenance Company PJSC transferred by the shareholder to the Group during 2009, against which shares have been issued by the Company during the year.

34 Commitments and contingent liabilities

Commitments and contingencies

Commitments and contingencies at the consolidated balance sheet date are as follows:

	2010 AED '000	2009 AED '000
Commitments and contingencies	49,309,963	46,709,387

In addition to the above, the Group's share in the commitments and contingencies of its joint ventures is as follows:

	2010 AED '000	2009 AED '000
Commitments and contingencies	7,107,516	4,599,481

Exploration commitments

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

	2010 AED '000	2009 AED '000
Due in less than one year	400,323	185,229
Later than one year but not later than five years	794,939	588,616
At 31 December	1,195,262	773,845

A subsidiary of the Group has production bonus commitments that range from AED 113.33 million *(2009: AED 80.26 million)* to AED 426.49 million *(2009: AED 426.49 million)* 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 over future production levels and future reserve discoveries, it is not possible to estimate production bonuses that may be payable after one year.

Notes to the Consolidated Financial Statements

34 Commitments and contingent liabilities *(continued)*

Exploration commitments *(continued)*

One of the Group's subsidiaries may be requested by certain joint ventures, upon mutually agreeable terms, to enter into a contract or loan agreement for the purpose of processing products derived from Production Sharing Contract ("PSC") petroleum operations. The relevant joint venture may be required to refine 28.57% of their share of crude oil upon the attainment of certain crude oil production levels, which ranges from 75,000 to 150,000 barrels per day. Depending on the terms of the respective PSC, the directors believe that the achievement of such levels of production is currently considered unlikely.

Under the terms of the sales and purchase agreement between one of the Group's subsidiaries and the previous owner of Pearl Oil (Thailand) Limited, that subsidiary is required to pay royalties to the previous owner computed as follows:

- (i) 6% of gross revenue from certain production areas;
- (ii) US\$2 per barrel of oil produced from certain production areas; and
- (iii) 4% of gross revenue from production areas other than those mentioned in (i) above.

35 Income tax

	2010 AED '000	2009 AED '000 (Restated) ¹
<i>Current tax</i>		
On profits for the year	(265,599)	(269,184)
Adjustment in respect of prior year's current tax	12,670	(164)
	(252,929)	(269,348)
<i>Deferred tax</i>		
Deferred tax adjustment due to temporary timing differences	(22,396)	110,176
Effect of change in accounting policy for exploration and evaluation costs (see note 2(e)(iii)).	(31,379)	1,069
Deferred tax effect for impairment losses / (reversals)	138,557	(236,632)
	84,782	(125,387)
Net income tax expense for the year	(168,147)	(394,735)

The United Arab Emirates does not enforce any domestic income tax decrees and, therefore, the domestic tax rate is nil. Income tax for overseas subsidiaries is calculated at tax rates prevailing in the respective jurisdictions, and mainly arise from Pearl Energy Limited and Takeoff Top Luxco SA.

The total charge for the year can be reconciled to the accounting profit as follows:

	2010 AED '000	2009 AED '000 (Restated) ¹
Profit before tax	1,295,903	5,374,673
Effect of different tax laws of subsidiaries operating in other jurisdictions	(168,147)	(394,735)
Income tax expenses for the year	(168,147)	(394,735)

Notes to the Consolidated Financial Statements

35 Income tax *(continued)*

Deferred income tax assets and liabilities:

	2010 AED '000	2009 AED '000 (Restated) ¹
Deferred tax assets (see note 22)	78,077	71,268
Deferred tax liabilities	(1,100,758)	(1,193,707)
Net	(1,022,681)	(1,122,439)

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

	2010 AED '000	2009 AED '000 (Restated) ¹
At 1 January	(1,136,667)	(382,026)
Effect of change in accounting policy for exploration and evaluation costs (see note 2(e)(iii))	14,228	13,159
Restated balance as at 1 January	(1,122,439)	(368,867)
Fair value adjustments arising from business combination (see note 7)	-	(607,912)
Charge to profit or loss	(22,396)	136,576
Disposal of subsidiaries and working interest (see note 7)	74,175	-
Effect of change in accounting policy for exploration and evaluation costs (see note 2(e)(iii)).	(31,379)	1,069
Deferred tax (credits) / debits for impairment losses / reversals	138,557	(236,632)
Foreign currency adjustments	(59,199)	(46,673)
Net	(1,022,681)	(1,122,439)

The deferred tax liabilities 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.

Subject to the agreement of the relevant tax authorities, the Group's tax losses or unrecovered cost pools as at 31 December 2010 amounts to AED 4,390 million (2009: AED 5,619 million) and are available for offset against future taxable income.

