International Petroleum Investment Company PJSC and its subsidiaries

CHAIRMAN'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2013

International Petroleum Investment Company PJSC and its subsidiaries

CHAIRMAN'S REPORT

31 DECEMBER 2013

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IPIC

Chairman's Report

The International Petroleum Investment Company (IPIC) was established in 1984 under the visionary leadership of our late President, His Highness Sheikh Zayed Bin Sultan Al Nahyan. This year, IPIC celebrates its 30^{th} anniversary. Since establishment, IPIC has developed a strong and diversified portfolio of petroleum, petrochemical and related energy investments. It has done so on the basis of a strategy that encourages long-term investment, the creation of synergies across its portfolio, the identification of world class partners, and value creation for Abu Dhabi and the United Arab Emirates.

2013 proved to be a busy year for the group, with IPIC and its portfolio companies achieving a number of key milestones. Highlights include:

- Nova Chemicals became the first petrochemical company in North America to utilize advantaged feedstock for its crackers.
- CEPSA, the Spanish integrated oil and gas company, continued to grow its upstream business with the acquisition of exploration assets in Africa and South America, and the acquisition of Coastal Energy, a company with exploration and production assets in South East Asia.
- aabar's portfolio benefited from a recovery in global equities and real estate values, and aabar continued to advance strategic partnerships on behalf of the Government.
- Borealis strengthened its access to European petrochemical markets through a number of acquisitions.
- Development of Borouge's third complex is effectively completed and various units will be gradually commissioned during 2014.
- Abu Dhabi Crude Oil Pipeline's (ADCOP) utilization is operating at 700,000 to 800,000 barrels per day with total deliveries of 220 million barrels or 279 export shipments since its commissioning in 2012.

IPIC's investment activities continued to generate significant income during the last financial period. Moreover, IPIC actively manages its access to external funding sources, and maintains strong relationships in international banking and fixed income markets. These factors, coupled with the continued support of our shareholder, the Government of the

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Emirate of Abu Dhabi, provide IPIC with the foundation to execute its investment and portfolio management strategies.

IPIC also takes its responsibility to give back to the local community very seriously. During 2013, IPIC undertook a variety of community-focused initiatives, including sponsorship of Expo Science, the Sheikh Zayed Heritage Festival and the Abu Dhabi Special Needs Employment and Rehabilitation Fair. IPIC was extremely proud to adorn the Scuderia Toro Rosso Formula 1 car with Kullunna Khalifa, a call to action for Emirati Pride, at the 2013 F1 Etihad Airways Abu Dhabi Grand Prix.

IPIC continues to create employment and development opportunities for qualified UAE Nationals. In 2013 the company signed a three-year agreement with ABSHER to employ 500 Emiratis, a goal the company is eager to fulfill.

IPIC's ability to build and grow value for our shareholder reflects the wisdom and experience of its board of directors, the dedication of its leadership team, and the commitment of its dedicated staff across the portfolio. Finally, I wish to express our gratitude to His Highness Sheikh Khalifa bin Zayed Al Nahyan, the President of the UAE and Ruler of Abu Dhabi, and His Highness General Sheikh Mohamed bin Zayed Al Nahyan, the Crown Prince of Abu Dhabi and Deputy Supreme Commander of the UAE Armed Forces. IPIC's success is a direct testament to their unfailing leadership, support and encouragement.

Abu Dhabi, April 2014

MANSOUR BIN ZAYED AL NAHYAN
CHAIRMAN OF THE BOARD OF DIRECTORS

International Petroleum Investment Company PJSC and its subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2013

EY
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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF INTERNATIONAL PETROLEUM INVESTMENT COMPANY PJSC

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of International Petroleum Investment Company PJSC (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2013 and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the applicable provisions of the articles of association of the Company and the UAE Commercial Companies Law of 1984 (as amended), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

We also confirm that, in our opinion, the consolidated financial statements include, in all material respects, the applicable requirements of the UAE Commercial Companies Law of 1984 (as amended) and the articles of association of the Company; proper books of account have been kept by the Company; and the contents of the Chairman's report relating to these consolidated financial statements are consistent with the books of account. We further report that we have obtained all the information and explanations which we required for the purpose of our audit and, to the best of our knowledge and belief, no violations of the UAE Commercial Companies Law of 1984 (as amended), or the articles of association of the Company, have occurred during the year which would have had a material effect on the business of the Company or on its financial position.

Ernst & Young

Signed by
Bassam E Hage
Partner
Ernst & Young
Registration No 258

21 April 2014
Abu Dhabi

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2013

	Notes	2013 US $ '000	2012 US $ '000
CONTINUING OPERATIONS			
Revenue	14	**52,834,762**	51,902,329
Cost of sales	15	**(47,617,357)**	(46,341,860)
Gross profit		**5,217,405**	5,560,469
Share of post tax profits of associates and joint ventures	8	**964,668**	1,097,982
Selling and distribution costs	15	**(2,317,339)**	(2,274,186)
General and administrative expenses	15	**(1,107,543)**	(945,864)
Research and development expenses	15	**(253,987)**	(263,761)
Operating profit		**2,503,204**	3,174,640
Net foreign exchange (losses) gains		**(131,127)**	159,150
Finance income	9	**637,074**	723,001
Finance costs	10	**(1,349,570)**	(1,584,233)
Other income	15	**255,003**	107,172
Other expenses	15	**(142,826)**	(170,606)
Gains on acquisitions and disposals	11	**283,440**	194,695
Other gains (losses) on financial instruments	12	**527,234**	(316,598)
Profit before tax from continuing operations		**2,582,432**	2,287,221
Income tax expense	13	**(421,087)**	(671,029)
Profit for the year from continuing operations		**2,161,345**	1,616,192
DISCONTINUED OPERATIONS			
Profit after tax for the year from discontinued operations	16	**-**	140,054
PROFIT FOR THE YEAR		**2,161,345**	1,756,246
Profit for the year attributable to:			
Equity holder of the parent		**1,917,576**	1,511,965
Non-controlling interests		**243,769**	244,281
		2,161,345	1,756,246
		US $	*US $*
Basic and diluted earnings per share attributable to equity holder of the parent	17	**548**	432
Basic and diluted earnings per share from continuing operations attributable to equity holder of the parent	17	**548**	394

The attached notes 1 to 43 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
Year ended 31 December 2013

	2013	*2012*
	US $ '000	*US $ '000*
PROFIT FOR THE YEAR	**2,161,345**	1,756,246
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange gains on translation of foreign subsidiaries	**269,689**	190,761
Net losses arising on hedge of net investments	**(420,023)**	(374,026)
Net (losses) gains arising on cash flow hedges	**(4,571)**	11,087
Net gains arising on changes in fair value of available-for-sale financial assets	**1,100**	103,967
Share of other comprehensive income of associates and joint ventures	**(193,723)**	44,483
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**(347,528)**	(23,728)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Impact of changes in tax rates on deferred income tax	**(1,163)**	27,669
Actuarial gains (losses) arising on defined benefit plans	**183,485**	(131,376)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**182,322**	(103,707)
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**(165,206)**	(127,435)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,996,139**	1,628,811
Total comprehensive income for the year attributable to:		
Equity holder of the parent	**1,719,221**	1,357,899
Non-controlling interests	**276,918**	270,912
	1,996,139	1,628,811

The attached notes 1 to 43 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2013

	Notes	***2013 US $ '000***	*2012 US $ '000*
ASSETS			
Non-current assets			
Property, plant and equipment	18	**15,047,083**	17,780,031
Intangible assets	19	**2,734,359**	2,638,852
Investment properties	21	**2,196,063**	1,986,013
Investments in associates and joint ventures	8	**11,026,029**	10,254,712
Deferred tax assets	13	**625,202**	390,618
Investments in financial instruments	22	**2,689,647**	3,158,072
Trade and other receivables	23	**256,106**	253,350
Other assets	24	**4,672,507**	4,948,562
		39,246,996	41,410,210
Current assets			
Inventories	25	**4,759,166**	5,496,191
Trade and other receivables	23	**7,135,027**	6,370,553
Investments in financial instruments	22	**5,545,077**	5,997,564
Other assets	24	**1,202,463**	973,210
Cash and short term deposits	26	**6,818,844**	4,912,711
		25,460,577	23,750,229
Asset classified as held for sale	16	**3,679,268**	-
TOTAL ASSETS		**68,386,841**	65,160,439
EQUITY AND LIABILITIES			
Equity attributable to equity holder of the parent			
Share capital	27	**3,500,000**	3,500,000
Shareholder loan	28	**1,000,000**	1,000,000
Retained earnings		**10,632,997**	8,955,568
Other reserves	29	**127,838**	324,956
		15,260,835	13,780,524
Non-controlling interests		**2,276,176**	1,783,487
Total equity		**17,537,011**	15,564,011

The attached notes 1 to 43 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION continued
At 31 December 2013

	Notes	*2013* *US $ '000*	*2012* *US $ '000*
EQUITY AND LIABILITIES continued			
Non-current liabilities			
Borrowings	30	**26,116,428**	25,173,437
Defined benefit plan deficit	31	**621,300**	859,350
Deferred tax liabilities	13	**2,173,750**	2,285,436
Derivative financial liabilities	35	**330,302**	217,682
Provisions	32	**479,034**	426,942
Trade and other payables	33	**51,032**	45,284
Other liabilities	34	**545,658**	624,598
		30,317,504	29,632,729
Current liabilities			
Trade and other payables	33	**7,379,566**	5,872,859
Borrowings	30	**7,387,486**	11,573,217
Other liabilities	34	**2,095,262**	1,833,674
Derivative financial liabilities	35	**1,577,293**	637,844
Provisions	32	**92,719**	46,105
		18,532,326	19,963,699
Liability classified as held for sale	16	**2,000,000**	-
Total liabilities		**50,849,830**	49,596,428
TOTAL EQUITY AND LIABILITIES		**68,386,841**	65,160,439

CHAIRMAN MANAGING DIRECTOR CHIEF FINANCIAL OFFICER

The attached notes 1 to 43 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2013

	Attributable to equity holder of the parent						
	Share capital US $ '000	*Shareholder loan US $ '000*	*Retained earnings US $ '000*	*Other reserves US $ '000*	*Total US $ '000*	*Non-controlling interests US $ '000*	*Total equity US $ '000*
Balance at 1 January 2012	3,500,000	1,000,000	7,435,103	523,341	12,458,444	1,764,714	14,223,158
Profit for the year	-	-	1,511,965	-	1,511,965	244,281	1,756,246
Other comprehensive income for the year	-	-	-	(154,066)	(154,066)	26,631	(127,435)
Total comprehensive income for the year	-	-	1,511,965	(154,066)	1,357,899	270,912	1,628,811
Dividends paid to non-controlling shareholders	-	-	-	-	-	(79,167)	(79,167)
Acquisition of additional interest in a subsidiary	-	-	(7,456)	-	(7,456)	(7,683)	(15,139)
Recycle of reserves on disposal of interest in a subsidiary (note 4.1)	-	-	16,295	(44,170)	(27,875)	(165,202)	(193,077)
Movement in other reserves	-	-	(339)	(149)	(488)	(87)	(575)
Balance at 31 December 2012	3,500,000	1,000,000	8,955,568	324,956	13,780,524	1,783,487	15,564,011
Profit for the year	-	-	1,917,576	-	1,917,576	243,769	2,161,345
Other comprehensive income for the year	-	-	-	(198,355)	(198,355)	33,149	(165,206)
Total comprehensive income for the year	-	-	1,917,576	(198,355)	1,719,221	276,918	1,996,139
Dividends paid to non-controlling shareholders	-	-	-	-	-	(49,869)	(49,869)
Acquisition of additional interest in a subsidiary	-	-	(239,946)	-	(239,946)	249,160	9,214
Reserves for disposal group held for sale	-	-	-	-	-	16,472	16,472
Movement in other reserves	-	-	(201)	1,237	1,036	8	1,044
Balance at 31 December 2013	**3,500,000**	**1,000,000**	**10,632,997**	**127,838**	**15,260,835**	**2,276,176**	**17,537,011**

The attached notes 1 to 43 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2013

	Notes	*2013* *US $ '000*	*2012* *US $ '000*
OPERATING ACTIVITIES			
Profit before tax from continuing operations		**2,582,432**	2,287,221
Profit before tax from discontinued operations		**-**	91,415
Profit before tax		**2,582,432**	2,378,636
Adjustments for:			
Depreciation and amortisation of fixed assets	15	**1,884,383**	1,829,299
Net impairment of fixed assets	15	**(98,130)**	20,563
Gains on disposals and acquisitions		**(283,440)**	(306,533)
Other (gains) losses on financial instruments		**(527,234)**	308,938
Finance income		**(637,074)**	(728,214)
Finance costs		**1,349,570**	1,590,092
Unrealised exchange difference		**140,422**	(213,436)
Share of post tax profits of associates and joint ventures		**(964,668)**	(1,114,760)
Other non-cash adjustments		**102,095**	277,487
		3,548,356	4,042,072
Working capital changes:			
Inventories		**1,140,497**	(199,746)
Trade and other receivables		**(463,724)**	(109,482)
Trade and other payables		**1,135,778**	(323,855)
Other assets and liabilities		**(350,284)**	(47,038)
		5,010,623	3,361,951
Income tax paid		**(582,251)**	(814,975)
Net cash from operating activities		**4,428,372**	2,546,976
INVESTING ACTIVITIES			
Purchase of subsidiaries, net of cash acquired	3	**(531,060)**	(300,897)
Purchase of financial instruments		**(220,059)**	(1,668,365)
Acquisition of associates and joint ventures		**(455,319)**	(139,291)
Purchase of fixed assets		**(2,063,388)**	(2,112,954)
Movement in derivative financial instruments		**2,292,780**	(1,635,086)
Advance received against asset held for sale	16	**2,000,000**	-
Proceeds on disposal of a subsidiary	4	**-**	193,155
Movement in financial instruments		**885,638**	3,276,758
Interest received		**166,439**	241,073
Dividends received		**424,408**	507,359
Receipts from (payments on) other assets		**134,987**	(422,310)
Net cash from (used in) investing activities		**2,634,426**	(2,060,558)
FINANCING ACTIVITIES			
Proceeds from borrowings		**6,749,151**	10,376,828
Repayments of borrowings	30	**(10,719,568)**	(9,701,668)
Interest paid		**(1,238,877)**	(1,328,087)
Dividends paid to non-controlling shareholders		**(49,869)**	(79,167)
Accounts receivable securitisation		**-**	(182,000)
Other financing activities		**-**	(3,790)
Net cash used in financing activities		**(5,259,163)**	(917,884)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**1,803,635**	(431,466)
Net foreign exchange difference		**102,498**	55,298
Cash and cash equivalents at 1 January		**4,912,711**	5,288,879
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	26	**6,818,844**	4,912,711

The attached notes 1 to 43 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

International Petroleum Investment Company PJSC (the "Company") is a public joint stock company established on 29 May 1984 in Abu Dhabi, United Arab Emirates ("UAE") by Emiri Decree No 3/1984 (subsequently replaced by Emiri Decree No 2/1986). The Company is wholly owned by the Government of the Emirate of Abu Dhabi. The Company's registered head office is P O Box 7528, Abu Dhabi, UAE.

The principal activity of the Company is to invest, on a long-term basis, in overseas energy and energy-related assets and to undertake strategic projects on behalf of its shareholder. Additionally the Company's subsidiary, Aabar Investments PJS ("Aabar"), undertakes other investing activities in various growth industries. The principal activities of the Company and its subsidiaries (the "Group") are further described in note 5.

The consolidated financial statements for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the Board of Directors on 21 April 2014.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The consolidated financial statements have been presented in US Dollars ("US $"), which is the functional currency of the Company and presentation currency of the Group. All values are rounded to the nearest thousand (US $ '000) except when otherwise indicated.

The consolidated financial statements are prepared under the historical cost convention basis, except for financial assets at fair value through profit or loss, available-for-sale investments and derivative financial instruments that have been measured at fair value. The carrying values of recognised assets and liabilities that are designated as hedged items in fair value hedges, that would otherwise be carried at cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships.

2.2 STATEMENT OF COMPLIANCE

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and applicable requirements of the UAE Commercial Companies Law of 1984 (as amended).

2.3 BASIS OF CONSOLIDATION

The consolidated financial statements comprise those of the Company and its subsidiaries as at 31 December. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of
- the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.3 BASIS OF CONSOLIDATION continued

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative translation differences, recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

2.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations
The Group applied, for the first time, certain standards and amendments. These include IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IAS 19 *Employee Benefits* (Revised 2011), IFRS 13 *Fair Value Measurement* and amendments to IAS 1 *Presentation of Financial Statements*. In addition, the application of IFRS 12 *Disclosure of Interests in Other Entities* resulted in additional disclosures in the consolidated financial statements.

Several other amendments apply for the first time in 2013. However, they do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements
IFRS 10 *Consolidated financial statements* builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the Group. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. There is no impact of these standards on Group's financial position or performance.

IFRS 11 *Joint Arrangements* and IAS 28 *Investment in Associates and Joint Ventures*
The application of IFRS 11 does not have any impact on the Group's accounting for its interest in joint ventures and joint operations. Application of IFRS 11 mandates to use equity accounting for joint arrangements classified as joint ventures in contrast to IAS 31-*Interests in Joint Ventures* where proportionate consolidation was also a choice. Since the Group already uses the equity method for joint ventures in the consolidated financial statements, there is no impact on Group's financial position or performance.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES continued

IFRS 12 *Disclosure of Interests in Other Entities*
IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in IFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries. For example, where a subsidiary is controlled with less than a majority of voting rights. While the Group has subsidiaries with material non-controlling interests, there are no unconsolidated structured entities. IFRS 12 disclosures are provided in notes 5, 6 and 8.

IFRS 13 *Fair Value Measurement*
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price. IFRS 13 also requires additional disclosures.

Application of IFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in note 36.

IAS 1 *Presentation of Items of Other Comprehensive Income – Amendments to IAS 1*
The amendments to IAS 1 introduce a grouping of items presented in OCI. Items that will be reclassified ('recycled') to profit or loss at a future point in time (e.g., net loss or gain on available-of-sale financial assets) have to be presented separately from items that will not be. The amendments affect presentation only and have no impact on the Group's financial position or performance.

IAS 19 *Employee Benefits* (Revised 2011)
The Group applied IAS 19 (Revised 2011) retrospectively in the current year in accordance with the transitional provisions set out in the revised standard. The effect of the changes was not material to the overall consolidated financial statements, and was therefore recorded in the 2013 consolidated statement of profit or loss. No restatement was done. The effect of the prior year adjustments recorded in 2013 amounted to US $ 28,227 thousand.

