

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 -</i> Amendments relating to accounting for rights issues	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 (<i>as originally stated</i>)	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 (<i>as restated</i>)	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 (<i>restated</i>)	632,339	2,024,403	2,313,996	1,466,072	410,917	1,657,845	8,505,572
At 1 January 2010 (<i>as originally stated</i>)	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 (<i>as restated</i>)	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 (<i>as originally stated</i>)	(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 (<i>as restated</i>)	(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 (<i>restated</i>)	(26,532)	-	(1,594,112)	(1,269,157)	(363,555)	(611,976)	(3,865,332)
At 1 January 2010 (<i>as originally stated</i>)	(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 (<i>as restated</i>)	(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:
 - (i) the Project Documents consisting of Operating Agreement, Project Agreement, Tripartite Agreement, Musataha Agreement, Advance Payment Bond and Performance Bond; and
 - (ii) Direct Insurance policies consisting of combined Construction / Property All Risk Policy and Terrorism Policy and all insurance proceeds in respect of direct insurances.
- Pledge of shares.
- Powers of 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:
 - (i) a fixed charge over certain bank accounts (the Offshore Project Accounts as defined in the Security Agreement); and
 - (ii) an assignment of the reinsurances in respect of Material Insurances which consist of all insurances other than motor vehicle and employers' liability risk insurances.

³ The loan is secured 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 ("ADFE"), 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.