Of the unrecovered cost pools, AED 430.9 million (2009: AED 518 million) relates to certain blocks recovered cost pools may be available for offset against future taxable income. Deferred tax assets of up to AED 264 million (2009: AED 253 million) may be recognized when there is certainty of recoverability.

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

¹ See note 2(e)(iii) for restatement on account of change in accounting policies.

Notes to the Consolidated Financial Statements

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 ¹⁰	Carrying amount as at 31 Dec 2010 AED '000	Carrying amount as at 31 Dec 2009 AED '000	Currently classified as ⁹
Future economic benefits certain					
Madinat Zayed ¹	2008	143,111,825	-	-	PPE
Zayed Sports City	2006	13,341,299	1,946,050	1,946,050	Inventory
Zayed Sports City - Arzanah Medical Complex	2006	179,486	-	-	PPE
Military City	2009	12,242,393	-	-	PPE
Jabel Al Dhannah ⁶	2009	10,956,700	-	-	PPE
Sowwah Island - Abu Dhabi Financial Centre ²	2006	851,004	138,183	1,063,663	IP
Sowwah Island - Plots for sale ²	2006	4,703,393	892,091	573,876	Inventory
Sowwah Island ²	2006	697,864	98,143	53,411	PPE
New Fish Market	2006	484,448	23,003	25,173	IP
New Headquarter	2004	102,675	-	-	PPE
Parking lot - New Headquarter	2009	70,000	-	-	PPE
Mussafah	2007	4,041,526	40,350	40,350	IP
Hai Al Dawoody	2009	1,076	-	-	PPE
Hamran	2009	1,076	-	-	PPE
10MW Power Plant ⁸	2008	2,367,200	-	-	PPE
Masdar City Land - Masdar Institute of Science and Technology ^{5,7}	2008	353,090	-	-	PPE
Masdar City Land - Masdar Head Quarter ^{5,7}	2008	272,163	-	-	PPE
Masdar City Land - Masdar City - Project ^{1,5}	2008	573,508	-	-	PPE
Future economic benefits uncertain / no future economic benefits³					
Masdar City Land - Residual portion ⁵	2008	56,290,825	-	-	N / A
Al Reem Island - Sorbonne University ⁴	2006	1,001,934	-	-	N / A
Sowwah Island - Cleveland Clinic ²	2006	1,007,158	-	-	N / A
Sowwah Island - Residual portion ²	2006	4,907,950	-	-	N / A
Khalifa City - Zayed University ⁴	2006	8,207,745	-	-	N / A
East Al Reem Island	2006	3,272,229	-	-	N / A
Old Fish Market - New York Institute of Technology ⁴	2006	163,877	-	-	N / A
Others	2004-09	86,684,575	-	-	N / A

¹ The Madinat Zayed land has been identified for the purpose of construction of an electrical sub-station for the Masdar City Project and, accordingly, has been recorded as property, plant and equipment at nominal value.

² On Sowwah Island, out of the total unsold land area of 12,167,369 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 recognized as investment property. The Group identified and earmarked certain plots of land for sale at Sowwah Island. Accordingly, these plots of land with a land area of 4,703,393 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. Sowwah Island includes approximately five million square feet of land earmarked for roads and waterfront for common public use.

Notes to the Consolidated Financial Statements

36 Government grants (continued)

(a) Non-monetary government grants (continued)

(i) Land (continued)

³ Having regard to the disclosure in annotation 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. Therefore, such properties have not been recognized 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 recently reviewed the Masdar City Project ("the Project") master plan and reassessed its development strategy. Under the new strategy, the Company's subsidiary Abu Dhabi Future Energy Company PJSC ("ADFEC"), whilst developing a small number of key assets itself, will 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 affirmed its commitment to provide financial support in the form of government grants to fund infrastructure costs, the final quantum 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 from its ownership of this plot of land is uncertain and therefore this plot of land has not been recognized as an asset in the consolidated financial statements, except for the portions of the land as described in annotation 7 below which have already been recognized as assets.

⁶ The Jabel Al Dannah land has been identified for the purpose of construction of a hydrogen power plant and, accordingly, has been recorded as property, plant and equipment, at nominal value. The hydrogen power plant project is an unincorporated joint venture between the Group and BP plc. Currently, the project awaits approval of a green subsidy to make the project feasible, before it can proceed to its next phase.

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

⁸ The 10 megawatt power plant produces and supplies power to the national grid of the UAE. Currently negotiations are in progress to obtain a feed-in tariff with Abu Dhabi Water and Electricity Company ("ADWEC") and a green subsidy from the Government of Abu Dhabi. No revenue has been recognized from the sale of power from this plant as the amount and timing of the cash flows is yet to be confirmed. Management is reasonably confident that it will agree the feed-in tariff with ADWEC and that the Government will grant a green subsidy. Accordingly the Company is reasonably certain of recovering its investment in this project.