As stated in the Group's accounting policies, actuarial gains and losses for defined benefit plans are recognised in full in the period in which they occur in consolidated other comprehensive income and as such actuarial gains and losses are also immediately recognised in consolidated retained earnings and are not reclassified to profit or loss in subsequent periods. Therefore, the amendment which eliminates the "corridor method" does not impact the Group's financial position or performance. However, net benefit expense increased as a result of applying the rate used to discount the benefit obligation as the rate used for calculating expected return on plan assets. The adjustment required to reflect the actual return on plan assets as compared to the expected return on plan assets was recorded in consolidated other comprehensive income.

IAS 19 (Revised 2011) also requires more extensive disclosures. These have been provided in note 31. IAS 19 (Revised 2011) has been applied retrospectively, with following permitted exceptions:

- The carrying amounts of other assets have not been adjusted for changes in employee benefit costs that were included before 1 January 2012.
- Sensitivity disclosures for the defined benefit obligation for comparative period (year ended 31 December 2012) have not been provided.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards and interpretations issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

IFRS 9 *Financial Instruments*
In November 2009 IFRS 9 was issued which introduced new requirements for the classification and measurement of financial assets. It was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition. Under IFRS 9, all recognised financial assets that are within the scope of IAS 39 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. IFRS 9 also allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

In November 2013, the IASB issued new IFRS 9 requirements related to hedge accounting (except accounting for open portfolio or macro hedging) which align hedge accounting more closely with risk management, resulting in more useful information to users of financial statements. The requirements also establish a more principal based approach to hedge accounting and address inconsistencies and weakness in the hedge accounting model in IAS 39.

IFRS 9 has not yet been fully finalised as the impairment of financial assets phase is still under deliberation. The mandatory date of application is 1 January 2018. The Group is currently assessing the impact that IFRS 9 will have on the Group's financial position and performance, but based on preliminary analyses, no material impact is expected.

***Investment Entities* (Amendments to IFRS 10, IFRS 12 and IAS 27)**
These amendments are effective for annual periods beginning on or after 1 January 2014 and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments are not expected to be relevant to the Group.

IAS 32 *Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32*
These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 January 2014. These amendments are not expected to be relevant to the Group.

IFRIC Interpretation 21 *Levies* (IFRIC 21)
IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. The Group does not expect that IFRIC 21 will have material financial impact in future financial statements.

Recoverable Amount Disclosures for Non-Financial Assets* – Amendments to IAS 36 *Impairment of Assets
These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided IFRS 13 is also applied.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE continued

IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39*
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. The Group has not novated its derivatives during the current period. However, these amendments would be considered for future novation.

2.6 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

Judgments
In the process of applying the Group's accounting policies, management has made the following significant judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Investments and other financial assets
Financial assets within the scope of IAS 39 *Financial Instruments: Recognition and Measurement (Revised)* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets, or available-for-sale investments, as appropriate. The Group determines the classification of its financial assets at initial recognition.

The Group treats available-for-sale investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment and includes factors such as normal volatility in share price for quoted equities and the future cash flows and discount factors for unquoted equities.

Classification of property
The Group determines whether a property is classified as investment property or property, plant and equipment:

- Investment property comprises land and buildings (principally offices) which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.
- Property, plant and equipment comprises property that is kept for own use.

Where a property may be used partly to derive rental income and partly as owner-occupied property, provided the parts of the property could be sold or leased under a finance lease separately, they are accounted for separately. The Group accounts for the separated asset based on the ratio of the gross floor area (GFA).

Deferred tax assets
Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 13.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.6 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS continued

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Business combinations
Accounting for the acquisition of a business requires the allocation of the purchase price to the various assets and liabilities of the acquired business. For most assets and liabilities, the purchase price allocation is accomplished by recording the asset or liability at its estimated fair value. Determining the fair value of assets acquired and liabilities assumed requires estimation by management and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, the useful lives of licenses and other assets and market multiples. The Group's management uses all available information to make these fair value determinations. The Group has, if necessary, up to one year after acquisition closing date to complete these fair value determinations and finalise the purchase price allocation. For more details of the business combinations refer to note 3.

Reserves base
The oil and gas development and production properties are depreciated on a unit of production basis at a rate calculated by reference to proved reserves estimated or revised by the Group's own engineers in accordance with Society of Petroleum Engineers rules and incorporating the estimated future cost of developing and extracting those reserves. Commercial reserves are determined using estimates of oil in place, recovery factors and future oil prices, the latter having an impact on the proportion of the gross reserves which are attributable to the host government under the terms of the Production Sharing Agreements. Future development costs are estimated using assumptions as to number of wells required to produce the commercial reserves, the cost of such wells and associated production facilities and other capital costs.

The level of estimated commercial reserves is also a key determinant in assessing whether the carrying value of any of the Group's development and production assets have been impaired.

Carrying value of oil and gas assets
Oil and gas properties are depreciated using the units-of-production ("UOP") method over proved developed and undeveloped reserves.

The calculation of the UOP rate of amortization could be impacted to the extent that actual production in the future is different from current forecast production based on proved reserves. This would generally result from significant changes in any of the factors or assumptions used in estimating reserves ("2P").

These factors could include:
- Changes in proved reserves
- The effect on proved reserves of differences between actual commodity prices and commodity price assumptions
- Unforeseen operational issues

Useful life of property, plant and equipment
The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the pattern of economic benefits that are expected from the use of such property, plant and equipment. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.6 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS continued

Estimates and assumptions continued
Impairment of property, plant and equipment and intangible assets subject to amortisation
Management determines whether there are any indications of impairment to the carrying values of property, plant and equipment and intangible assets with definite lives, on an annual basis. If any such indication exists, the Group estimates the recoverable amount of the asset. This assessment requires an estimation of the value in use of the cash generating units. Estimating the value in use requires the Group to make an estimate of the expected future cash flows for the periods and also choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of goodwill
Goodwill is tested for impairment on annual basis, at the reporting date, and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit, or group of cash generating units, to which the goodwill is allocated. Where the recoverable amount of the cash-generating units or group of cash generating units is less than their carrying amount an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. Where applicable, for the purposes of testing goodwill for impairment, any of the related deferred tax liabilities recognised on acquisition that, led to the creation of goodwill, and remain at the reporting date as estimated by the management are treated as part of the relevant CGU or group of CGUs.

The Group's impairment test for goodwill is based on fair value less costs to sell and/or value in use calculations that use valuation techniques including discounted cash flows models. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows, the growth rate used for extrapolation purposes and the terminal value.

Impairment of loans and other banking receivables due from banking customers
An estimate of the collectible amount of loans and other banking receivables due from banking customers is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates. Any difference between the amounts actually collected in future periods and the amounts expected to be received will be recognised in the consolidated statement of profit or loss.

Impairment of inventories
Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision is applied according to the inventory type and the Group's policy for inventory provisioning.

Impairment of trade and other receivables
An estimate of the collectible amount of trade receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates. Any difference between the amounts actually collected in future periods and the amounts expected to be received will be recognised in the consolidated statement of profit or loss.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.6 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS continued

Estimates and assumptions continued
Impairment of investments of quoted associates
The Group's investments in its associates are accounted for using the equity method of accounting. For quoted associates, the Group compares, at the reporting date, the carrying values of those associates to their market values for any indications of impairment to the carrying values. If any such indication exists, the Group estimates the recoverable amount of the associates through an estimation of their value in use. Estimating the value in use requires the Group to make an estimate of the expected future cash flows for the periods and also choose a suitable discount rate in order to calculate the present value of those cash flows. The Group also reviews analysts' reports on the quoted associates to understand the market expectations and price consensus targets.

Impairment of non-financial assets – impairment testing
The Group's impairment testing for non-financial assets is based on calculating the recoverable amount of each cash generating unit or group of cash generating units being tested. Recoverable amount is the higher of value in use and fair value less costs to sell. Value in use for relevant cash generating units is derived from projected cash flows as approved by management and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the cash generating unit being tested. Fair value less cost to sell for relevant cash generating units is generally derived from discounted cash flow models using market based inputs and assumptions.

Impairment of advances on investment properties and investment properties
Investment properties and advances paid against the purchase of properties are assessed for impairment based on an assessment of cash flows on individual cash generating units, when there is indication that those assets have suffered an impairment loss. Cash flows are determined with reference to recent market conditions, prices existing at the end of the reporting period, contractual agreements and estimations over the useful lives of the assets, and are discounted using a range of discounting rates that reflects current market assessments of the time value of money and the risks specific to the asset. The net present values are compared to the carrying amounts to assess any probable impairment.

Taxes
Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long term nature and complexity of existing contractual agreements, differences arising between the actual results and adjustments to tax income and expense already recorded. Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. A tax reserve is used to provide for uncertain tax provisions which consist of potential tax liabilities associated with possible disputes with tax authorities. Further details on taxes are disclosed in note 13.

Fair value of financial instruments
Where the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using valuation techniques including discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of estimation is required in establishing fair values. The estimates include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.6 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS continued

Estimates and assumptions continued

Pensions and other post-employment benefits

The cost of defined benefit pension plans and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. Also, given the allocation of assets, the market value of the plans' assets are sensitive to changes in the capital markets. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the yields of high quality corporate bonds in the respective country, with terms to maturity that approximate the duration or match the projected cash flows to the Group's pension obligations. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases are based on the Group's long-term view of compensation trends and pension indexation is based on expected future inflation rates for the respective country. Further details about the assumptions used are given in note 31.

Fair value measurement of contingent consideration

Contingent consideration, resulting from business combinations is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a derivative and, thus, a financial liability, it is subsequently re-measured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

Development costs

Development costs are capitalised in accordance with the accounting policy of the Group. Initial capitalisation of costs is based on management's estimate that technological and commercial feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits.

Provision for environmental and legal expenses

The Group recognises a provision for liabilities associated with environmental and legal exposures in accordance with the Group accounting policy. The Group has made certain assumptions based on historical events and their understanding of the current legal and environmental regulations.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of probability of occurrence of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

Decommissioning costs

Abandon and decommissioning costs will be incurred by the Group at the end of the operating life of wells and some of the Group's facilities and properties. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing and amount of expenditure can also change, for example, in response to changes in reserves or changes in laws and regulations or their interpretation. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.6 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS continued

Estimates and assumptions continued
Legal claims
When assessing the possible outcomes of legal claims, the Group rely on the opinions of the legal counsel. The opinions of the Group's legal counsel are based on the best of their professional judgment and take into consideration the current stage of the proceedings and legal experience accumulated with respect to the various matters. As the results of the claims may ultimately be determined by courts, or otherwise settled, they may be different from such estimates.

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which are deemed to be an asset or liability will be recognised, in accordance with IAS 39, either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be re-measured until it is finally settled within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with appropriate IFRS.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Investment in associates and joint ventures
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the consolidated statement of profit or loss and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group, except for Galactic Venture LLC which are prepared as of 31 March each year. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognises the loss as 'Share of profit of associates and joint ventures in the consolidated statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated statement of profit or loss.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Interests in joint operations
A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decision about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly
- Its liabilities, including its share of any liabilities incurred jointly
- Its revenue from the sale of its share of the output arising from the joint operation
- Its share of the revenue from the sale of the output by the joint operation
- Its expenses, including its share of any expenses incurred jointly

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the consolidated financial statements only to the extent of the other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

Non-current assets held for sale and discontinued operations
Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the consolidated statement of profit or loss of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separate from income and expenses from continuing activities, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the consolidated statement of profit or loss.

Once classified as held for sale, property, plant and equipment and intangible assets are not depreciated or amortised.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Foreign currency translation
The Group's consolidated financial statements are presented in US $, which is the Company's functional and presentation currency of the Group. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances
Transactions in foreign currencies are initially recorded by Group entities using their respective functional currency rates prevailing at the date of transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange on the reporting date.

All differences are taken to the consolidated statement of profit or loss with the exception of all monetary items that are designated as and provide an effective hedge of a net investment in a foreign operation, translation of long-term receivables that are considered part of investments in subsidiaries or associated companies and employee benefit plan liabilities. Items designated as hedge of a net investment and the translation of long-term receivables that are considered part of investments are recognised in other comprehensive income until the disposal of the net investment, at which time they are recognised in the consolidated statement of profit or loss. Resulting gains and losses from the translation of employee benefit plan liabilities are reported in other comprehensive income with no recycling to the consolidated statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are accounted for in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

Group companies
The assets and liabilities of foreign operations are translated into US $ at the rate of exchange ruling at the reporting date and their statements of profit or loss are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Fair value measurement
The Group measures financial instruments such as financial assets at fair value through profit or loss, available for sale investments and derivative financial instruments at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortized cost and non-financial assets such as investment properties, are disclosed in note 21 and note 36 respectively.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Revenue recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The specific recognition criteria described below must also be met before revenue is recognized.

Sale of goods
Revenue from the sale of goods is recognised when all the following conditions are satisfied:

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

Production of oil
Revenue from the sale of oil is recognised when the significant risks and rewards of ownership have been transferred, which is when title passes to the customer. This generally occurs when product is physically transferred into a vessel, pipe or other delivery mechanism.

Lifting or off-take arrangements for oil produced by certain of the Group's jointly owned assets are such that each participant may not receive and sell its precise share of the overall production in each period. The resulting imbalance between cumulative entitlement and cumulative production is 'underlift' or 'overlift'. Underlift and overlift are valued at market value and included within current assets and current liabilities respectively. Movements during an accounting period are adjusted through cost of sales such that gross profit is recognised on an entitlements basis.

Revenue from the production of oil in which the Group has an interest with other producers is recognized based on the Group's working interest and the terms of the relevant production sharing contracts. Differences between production sold and the Group's share of production are not significant. Where forward sale and purchase contracts for oil or natural gas have been determined to be for trading purposes, the associated sales and purchases are reported net.

Rendering of services
Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period;
- servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold, taking into account historical trends in the number of services actually provided on past goods sold; and
- revenue from time and materials contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Revenue recognition continued

Commission and fee income

The Group earns commission and fee income from securities and investing activities (asset management, brokerage and custody) and other services rendered, as well as lending activities. Fees earned for the provision of services over a period of time are recognised over that period. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan.

Dividend income

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

Interest income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available-for-sale, interest income is recorded using the effective interest rate, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the consolidated statement of profit or loss.

Rental income

The Group's policy for recognition of revenue from operating leases is described below, under "Leases".

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. In single cases, particularly if complex orders are involved, percentage of completion is determined based on surveys of work performed. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amounts expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in other comprehensive income is recognised in other comprehensive income and not in the consolidated statement of profit or loss. The Group periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate. These provisions are included in deferred tax liabilities.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Taxes continued
Deferred income tax continued
Deferred income tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred income tax items are recognised in correlation to the underlying transactions in other comprehensive income.

Deferred income tax assets and liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or recognised in profit or loss.

Sales tax
Revenues, expenses and assets are recognised net of the amount of sales tax except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable;
- in accordance with the legislation applicable to companies operating in the oil and gas industry, the excise tax on oil and gas sales is recorded as part of the selling price and as an addition to cost under “Revenue” and “Cost of sales” respectively, in the consolidated statement of profit or loss; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

Investment tax credits
The Group accounts for investment tax credits using the cost-reduction approach. Investment tax credits related to the acquisition of assets are deducted from the related assets with depreciation calculated on the net amount. Investment tax credits related to current expenses are included in the determination of income or loss for the period.

Property, plant and equipment
Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term projects, if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the consolidated statement of profit or loss as incurred. The cost of property, plant and equipment acquired in a business combination is stated at fair value as at the date of acquisition.

The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to note 32 for further information about the measurement of the decommissioning provision.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Property, plant and equipment continued
Capital work in progress is recorded at cost which represents the contractual obligations of the Group for the construction of the asset. Allocated costs directly attributable to the construction of the asset are capitalised. The capital work in progress is transferred to the appropriate asset category and depreciated in accordance with the above policies when construction of the asset is completed and commissioned.

Depreciation on property, plant and equipment is calculated on a straight line basis over the estimated useful lives of the assets as follows:

Land improvements	20 years
Buildings, structures and production plants	5 to 67 years
Machinery, tools, and technical equipment	3 to 20 years
Information system hardware	3 to 15 years
Motor vehicles	3 to 15 years
Office furniture and fittings	2 to 15 years

Land is not depreciated.

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted prospectively as a change in accounting estimate, if appropriate, at each financial year end.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amounts, being the higher of their fair value less costs to sell and their value in use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss in the year the asset is derecognised.

Oil and Gas properties
Pre-license costs
Pre-license costs are expensed in the period in which they are incurred.

Exploration and production assets
Investment in exploration and production are recognized by the successful efforts method, whereby the accounting treatment of various costs incurred is as follows:

Exploration costs in area with unproven reserves:
Exploration costs are charged to income as incurred. Acquisitions of exploration rights are capitalized and feasibility analyses and impairment tests, if any, are performed periodically on a field-by-field basis based on the results of exploration. Exploration rights are amortized over a period not exceeding the term of contract.

Drilling costs are capitalized temporarily until it is determined whether proven reserves have been discovered. On the contrary, if the results are negative, they are charged to income.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Oil and Gas properties continued
Investments in areas with proven reserves:
Investments relating to the acquisition of proven reserves, the development of fields and construction of production plants, as well as the estimated present value of abandonment costs, are capitalized and depreciated over the estimated life of the field based on the proven and recoverable reserves extracted (unit-of-production method) at the beginning of each year.

With respect to joint production contracts, this calculation is based on the production and reserves assigned to the Group taking account of the estimates based on the contractual clauses.

Impairment tests are performed periodically for each field and any impairment losses are recognized in the consolidated statement.

Oil and gas properties are depreciated on a unit-of-production basis over the proved reserves of the field concerned, except in the case of assets whose useful life is shorter than the lifetime of the field, in which case the straight-line method is applied. Rights and concessions are depleted on the unit-of-production basis over the total proved reserves of the relevant area. The unit-of-production rate for the amortization of field development costs takes into account expenditures incurred to date, together with sanctioned future development expenditure.

Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date, whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of IFRIC 4.

Group as a lessee
Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the consolidated statement of profit or loss.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the consolidated statement of profit or loss on a straight line basis over the lease term.

Group as a lessor
Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Investment properties
Investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing part of the investment property when such cost is incurred, if the recognition criteria are met. All other repair and maintenance costs are recognised in the consolidated statement of profit or loss as incurred.

The investment properties' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate at each financial year end. Depreciation on investment properties is calculated on a straight line basis over the estimated useful lives of the assets as follows:

Commercial properties	25 to 67 years
Residential properties	25 to 40 years

Land is not depreciated.

The carrying values of investment properties are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where carrying values exceed the estimated recoverable amount, the investment properties are written down to their recoverable amounts, being the higher of their fair value less costs to sell and their value in use.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of profit or loss in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Amounts paid to purchase investment properties are initially recorded as advances on investment properties and the related capital commitments are disclosed in the commitments and contingencies (refer to note 40). When the investment property recognition criteria are met, advances on investment properties are reclassified to investment properties.