⁹ In the above table, PPE stands for property, plant and equipment and IP stands for investment property.

¹⁰ Land areas reported above are as per registration documents received from Municipality of Abu Dhabi, and reflect the position as at 31 December 2010.

(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

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 2010 the Group had an outstanding commitment to invest an additional AED 146,256 thousand (31 December 2009: AED 106,500 thousand) in the Fund.

Notes to the Consolidated Financial Statements

37 Financial instruments**(a) Credit risk***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:

	Note	2010 AED '000	2009 AED '000
Financial assets at fair value through profit or loss	20	5,962,549	4,362,973
Investments available for sale (unquoted)	20	3,811,551	3,557,195
Loans and receivables	21, 24	25,005,192	11,201,294
Investment in unquoted embedded derivatives	22	578,180	578,180
Other assets	22	-	36,125
Assets classified as held for sale	25	-	3,593,818
Cash at bank	26	6,258,729	11,778,009
		41,616,201	35,107,594

Impairment losses

The ageing of trade receivables at the reporting date was:

	2010 AED '000	2009 AED '000
Current	1,399,282	543,448
Past due 30 - 120 days	92,237	304,071
Past due 121 - 180 days	99,501	261,302
Above 180 days	204,268	115,309
	1,795,288	1,224,130

Impairment provision

	2010 AED '000	2009 AED '000
Current	99,729	50,428
Past due 30 - 120 days	4,245	28,469
Past due 121 - 180 days	157	39,537
Above 180 days	111,334	82,347
	215,465	200,781

The movement in the allowance for impairment in respect to trade receivables and amounts due from related parties during the year was as follows:

	2010 AED '000	2009 AED '000
Balance at January 1	213,158	4,136
Provision during the year	60,118	210,345
Effect of exchange rate difference	(26,492)	-
Written off during the year	(11,305)	(1,323)
Balance at December 31	235,479	213,158

Notes to the Consolidated Financial Statements

37 Financial instruments (continued)**(a) Credit risk** (continued)

The allowance account in respect of trade receivables is used to record impairment losses until the Group is satisfied that no recovery of the amount owing is possible. At that point the amount considered irrecoverable is written off against the financial asset directly. The provision during the year includes AED 20,014 thousand (2009: AED 12,377 thousand) in respect of amounts due from related parties.

As at the reporting date, amounts due from related parties was AED 1,726,957 thousand (2009: AED 3,349,530 thousand). These are mainly receivable from the Government of Abu Dhabi and are expected to be recovered within one year from the reporting date.

Loans and receivables also include:

- receivable against sale of land amounting to AED 693,011 thousand (2009: AED 600,018 thousand), of which AED 660,450 thousand (2009: AED 600,018 thousand) is not yet due for repayment (see note 24).
- convertible loan amounting to AED 524,544 thousand (see note 20).
- service concession receivables amounting to AED 7,341,527 thousand (2009: AED 4,033,898 thousand), (see note 24).
- loans to third parties of AED 4,654,960 thousand (2009: AED 530,921 thousand), of which AED 3,978,523 thousand (2009: AED 366,599 thousand) is not yet due for repayment (see note 21).
- Loans to related parties amounting to AED 6,368,037 thousand (2009: AED 750,907 thousand) (see note 21).

(b) Liquidity risk

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

	Note	2010					2009				
		Carrying value AED '000	Contractual cash flows AED '000	1 year or less AED '000	1-5 years AED '000	More than 5 years AED '000	Carrying value AED '000	Contractual cash flows AED '000	1 year or less AED '000	1-5 years AED '000	More than 5 years AED '000
Non - derivative financial liabilities											
Payables and accruals	27	7,168,040	(7,168,040)	(7,168,040)	-	-	6,638,119	(6,638,119)	(6,638,119)	-	-
Interest bearing loans	29	26,388,931	(33,815,777)	(3,221,828)	(18,848,866)	(11,745,083)	27,104,423	(33,962,219)	(4,335,262)	(21,062,590)	(8,564,367)
Amounts due to related parties	27,30	989,913	(989,913)	(872,632)	(117,281)	-	904,779	(904,779)	(904,779)	-	-
Other liabilities	30	166,954	(166,954)	-	(166,954)	-	1,378,456	(1,378,456)	-	(663,699)	(714,757)
Bank overdraft	26	7,447	(7,447)	(7,447)	-	-	2,611	(2,611)	(2,611)	-	-
Amounts due to jointly controlled entities	19(b)	1,003,881	(1,003,881)	(1,003,881)	-	-	608,278	(608,278)	(608,278)	-	-
Derivative financial liabilities											
Derivatives used for hedging	28	481,684	(547,531)	(71,993)	(270,509)	(205,029)	304,812	(431,084)	(73,620)	(243,990)	(113,474)
Economic hedges	28	304,365	(304,365)	-	-	(304,365)	99,234	(99,234)	-	-	(99,234)
Other derivatives	28	139,307	(150,648)	(134,503)	(16,145)	-	69,483	(69,483)	(69,483)	-	-
		36,650,522	(44,154,556)	(12,480,324)	(19,419,755)	(12,254,477)	37,110,195	(44,094,263)	(12,632,152)	(21,970,279)	(9,491,832)