Properties under construction are recorded at cost, and upon completion are transferred to the appropriate category of investment property and thereafter depreciated.

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the consolidated statement of profit or loss in the year in which the expenditure is incurred.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Intangible assets continued
The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life on a straight line basis as follows:

Concessions, patents and licences	10 to 20 years
Software	3 to 7 years
Development costs	3 to 10 years
Customer and flagging contracts	5 to 20 years
Other intangible assets	3 to 20 years

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Intangible assets are assessed for impairment whenever there is an indication that they may be impaired. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of profit or loss in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss when the asset is derecognised.

Research and development costs
Research costs are expensed as incurred. Development expenditure on an individual project is recognised as a property, plant and equipment and an intangible asset when the Group can demonstrate:

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

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Greenhouse gas emissions
In the absence of a current IFRS standard or interpretation on accounting for greenhouse gas emissions, the following principles have been applied:
- emission rights granted free of charge are accounted for at market price prevailing at the beginning of the year to which it relates and are recognized with a credit to other liabilities;
- emission rights acquired from the market are measured at acquisition cost;
- liabilities resulting from potential differences between available quotas and quotas to be delivered at the end of the compliance period are accounted for as liabilities and measured at acquisition cost;
- spot market transactions are recognized in income at cost.

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Inventories
Inventories are valued at the lower of cost and net realisable value. Cost is determined as follows:

- For plastics solutions, costs of all finished goods inventories are determined on first-in first-out (FIFO) basis, except for spare parts and raw materials which are parts determined based on average cost;
- For petroleum refinery, costs of all inventories are determined on weighted average costs; and
- For industrial engineering services, cost of inventories is determined based on FIFO.
- For integrated oil and gas, crude oil, oil derivatives and petrochemicals products, acquired as raw materials, are measured based on weighted average costs.

In case of refined products, the costs are allocated in proportion to the selling price of the related products (isomargin method) due to the complexity of allocating production costs to each item.

Cost includes purchase cost, freight, insurance and other related expenses incurred in bringing the inventories to their present condition and location. Cost also comprises directly attributable productions costs and a proportionate share of fixed and variable overhead production costs. Allocated overhead costs are primarily calculated based on normal capacity utilisation.

Initial cost of inventories includes the transfer, from other comprehensive income, of gains and losses on qualifying cash flow hedges in respect of the purchases of raw materials.

The Company assesses the net realizable value of the inventories at the end of each year and recognizes the appropriate loss if this value is lower than the carrying amount. When the circumstances that previously caused inventories to be written down no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed.

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

Cash and cash equivalents
For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts, where these bank overdrafts form part of the Group's working capital management.

Amounts due from banks arising from banking activities maturing within three months or less are considered as cash and cash equivalents at the Group level.

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

When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. To the extent that the grant is not matched to expenditure in the year, it is subject to potential government claw back, and is recognised as deferred income.

Where the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Provisions and contingent liabilities
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost. Refer to note 32 for further information about provisions.

Contingent liabilities are possible obligations, whose existence will only be confirmed by future events not wholly within the Group's control or present obligation where it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognised in the consolidated financial statements but are disclosed unless the possibility of an outflow of economic resources is considered remote.

Pensions and other post-employment benefits
Employees' end of service benefits
The Group provides end of service benefits to certain employees. These benefits are unfunded. The entitlement to these benefits is usually based upon the employees' length of service and the completion of a minimum service year. The expected costs of these benefits are accrued over the years of employment. With respect to its UAE national employees, the Group makes contributions to the Abu Dhabi Retirement Pensions and Benefits Fund calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

The cost of defined contribution benefits is expensed as earned by employees. Certain group companies also provide medical care and life insurance to eligible retirees and their dependents. These benefits are unfunded and are expensed as the employees provide service.

Defined benefit plans
The Group does not maintain a common pension scheme at the group level. Each entity in the Group operates its own pension and post-employment service schemes and sponsors both defined benefit and defined contribution plans.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest (not applicable to the Group) and the return on plan assets (excluding net interest), are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:
- The date of the plan amendment or curtailment, and
- The date that the Group recognises restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under 'cost of sales', 'general and administrative expenses' and 'selling and distribution costs' in consolidated statement of profit or loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Financial assets
Initial recognition and measurement
Financial assets within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace are recognised on the trade date, which is the date that the Group commits to purchase or sell the asset.

The Group’s financial assets include loans and other banking receivables due from banking customers, due from banks, financial assets at fair value through profit or loss, available-for-sale financial assets, derivative financial instruments, trade and other receivables, cash and short-term deposits and certain other financial assets.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that do not meet the hedge accounting criteria as defined by IAS 39 *Financial Instruments: Recognition and Measurement.* Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with gains or losses recognised in the consolidated statement of profit or loss.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at their initial recognition date and only if the criteria under IAS 39 *Financial Instruments: Recognition and Measurement* are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value. These embedded derivatives are measured at fair value with gains or losses arising from changes in fair value recognised in the consolidated statement of profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortised cost using the effective interest rate (“EIR”) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. Gains and losses are recognised in the consolidated statement of profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Financial assets continued
Due from banks and loans and other receivables due from banking customers
Due from banks and loans and other receivables due from banking customers, include non–derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- those that the Group intends to sell immediately or in the near term and those that the Group upon initial recognition designates as at fair value through profit or loss;
- those that the Group, upon initial recognition, designates as available-for-sale; and,
- those for which the Group may not recover substantially all of its initial investment, other than because of credit deterioration.

After initial measurement, amounts due from banks and loans and other receivables due from banking customers are subsequently measured at amortised cost using the effective interest rate, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in revenue from banking activities in the consolidated statement of profit or loss. The losses arising from impairment are recognised in the consolidated statement of profit or loss.

The Group may enter into certain lending commitments where the loan, on drawdown, is expected to be classified as held–for–trading because the intent is to sell the loans in the short term. These commitments to lend are recorded as derivatives and measured at fair value through profit or loss.

Where the loan, on drawdown, is expected to be retained by the Group, and not sold in the short term, the commitment is recorded only when the commitment is an onerous contract and it is likely to give rise to a loss (for example, due to a counterparty credit event).

Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold it to maturity. After initial measurement held-to-maturity investments are measured at amortised cost using the EIR method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. This method uses an effective interest rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Gains and losses are recognised in the consolidated statement of profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the consolidated statement of profit or loss, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the consolidated statement of profit or loss.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Financial liabilities
Initial recognition and measurement
Financial liabilities within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include customer deposits and other amounts due to banking customers, due to banks, borrowings, derivative financial instruments, trade and other payables and certain other financial liabilities.

Subsequent measurement
Subsequent measurement of financial liabilities depends on their classification as follows:

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

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that do not meet the hedge accounting criteria as defined by IAS 39 *Financial Instruments: Recognition and Measurement*. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

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

Loans, borrowings, customer deposits and other amounts due to banking customers
After initial recognition, interest bearing loans and borrowings, customer deposits and other amounts due to banking customers are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included as finance costs in the consolidated statement of profit or loss.

Financial guarantee contracts
Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognized less cumulative amortization.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Fair value of financial instruments
The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations without any deduction for transaction costs.

For financial instruments not traded in an active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; and discounted cash flow analysis or other valuation models.

Impairment of financial assets
The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans, receivables and advances to customers
For loans, receivables and advances to customers carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated statement of profit or loss. Interest income (recorded as finance income in the consolidated statement of profit or loss) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the consolidated statement of profit or loss.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Impairment of financial assets continued
Available-for-sale investments
For available-for-sale financial investments, the Group assesses at each statement of financial position date whether there is objective evidence that an investment or a group of investments is impaired.

In case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. ‘Significant’ is to be evaluated against the original cost of the investment and ‘prolonged’ against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of profit or loss, is removed from other comprehensive income and recognised in the consolidated statement of profit or loss. Impairment losses on equity investments are not reversed through the consolidated statement of profit or loss; increases in their fair value after impairment are recognised directly in other comprehensive income.

Derecognition of financial assets and liabilities
Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a ‘pass through’ arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognized to the extent of the Group’s continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Group’s continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Group’s continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Derivative financial instruments and hedge accounting
Initial recognition and subsequent measurement
The Group uses derivative financial instruments such as forward currency contracts, interest rate swaps, call and put options and commodity contracts to hedge its foreign exchange risks, interest rate risks, fair value risks and commodity price risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives are taken directly to the consolidated statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk); or
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

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

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the consolidated statement of profit or loss over the remaining term to maturity. EIR amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in the consolidated statement of profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the consolidated statement of profit or loss.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Derivative financial instruments and hedge accounting continued
Cash flow hedges
The effective portion of the gain or loss on the hedging instrument is recognised directly other comprehensive income, while any ineffective portion is recognised immediately in the consolidated statement of profit or loss.

Amounts taken to other comprehensive income are transferred to the consolidated statement of profit or loss when the hedged transaction affects the consolidated statement of profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognised in equity are transferred to the consolidated statement of profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in other comprehensive income remains in equity until the forecast transaction or firm commitment occurs.

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

Derivative instruments that do not meet the IAS 39 criteria or are not designated as effective hedging instrument are classified as current or non-current or separated into current and non-current based on an assessment of the facts and circumstances (i.e. the underlying contracted cash flows).

Impairment of non-financial assets
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Impairment of non-financial assets continued
Impairment losses on continuing operations are recognised in the consolidated statement of profit or loss in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to other comprehensive income.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the assets' or cash-generating units' recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of profit or loss unless the asset is carried at a re-valued amount in which case the reversal is treated as a revaluation increase.

The following criteria are also applied in assessing impairment of specific assets:

Goodwill
Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Associates and joint ventures
After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss for the Group's investment in its associates and joint ventures. The Group determines at each reporting date whether there is any objective evidence that investments in associates and joint ventures are impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the recoverable amount of the associates and the joint ventures and their carrying values and recognises the amount in the consolidated statement of profit or loss.

Intangible assets
Intangible assets with indefinite useful lives are not amortised but tested for impairment annually as at 31 December, either individually or at the cash generating unit level, as appropriate, and when circumstances indicate that the carrying value may be impaired. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Client and fiduciary assets
Assets under management comprise assets which are placed with a subsidiary of the Group, Falcon Private Bank Limited ("Falcon Bank") for investment purposes and include discretionary and advisory counterparty assets. Discretionary assets are assets for which the customer fully transfers the discretionary power to Falcon Bank with a management mandate. Advisory assets include assets placed with Falcon Bank where the client is provided access to investment advice but retains discretion over investment decisions.

Falcon Bank provides fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity are reported in the consolidated financial statements as off balance sheet items, as they are not the assets of the Group.

3 BUSINESS COMBINATIONS

3.1 2013 BUSINESS COMBINATIONS

The Group made several acquisitions during the year ended 31 December 2013, which are further described below.

From the date of acquisitions to 31 December 2013 the acquired entities (see notes 3.1.1 to 3.1.5 below) have contributed US $ 650,363 thousand to the revenue and loss of US $ 53,351 thousand to the profit for the year before tax of the Group. If the business combinations had taken place at 1 January 2013, the Group's revenue would have been US $ 54,052,865 thousand and the Group's net profit for the year would have been US $ 2,089,308 thousand.

3.1.1 Acquisition of Clariden Leu (Europe) Ltd.

On 31 March 2013, Falcon Private Bank Ltd., a wholly owned subsidiary of Aabar acquired the entire share capital of Clariden Leu (Europe) Ltd., a wholly owned subsidiary of Credit Suisse Group AG based in London, United Kingdom. Clariden Leu (Europe) Ltd. offers wealth and asset management services to private clients in the key markets: Eastern Europe, Middle East and Africa and other emerging markets. Clariden Leu (Europe) Ltd. was later renamed to "Falcon Private Wealth Ltd.". The cost of business combination was US $ 43,634 thousand which includes a contingent consideration of US $ 3,960 thousand as earn-out payments. There was no goodwill recorded on the acquisition.

3.1.2 Acquisition of Hess Rhourde el Rouni Ltd.

On 10 June 2013, CEPSA acquired the entire share capital of Hess Rhourde el Rouni Ltd., a company engaged in exploration and production. The cost of business combination was US $ 75,221 thousand. There was no goodwill recorded on the acquisition.

3.1.3 Acquisition of DEX Plastomers

On 1 March, 2013 Borealis acquired the entire share capital of DSM Plastomers B.V. and Exxon Chemical Holland Ventures B.V., each holding a 50% interest in DEX Plastomers V.O.F. in Heerlen, The Netherlands. All three entities are referred herein as DEX Plastomers.

DEX Plastomers is one of the Netherland's leading producers of C8 plastomers and linear low density polyethylene products which uses LldPE Compact Solution Technology. The acquisition underpins Borealis' commitment to its innovation strategy, as Borealis believes there is significant potential in DEX Plastomers' technology.

3 BUSINESS COMBINATIONS continued

3.1 2013 BUSINESS COMBINATIONS continued

3.1.3 Acquisition of DEX Plastomers continued

Assets acquired and liabilities assumed
The fair value of the identifiable assets and liabilities of DEX Plastomers as at the acquisition date was:

	Fair value recognised on acquisition Euro '000	*Fair value recognised on acquisition US $ '000*
Assets		
Property, plant and equipment	**13,736**	**17,915**
Intangible assets	**16,188**	**21,113**
Inventories	**52,049**	**67,882**
Trade receivables	**16,542**	**21,574**
Other assets	**9,646**	**12,580**
Cash and cash equivalents	**7,387**	**9,634**
	115,548	**150,698**
Liabilities		
Deferred tax liabilities	**(3,385)**	**(4,414)**
Trade payables	**(34,092)**	**(44,463)**
Other liabilities	**(4,803)**	**(6,264)**
	(42,280)	**(55,141)**
Total identifiable net assets at fair value	**73,268**	**95,557**
Goodwill arising from business combination	**48,791**	**63,633**
Cost of business combination	**122,059**	**159,190**

The cost of business combination of DEX Plastomers includes a contingent consideration liability of US $ 4,582 thousand representing earn-out payments to be partially paid. These are estimated at the fair value of the expected earn-out payments at the acquisition date. Any changes in the estimate of the contingent consideration will be recognized in the consolidated statement of profit or loss. Additionally as at 31 December 2013, an amount of US $ 122 thousand had not been paid.

Cash outflow on the acquisition of the entire share capital is as follows:

	US $ 000
Consideration paid	**154,486**
Cash acquired with DEX Plastomers	**(9,634)**
Net cash outflows from investing activities	**144,852**
Transaction costs	**1,848**
	146,700

The goodwill of US $ 63,633 thousand (Euro 48,791 thousand) comprises the value of expected synergies and other benefits from combining the assets and activities of DEX Plastomers with those of Borealis. The purchase price allocation has been completed as of 31 December 2013.

3 BUSINESS COMBINATIONS continued

3.1 2013 BUSINESS COMBINATIONS continued

3.1.4 Acquisition of GPN S.A.

On 28 June 2013, Borealis acquired the entire share capital of GPN S.A. in Nantere, France, from Elf Aquitaine Fertilisants S.A., Nantere France (the Seller, a 100% subsidiary of TOTAL S.A., Paris, France). GPN S.A. was renamed to Borealis Chimie S.A.S., referred herein as Borealis Chimie.

Borealis Chimie is France's largest manufacturer of nitrogen fertilizers and nitrogen oxide reducers. The acquisition is in line with Borealis' strategy to grow the fertilizer business and to become a leading producer in Europe.

Assets acquired and liabilities assumed
The provisional fair value of the identifiable assets and liabilities of Borealis Chimie as at the acquisition date was:

	Provisional fair value recognised on acquisition Euro '000	*Provisional fair value recognised on acquisition US $ '000*
Assets		
Property, plant and equipment	**167,083**	**217,291**
Intangible assets	**6,274**	**8,160**
Deferred tax assets	**10,000**	**13,005**
Inventories	**53,161**	**69,136**
Trade receivables	**57,260**	**74,467**
Other assets	**47,798**	**62,161**
Cash and cash equivalents	**2,366**	**3,077**
	343,942	**447,297**
Liabilities		
Defined benefit plan deficit	**(20,470)**	**(26,622)**
Provisions	**(23,974)**	**(31,178)**
Trade payables	**(61,822)**	**(80,400)**
Other liabilities	**(27,393)**	**(35,624)**
	(133,659)	**(173,824)**
Total identifiable net assets at fair value	**210,283**	**273,473**
Provisional goodwill arising on business combination	**5,603**	**7,287**
Cost of business combination	**215,886**	**280,760**

The cost of business combination of Borealis Chimie includes a contingent consideration liability of US $ 74,446 thousand (EUR 57,244 thousand) representing earn-out payments to be partially paid. These are estimated at the fair value of the expected earn-out payments at the acquisition date. Any changes in the estimate of the contingent consideration will be recognized in the consolidated profit or loss. The additional consideration shall be transferred to the Seller no later than seven months after the third anniversary of the acquisition date.

In addition, an expected purchase price adjustment of US $ 24,506 thousand (EUR 18,843 thousand) is still subject to finalisation of the closing balance sheet review.

3 BUSINESS COMBINATIONS continued

3.1 2013 BUSINESS COMBINATIONS continued

3.1.4 Acquisition of GPN S.A. continued

Cash outflow on the acquisition of the entire share capital is as follows:

	US $ 000
Consideration paid	**230,820**
Cash acquired with Borealis Chimie	**(3,077)**
Net cash outflows from investing activities	**227,743**
Transaction costs	**1,881**
	229,624

The purchase price allocation will be finalised in 2014.

3.1.5 Acquisition of Rosier S.A. ("Rosier")

On 28 June 2013, Borealis acquired from Elf Aquitaine Fertilisants S.A., Nantere, France (the Seller, a 100% subsidiary of TOTAL S.A., Paris, France) its controlling interest of 56.86% in Rosier S.A., Moustier, Belgium listed on NYSE Euronext Brussels. As Borealis acquired a controlling interest in Rosier S.A. it was required to launch a mandatory takeover bid for the remaining outstanding shares, where Borealis tendered for an additional 18.19% shares, thereby holding 75.05% shares issued by Rosier S.A. by the end of the acceptance period on 9 October 2013.

Rosier is a mineral fertilizer manufacturer and markets its products in more than 80 countries worldwide. The acquisition is in line with Borealis' strategy to grow the fertilizer business and to become the leading producer in Europe. The cost of the business combination was US $ 77,751 thousand.

The business combination has been accounted for using the acquisition method and measuring the non-controlling interest at fair value. The acquisition date fair value of acquired assets and liabilities is preliminary and may be adjusted as additional information is obtained. The purchase price allocation will be finalised in 2014. The fair value of the non-controlling interest has been determined in line with the stock share price value on the day of acquisition. The consolidated financial statements includes the results of Rosier for the six-month period from acquisition date. No provisional goodwill has been recorded as of 31 December 2013.

3 BUSINESS COMBINATIONS continued

3.2 2012 BUSINESS COMBINATIONS

The Group made several acquisitions during the year ended 31 December 2012, which are further described below:

From the date of acquisitions to 31 December 2012, the acquired entities (see note 3.2.1 and 3.2.2 below) have contributed US $ 262,677 thousand to the revenue and US $ 33,866 thousand to the profit before tax of the Group. If the business combinations had taken place at 1 January 2012, the Group revenue would have been US $ 51,971,810 thousand and the Group's profit for before tax from continuing operations for the year would have been US $ 2,290,686 thousand.

3.2.1 Acquisition of Chevron España, S.A.

On 30 March 2012, CEPSA acquired the entire share capital of Chevron España, S.L.U. which operates in the distribution and marketing business of petroleum and lube products. Chevron España S.A.'s name was later changed to "Cepsa Carburantes y Lubricantes (S.L.U.)".

The acquisition has been accounted for using the acquisition method. The consolidated financial statements include the results of Chevron España, S.A. for the nine-month period from the acquisition date.

Assets acquired and liabilities assumed
The fair value of the identifiable assets and liabilities of Chevron España, S.A. as at the acquisition date was:

	Fair value recognised on acquisition EUR '000	***Fair value recognised on acquisition US $ '000***
Assets		
Property, plant and equipment	**20,345**	**27,124**
Intangible assets	**102,120**	**136,147**
Inventories	**15,256**	**20,339**
Trade receivables	**12,744**	**16,990**
Other assets	**237**	**316**
Cash and cash equivalents	**33,552**	**44,732**
	184,254	**245,648**
Liabilities		
Trade payables	**(26,881)**	**(35,838)**
Other liabilities	**(985)**	**(1,313)**
	(27,866)	**(37,151)**
Total identifiable net assets at fair value	**156,388**	**208,497**
Goodwill arising on acquisition	**10,386**	**13,847**
Cost of business combination	**166,774**	**222,344**

The goodwill of US $ 13,847 thousand (EUR 10,386 thousand) comprises the value of expected synergies and other benefits from combining the assets and activities of Chevron España S.A with those of CEPSA. None of the recognised goodwill is deductible for income tax purposes.

3 BUSINESS COMBINATIONS continued

3.2 2012 BUSINESS COMBINATIONS continued

3.2.1 Acquisition of Chevron España, S.A. continued

Assets acquired and liabilities assumed continued
The fair value of trade receivables amounted to US $ 16,990 thousand (EUR 12,744 thousand) on acquisition. The trade receivables acquired have been collected during the year.

Cash outflow on the acquisition of the entire share capital is as follows:

	US $ 000
Consideration paid	**222,344**
Cash acquired with Chevron España, S.A.	**(44,732)**
Net cash outflows	**177,612**

3.2.2 Acquisition of PEC-Rhin

On 31 January 2012, Borealis acquired the entire share capital of PEC-Rhin S.A. in Ottmarsheim, France from Borealis Chimie S.A.S. (former GPN S.A., in Nanterre, France, a 100% subsidiary of Total TOTAL S.A. in Paris, France). PEC-Rhin S.A. was renamed to Borealis PEC-Rhin S.A.S., referred herein as PEC-Rhin. PEC-Rhin is a producer of nitrate fertilisers as well as ammonia, ammonia water and nitric acid for industrial use. PEC-Rhin was renamed as Borealis PEC-Rhin SAS. The acquisition will complement Borealis' existing fertiliser business and will enable Borealis to grow further. The cost of the business combination was US $ 142,827 thousand.

The fair value of the net assets acquired amounted to US $ 91,908 thousand. Goodwill arising on acquisition amounted to US $ 50,919 thousand. The purchase price allocation has been completed as of 31 December 2012.

4 DISPOSAL OF A SUBSIDIARY

4.1 Retransfer of Ferrostaal in 2012

On 28 November 2011, the Company, IPIC Ferrostaal Holdings GmbH & Co KG (a German limited liability partnership indirectly owned and controlled by the Company) ("IPIC KG"), MAN SE and MAN Ferrostaal Betieligungs GmbH (together with MAN SE, "MAN") signed a settlement agreement whereby the parties agreed that IPIC KG will retransfer to MAN, and MAN will repurchase from IPIC KG, all of IPIC KG's shares in Ferrostaal, comprising 70% of Ferrostaal's total issued share capital. In consideration for the retransfer, MAN agreed to pay EUR 350 million to IPIC KG. On 7 March 2012, the parties completed the transfer.

4.2 Derecognition of options over non-controlling interests in Ferrostaal in 2011

As a result of the settlement agreement between IPIC, IPIC KG and MAN (see note 4.1), the put and call options over the 30% interest in Ferrostaal was terminated and therefore the Group, from this date, has derecognised its previous interest in Ferrostaal arising through the put and call options. The derecognition had been recorded within equity as transactions between owners.

5 GROUP INFORMATION

5.1 Interests in subsidiaries

The consolidated financial statements include financial statements of the Company and each of its subsidiaries as at 31 December 2013. The significant subsidiaries of the Company are listed in the following table:

Name of company	*Country of incorporation*	*Percentage holding*	
		31 December 2013	*31 December 2012*
Borealis AG ("Borealis")	Austria	**64%**	64%
Aabar Investments PJS ("Aabar")	United Arab Emirates	**97.83%**	95.71%
NOVA Chemicals Corporation ("NOVA")	New Brunswick, Canada	**100%**	100%
Compañía Española de Petróleos, S.A.U. ("CEPSA")	Spain	**100%**	100%

Borealis
Borealis is domiciled in Austria, and is a leading provider of chemical and innovative plastic solutions. Borealis has two main areas of operations: Polyolefins and Base Chemicals. Within Polyolefins Borealis focuses on three specific market sectors infrastructure, automotive and advanced packaging. Base Chemicals includes the product range phenol and aromatics, feedstock and olefins, melamine and fertiliser.

Aabar
Aabar is a private joint stock company registered and incorporated in Abu Dhabi, United Arab Emirates ("UAE") and is engaged in investing activities in various growth industries. The company was delisted from Abu Dhabi Securities Exchange effective 14 September 2010 and subsequently converted from public joint stock company ("PJSC") to private joint stock company ("PJS").

NOVA
NOVA is registered in New Brunswick, Canada and operates in the chemical sector. It has two main areas of operations: Olefins/Polyolefins and Performance Styrenics. NOVA's polyethylene and styrenic polymer resins are used in a wide range of applications including rigid and flexible packaging, containers, plastic bags, plastic pipe, consumer electronics, building and construction materials, housewares and other industrial and consumer goods. In addition to NOVA's principal business of producing and selling plastics and chemicals, NOVA offers some proprietary technologies for licensing.

CEPSA
CEPSA is registered in Madrid, Spain. CEPSA and its affiliated companies form an integrated business group which operate in the oil and gas industry, both within Spain and abroad, and engages in business activities related to the exploration and extraction of crude oil, the production of petrochemical and energy products, asphalts, lubricants and polymers, their distribution and marketing, as well as gas distribution electricity generation.

5 GROUP INFORMATION continued

5.2 Interests in joint operations

The Group has the following significant investments in certain oil and gas exploration and production assets, which are accounted for as interests in joint operations. The accompanying consolidated financial statements include the assets, liabilities, expenses and income in proportion to the Group's ownership interest. The breakdown of the main assets and operations are as follows:

Name	*Country*	*Operator*	*Activity*	*% of Ownership* ***31 December 2013***	*31 December 2012*
Ourhoud	Algeria	Sonatrach	Research and Production	**39.76%**	39.76%
Timimoun	Algeria	Total Exploration & Production Algeria	Research and Production	**11.25%**	11.25%
BMS	Algeria	Hess ReR	Research and Production	**45.00%**	-
Block CE-M-717	Brazil	Premier Oil	Exploration	**50.00%**	-
Block CE-M-665	Brazil	Premier Oil	Exploration	**50.00%**	-
Tiple	Colombia	Cepsa Colombia	Exploration	**70.00%**	70.00%
Garibay	Colombia	Cepsa Colombia	Exploration	**50.00%**	50.00%
Puntero	Colombia	Cepsa Colombia	Exploration	**70.00%**	70.00%
Cabrestero	Colombia	Parex	Exploration	**50.00%**	100.00%
Merecure	Colombia	Cepsa Colombia	Exploration	**70.00%**	70.00%
El Porton	Colombia	Cepsa Colombia	Exploration	**50.00%**	50.00%
Lianos 26	Colombia	Cepsa Colombia	Exploration	**80.00%**	80.00%
Lianos 22	Colombia	Cepsa Colombia	Exploration	**55.00%**	55.00%
CPE-3	Colombia	Cepsa Colombia	Exploration	**50.00%**	-
Eden	Colombia	Parex	Exploration	**15.00%**	-
Cebucan	Colombia	Petrobras	Exploration	**30.00%**	30.00%
Balay	Colombia	Petrobras	Exploration	**30.00%**	30.00%
Cpo 14	Colombia	Metapetroleum	Exploration	**38.00%**	37.50%
Cpo 12	Colombia	Metapetroleum	Exploration	**30.00%**	30.00%
Rio Paez	Colombia	Hocol	Exploration	**17.00%**	17.00%
San Jacinto	Colombia	Hocol	Exploration	**17.00%**	17.00%
PPN (30%)	Colombia	Gran Tierra	Exploration	**30.00%**	30.00%
Caracara	Colombia	Cepsa Colombia	Research and Production	**70.00%**	70.00%
CPR Espinal	Colombia	Petrobas	Research and Production	**17.00%**	15.00%
La Canada Norte	Colombia	Hocol	Research and Production	**16.67%**	16.67%
Block 127	Peru	Cepsa Peru SA	Exploration	**80.00%**	80.00%
Block 114	Peru	Cepsa Peru SA	Exploration	**60.00%**	60.00%
Block 131	Peru	Cepsa Peru SA	Exploration	**70.00%**	70.00%
Block 130	Peru	Cepsa Peru SA	Exploration	**100.00%**	100.00%
Rodaballo	Spain	Repsol	Research and Production	**15.00%**	15.00%
Casablanca	Spain	Repsol	Research and Production	**7.40%**	7.40%
Montanazo	Spain	Repsol	Research and Production	**7.25%**	7.25%
Boqueron	Spain	Repsol	Research and Production	**4.50%**	4.50%

At 31 December 2013 the Group also held a 50% (31 December 2012: 50%) interest in an ethylene plant and a 20% (31 December 2012: 20%) interest in a cogeneration facility located in Alberta, Canada.

5 GROUP INFORMATION continued

5.3 Investments in associates

The Group has the following significant investments in associates**:**

Name of company	*Country of incorporation*	*Percentage holding**	
		31 December 2013	*31 December 2012*
Abu Dhabi Polymers Company Limited ("Borouge")	United Arab Emirates	**40.00%**	40.00%
Pak-Arab Refinery Limited ("PARCO")	Pakistan	**40.00%**	40.00%
OMV AG ("OMV")	Austria	**24.90%**	24.90%
RHB Capital Berhad ("RHB Capital")	Malaysia	**21.43%**	21.88%
Galactic Ventures LLC ("Virgin Galactic")	British Virgin Islands	**37.80%**	37.80%
Compañia Logistica de Hidrocarburos CLH, S.A	Spain	**9.15%**	14.15%
Arabtec Holding PJSC	United Arab Emirates	**21.57%**	21.57%

* Percentage holding represents the percentage of the results, assets and liabilities recognized in the consolidated financial statements. The effective percentage holding attributable to the equity holder of the parent company may be different.

Borouge
Borouge is headquartered in Abu Dhabi, United Arab Emirates ("UAE"). It is jointly owned by Abu Dhabi National Oil Company ("ADNOC") (60%) and Borealis (40%), and its main operation is production of innovative, value creating plastic solutions.

PARCO
PARCO is based in Pakistan, and is an energy supplier whose primary activities include oil refining, oil and products pipeline systems, storage and allied facilities and marketing. PARCO owns a refinery in Multan, Pakistan, a crude oil pipeline running from Karachi to Multan and two refined products pipelines.

OMV
OMV is based in Vienna, Austria, and is listed on the Vienna Stock Exchange. It is one of the largest listed industrial companies in Austria by market capitalisation and is one of the leading integrated oil and gas companies in Central Europe. OMV has four integrated business units: exploration and production; refining and marketing; petrochemicals; and gas and power. OMV operates across the entire gas value chain, including operating the gas logistics centre through which one-third of all natural gas exports from the Commonwealth of Independent States to Western Europe flow.

RHB
RHB Capital is incorporated in Kuala Lumpur, Malaysia, and is the holding company of RHB Banking Group, one of the largest fully integrated financial products and services providers in Malaysia.

Virgin Galactic
Galactic Ventures LLC is based in California, United States of America. It develops passenger-carrying suborbital space vehicles which will provide commercial spaceflight services.

Compañia Logistica de Hidrocarburos CLH, S.A.
The CLH group was formed by the Company Logistics of Hydrocarbons CLH, S.A. and its subsidiary company, HCL Aviation, S.A. and it is the leading company in transport and storage of petroleum products in the Spanish market. The main activity of CLH is the storage, transport and distribution of petroleum products throughout the Iberian Peninsula and the Balearic Islands. On 20 December 20, 2013, CEPSA sold a 5% holding in Compañia Logistica de Hidrocarburos CLH, S.A. which brought its interest in the Company to 9.15%.

5 GROUP INFORMATION continued

5.3 Investments in associates continued

Arabtec Holding PJSC
Arabtec was established in Dubai, UAE in 1975 and listed on the Dubai Financial Market. It is one of the largest construction companies in UAE by market capitalisation and has executed a number of high profile construction projects.

5.4 Investments in joint ventures

The Group has the following significant investment in a joint venture**:**

Name of company	*Country of incorporation*	*Percentage holding**	
		2013	*2012*
Medgaz, S.A.	Spain	** **42.09%**	-

* Percentage holding represents the percentage of the results, assets and liabilities recognized in the consolidated financial statements. The effective percentage holding attributable to the equity holder of the parent company may be different.

** previously accounted for as interest in associate. Percentage holding was 20%.

Medgaz, S.A.
Medgaz, S.A. is a key strategic project for CEPSA, providing the most direct and cost-effective way of supplying natural gas to Southern Europe. The gas that is transported through the pipeline is used in CEPSA's refining and petrochemical processes, as well as in its cogeneration and combined-cycle plants, which in turn provide steam and electrical power to its main facilities.

CEPSA has exercised its right of first refusal on the sale of the previous shareholders' interests in the consortium which brought its total shareholding in Medgaz, S.A. to 42.09% as of 31 December 2013.

6 MATERIAL PARTLY-OWNED SUBSDIARIES

Financial information of subsidiaries that have material non-controlling interests are provided below:

		Attributable to non-controlling interests					
	Country of incorporation and operation	*% holding*		*Accumulated balances*		*Profit for the year*	
		31 December 2013	*31 December 2012*	***31 December 2013***	*31 December 2012*	***2013***	*2012*
				US $ 000	*US $ 000*	***US $ 000***	*US $ 000*
Borealis AG	Austria	**36%**	36%	**1,932,926**	1,693,678	**202,491**	223,071

The non-controlling interest of 36% in Borealis is owned by OMV AG, which in turn is owned 24.9% by the Company.

6 MATERIAL PARTLY-OWNED SUBSDIARIES continued

The summarised financial information (before consolidation adjustments) of Borealis is provided below:

	2013 US $ '000	*2012 US $ '000*
Summarised statement of profit or loss:		
Revenue	**10,815,289**	9,700,599
Profit for the year	**561,308**	617,346
Other comprehensive income	**77,555**	51,562
Total comprehensive income	**638,863**	668,908
Dividend paid to non-controlling interests	**27,689**	53,339

Summarised statement of financial position:

	2013 US $ '000	*2012 US $ '000*
Non-current assets	**7,383,775**	6,400,278
Current assets	**3,203,107**	2,780,513
Non - current liabilities	**(3,272,675)**	(2,518,122)
Current liabilities	**(1,951,284)**	(1,876,065)

Summarised cash flow information:

	2013 US $ '000	*2012 US $ '000*
Operating cash flows	**742,753**	351,476
Investing cash flows	**(876,908)**	(651,226)
Financing cash flows	**133,401**	258,668
Net decrease in cash and cash equivalents	**(754)**	(41,082)

7 OPERATING SEGMENT REPORTING

For management purposes, the Group is organised into business units based on their products, services and location and has six reportable operating segments as follows:

Diversified chemicals
This segment is engaged in providing plastics solutions based on polyolefin and developing its base chemical business which comprises phenol, acetone, melamine and agrochemicals.

Commodity chemicals
This segment is engaged in providing plastic solutions based on ethylene and polyethylene and performance styrenic polymers. This segment also produces plastics and chemicals and develops value-added products and technology for customers worldwide that produce consumer, industrial and packaging products.

Industrial engineering services
This segment is engaged in building large-scale plants and providing industrial solutions worldwide.

Integrated oil and gas businesses
This segment is engaged in oil and gas exploration and production. This segment is also engaged in oil supply, refining and distributions; cogeneration of electricity; and in the distribution and retailing of electricity and natural gas.

Diversified investments
This segment is engaged in investment advisory, asset management, private banking services and certain minority investments.

Corporate and others
This segment holds minority investments in various operating entities and segments and provides financing for the Company.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss for the year and is measured consistently with profit or loss in the consolidated financial statements.