Notes to the Consolidated Financial Statements

37 Financial instruments (continued)**(b) Liquidity risk** (continued)

The following table indicates the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to occur and impact profit or loss:

	Note	2010					2009				
		Carrying value AED '000	Contractual cash flows AED '000	1 year or less AED '000	1-5 years AED '000	More than 5 years AED '000	Carrying value AED '000	Contractual cash flows AED '000	1 year or less AED '000	1-5 years AED '000	More than 5 years AED '000
Derivative financial liabilities											
Forward exchange contracts used for hedging cash outflows	28	-	-	-	-	-	9,752	(22,578)	(22,578)	-	-
Interest rate swaps used for hedging	28	481,684	(547,531)	(71,993)	(270,509)	(205,029)	295,060	(470,445)	(55,333)	(262,243)	(152,869)
		481,684	(547,531)	(71,993)	(270,509)	(205,029)	304,812	(493,023)	(77,911)	(262,243)	(152,869)

The hedging relationships to which the above derivatives relate are substantially identical in relation to the notional amount and critically matched in relation to other terms. Accordingly, cash flows are expected to occur and affect profit or loss simultaneously.

(c) Currency risk**Exposure to currency risk**

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

	2010 Euro '000	2009 Euro '000
Cash and cash equivalents	145,156	215,575
Financial assets at fair value through profit or loss	28,476	67,645
Trade and other receivables	303,000	10,073
Available for sale financial assets	2,200	109,149
Loans	15,250	15,250
Assets classified as held for sale	-	663,530
Other assets	16,263	-
Trade and other payables	(78,728)	(12,912)
Interest bearing loans	(750,191)	(1,003,611)
Other liabilities	(206)	-
Net exposure	(318,780)	64,699

The following significant exchange rate applied during the year:

	2010 AED	2009 AED
Euro 1 (closing rate)	4.8664	5.2632
Euro 1 (average rate)	4.8783	5.1238

Sensitivity analysis

A 10% strengthening of the AED against the Euro at 31 December would have increased (decreased) equity and consolidated profit for the year by the amounts shown on the following page. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis for 2009.

Notes to the Consolidated Financial Statements

37 Financial instruments (continued)**(c) Currency risk** (continued)

	Equity AED '000	Profit / (loss) AED '000
31 December 2010		
Euro	(1,071)	156,200
31 December 2009		
Euro	(406,676)	372,624

A 10% weakening of the AED against Euro 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.

(d) Interest rate risk

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

	2010 AED '000	2009 AED '000
Fixed rate instruments		
Financial assets	11,481,153	11,519,018
Financial liabilities	(6,445,057)	(6,763,315)
	5,036,096	4,755,703
Variable rate instruments		
Financial assets	6,763,282	2,490,569
Financial liabilities	(19,943,871)	(20,341,108)
	(13,180,589)	(17,850,539)

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 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 2009.

	Profit / (loss)		Equity	
	100bp increase AED '000	100bp decrease AED '000	100bp increase AED '000	100bp decrease AED '000
31 December 2010				
Variable rate instruments	(131,806)	131,806	-	-
Cash flow sensitivity net	(131,806)	131,806	-	-
	Profit / (loss)		Equity	
	100bp decrease AED '000	100bp decrease AED '000	100bp increase AED '000	100bp decrease AED '000
31 December 2009				
Variable rate instruments	(178,505)	178,505	-	-
Cash flow sensitivity net	(178,505)	178,505	-	-

Notes to the Consolidated Financial Statements

37 Financial instruments (continued)

(e) 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:

	31 December 2010		31 December 2009	
	Carrying amount AED '000	Fair value AED '000	Carrying amount AED '000	Fair value AED '000
Assets carried at fair value				
Financial assets at fair value through profit or loss	14,390,025	14,390,025	11,948,949	11,948,949
Available for sale financial assets				
- Quoted securities	5,696,088	5,696,088	7,049,291	7,049,291
- Unquoted securities ¹	3,811,551	-	3,557,195	-
Unquoted embedded derivatives ¹	578,180	-	578,180	-
	24,475,844	20,086,113	23,133,615	18,998,240
Assets carried at amortized cost				
Loans and other receivables	25,005,192	25,005,192	11,201,293	11,201,293
Other assets	-	-	36,125	36,125
Assets held for sale	-	-	3,593,818	3,593,818
Cash and cash equivalents	6,261,890	6,261,890	11,776,577	11,776,577
	31,267,082	31,267,082	26,607,813	26,607,813
Liabilities carried at fair value				
Derivatives				
- Cash flow hedges	(481,684)	(481,684)	(298,494)	(298,494)
- Interest rate swaps used as economic hedges	(312,201)	(312,201)	(114,120)	(114,120)
- Other derivatives	(131,471)	(131,471)	(60,915)	(60,915)
	(925,356)	(925,356)	(473,529)	(473,529)
Liabilities carried at amortized cost				
Payables and accruals	(7,449,280)	(7,449,280)	(7,542,898)	(7,542,898)
Amounts due to jointly controlled entities	(1,003,881)	(1,003,881)	(608,278)	(608,278)
Other long term liabilities	(458,812)	(458,812)	(1,350,612)	(1,350,612)
Interest bearing loans	(26,388,931)	(26,810,237)	(27,104,423)	(27,148,128)
	(35,300,904)	(35,722,210)	(36,606,211)	(36,649,916)

¹ Unquoted equity instruments and unquoted embedded derivatives are carried at cost less impairment, since no reliable measure of fair value is available.

Fair value hierarchy

The following table analyses financial instruments carried at fair value, by valuation method. The different levels have been 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 are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Notes to the Consolidated Financial Statements

37 Financial instruments (continued)**(e) Fair value** (continued)*Fair value hierarchy* (continued)

	Level 1 AED '000	Level 2 AED '000	Level 3 AED '000	Total AED '000
31 December 2010				
Financial assets at fair value through profit or loss	8,427,476	2,345,886	3,616,663	14,390,025
Available for sale financial assets				
Quoted securities	5,696,088	-	-	5,696,088
Derivatives				
Cash flow hedges	-	(481,684)	-	(481,684)
Interest rate swaps used as economic hedges	-	(312,201)	-	(312,201)
Other derivatives	(81,238)	(50,233)	-	(131,471)
	14,042,326	1,501,768	3,616,663	19,160,757

	Level 1 AED '000	Level 2 AED '000	Level 3 AED '000	Total AED '000
31 December 2009				
Financial assets at fair value through profit or loss	7,773,829	3,435,897	739,223	11,948,949
Available for sale financial assets				
Quoted securities	7,049,291	-	-	7,049,291
Derivatives				
Cash flow hedges	-	(298,494)	-	(298,494)
Interest rate swaps used as economic hedges	-	(114,120)	-	(114,120)
Other derivatives	(54,597)	(6,318)	-	(60,915)
	14,768,523	3,016,965	739,223	18,524,711

38 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 recognized 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.

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(r)). The Group's credit risk is primarily attributable to its unquoted available for sale investments, trade and other receivables and other items disclosed in note 37(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 the 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 4, 14, 17 and 37 for the determination of the fair values of investment properties and financial instruments.

Notes to the Consolidated Financial Statements

38 Accounting estimates and judgements *(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 utilization of the assets concerned could result in the actual useful lives or residual values differing from the initial estimates. Management has reviewed the residual values and useful lives of the major items of property, plant and equipment and has determined that no adjustment is necessary. Refer to note 3(k) for details of the estimated useful lives of property, plant and equipment.

Quantities of proved oil and gas reserves

Depreciation on certain 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 utilized 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.

Possibility of future economic benefits from land received as government grants

Refer to notes 3(g) and 36 for a description of judgements and estimates 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 30).

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 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 recognized 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 recognized may increase or decrease from period to period.

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.

Notes to the Consolidated Financial Statements

38 Accounting estimates and judgements *(continued)*

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(d)*, the portion of such expenditure relating to property, plant and equipment is capitalized 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.

39 Service concession arrangements

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

University	Concession period	Commencing in	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 until the end of the 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 the 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 fulfill their requirements under the agreements.

40 Subsequent events

Subsequent to the year end, a leading semi conductor manufacturer, Advanced Technology Investment Company ("ATIC") has become a wholly owned subsidiary of Mubadala with effect from 1 January 2011.