7 OPERATING SEGMENT REPORTING continued

The following table presents revenue and results' regarding the Group's operating segments:

	Diversified chemicals US $ '000	*Commodity chemicals US $ '000*	*Industrial engineering services US $ '000*	*Diversified investments US $ '000*	*Integrated oil and gas US $ '000*	*Corporate and others US $ '000*	*Total US $ '000*
Year ended 31 December 2013							
Key components of the segments are							
Revenue from external customers	**10,815,289**	**5,278,125**	**-**	**119,456**	**36,621,892**	**-**	**52,834,762**
Share of post-tax profits of associates and joint ventures	**466,188**	**-**	**-**	**57,816**	**61,918**	**378,746**	**964,668**
Depreciation and amortization of fixed assets	**(411,246)**	**(304,206)**	**-**	**(15,986)**	**(1,137,159)**	**(15,786)**	**(1,884,383)**
Net impairment of fixed assets	**(16,589)**	**(12,001)**	**-**	**134,707**	**(7,987)**	**-**	**98,130**
Finance income	**7,133**	**1,224**	**-**	**327,749**	**98,968**	**202,000**	**637,074**
Finance costs	**(94,468)**	**(121,333)**	**-**	**(331,570)**	**(103,688)**	**(698,511)**	**(1,349,570)**
Gains on acquisitions and disposals	**-**	**270**	**-**	**-**	**283,170**	**-**	**283,440**
Other losses on financial instruments	**(5,615)**	**-**	**-**	**689,116**	**(48,284)**	**(107,983)**	**527,234**
Tax expense	**(71,335)**	**(101,897)**	**-**	**11,883**	**(259,738)**	**-**	**(421,087)**
Profit (loss) for the year from continuing operations	**561,308**	**629,915**	**-**	**611,085**	**567,047**	**(208,010)**	**2,161,345**
Profit (loss) for the year from discontinuing operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Profit (loss) for the year (segment results)	**561,308**	**629,915**	**-**	**611,085**	**567,047**	**(208,010)**	**2,161,345**
Year ended 31 December 2012							
Key components of the segments are							
Revenue from external customers	9,700,599	5,054,734	-	103,757	37,043,239	-	51,902,329
Share of post-tax profits of associates and joint ventures	502,825	-	-	106,743	56,900	431,514	1,097,982
Depreciation and amortization of fixed assets	(346,174)	(295,173)	-	(15,218)	(1,172,734)	-	(1,829,299)
Net impairment of fixed assets	(5,661)	(24,634)	-	17,775	(8,043)	-	(20,563)
Finance income	9,968	5,148	-	392,833	81,490	233,562	723,001
Finance costs	(79,512)	(139,300)	-	(495,455)	(117,555)	(752,411)	(1,584,233)
Gains on acquisitions and disposals	-	8	-	167,959	19,424	7,304	194,695
Other losses on financial instruments	(10,287)	-	-	(316,289)	41,759	(31,781)	(316,598)
Tax expense	(10,849)	(155,808)	-	73,993	(578,365)	-	(671,029)
Profit (loss) for the year from continuing operations	617,346	558,081	-	(380,883)	640,683	180,965	1,616,192
Profit (loss) for the year from discontinuing operations	-	(14,366)	154,420	-	-	-	140,054
Profit (loss) for the year (segment results)	617,346	543,715	154,420	(380,883)	640,683	180,965	1,756,246

7 OPERATING SEGMENT REPORTING continued

The following table presents certain assets and liabilities information regarding the Group's operating segments:

	Diversified chemicals US $ '000	*Commodity chemicals US $ '000*	*Industrial engineering services US $ '000*	*Diversified investments US $ '000*	*Integrated oil and gas US $ '000*	*Corporate and others US $ '000*	*Total US $ '000*
At 31 December 2013							
Assets							
Investments in associates and joint ventures	**2,784,365**	**-**		**3,070,888**	**686,778**	**4,483,998**	**11,026,029**
Asset classified as held for sale	**-**	**-**	**-**	**-**	**-**	**3,679,268**	**3,679,268**
Other segment assets	**7,839,623**	**6,205,118**	**-**	**15,950,022**	**19,363,520**	**4,323,261**	**53,681,544**
Total assets	**10,623,988**	**6,205,118**	**-**	**19,020,910**	**20,050,298**	**12,486,527**	**68,386,841**
Liabilities							
Liability classified held for sale	**-**	**-**	**-**	**-**	**-**	**2,000,000**	**2,000,000**
Other segment liabilities	**5,223,959**	**2,684,114**	**-**	**13,810,319**	**9,477,563**	**17,653,875**	**48,849,830**
Total liabilities	**5,223,959**	**2,684,114**	**-**	**13,810,319**	**9,477,563**	**19,653,875**	**50,849,830**
Other segment information							
Additions during the year							
Property, plant and equipment	**368,809**	**548,153**	**-**	**4,776**	**942,523**	**170,868**	**2,035,129**
Investment properties*	**-**	**-**	**-**	**88,318**	**-**	**6,021**	**94,339**
Intangible assets	**65,690**	**1,669**	**-**	**24,396**	**28,193**	**-**	**119,948**
At 31 December 2012							
Assets							
Investments in associates and joint ventures	2,310,032	-	-	2,943,963	608,851	4,391,866	10,254,712
Other segment assets	6,906,391	5,641,205	-	15,165,484	19,136,379	8,056,268	54,905,727
Total assets	9,216,423	5,641,205	-	18,109,447	19,745,230	12,448,134	65,160,439
Total liabilities	4,394,187	2,782,481	-	13,366,763	9,596,333	19,456,664	49,596,428
Other segment information							
Additions during the year							
Property, plant and equipment	410,625	317,370	-	2,248	702,606	440,241	1,873,090
Investment properties*	-	-	-	113,829	-	-	113,829
Intangible assets	71,709	9,145	-	7,128	35,558	-	123,540

7 OPERATING SEGMENT REPORTING continued

Geographical information
The following tables present geographical information on revenue and certain non-current assets:

	UAE US $ '000	*Austria US $ '000*	*USA US $ '000*	*Canada US $ '000*	*Spain US $ '000*	*Others US $ '000*	*Total US $ '000*
**Revenue from external customers*							
Year ended 31 December 2013	**168,274**	**412,230**	**3,967,582**	**2,463,039**	**24,350,472**	**21,473,165**	**52,834,762**
Year ended 31 December 2012	194,107	440,603	4,043,899	2,628,144	25,387,525	19,208,051	51,902,329

*The revenue information above is based on the location of the customers.

	UAE US $ '000	*Austria US $ '000*	*USA US $ '000*	*Canada US $ '000*	*Spain US $ '000*	*Others US $ '000*	*Total US $ '000*
2013							
Non-current assets							
Property, plant and equipment	**307,063**	**1,168,671**	**17,203**	**3,646,053**	**5,265,386**	**4,642,707**	**15,047,083**
Intangible assets	**326,334**	**254,214**	**6,460**	**351,606**	**1,160,018**	**635,727**	**2,734,359**
Investment properties	**2,196,063**	**-**	**-**	**-**	**-**	**-**	**2,196,063**
2012							
Non-current assets							
Property, plant and equipment	3,759,815	1,072,048	17,225	3,462,763	5,263,630	4,204,550	17,780,031
Intangible assets	673,503	196,708	7,969	374,139	1,094,453	292,080	2,638,852
Investment properties	1,986,013	-	-	-	-	-	1,986,013

8 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	31 December 2013 US $ '000	*31 December 2012 US $ '000*
Share of net assets:		
Associates	**10,253,902**	10,017,969
Joint ventures	**772,127**	236,743
	11,026,029	10,254,712

	2013 US $ '000	*2012 US $ '000*
Share of post-tax profits from continuing operations		
Associates	**936,165**	1,084,015
Joint ventures	**28,503**	13,967
	964,668	1,097,982

8.1 Investments in associates

A list of significant associates is provided in note 5.3.

The following tables illustrate the summarized financial information of the Group's investment in material associates. The summarized financial information represent the unadjusted IFRS financial statements of the associates.

Summarised statement of profit or loss of material associates

	2013			*2012*		
	OMV US $ '000	*Other associates US $ '000*	*Total US $ '000*	*OMV US $ '000*	*Other associates US $ '000*	*Total US $ '000*
Revenue	**56,325,448**	**15,907,898**	**72,233,346**	54,838,381	14,360,884	69,199,265
Profit from continuing operations	**2,295,484**	**2,100,941**	**4,396,425**	2,302,179	1,980,897	4,283,076
Profit for the year	**2,295,484**	**2,100,941**	**4,396,425**	2,302,179	1,980,897	4,283,076
Other comprehensive (losses) income	**(1,330,990)**	**29,502**	**(1,301,488)**	(72,365)	(18,656)	(91,021)
Total comprehensive income	**964,494**	**2,130,443**	**3,094,937**	2,229,814	1,962,241	4,192,055
The Group's share of post-tax profit from associates	**213,203**	**722,962**	**936,165**	283,789	800,226	1,084,015
Dividends received from associates during the year	**126,334**	**142,202**	**268,536**	114,121	90,128	204,249

8 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES continued

8.1 Investments in associates continued

Summarised statement of financial position of OMV

	31 December 2013 US $ '000	*31 December 2012 US $ '000*
Current assets	**11,194,004**	12,465,962
Non - current assets	**32,489,837**	27,810,186
Current liabilities	**(11,470,906)**	(9,602,576)
Non - current liabilities	**(12,223,277)**	(11,498,368)
Net assets	**19,989,658**	19,175,204
Fair value of OMV at 31 December	**15,597,882**	11,777,882

A reconciliation of the summarised financial information to the carrying amount of OMV is as follows:

	31 December 2013 US $ '000	*31 December 2012 US $ '000*
Share of net assets	**4,977,425**	4,774,627
Purchase price allocation adjustments on acquisition, net	**196,525**	229,911
Cumulative dividends received	**(398,664)**	(272,330)
Other adjustments	**(858,065)**	(834,608)
Carrying amount of OMV	**3,917,221**	3,897,600
Carrying amount of other listed associates	**2,524,467**	2,421,508
Carrying amount of other unlisted associates	**3,812,214**	3,698,861
Total carrying amount of associates	**10,253,902**	10,017,969
Fair value of the Group's share in other listed associates	**1,902,904**	1,612,704

9 FINANCE INCOME

	2013	2012
	US $ '000	*US $ '000*
Dividend income	**227,198**	337,646
Interest and other income	**409,876**	385,355
	637,074	723,001

10 FINANCE COSTS

	2013	2012
	US $ '000	*US $ '000*
Interest expense on borrowings and derivatives	**(1,127,820)**	(1,242,189)
Other interest costs	**(221,750)**	(342,044)
	(1,349,570)	(1,584,233)

11 GAINS ON ACQUISITIONS AND DISPOSALS

	2013	2012
	US $ '000	*US $ '000*
Gain on disposal of associates	**52,046**	14,491
(Loss)/gain on disposal of property, plant and equipment - net	**(5,310)**	15,266
Gain on disposal of financial instruments	**235,751**	154,840
Other gains - net	**953**	10,098
	283,440	194,695

In 2013, gain on disposal of financial instruments includes the sale of CEPSA's 5% stake in Oleoducto Central S.A. ("Ocensa") and the sale of 5% of CEPSA's stake in Compañia Logistica de Hidrocarburos CLH, S.A (note 5.3). In 2012 gain on disposal of financial instruments relates mainly to the recycling of cumulative fair value gain on Arabtec Holding PJSC held by Aabar on the change in accounting from available-for-sale to investment in associate, and gain on disposal of Tesla Motors Inc.

12 OTHER GAINS (LOSSES) ON FINANCIAL INSTRUMENTS

	2013	*2012*
	US $ '000	*US $ '000*
Impairment loss on available-for-sale financial instruments	**(30,230)**	(392,053)
Impairment loss on financial instruments at amortised cost	**(48,638)**	-
Fair value gain on non-derivative financial instruments at fair value through profit or loss (i)	**1,739,673**	487,258
Fair value loss on derivative financial instruments (ii)	**(1,134,891)**	(411,577)
Other gains (losses) on financial instruments	**1,320**	(226)
	527,234	(316,598)

(i) Fair value gain (loss) on non-derivative financial instruments at fair value through profit or loss during the year includes the following:

	2013	*2012*
	US $ '000	*US $ '000*
Fair value gain on Daimler AG shares	**1,047,255**	683,607
Fair value gain (loss) on Unicredit SpA shares	**685,279**	(210,621)

(ii) Fair value (loss) gain on derivative financial instruments during the year includes the following:

	2013	*2012*
	US $ '000	*US $ '000*
Call and put options and related call spread on Daimler AG shares (note a)	**(992,079)**	(600,491)
Call and put options on Unicredit SpA (note a)	**(502,701)**	126,505
Call spreads on Daimler AG shares (note b)	**599,944**	26,325
Embedded derivatives on exchangeable bonds of Daimler AG shares (note c)	**(201,609)**	(41,262)
Call option on equity (note d)	**-**	171,603

(a) Aabar entered into funded collar transactions upon the purchase of equity shares in both Daimler AG and Unicredit SpA. The rationale for entering into such funded collar transactions was to raise term, non–recourse, high loan-to-value financing to fund the purchase of the shares and to protect the Group against adverse movements in the value of the shares. The funded collar transactions include call and put options that restrict the revaluation gains and losses on the Daimler AG and Unicredit SpA shares within a certain range. The accounting for these call and put options and related equity instruments are recognised separately on gross basis in the consolidated financial statements and accordingly Aabar still maintains significant exposure to the share price on both the investments. See note 37 for details of the Group's exposure at 31 December 2013.

(b) Aabar holds long-term derivative contracts to further participate in the upside of Daimler AG share which were terminated in 2013. They also include fair value changes of the call spread entered into to offset fair value changes in the call options embedded in the exchangeable bonds

(c) Aabar has recognised the embedded derivative in its exchangeable bonds issued in 2011. The holders of the bonds have the option to exchange their bonds into Daimler AG shares on exercise of exchange rights, however Aabar has the option to deliver either shares or cash.

(d) Aabar has signed call option agreements to acquire a 49% equity stake in two Malaysian companies engaged in power generation and related services (see note 34(i)).

13 TAX EXPENSE

The major components of tax expense for the years ended 31 December 2013 and 2012 are:

	2013 *US $ '000*	*2012* *US $ '000*
Consolidated statement of profit or loss		
Current income tax expense:		
Corporation tax	**(836,307)**	(921,508)
Prior year (charge) credit	**(6,564)**	40,378
Total current income tax expense	**(842,871)**	(881,130)
Deferred tax:		
Origination and reversal of temporary differences	**373,552**	194,135
Impact of change in tax laws	**20,164**	39,636
Write-down of deferred tax assets	**(50,109)**	(23,670)
Previously unrecognised tax credits	**78,177**	-
Total deferred tax credit	**421,784**	210,101
Tax expense reported in the consolidated statement of profit or loss relating to continuing operations	**(421,087)**	(671,029)

	2013 *US $ '000*	*2012* *US $ '000*
Accounting profit before tax from continuing operations	**2,582,432**	2,287,221
At average income tax rate of 30% (2012: 30%)	**(774,730)**	(686,167)
Expenses not deductible for tax purposes	**120,718**	(47,508)
Effect of share from the profit of associates and joint ventures	**289,400**	329,395
Non-taxable income	**14,326**	(153,377)
Higher taxes on overseas earnings	**(171,487)**	(181,572)
Unrecognised tax losses	**(735)**	(2,616)
Write-down of deferred tax assets	**(50,109)**	(23,670)
Tax credit previously not recognised	**78,177**	-
Impact of changes in tax laws	**20,164**	39,636
Prior year (charge) credit	**(6,564)**	40,378
Difference in tax rates	**14,466**	44,928
Others	**45,287**	(30,456)
Income tax charge for the year	**(421,087)**	(671,029)
Consolidated statement of other comprehensive income		
Deferred tax related to items charged or credited directly to equity during the year:		
Cash flow hedges	**3,073**	(5,280)
Defined benefit pension scheme	**(44,324)**	27,669
Available-for-sale investments	**268**	182
Net loss on hedge of net investments	**(8,297)**	(4,855)
Changes in tax rates	**(1,163)**	-
Income tax (charge) credit directly to equity	**(50,443)**	17,716

13 TAX EXPENSE continued

Deferred tax

Deferred tax assets relate to the following:

	1 January 2012 US $ '000	Recognised in profit or loss US $ '000	Recognised in other comprehensive income US $ '000	Acquisitions and disposals US $ '000	Transfers US $ '000	Exchange differences US $ '000	31 December 2012 US $ '000	**Recognised in profit or loss US $ '000**	**Recognised in other comprehensive income US $ '000**	**Acquisitions and disposals US $ '000**	**Transfers US $ '000**	**Exchange differences US $ '000**	**31December 2013 US $ '000**
Derivative contracts	20,102	(10,562)	(4,761)	-	-	(189)	4,590	7,954	(309)	-	732	483	13,450
Impairment	11,755	(978)	-	8	-	190	10,975	11,431		-	-	721	23,127
Other timing differences	(34,085)	4,043	2,505	-	-	(6,047)	(33,584)	(70,681)	(2,714)	-	-	(3,509)	(110,488)
Pension and post-employment medical benefits	38,095	(8,933)	6,956	962	-	11,252	48,332	55,900	(1,816)	-	13,452	2,027	117,895
Tax losses carried forward	236,168	14,852	-	-	-	4,755	255,775	43,576	-	15,383	-	10,598	325,332
Provisions	24,934	2,263	-	3	-	515	27,715	21,571		157	(13,490)	1,418	37,371
Accelerated capital allowances	14,472	21,891	-	-	-	843	37,206	115,341	-	1,885	12,402	6,063	172,897
Others	54,132	11,312	-	(4,165)	(21,928)	258	39,609	10,007	-	130	(5,283)	1,155	45,618
	365,573	33,888	4,700	(3,192)	(21,928)	11,577	390,618	195,099	(4,839)	17,555	7,813	18,956	625,202

Deferred tax liabilities relate to the following:

	1 January 2012 US $ '000	Recognised in profit or loss US $ '000	Recognised in other comprehensive income US $ '000	Acquisitions and disposals US $ '000	Transfers US $ '000	Exchange differences US $ '000	31 December 2012 US $ '000	**Recognised in profit or loss US $ '000**	**Recognised in other comprehensive income US $ '000**	**Acquisitions and disposals US $ '000**	**Transfers US $ '000**	**Exchange differences US $ '000**	**31December 2013 US $ '000**
Accelerated capital allowances	(1,477,906)	3,475	-	(7,221)	-	(22,639)	(1,504,291)	72,966	-	1,727	(12,402)	(23,213)	(1,465,213)
Acquisition fair value adjustment on intangibles	(285,875)	18,916	-	-	-	(3,096)	(270,055)	(1,683)	(2,080)	158	-	(25,057)	(298,717)
Acquisition fair value adjustment on property, plant and equipment	(440,948)	41,847	-	(6,444)	-	(5,591)	(411,136)	32,018	-	-	-	(12,757)	(391,875)
Gain (loss) on revaluation of other assets	(28,323)	14,307	-	-	-	(140)	(14,156)	2,108	-	-	-	(513)	(12,561)
Gain (loss) on revaluation of non-derivative financial instruments	(67,888)	70,890	-	-	-	1	3,003		-	-	-		3,003
Inventories	(5,257)	-	-	-	-	(96)	(5,353)	(4,109)	-	-	(9,946)	(712)	(20,120)
Other timing differences	(51,162)	37,520	-	726	-	100	(12,816)	61,907	-	22		1,497	50,610
Temporary differences on accrued expenses	41,331	1,074	-	-	-	-	42,405	80,589	-	-	(12,925)	-	110,069
Uncertain tax provisions	(47,171)	9,910	-	-	798	-	(36,463)	4,634	-	-	798	-	(31,031)
Pension and post-employment benefits	62,236	(1,840)	15,767	-	-	-	76,163	(35,487)	(44,424)	-	(1,154)	(172)	(5,074)
Acquisition fair value adjustment on associates	(78,464)	(31,076)	-	-	-	(2,254)	(111,794)	28,809		-		(3,621)	(86,606)
Others	(44,615)	11,190	(2,751)	(2,981)	-	(1,786)	(40,943)	(15,067)	900	142	12,758	15,975	(26,235)
	(2,424,042)	176,213	13,016	(15,920)	798	(35,501)	(2,285,436)	226,685	(45,604)	2,049	(22,871)	(48,573)	(2,173,750)

13 TAX EXPENSE continued

Unrecognised deferred tax assets

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority. Deferred tax assets and liabilities listed, relate to income tax levied by different tax authorities.