Subsequent to the year end, the Group's shareholding in Aldar Properties PJSC ("Aldar") increased from 19% to 28% due to conversion by Aldar of previously issued mandatorily convertible bonds (see *note 20*) into shares. Furthermore, the Group has subscribed to additional mandatorily convertible bonds in Aldar of AED 2.8 billion. Based on these events, the Group will be accounting for its investment in Aldar in 2011 as an associate.

41 Comparative figures

Certain comparative figures have been reclassified, where necessary, to conform to the presentation adopted in these consolidated financial statements. Also refer to *note 2(e)* for details of changes in accounting policies as adopted during the year.

Notes to the Consolidated Financial Statements

Schedule I

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	Others AED '000	Capital work in progress AED '000	Total AED '000
Cost								
At 1 January 2009 (as originally stated)	66,520	9,251,157	177,518	22,964	65,454	18,729	4,774,044	14,376,386
Effect of change in accounting policy	-	72,886	-	-	-	-	-	72,886
At 1 January 2010 (as restated)	66,520	9,324,043	177,518	22,964	65,454	18,729	4,774,044	14,449,272
Additions	96,171	647,417	357,970	382,444	19,478	2,919	6,793,714	8,300,113
Acquisitions through business combinations	164,698	-	224,871	1,492,722	17,270	-	263,542	2,163,103
Transfers	184,788	3,433	514,592	12,554	-	-	(722,299)	(6,932)
Disposals	(5,448)	(47,816)	(26,348)	(182,213)	(6,119)	(1,408)	-	(269,352)
Effect of movement in foreign exchange rates	(1,310)	-	12,273	144,864	1,111	-	(9,367)	147,571
At 31 December 2009	505,419	9,927,077	1,260,876	1,873,335	97,194	20,240	11,099,634	24,783,775
At 1 January 2010 (as originally stated)	505,419	9,854,191	1,260,876	1,873,335	97,194	20,240	11,099,634	24,710,889
Effect of change in accounting policy	-	72,886	-	-	-	-	-	72,886
At 1 January 2010 (as restated)	505,419	9,927,077	1,260,876	1,873,335	97,194	20,240	11,099,634	24,783,775
Additions	167,878	1,047,373	322,671	400,329	46,174	44,883	6,762,898	8,792,206
Transfers to intangible assets	-	-	(1,283)	-	(9,889)	-	(136,317)	(147,489)
Other transfers	1,849,312	52,659	171,435	8,766	51,396	(4,522)	(2,496,379)	(367,333)
Disposals	(777)	(404,261)	(59,981)	(29,314)	(984)	(1,026)	(318,990)	(815,333)
Effect of movement in foreign exchange rates	(18,598)	-	74,726	185,913	2,548	(762)	(73,257)	170,570
At 31 December 2010	2,503,234	10,622,848	1,768,444	2,439,029	186,439	58,813	14,837,589	32,416,396
Accumulated depreciation and impairment losses								
At 1 January 2009 (as originally stated)	(5,057)	(1,581,945)	(57,299)	(6,416)	(45,355)	(7,974)	-	(1,704,046)
Effect of change in accounting policy	-	(20,428)	-	-	-	-	-	(20,428)
At 1 January 2010 (as restated)	(5,057)	(1,602,373)	(57,299)	(6,416)	(45,355)	(7,974)	-	(1,724,474)
Charge for the year	(18,370)	(1,033,857)	(103,518)	(128,781)	(20,635)	(2,378)	-	(1,307,539)
Disposals	202	5,402	20,831	21,978	5,898	1,334	-	55,645
Provision for impairment	-	(11,777)	-	-	-	-	-	(11,777)
Reversal of impairment provision	-	15,694	-	-	-	-	-	15,694
Effect of change in accounting policy	-	(14,625)	-	-	-	-	-	(14,625)
Effect of movement in foreign exchange rates	(15)	605	(2,291)	(15,457)	(508)	-	-	(17,666)
At 31 December 2009	(23,240)	(2,640,931)	(142,277)	(128,676)	(60,600)	(9,018)	-	(3,004,742)
At 1 January 2010 (as originally stated)	(23,240)	(2,605,878)	(142,277)	(128,676)	(60,600)	(9,018)	-	(2,969,689)
Effect of change in accounting policy	-	(35,053)	-	-	-	-	-	(35,053)
At 1 January 2010 (as restated)	(23,240)	(2,640,931)	(142,277)	(128,676)	(60,600)	(9,018)	-	(3,004,742)
Charge for the year ⁴	(82,255)	(1,213,133)	(224,010)	(180,751)	(36,453)	(3,903)	-	(1,740,505)
Disposals	-	278,249	13,447	18,131	799	631	-	311,257
Provision for impairment	-	(39,233)	-	-	-	-	(240,718)	(279,951)
Reversal of impairment provision	-	-	-	-	-	-	-	-
Effect of movement in foreign exchange rates	(600)	-	(9,817)	(53,277)	(2,057)	616	-	(65,135)
At 31 December 2010	(106,095)	(3,615,048)	(362,657)	(344,573)	(98,311)	(11,674)	(240,718)	(4,779,076)
Carrying amounts								
At 1 January 2009	61,463	7,721,670	120,219	16,548	20,099	10,755	4,774,044	12,724,798
At 31 December 2009	482,179	7,286,146	1,118,599	1,744,659	36,594	11,222	11,099,634	21,779,033
At 31 December 2010	2,397,139	7,007,800	1,405,787	2,094,456	88,128	47,139	14,596,871	27,637,320