Certain deferred tax assets have not been recognized in respect of cumulative tax losses on the basis that the Group considers it not to be prudent to recognize such losses until such time as profits against which the losses may be utilized can be anticipated with certainty. The Group has cumulative tax losses in some jurisdictions amounting to US $ 282,488 thousand (31 December 2012: US $ 139,286 thousand). However, these losses do not expire and may not be used to offset taxable income elsewhere in the Group.

Unrecognised deferred tax liabilities

The temporary differences associated with investments in associates and subsidiaries, for which a deferred tax liability has not been recognised, aggregate to US $ 2,330,243 thousand (31 December 2012: US $ 1,911,918 thousand).

14 REVENUE

	2013	*2012*
	US $ '000	*US $ '000*
Banking and financial services	**119,456**	103,757
Exploration and production	**667,790**	1,047,162
Gas and power	**1,535,811**	1,506,496
Petrochemicals	**20,423,117**	19,000,069
Refining and distribution	**30,088,588**	30,244,845
	52,834,762	51,902,329

15 PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

Profit for the year from continuing operations is reached after charging the following:

	Cost of sales US $ '000	*Selling and distribution costs US $ '000*	*General and administrative expenses US $ '000*	*Research and development expenses US $ '000*	*Other income/ expenses US $ '000*	*Total US $ '000*
For the year ended 31 December 2013:						
Cost of raw materials consumed	(38,394,236)	-	-	-	-	**(38,394,236)**
Excise tax on oil and gas	(3,120,070)	-	-	-	-	**(3,120,070)**
Staff costs	(1,106,879)	(353,784)	(613,305)	(114,661)	-	**(2,188,629)**
Depreciation of property, plant and equipment	(1,479,319)	(154,431)	(43,259)	(68,234)	-	**(1,745,243)**
Amortization of intangible assets	(64,604)	(25,308)	(32,491)	(7,998)	-	**(130,401)**
Depreciation of investment properties	-	-	-	-	(8,739)	**(8,739)**
Impairment of property, plant and equipment	(10,786)	(9,706)	(9)	(64)	-	**(20,565)**
Impairment of intangible assets	(1,215)	(3)	(7,146)	(14,794)	-	**(23,158)**
Reversal of impairment of non-financial assets	-	-	-	-	141,853	**141,853**
Distribution costs	(723,210)	(1,028,084)	(898)	(132)	-	**(1,752,324)**
Rent and maintenance costs	(448,982)	(168,164)	(71,844)	(13,534)	-	**(702,524)**
For the year ended 31 December 2012:						
Cost of raw materials consumed	(39,401,364)	-	-	-	-	(39,401,364)
Excise tax on oil and gas	(2,573,768)	-	-	-	-	(2,573,768)
Staff costs	(957,111)	(362,457)	(545,402)	(108,450)	-	(1,973,420)
Depreciation of property, plant and equipment	(1,417,583)	(159,661)	(27,548)	(96,642)	-	(1,701,434)
Amortization of intangible assets	(39,915)	(25,399)	(53,054)	(7,446)	-	(125,814)
Depreciation of investment properties	-	-	-	-	(2,051)	(2,051)
Impairment of property, plant and equipment	(10,351)	(9,300)	(324)	(3,154)	-	(23,129)
Impairment of intangible assets	(12,259)	(4)	(84)	(3,239)	-	(15,586)
Reversal of impairment of non-financial assets	-	-	-	-	18,152	18,152
Distribution costs	(653,791)	(934,727)	(888)	(86)	-	(1,589,492)
Rent and maintenance costs	(406,405)	(153,931)	(63,849)	(11,841)	-	(636,026)

16 DISCONTINUED OPERATIONS

	2013	*2012*
	US $ '000	*US $ '000*
Included in the consolidated statement of profit or loss:		
Profit from Ferrostaal operations (note 4.1)	**-**	42,920
Gain on disposal of Ferrostaal (note 4.1)	**-**	111,500
Loss on Syntheon	**-**	(14,366)
	-	140,054

Asset classified as held for sale
At 30 June 2013, the Company transferred the cost of construction of ADCOP from property, plant and equipment to asset held for sale because it met the requirements under IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations. During the six months period ended 31 December 2013, additional cost of US $ 61,045 thousand has been incurred on Abu Dhabi Crude Oil Pipeline (ADCOP), which includes capitalised borrowing cost of US $ 44,926 thousand (2012: nil). The effective interest rate was 1.41%. There was no asset held for sale as at 31 December 2012.

The Company has been in discussion with the Government of the Emirate of Abu Dhabi and Abu Dhabi National Oil Company (ADNOC) for the transfer of ADCOP to the latter. On 19 September 2013, the Company received US $ 2.0 billion from the Government of the Emirate of Abu Dhabi as down-payment for the consideration of ADCOP which was used to pay down debt (see note 30). The pricing, timeline and other aspects of the transaction have been agreed by the parties in early 2014. On 17 April 2014, the Company received a second advance payment of US $ 2.0 billion which was used to pay down debt (see note 42).

17 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2013	*2012*
	US $ '000	*US $ '000*
Net profit attributable to ordinary equity holders of the parent from continuing operations	**1,917,576**	1,380,084
Profit attributable to ordinary equity holders of the parent from discontinued operations	**-**	131,881
Net profit attributable to ordinary equity holders of the parent for basic earnings	**1,917,576**	1,511,965
Weighted average number of ordinary shares for basic earnings per share (in thousands)	**3,500**	3,500
	US $	*US $*
Basic and diluted earnings per share	**548**	432
Basic and diluted earnings per share from continuing operations	**548**	394

18 PROPERTY, PLANT AND EQUIPMENT

	Land and land improvements US $ '000	*Buildings, structures and production plants US $ '000*	*Assets under construction US $ '000*	*Oil and gas properties US $ '000*	*Others* US $ '000*	*Total US $ '000*
2013						
Cost:						
At 1 January 2013	1,081,225	16,248,775	4,498,912	2,436,164	645,074	24,910,150
Additions	10,443	427,799	1,279,615	270,617	46,655	2,035,129
Acquired through business combination	41,578	229,000	73,007	-	5,683	349,268
Disposals	(1,380)	(203,810)	(32,398)	(25,761)	(33,430)	(296,779)
Transfers	3,622	621,707	(676,892)	(63,630)	116,604	1,411
Reclassified as held for sale (note 16)	-	-	(3,618,223)	-	-	(3,618,223)
Exchange adjustments	36,492	470,017	36,794	175,451	43,822	762,576
At 31 December 2013	**1,171,980**	**17,793,488**	**1,560,815**	**2,792,841**	**824,408**	**24,143,532**
Depreciation and impairment:						
At 1 January 2013	228,717	5,765,243	3,902	891,425	240,832	7,130,119
Charge for the year	18,130	1,142,992	-	486,258	97,863	1,745,243
Impairment	-	16,447	4,232	-	-	20,679
Reversal of impairment	-	(2,779)	-	-	-	(2,779)
Disposals	(326)	(178,065)	-	(16,330)	(5,303)	(200,024)
Transfers	-	(43)	(288)	-	331	-
Exchange adjustments	6,266	214,163	(587)	154,009	29,360	403,211
At 31 December 2013	**252,787**	**6,957,958**	**7,259**	**1,515,362**	**363,083**	**9,096,449**
Net carrying amount:						
At 31 December 2013	**919,193**	**10,835,530**	**1,553,556**	**1,277,479**	**461,325**	**15,047,083**
2012						
Cost:						
At 1 January 2012	986,326	14,815,208	3,948,968	2,139,737	717,153	22,607,392
Additions	2,632	130,745	1,472,090	247,144	20,479	1,873,090
Acquired through business combination	31,475	58,754	3,007	-	2,617	95,853
Disposals	(1,134)	(122,004)	(5,453)	(8,668)	(7,500)	(144,759)
Transfers	28,316	1,047,276	(932,384)	31,113	(93,753)	80,568
Exchange adjustments	33,610	318,796	12,684	26,838	6,078	398,006
At 31 December 2012	1,081,225	16,248,775	4,498,912	2,436,164	645,074	24,910,150
Depreciation and impairment:						
At 1 January 2012	202,438	4,646,093	-	305,335	171,055	5,324,921
Charge for the year	15,251	1,045,212	-	570,379	70,592	1,701,434
Impairment	-	18,933	3,902	-	294	23,129
Reversal of impairment	-	(3,154)	-	-	-	(3,154)
Disposals	(330)	(93,250)	-	(458)	(6,464)	(100,502)
Transfers	-	70	-	1,757	(1,827)	-
Exchange adjustments	11,358	151,339	-	14,412	7,182	184,291
At 31 December 2012	228,717	5,765,243	3,902	891,425	240,832	7,130,119
Net carrying amount:						
At 31 December 2012	852,508	10,483,532	4,495,010	1,544,739	404,242	17,780,031

* Others include machinery, tools and technical equipment, information system hardware, motor vehicles, and office furniture and fittings.

18 PROPERTY, PLANT AND EQUIPMENT continued

a) Additions in assets under construction during 2013 include an amount of US $ 134,659 thousand (2012: US $ 330,323 thousand) relating to the construction of an oil pipeline (ADCOP project). As of 30 June 2013, the Company has transferred the ADCOP project to assets held for sale (see note 16).

b) The amount of borrowing costs capitalised during the year ended 31 December 2013 was US $71,831 thousand (2012: US $ 59,530 thousand). The rate used to determine the amount of borrowing costs eligible for capitalisation was 2.0% (2012: 2.0%).

c) Property, plant and equipment with a book value of US $ 2,105,757 thousand (31 December 2012: US $ 2,323,506 thousand) have been pledged as security for related borrowings and mortgages.

19 INTANGIBLE ASSETS

	Software US $ '000	*Concessions patents and licenses US $ '000*	*Developments costs US $ '000*	*Brands US $ '000*	*Customer contracts US $ '000*	*Goodwill US $ '000*	*Other US $ '000*	*Total US $ '000*
2013								
Cost:								
At 1 January 2013	154,579	379,936	308,282	504,389	155,080	811,230	903,348	3,216,844
Additions	36,208	24,833	34,154	-	18,941	-	5,812	119,948
Acquisitions through business combination	2,530	27,673	-	-	13,092	72,234	-	115,529
Disposals	(366)	(16,380)	(3,734)	-	(308)	-	(84,145)	(104,933)
Transfers	38,459	3,222	(29)	-	33,430	-	(74,333)	749
Exchange adjustments	8,008	10,523	12,883	20,868	8,667	20,766	10,500	92,215
At 31 December 2013	**239,418**	**429,807**	**351,556**	**525,257**	**228,902**	**904,230**	**761,182**	**3,440,352**
Amortization and impairment:								
At 1 January 2013	79,863	148,496	144,686	-	25,189	-	179,758	577,992
Charge for the year	28,483	23,698	20,000	-	11,225	-	46,994	130,400
Impairment	-	1,158	14,794	-	7,146	-	60	23,158
Disposals	(342)	(1,985)	(3,734)	-	-	-	(41,266)	(47,327)
Transfers	34,880	89	-	-	30,833	-	(65,740)	62
Exchange adjustments	4,782	4,757	9,721	-	2,184	-	264	21,708
At 31 December 2013	**147,666**	**176,213**	**185,467**	**-**	**76,577**	**-**	**120,070**	**705,993**
Net carrying amount:								
At 31 December 2013	**91,752**	**253,594**	**166,089**	**525,257**	**152,325**	**904,230**	**641,112**	**2,734,359**

19 INTANGIBLE ASSETS continued

	Software *US $ '000*	*Concessions patents and licenses* *US $ '000*	*Developments costs* *US $ '000*	*Brands* *US $ '000*	*Customer contracts* *US $ '000*	*Goodwill* *US $ '000*	*Other* *US $ '000*	*Total* *US $ '000*
2012								
Cost:								
At 1 January 2012	126,969	323,058	267,986	495,331	98,512	732,468	869,525	2,913,849
Additions	25,513	44,073	34,968	-	3,722	-	15,264	123,540
Acquisitions through business combination	238	28,624	-	-	50,910	64,766	56,640	201,178
Disposals	(157)	(21,952)	-	-	(211)	-	(41,951)	(64,271)
Transfers	(221)	1,030	(967)	-	-	-	877	719
Exchange adjustments	2,237	5,103	6,295	9,058	2,147	13,996	2,993	41,829
At 31 December 2012	154,579	379,936	308,282	504,389	155,080	811,230	903,348	3,216,844
Amortization and impairment:								
At 1 January 2012	51,777	120,668	122,280	-	10,975	-	147,084	452,784
Charge for the year	26,625	17,282	15,104	-	13,855	-	52,948	125,814
Impairment	24	12,259	3,298	-	-	-	5	15,586
Disposals	(80)	(3,366)	-	-	-	-	(22,710)	(26,156)
Exchange adjustments	1,517	1,653	4,004	-	359	-	2,431	9,964
At 31 December 2012	79,863	148,496	144,686	-	25,189	-	179,758	577,992
Net carrying amount:								
At 31 December 2012	74,716	231,440	163,596	504,389	129,891	811,230	723,590	2,638,852

19 INTANGIBLE ASSETS continued

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

The fair value of the trade name was estimated using a relief from royalty approach. In applying this methodology, the value of the trade name was estimated by capitalising the royalties saved due to the Group owning the trade name. The trade name is being used in various businesses in the Group. An appropriate trade name royalty rate was identified as a percentage of revenue or for certain businesses as a percentage of gross margin over variable costs level which translated into approximately 4.0% to 8.0% of gross margin over variable costs depending on the location of the use of the brand, the significance of its presence in the specific country, and the focus on marketing and advertising of the brand. A discount rate for the trade name was calculated and ranged from 9.4% to 11.0%. Terminal value was calculated with a long-term growth rate of 1.5%. A tax amortisation benefit was applied for the trade name as the value will be amortisable for tax purposes.

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

20 IMPAIRMENT TESTING OF GOODWILL

Goodwill acquired through business combinations has been allocated to the following cash generating units, for impairment testing purposes:

Carrying amount of goodwill allocated to each of the cash-generating units:

	Diversified chemicals US $ '000	*Diversified investments US $ '000*	*Private banking US $ '000*	*Integrated oil and gas US $ '000*	*Total US $ '000*
Goodwill					
Carrying amount at 31 December 2012	125,313	326,554	30,153	329,210	811,230
Additions during the year from business combinations	72,234	-	-	-	72,234
Exchange difference	7,126	-	1,446	12,194	20,766
Carrying amount at 31 December 2013	**204,673**	**326,554**	**31,599**	**341,404**	**904,230**

The Group performed its annual impairment test at 31 December 2013.

Diversified chemicals
Goodwill within the diversified chemicals operating segment has been allocated to Borealis, which constitutes the lowest level at which the goodwill is monitored for internal management purposes.

The recoverable amount of Borealis has been determined based on a fair value less cost to sell calculation determined using cash flow projections from financial budgets approved by senior management covering a five-year period. Borouge, a significant associate of Borealis was valued separately for this purpose.

20 IMPAIRMENT TESTING OF GOODWILL continued

Diversified chemicals continued
Key assumptions used in fair value less cost to sell calculations
The calculation of fair value less cost to sell is most sensitive to the following assumptions:

Terminal value: Sustainable earnings include a terminal growth rate of 2% (2012: 2%) which was derived on basis of analyses of sustainable GDP growth of Borealis' key sales regions and long term growth expectations for the end market industries for Polyolefin, Infrastructure, Automotive, and Advanced Packaging.

Discount rates: Market and peer group data were utilized in addition to the specific financing conditions prevailing at Borealis to obtain weighted-average cost of capital ("WACC"). The post-tax discount rate applied to cash flow projections ranged from 9.2% to 10.6% (2012: from 9.1% to 10.5%) using an average growth rate between 0% and 2% (2012: 2%).

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

Diversified investments
Goodwill within the diversified investments segment has been allocated to Aabar, which constitutes the lowest aggregation of assets that generate largely independent cash inflows.

At 31 December 2013, the recoverable amount of Aabar has been determined based on a fair value less costs to sell approach. Fair value has been estimated following a sum of the parts approach, which consists of adding-up the estimated fair values of each of the company's assets and subtracting the fair values of each of the Company's liabilities. The main methodology used for the estimation of the referred fair values has been discounted cash flows ("DCF") for unlisted companies and market prices for listed companies adjusted where appropriate based on broker estimates and price forecast consensus. The properties were also adjusted to their fair values (see note 21).

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

Private banking
Goodwill within the private banking business has been allocated to Falcon Private Bank, a subsidiary of Aabar.

The Group performed its annual impairment test as at 31 December 2013. No additional impairment was identified.

The recoverable amount of Falcon Bank at 31 December 2013 was determined based on a fair value less costs to sell approach. The fair value has been estimated by management using a range of market multiples relevant for private banking.

Sensitivity to changes in assumptions
With regard to the assessment of fair value less costs to sell, management assessed that no reasonably possible change in any of the above key assumptions would cause the carrying value of Falcon Bank to materiality exceed its recoverable amount.

20 IMPAIRMENT TESTING OF GOODWILL continued

Integrated oil and gas
Goodwill within the integrated oil and gas operating segment has been allocated to CEPSA, which constitutes the lowest aggregation of assets that generate largely independent cash inflows.

At 31 December 2013, the recoverable amount of CEPSA has been determined based on a fair value less cost to sell approach, derived from financial projections covering a five year period. The main methodology used for the estimation of the referred fair values has been discounted cash flows ("DCF"). In addition, market multiples were also used as a secondary method and to cross check to the fair value determined under the DCF method. For each of the company´s businesses, the DCF methodology considered financial projections for five years plus a terminal value thereafter, except for the Exploration & Production ("E&P") business, where the remaining useful life of each of the producing fields/ assets was considered.

Key assumptions used in fair value calculation

- Financial projections: The financial projections for each of the company´s businesses were obtained from the company's five year business plan based on management expectations and industry research.

- Terminal value: Except for the Exploration and Production division terminal values have been estimated following two different methodologies according to its adequacy to each of the company's businesses. The two methodologies used have been perpetual growth rate and an exit multiple.

- Growth rate: Except for the E&P business, growth rates have been estimated for each of the company's businesses based on industry research. Growth rate considered is 1.5%.

- Discount rate: The discount rate represents the current market assessment of the risks specific to CEPSA. The discount rate has been estimated according to the WACC calculated for each of the company's businesses and countries in which the company operates, and ranges from 5.7% to 11.3%.

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

21 INVESTMENT PROPERTIES

	Land *US $ '000*	*Residential and commercial* *US $ '000*	*Under development* *US $ '000*	*Total* *US $ '000*
2013				
Cost:				
At 1 January 2013	2,172,404	223,654	244,478	2,640,536
Additions	14,284	6,021	74,033	94,338
Transfers	-	133,964	(140,276)	(6,312)
At 31 December 2013	**2,186,688**	**363,639**	**178,235**	**2,728,562**
Accumulated depreciation and impairment:				
At 1 January 2013	530,644	123,879	-	654,523
Charge for the year	-	8,739	-	8,739
(Reversal of) impairment charge	(76,960)	(53,803)	-	(130,763)
Transfers	(17,777)	17,777	-	-
At 31 December 2013	**435,907**	**96,592**	**-**	**532,499**
Net carrying amount:				
At 31 December 2013	**1,750,781**	**267,047**	**178,235**	**2,196,063**
2012				
Cost:				
At 1 January 2012	2,158,119	-	449,875	2,607,994
Additions	14,285	-	99,544	113,829
Transfers	-	223,654	(304,941)	(81,287)
At 31 December 2012	2,172,404	223,654	244,478	2,640,536
Accumulated depreciation and impairment:				
At 1 January 2012	570,064	-	100,560	670,624
Charge for the year	-	2,051	-	2,051
(Reversal of) impairment charge	(39,420)	21,268	-	(18,152)
Transfers	-	100,560	(100,560)	-
At 31 December 2012	530,644	123,879	-	654,523
Net carrying amount:				
At 31 December 2012	1,641,760	99,775	244,478	1,986,013

21 INVESTMENT PROPERTIES continued

Investment properties with a book value of US $307,692 thousand (31 December 2012: US $ 204,221 thousand) have been pledged as security for related borrowings and mortgages.

The Group's investment properties include land, buildings and properties under development in Abu Dhabi and Dubai. Management determined that these investment properties consist of five classes of asset categories i.e. residential, hotel (including serviced apartments), offices, retail and mixed use, based on the nature, characteristics and risks of each property.

In reviewing investment properties, the Group has considered whether the value of any of its investment properties are impaired. The recoverable amounts have been determined as the higher of the fair value less costs to sell and/or value in use.

The impairment reversal comprises of the net of aggregate reversals of impairment losses of US $ 190,323 thousand (2012: US $ 39,420 thousand) and the aggregate impairment losses of US $59,560 thousand (2012: US $ 21,268 thousand). Accumulated impairment losses at 31 December 2013 amounted to US $ 521,708 thousand (31 December 2012: US $ 652,471 thousand)

Fair value and value in use assessments have been performed based on varying valuation models depending on the intended use of the investment properties which is the current assessment of the highest and best use of these investment properties. The combined fair value of investment properties at 31 December 2013 amounted to US $ 2,272,349 thousand (2012: US $ 1,961,430 thousand). Investment properties include properties with a carrying value of US $ 1,166,028 thousand (2012: US $ 1,584,136 thousand) which were valued by management. For the balance of the investment properties, valuations were performed by independent professional valuers. The valuers are accredited with recognized and relevant professional qualifications and with recent experience in the location and category of investment properties being valued. The fair values have been determined in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation Standards and are considered to approximate those in accordance with IFRS for the Group's properties.

Key assumptions:

Valuation techniques	***Significant inputs***
Buildings	
Investment method	Operational and maintenance costs: 10% Yields: between 8% to 8.25% Rental income: based on market rates
Comparable transactions	Based on comparable transactions in the market
Land	
Discount cash flow method	Discount rate: 11%
Residual method	Developers' profit: 17% Discount rate: between 12% to 13% Yields: between 9.5% to 10%
Comparable transactions	Based on comparable transactions in the market
Properties under development	
Residual method	Developers' profit: 15% Yields: between 8.25% to 9.5%

22 INVESTMENTS IN FINANCIAL INSTRUMENTS

	2013	*2012*
	US $ '000	*US $ '000*
Non-derivative financial instruments:		
Financial assets at fair value through profit or loss (note 22.1)		
Held-for-trading	**482,798**	346,134
Designated on initial recognition	**5,067,979**	3,745,430
	5,550,777	4,091,564
Held to maturity investments	**18,318**	-
Available-for-sale financial assets (note 22.2)	**1,818,240**	1,844,802
	7,387,335	5,936,366
Derivative financial instruments (note 35)	**847,389**	3,219,270
	8,234,724	9,155,636
Non-current	**2,689,647**	3,158,072
Current	**5,545,077**	5,997,564
	8,234,724	9,155,636

22.1 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2013	*2012*
	US $ '000	*US $ '000*
Daimler AG shares	**2,835,735**	1,788,480
Unicredit SpA	**2,181,935**	1,914,210
Others	**533,107**	388,874
	5,550,777	4,091,564
Non - current	**50,310**	42,742
Current	**5,500,467**	4,048,822
	5,550,777	4,091,564

The Group had taken collar and put options to fix the floor and cap price for movements in the share price of Daimler AG and of UniCredit SpA and to finance the acquisitions of shares. The shares in Daimler AG and UniCredit SpA are pledged as collateral against certain term loans.

During 2013, Aabar's stake in Unicredit SpA reduced by 1.65% as a part of the restructuring of the position. As of 31 December 2013, Aabar's share in Daimler AG and Unicredit SpA was 3.1% (31 December 2012: 3.1%) and 5.1% (31 December 2012: 6.75%) respectively.

22 INVESTMENTS IN FINANCIAL INSTRUMENTS continued

22.2 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2013	*2012*
	US $ '000	*US $ '000*
Quoted investments:		
Glencore Xstrata Plc (formerly, Glencore International Plc) *	**511,956**	563,545
Energias de Portugal	**544,654**	448,579
Cosmo Oil Company, Limited	**335,923**	390,118
Others	**78,058**	97,380
	1,470,591	1,499,622
Unquoted investments at fair value	**280,634**	308,475
Unquoted investments carried at cost	**67,015**	36,705
	1,818,240	1,844,802

Quoted investments
The fair value of the quoted investments is determined by reference to published price quotations in an active market.

* On 18 May 2011, the Group acquired a 1.4% shareholding in Glencore Xstrata Plc ("Glencore") subscribed via an investment agreement. On 2 May 2013, Glencore completed its acquisition of the remaining 66% stake in Xstrata Plc through issuance of new shares of the company, which diluted the Group's stake to 0.75%.

Unquoted investments
The fair value of the majority of unquoted investments has been estimated using a valuation technique based on assumptions that are not supported by observable market prices. The valuation requires management to make estimates about the expected future cash flows of the shares which are discounted at current rates. See note 36 for the Group's valuation hierarchy.

23 TRADE AND OTHER RECEIVABLES

	2013	*2012*
	US $ '000	*US $ '000*
Trade receivables	**5,313,305**	4,786,064
Loans and other amounts due from banking customers	**1,671,498**	1,351,748
Due from banks	**252,856**	247,748
Balance due from related parties (note 43)	**432,146**	502,281
	7,669,805	6,887,841
Allowances for doubtful debts	**(278,672)**	(263,938)
	7,391,133	6,623,903
Non-current	**256,106**	253,350
Current	**7,135,027**	6,370,553
	7,391,133	6,623,903

Due from banks includes restricted account balances of US $ 252,857 thousand (31 December 2012: US $ 247,748 thousand) held as collateral for loans and letters of credit in respect of the Group's investments and projects.

See note 37 for ageing analysis and movements in the provision for impairment of trade and other receivables.

24 OTHER ASSETS

	2013 US $ '000	*2012 US $ '000*
Prepayments	**61,251**	48,004
Taxes receivables	**543,012**	471,680
Advances paid	**1,139,142**	1,134,946
Accrued income	**85,411**	70,056
Receivable from related parties (note 43)	**1,993,449**	1,815,367
Loans receivable (i)	**1,750,390**	1,988,498
Receivable on assets disposed	**18,886**	-
Deferred expenditures	**53,616**	49,606
Other receivables	**107,177**	19,796
Other assets	**122,636**	323,819
	5,874,970	5,921,772
Non-current	**4,672,507**	4,948,562
Current	**1,202,463**	973,210
	5,874,970	5,921,772

(i) Included in loans receivable is an amount of US $ 1,474,780 thousand (31 December 2012: US $ 1,718,781 thousand) relating to the Company's investment in mandatorily exchangeable bonds (the "IPBC Bonds") of Independent Public Business Corporation of the Government of Papua New Guinea. The derivative components amounting to US $ 33,603 thousand as at 31 December 2013 (31 December 2012: US $ 62,936 thousand) have been separately recognised under derivative financial assets (see note 22 and note 35).

In March 2014, the IPBC Bonds were exchanged into 196,604,177 shares of Oil Search Limited ("OSH"), an exploration and production company listed on the Australian Stock Exchange. The Company's shareholding in OSH is approximately 13%.

25 INVENTORIES

	2013	*2012*
	US $ '000	*US $ '000*
Raw materials	**1,043,072**	1,830,366
Spare parts	**213,605**	204,711
Consumables	**217,379**	332,910
Work in progress	**97,529**	16,163
Finished goods	**3,101,802**	3,085,083
Consignments	**15,359**	29,846
In transit	**117,049**	63,955
	4,805,795	5,563,034
Allowance for obsolescence	**(46,629)**	(66,843)
	4,759,166	5,496,191

26 CASH AND CASH EQUIVALENTS

	2013	*2012*
	US $ '000	*US $ '000*
Cash and short term deposits	**6,818,844**	4,912,711

Short term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. Cash and cash equivalents include balances with related parties which are disclosed in note 43.

27 SHARE CAPITAL

	Authorised		*Issued and fully paid*	
	2013	*2012*	***2013***	*2012*
	US $ '000	*US $ '000*	***US $ '000***	*US $ '000*
Ordinary shares of US $ 1,000 each	**5,000,000**	5,000,000	**3,500,000**	3,500,000

28 SHAREHOLDER LOAN

In June 2010, the Company received US $ 500 million and received a further US $ 500 million in December 2011 from the Department of Finance on behalf of the Government of Abu Dhabi. The funds were provided to meet the Company's obligations in its investment in Qatar and Abu Dhabi Investment Company QSC ("QADIC"). An amount of US $ 50 million was provided to QADIC in July 2010, based on a cash call.

The US $ 1 billion received is interest-free with no repayment terms and are repayable at the discretion of the Board of Directors of the Company. Accordingly, management has classified the US $ 1 billion as a shareholder loan within equity.

29 OTHER RESERVES

	Cumulative changes in fair value of available for-sale investments US $ '000	*Foreign currency translation reserve US $ '000*	*Reserve for cash flow hedges US $ '000*	*Reserve for actuarial gains and losses US $ '000*	*Reserves for disposal group held for sale US $ '000*	*Share of reserves of associates US $ '000*	*Other reserves US $ '000*	*Total US $ '000*
Balance at 1 January 2012	2,221,893	(1,182,047)	(92,242)	(238,336)	26,895	(311,582)	98,760	523,341
Other comprehensive income for the year	90,489	(262,422)	63,958	(90,574)	-	44,483	-	(154,066)
Recycle of reserves on disposal of interest in a subsidiary	-	(9,304)	-	(7,971)	(26,895)	-	-	(44,170)
Movements in other reserves	1	(17)	(1)	(132)	-	-	-	(149)
Balance at 31 December 2012	2,312,383	(1,453,790)	(28,285)	(337,013)	-	(267,099)	98,760	324,956
Other comprehensive income for the year	2,080	(181,768)	(8,779)	183,779	-	(193,667)	-	(198,355)
Movements in other reserves	-	226	-	1,011	-	-	-	1,237
Balance at 31 December 2013	**2,314,463**	**(1,635,332)**	**(37,064)**	**(152,223)**	**-**	**(460,766)**	**98,760**	**127,838**

30 BORROWINGS

	2013 US $ '000	*2012 US $ '000*
Overdrafts	**384,881**	758,451
Listed notes and other borrowing instruments	**16,450,701**	16,017,602
Unlisted borrowings	**16,661,617**	19,964,754
Others	**6,715**	5,847
	33,503,914	36,746,654
Non-current	**26,116,428**	25,173,437
Current	**7,387,486**	11,573,217
	33,503,914	36,746,654

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

	2013 US $ '000	*2012 US $ '000*
The Company	**16,865,808**	18,708,350
Aabar	**9,007,087**	10,621,128
NOVA	**861,899**	793,393
Borealis	**2,515,798**	2,125,317
CEPSA	**4,253,322**	4,498,466
	33,503,914	36,746,654

30 BORROWINGS continued

Borrowings as at the reporting date, analysed by currency, are as follows:

	2013	*2012*
	US $ '000	*US $ '000*
EUR	**17,677,596**	19,013,533
USD	**12,636,282**	12,967,664
AED	**1,038,199**	2,720,189
JPY	**638,092**	778,544
GBP	**1,498,041**	1,187,399
Others	**15,704**	79,325
	33,503,914	36,746,654

As of 31 December 2013 and 2012, the Company has not guaranteed the borrowings of any of the Group companies. However, the Company has provided a joint guarantee with 1Malaysia Development Berhad ("1MDB"), a strategic development company wholly-owned by the Government of Malaysia, amounting to US $ 3.5 billion (see note 34(i) for further details) in relation to certain obligations of subsidiaries of 1MDB.

Listed notes and other borrowing instruments

	Maturity	*Currency*	*Coupon rate*	***2013 US $ '000***	*2012 US $ '000*
IPIC - Bond 1	2020	US $	5.000%	**1,485,361**	1,484,283
IPIC - Bond 2	2015	US $	3.125%	**996,944**	995,565
IPIC - Bond 3	2021	EUR	5.875%	**1,688,583**	1,622,086
IPIC - Bond 4	2016	EUR	4.875%	**1,705,780**	1,635,860
IPIC - Bond 5	2026	GBP	6.875%	**902,158**	884,845
IPIC - Bond 6	2022	US $	5.500%	**1,492,432**	1,491,572
IPIC - Bond 7	2017	US $	3.750%	**1,493,719**	1,491,679
IPIC - Bond 8	2041	US $	6.875%	**743,028**	740,466
IPIC - Bond 9	2015	US $	1.750%	**746,896**	745,334
IPIC - Bond 10	2018	EUR	2.375%	**1,092,105**	1,047,240
IPIC - Bond 11	2023	EUR	3.625%	**1,153,376**	1,106,374
Aabar - Exchangeable bond (see note below)	2016	EUR	4.000%	**1,666,981**	1,579,466
Borealis - Bond 1	2017	EUR	5.375%	**274,860**	263,940
Borealis - Bond 2	2019	EUR	4.000%	**171,788**	164,962
NOVA - Bond 3 (note i)	2016	US $	8.375%	**-**	343,957
NOVA - Bond 4	2019	US $	8.625%	**343,279**	342,198
NOVA - Bond 5 (note i)	2025	US $	7.875%	**-**	77,775
NOVA - Bond 6 (note i)	2023	US $	5.250%	**493,411**	-
				16,450,701	16,017,602

Aabar – Exchangeable bond

On 27 May 2011, Aabar issued EUR 1,250,000 thousand 4% 5 year senior unsecured exchangeable bonds, which are exchangeable into Daimler AG shares (the "exchangeable bonds"). The exchangeable bonds are hybrid securities consisting of a straight bond and an embedded call option with a fixed strike price to exchange the bond for either shares in Daimler AG or cash of an equivalent value at the option of Aabar.

All bonds of the Group are unsecured, and repayable as bullet payment on maturity.

(note i) - NOVA - Bond 3 was refinanced by NOVA on July 2013, through NOVA - Bond 6, while NOVA - Bond 5 was paid by NOVA in March 2013 using available cash on hand.

30 BORROWINGS continued

Unlisted borrowings

	Maturity (Year)	*Currency*	*Interest rate*	***2013 US $ '000***	*2012 US $ '000*
IPIC - Loan 1 (note i)	2013	EUR	EURIBOR + Margin	**-**	97,328
IPIC - Loan 3 (note ii)	2013	JPY	LIBOR + Margin	**-**	778,544
IPIC - Loan 8	2026	AED	EIBOR + Margin	**252,124**	272,294
IPIC - Loan 10	2014	US $	LIBOR + Margin	**1,398,884**	1,394,654
IPIC - Loan 11 (note iii)	2013	AED	EIBOR + Margin	**-**	1,994,156
IPIC - Loan 12 (note iv)	On demand	US $	LIBOR + Margin	**237,086**	90,318
IPIC - Loan 13	2014	US $	LIBOR + Margin	**169,969**	169,788
IPIC - Loan 14	2014	EUR	EURIBOR+Margin	**693,935**	665,891
IPIC - Loan 15	2018	JPY	LIBOR + Margin	**638,092**	-
Aabar - Loan 3	2013	US $	LIBOR + Margin	**-**	1,446,229
Aabar - Loan 4	2013	EUR	EURIBOR + Margin	**-**	306,710
Aabar - Loan 5	2013	AED	EIBOR + Margin	**-**	249,518
Aabar - Loan 6	2014	EUR	Fixed rate	**1,611,682**	1,547,327
Aabar - Loan 7	2013	EUR	Fixed rate	**-**	2,347,220
Aabar - Loan 9	2014	EUR	EURIBOR + Margin	**275,161**	262,157
Aabar - Loan 11	2014	EUR	Fixed rate	**1,704,012**	1,626,746
Aabar - Loan 12	2015	AED	EIBOR + Margin	**204,221**	204,221
Aabar - Loan 13	2013	US $	LIBOR + Margin	**-**	448,988
Aabar - Loan 14	2013	GBP	LIBOR + Margin	**-**	302,554
Aabar - Loan 15	2013	US $	LIBOR + Margin	**-**	299,992
Aabar - Loan 16	2016	US $	LIBOR + Margin	**484,279**	-
Aabar - Loan 17	2016	AED	EIBOR + Margin	**350,073**	-
Aabar - Loan 18	2016	EUR	EURIBOR + Margin	**686,197**	-
Aabar - Loan 19	2018	US $	LIBOR + Margin	**282,996**	-
Aabar - Loan 20	2018	AED	EIBOR + Margin	**231,782**	-
Aabar - Loan 21	2018	EUR	EURIBOR + Margin	**484,482**	-
Aabar - Loan 22	2015	US $	LIBOR + Margin	**171,335**	-
Aabar - Loan 23	2016	GBP	LIBOR + Margin	**548,245**	-
Borealis- Loan 1	2018	EUR	Fixed rate	**196,525**	211,152
Borealis- Loan 3	2016 - 2028	EUR/ US $	EURIBOR/LIBOR + Margin	**158,071**	154,605
Borealis- Loan 4	2019	EUR	Fixed rate	**206,145**	-
CEPSA- Loan 1	2018	US $	LIBOR+Margin	**348,782**	350,080
CEPSA- Loan 2	2013	EUR	EURIBOR+Margin	**-**	263,940
CEPSA- Loan 3	2015	EUR	EURIBOR+Margin	**274,860**	263,940
CEPSA- Loan 4	2016	EUR	EURIBOR+Margin	**247,374**	237,546
CEPSA- Loan 5	2016	US $	LIBOR+Margin	**170,832**	200,791
CEPSA- Loan 6	2016	US $	LIBOR+Margin	**199,304**	200,045
CEPSA- Loan 7	2022	EUR	EURIBOR+Margin	**206,145**	197,955
CEPSA- Loan 8	2015	EUR	EURIBOR+Margin	**206,145**	197,955
CEPSA- Loan 9	2016	EUR	EURIBOR+Margin	**199,274**	191,357
CEPSA- Loan 17	2014	EUR	EURIBOR+Margin	**-**	211,152
Others				**3,823,605**	2,779,601
				16,661,617	19,964,754

(note i) - IPIC loan (1) has been repaid in full on 7 November 2013.