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

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, the carrying amount of which is insignificant.

⁴ See note 2(e)(iii) for the impact on account of the change in accounting policies.

Notes to the Consolidated Financial Statements

Schedule II

Summarized financial information on associates (excluding those that are dormant) not adjusted for the percentage ownership held by the Group:

	Ownership interest	Total assets AED '000	Total liabilities AED '000	Income AED '000	Profit / (loss) AED '000
2010					
Abu Dhabi Ship Building PJSC (ADSB) ¹	40%	2,449,127	1,948,220	1,135,149	90,654
The John Buck Company LLC	24.9%	98,925	14,203	116,429	36,456
		2,548,052	1,962,423	1,251,578	127,110
2009					
Abu Dhabi Ship Building PJSC (ADSB)	40%	2,228,057	1,883,201	1,169,868	114,387
The John Buck Company LLC	24.9%	75,134	16,299	82,591	14,639
		2,303,191	1,899,500	1,252,459	129,026

¹ The fair value of the Group's investment in ADSB, a quoted investment, amounted to AED 226 million as at 31 December 2010 (AED 326 million as at 31 December 2009).

Schedule III

Summary financial information for significant jointly controlled entities, not adjusted for the percentage ownership of the Group:

	Ownership interest	Non current assets AED '000	Current assets AED '000	Total assets AED '000	Non current liabilities AED '000	Current liabilities AED '000	Total liabilities AED '000	Income AED '000	Expenses AED '000	Profit / (loss) AED '000
2010										
Algerian Utilities International Limited	49%	2,806,033	1,057,435	3,863,468	-	2,436,912	2,436,912	779,046	501,216	277,830
Dolphin Energy Limited	51%	12,979,522	4,527,956	17,507,478	9,828,060	4,147,080	13,975,140	6,891,802	4,456,400	2,435,402
Emirates Aluminium Company Limited PJSC	50%	20,903,201	2,797,746	23,700,947	19,825,756	1,774,232	21,599,988	2,623,649	3,039,371	(415,722)
Emirates Ship Investment Company LLC	50%	1,183,172	177,257	1,360,429	648,141	210,242	858,383	639,832	675,538	(35,706)
Guinea Alumina Corporation Limited	8.3%	2,379,212	23,234	2,402,446	1,502	1,835,597	1,837,099	1,327	6,248	(4,921)
EMTS Holding B.V.	30%	4,493,245	1,706,084	6,199,329	5,721,017	2,583,576	8,304,593	1,472,074	2,908,619	(1,436,545)
SMN Power Holding Company S.A.O.C.	47.5%	2,725,881	752,197	3,478,078	2,701,519	545,025	3,246,544	748,291	738,375	9,916
Azaliya	49%	3,470,992	1,486,384	4,957,376	2,581,828	1,972,179	4,554,007	2,515,533	2,558,691	(43,158)
Advanced Military Maintenance, Repair and Overhaul Center LLC (AMMROC)	60%	1,307,575	1,190,770	2,498,345	1,320	401,398	402,718	87,009	281,462	(194,453)
Torresol Energy Investment S.A.	40%	3,075,876	290,999	3,366,875	1,773,409	1,110,500	2,883,909	1,727	29,109	(27,382)
Shams One LLC	60%	669,151	434,382	1,103,533	317,057	145,710	462,767	-	1,226	(1,226)
		55,993,860	14,444,444	70,438,304	43,399,609	17,162,451	60,562,060	15,760,290	15,196,255	564,035

Notes to the Consolidated Financial Statements

Schedule III (continued)

Summary financial information for significant jointly controlled entities, not adjusted for the percentage ownership of the Group:

	Ownership interest	Non current assets AED '000	Current assets AED '000	Total assets AED '000	Non current liabilities AED '000	Current liabilities AED '000	Total liabilities AED '000	Income AED '000	Expenses AED '000	Profit / (loss) AED '000
2009										
Algerian Utilities International Limited	49%	3,149,442	1,001,007	4,150,449	-	2,857,895	2,857,895	461,597	279,539	182,058
Dolphin Energy Limited	51%	13,658,477	3,698,157	17,356,634	11,167,932	3,558,666	14,726,598	5,795,229	3,787,412	2,007,817
Emirates Aluminium Company Limited PJSC	50%	15,937,061	2,588,789	18,525,850	17,428,877	2,009,507	19,438,384	2,722	563,926	(561,204)
Emirates Ship Investment Company	50%	815,186	118,819	934,005	334,873	127,504	462,377	293,865	289,439	4,426
Guinea Alumina Corporation Limited	8.3%	2,073,573	12,890	2,086,463	1,113	1,676,438	1,677,551	1,635	180,971	(179,336)
EMTS Holding B.V.	30%	2,780,137	827,273	3,607,410	1,176,646	2,626,691	3,803,337	554,566	1,195,246	(640,680)
SMN Power Holding Company S.A.O.C.	47.5%	2,773,000	596,110	3,369,110	2,409,114	958,930	3,368,044	671,570	501,976	169,594
Azaliya	49%	3,588,360	1,745,035	5,333,395	2,664,837	2,054,053	4,718,890	2,432,719	2,441,146	(8,427)
		44,775,236	10,588,080	55,363,316	35,183,392	15,869,684	51,053,076	10,213,903	9,239,655	974,248

Summary of oil and gas reserves *(unaudited)*

There are numerous uncertainties inherent in estimating quantities of proved oil and natural gas reserves. 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 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.

Proved 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)	
	2010	2009
Proved reserves as of:		
1 January	2,447	2,318
Revision of previous estimates / additions during the year	718	291
Production during the year	(186)	(162)
31 December	2,979	2,447
Proved developed reserves as of:		
31 December	2,815	2,447

Proved 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)	
	2010	2009
Proved reserves as of:		
1 January	99	102
Revision of previous estimates / additions during the year	1	5
Production during the year	(7)	(8)
31 December	93	99
Proved developed reserves as of:		
31 December	93	99

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

Proved crude oil reserves *(unaudited)*

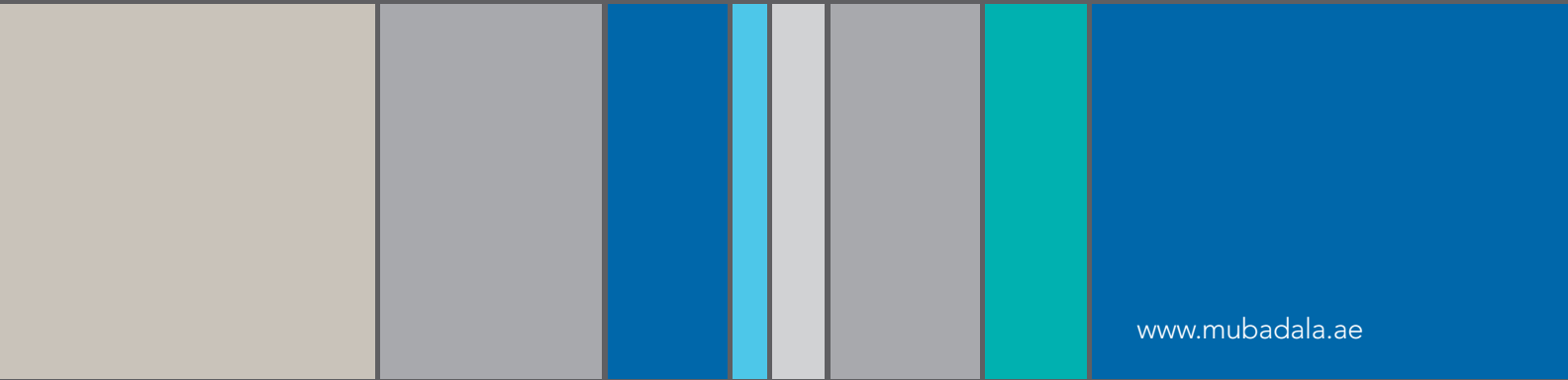
The following reserve schedule was developed by the Group's reserve engineers and sets out the changes in the estimated quantities of proved crude oil reserves of the Group:

	Crude oil (Million STB)	
	2010	2009
Proved reserves as of:		
1 January	29.5	27
Revision of previous estimates / additions during the year	21.7	12.1
Disposal of working interest in certain joint ventures	(2.8)	-
Production during the year	(10.6)	(9.6)
31 December	37.8	29.5
Proved developed reserves as of:		
31 December	23.3	17.7

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.



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