(note ii) - IPIC loan (3) has been refinanced in June 2013 with Term loan (15), with a new maturity of June 2018.

(note iii) - IPIC loan (11) has been repaid in full on 22 September 2013.

(note iv) – IPIC loan (12) has an undrawn amount of US $ 1,190,914 thousand as at 31 December 2013 (31 December 2012: US $ 1,337,682 thousand)

(note v) - On 19 December 2013, the Company entered into a U.S.$2 billion multicurrency revolving facilities agreement with an interest rate at a margin over, in relation to any loan in U.S.$, LIBOR or, in relation to any loan in euro, EURIBOR. The facilities were drawn on 27 February 2014.

(note vi) - All of IPIC loans are unsecured. Aabar loans are unsecured, except for Aabar – Loan 6, 7, 11, 12, 14 and 23 which are secured through pledges on land mortgage and certain securities.

(note vii) - All loans within Others are unsecured except for an amount of US $ 15,807 thousand (31 December 2012: US $ 19,412 thousand), which is secured on property, plant and equipment.

See note 37 for the maturity analysis of borrowings (under liquidity risk disclosure).

31 EMPLOYEES' BENEFIT LIABILITIES

The following table summarises the component of employees' related expense recognised in the consolidated statement of profit or loss under continuing operations:

	2013	*2012*
	US $ '000	*US $ '000*
Wages and salaries	**1,593,158**	1,596,924
Defined contribution plans	**57,144**	54,481
Defined benefit plans	**112,798**	58,588
Bonuses	**136,077**	132,059
Others	**289,452**	131,368
	2,188,629	1,973,420

The number of employees of the Group at 31 December 2013 was 20,078 (31 December 2012: 19,835).

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

	2013	*2012*
	US $ '000	*US $ '000*
Employee end of service benefits	**4,173**	3,834
Pensions	**617,127**	855,516
	621,300	859,350
Unfunded	**74,538**	135,536
Partly funded	**528,455**	696,315
Wholly funded	**18,307**	27,499
	621,300	859,350

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

The following table summarises the components of net defined benefit expense recognised in the consolidated statement of profit or loss:

	2013	*2012*
	US $ '000	*US $ '000*
Current service cost	**48,341**	41,206
Interest cost on benefit obligation	**61,753**	64,020
Interest income on plan assets	**4,208**	(50,231)
Past service cost	**(2,090)**	(23)
Others	**586**	3,616
Net defined benefit expense	**112,798**	58,588

31 EMPLOYEES' BENEFIT LIABILITIES continued

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

	2013 *US $ '000*	*2012* *US $ '000*
Defined benefit obligations	**(1,669,110)**	(1,766,927)
Fair value of plan assets	**1,051,060**	911,734
	(618,050)	(855,193)
Unrecognized past service costs	**923**	(323)
Benefit liability	**(617,127)**	(855,516)

Changes in the present value of the defined benefit obligation are as follows:

	2013 *US $ '000*	*2012* *US $ '000*
Benefit obligations at beginning of year	**(1,766,927)**	(1,530,734)
Current service costs	**(48,341)**	(41,206)
Current interest costs	**(61,753)**	(64,020)
Contributions by employees	**(5,124)**	(4,693)
Past service cost	**2,090**	-
Actuarial gains (losses) on obligation due to:		
Changes in demographic assumptions	**(23,822)**	(56,006)
Changes in financial assumptions	**169,574**	(115,593)
Experienced losses	**(20,419)**	(1,787)
Acquisition of business	**(33,576)**	(2,534)
Benefits paid from plan	**81,298**	86,471
Liabilities extinguished on settlements	**8,673**	3,523
Foreign exchange differences	**29,217**	(40,348)
Benefit obligations at end of the year	**(1,669,110)**	(1,766,927)

Changes in the fair value of plan assets are as follows:

	2013 *US $ '000*	*2012* *US $ '000*
Fair value of plan assets at beginning of year	**911,734**	762,024
Interest income on plan assets	**(4,208)**	50,231
Contributions by employees	**5,214**	5,049
Employer contribution	**136,067**	132,921
Actuarial gains on obligation due to changes in demographic assumptions	**92,755**	15,913
Experienced (losses) gains	**(8,472)**	15,476
Acquisition of business	**9,511**	-
Benefits paid from plan	**(81,298)**	(86,471)
Assets distributed on settlement	**(2,894)**	(374)
Foreign exchange differences	**(7,349)**	16,965
Fair value of plan assets at end of year	**1,051,060**	911,734

31 EMPLOYEES' BENEFIT LIABILITIES continued

The major categories of plan assets are as follows:

	2013	*2012*
	US $ '000	*US $ '000*
Investments quoted in active markets		
Cash and cash equivalents	**10,725**	14,160
Equity instruments	**370,809**	415,315
Fixed income securities	**496,029**	344,673
Real estate	**4,851**	4,945
Investment funds	**8,549**	2,417
Others	**91,950**	89,425
Unquoted investments		
Cash and cash equivalents	**195**	3
Equity instruments	**20,521**	23,116
Fixed income securities	**47,431**	17,680
Fair value of plan assets at end of year	**1,051,060**	911,734

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

	2013	*2012*
	%	*%*
Rate of salary increases	**3.4% - 4.2%**	2.5% - 4.0%
Rate of increase in pensions payments	**0.5% - 2.1%**	0.1% - 2.1%
Discount rate	**3.4% - 4.7 %**	2.0% - 3.9%

A quantitative sensitivity analysis for significant assumptions as at 31 December 2013 is shown as below:

	Change %	***Impact on defined benefit obligation US $ '000***	*Change %*	***Impact on defined benefit obligation US $ '000***
Rate of salary increases	+1.0%	**(61,442)**	-1.0%	**66,986**
Rate of increase in pensions payments	+1.0%	**(34,109)**	-1.0%	**39,478**
Discount rate	+0.5%	**102,752**	-0.5%	**(115,367)**

The sensitivity analysis above have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in the key assumptions occurred as at 31 December 2013.

The Group's expected payment contributions to defined benefit obligations within the next 12 months amounts to US $ 131,136 thousand (2012: US $ 124,026 thousand).

The average duration of the defined benefit obligations at 31 December 2013 is 14 years (31 December 2012: 14 years).

32 PROVISIONS

	Decommissioning US $ '000	*Legal disputes US $ '000*	*Others US $ '000*	*Total US $ '000*
At 1 January 2013	160,705	101,290	211,052	473,047
Additions	10,652	13,907	91,493	116,052
On business combinations	-	1,331	35,116	36,447
Accretion expenses	5,728	2,875	2,793	11,396
Utilised	(2,563)	(8,542)	(25,915)	(37,020)
Reversed	(1,279)	(528)	(35,038)	(36,845)
Exchange adjustments	(4,425)	2,828	10,273	8,676
Balance at 31 December 2013	**168,818**	**113,161**	**289,774**	**571,753**

	2013 US $ '000	*2012 US $ '000*
Classified as:		
Non-current	**479,034**	426,942
Current	**92,719**	46,105
	571,753	473,047

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

(ii) Provision for legal disputes covers the best estimate of the Group exposure to the outcome of several litigations from the area of product liability, patent infringement, tax lawsuits, etc. The majority of the legal provision relates to NOVA litigation cases (note 41).

(iii) Others cover mainly provision for restructuring, warranty provisions arising from the Group's ordinary operations that might give rise to actual liabilities with their dealings with third parties, and environmental provisions relating to legal or contractual liabilities or commitments acquired by the Group to prevent, reduce or repair damage to the environment. It also includes the estimated amounts for environmental action to remedy the risk of gradual soil pollution.

The timing of the cash outflows cannot be determined with certainty.

33 TRADE AND OTHER PAYABLES

	2013 US $ '000	*2012 US $ '000*
Trade payables	**3,964,883**	3,656,016
Customer deposits and other amounts due to banking customers	**2,551,407**	1,559,016
Balance due to related parties (note 43)	**624,393**	500,985
Due to banks	**285,011**	130,416
Other payables	**4,904**	71,710
	7,430,598	5,918,143
Non-current	**51,032**	45,284
Current	**7,379,566**	5,872,859
	7,430,598	5,918,143

34 OTHER LIABILITIES

	2013	2012
	US $ '000	*US $ '000*
Accruals	**1,074,543**	979,255
Taxes payable	**663,750**	607,690
Advances and deposits received	**39,155**	24,970
Payable to related parties (note 43)	**113,749**	238,079
Payable on assets acquisition	**65,777**	-
Deferred income (i)	**311,721**	347,421
Other payables	**139,929**	141,908
Other liabilities	**232,296**	118,949
	2,640,920	2,458,272
Classified as:		
Non- current	**545,658**	624,598
Current	**2,095,262**	1,833,674
	2,640,920	2,458,272

(i) As part of the state-to-state relationship between the Emirate of Abu Dhabi and Malaysia, the Company agreed in 2012 to guarantee the obligations of certain subsidiaries of 1Malaysia Development Berhad ("1MDB''), a strategic development company wholly-owned by the Government of Malaysia, in respect of two financings in the energy and power sector amounting to US $ 3.5 billion in total. In respect of these financings, the Company benefits from back-to-back guarantees and support from 1MDB and has secured for its Group the right:

a) to acquire up to a 49 % stake in Powertek Investment Holdings Sdn Bhd (formerly known as 1MDB Energy Sdn Bhd), a company which holds a 100 % stake in Powertek Energy Sdn Bhd (formerly known as "Tanjong Energy Holdings Sdn Bhd"); and

b) to acquire up to a 49 % stake in the shares of 1MDB Energy (Langat) Sdn Bhd which holds a 100% stake in Mastika Lagenda Sdn Bhd, a company which owns 75% stake in Kuala Langat Power Plant Sdn Bhd (formerly known as "Genting Sanyen Power Sdn Bhd").

The guarantees were recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantees. Subsequent to initial recognition, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

35 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives often involve at their inception only a mutual exchange of promises with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are volatile. A relatively small movement in the value of the asset, rate or index underlying a derivative contract may have a significant impact on the profit or loss of the Group.

Over-the-counter derivatives may expose the Group to the risks associated with the absence of an exchange market on which to close out an open position.

The Group does not operate a centralised treasury and funding department. Each company within the Group has its own financial risk management function, which aims to minimise the effects related to foreign exchange, interest rate, liquidity, credit, commodity price and refinancing risks.

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities as of 31 December:

	Assets 2013 US $'000	***Liabilities 2013 US $'000***	*Assets 2012 US $'000*	*Liabilities 2012 US $'000*
Derivatives held-for-trading				
Interest rate swaps	**-**	**132,829**	100	300,427
Currency forwards	**8,071**	**9,964**	23,585	67,643
Currency swaps	**-**	**55,258**	23,392	-
Currency futures	**-**	**-**	267	266
Currency options	**85**	**85**	14	14
Equity options	**761,229**	**1,629,683**	3,068,075	299,154
Commodity swaps	**5,950**	**2,915**	6,423	1,451
Commodity forwards	**491**	**-**	-	-
Commodity futures	**1,516**	**-**	-	692
Embedded derivative (see note 24 (i))	**33,603**	**84**	62,936	23
	810,945	**1,830,818**	3,184,792	669,670
Derivatives used as hedge of net investments				
Currency forwards	**-**	**-**	-	114,649
Derivatives used as fair value hedges				
Commodity swaps	**-**	**146**	225	-
Derivatives used as cash flow hedges				
Interest rate swaps	**392**	**1,247**	-	5,849
Currency forwards	**17,133**	**14,879**	11,480	5,848
Commodity swaps	**7,887**	**4,540**	15,159	10,397
Other swap arrangements	**11,032**	**55,965**	7,614	49,113
	36,444	**76,631**	34,253	71,207
	847,389	**1,907,595**	3,219,270	855,526
Non-current	**802,779**	**330,302**	1,270,528	217,682
Current	**44,610**	**1,577,293**	1,948,742	637,844
	847,389	**1,907,595**	3,219,270	855,526

Derivative financial instruments held or issued for trading purposes
Some of the Group's derivative trading activities relate to deals with customers which are normally offset by transactions with other counterparties. The Group may also take positions with the expectation of profiting from favourable movements in prices, rates or indices. Also included under this heading are any derivatives entered into for economic hedging purposes which do not meet hedge accounting criteria.

35 DERIVATIVE FINANCIAL INSTRUMENTS continued

Forwards and futures
Forward and futures contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market. Futures contracts are transacted in standardised amounts on regulated exchanges and are subject to daily cash margin requirements.

The main differences in the risk associated with forward and futures contracts are credit risk and liquidity risk. The Group has credit exposure to the counterparties of forward contracts. The credit risk related to future contracts is considered minimal because the cash margin requirements of the exchanges help ensure that these contracts are honoured. Forward contracts are settled gross and are therefore considered to bear a higher liquidity risk than the futures contracts which are settled on a net basis. Both types of contracts result in market risk exposure.

Swaps
Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate or equity index.

Interest rate swaps relate to contracts taken out by the Group with other financial institutions in which the Group either receives or pays a floating rate of interest in return for paying or receiving, respectively, a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

In a currency swap, the Group pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross settled.

Options
Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.

The Group purchases and sells options through regulated exchanges and in the over-the-counter markets. Options purchased by the Group provide the Group with the opportunity to purchase (call options) or sell (put options) the underlying asset at an agreed-upon value either on or before the expiration of the option. The Group is exposed to credit risk on purchased options only to the extent of their carrying amount, which is their fair value.

Options written by the Group provide the purchaser the opportunity to purchase from, or sell to, the Group, the underlying asset at an agreed-upon value either on or before the expiration of the option.

Hedge of net investments in foreign operations:
The Group entered into a foreign currency forward contract with a notional amount of Malaysian Ringgit ("MYR") 5,894,501 thousand (equal to the Group's initial investment in RHB) and designated it as of 1 January 2012 as a hedging instrument to hedge against the foreign currency risk on its net investment in RHB. Spot price/intrinsic value changes of both hedged item and hedging instrument representing the effective portion of the hedge are recorded in other comprehensive income. The difference between fair value change and spot price/intrinsic value change of the hedging instrument representing the ineffective portion is recognised in the consolidated statement of profit or loss. The Group settled the foreign exchange forward contract during the year and discontinued hedge accounting accordingly.

Included in borrowings at 31 December 2013 were borrowings of EUR 4,591,403 thousand (2012: EUR 4,655,000 thousand) which has been designated as a hedge of the net investment in CEPSA. This borrowing is being used to hedge the Group's exposure to EUR foreign exchange risk on these investments. Gains or losses on the retranslation of this borrowing are transferred to other comprehensive income to offset any gains or losses on translation of the net investments in the subsidiaries. There is no ineffectiveness in the years ended 31 December 2013 and 2012.

35 DERIVATIVE FINANCIAL INSTRUMENTS continued

The table below summarises the maturity profile of the Group's derivatives.

	0-3 months US $ '000	*3-12 months US $ '000*	*1-3 years US $ '000*	*3-5 years US $ '000*	*>5 years US $ '000*	*Total US $ '000*
2013						
Cash outflow						
Trading derivatives and economic hedges	**(1,696,825)**	**(258,390)**	**(258,736)**	**-**	**(55,258)**	**(2,269,209)**
Derivatives for cash flow hedges	**(138,252)**	**(592,005)**	**(302,273)**	**-**	**-**	**(1,032,530)**
Derivatives for fair value hedges	**(146)**	**-**	**-**	**-**	**-**	**(146)**
	(1,835,223)	**(850,395)**	**(561,009)**	**-**	**(55,258)**	**(3,301,885)**
Cash inflow						
Trading derivatives and economic hedges	**452,962**	**37,204**	**230,825**	**-**	**528,375**	**1,249,366**
Derivatives for cash flow hedges	**122,936**	**573,257**	**296,062**	**-**	**-**	**992,255**
Derivatives for fair value hedges	**-**	**-**	**-**	**-**	**-**	**-**
	575,898	**610,461**	**526,887**	**-**	**528,375**	**2,241,621**
	(1,259,325)	**(239,934)**	**(34,122)**	**-**	**473,117**	**(1,060,264)**
2012						
Cash outflow						
Trading derivatives and economic hedges	(716,257)	(147,427)	(135,705)	(56,500)	-	(1,055,889)
Derivatives for cash flow hedges	(100,430)	(460,149)	(342,374)	(237,278)	-	(1,140,231)
Derivatives for fair value hedges	(114,649)	-	-	-	-	(114,649)
	(931,336)	(607,576)	(478,079)	(293,778)	-	(2,310,769)
Cash inflow						
Trading derivatives and economic hedges	413,274	1,890,662	409,204	306,128	551,767	3,571,035
Derivatives for cash flow hedges	95,863	447,587	320,168	238,838	-	1,102,456
Derivatives for fair value hedges	226	-	-	-	-	226
	509,363	2,338,249	729,372	544,966	551,767	4,673,717
	(421,973)	1,730,673	251,293	251,188	551,767	2,362,948

36 FAIR VALUE MEASUREMENT

Fair values

Financial assets include portfolio investments, derivative financial instruments, bank balances and cash, and certain other assets. Financial liabilities consist of interest bearing loans and borrowings and certain other liabilities.

Set out below, is a comparison by class of the carrying amounts and fair value of the Group's financial assets and financial liabilities:

	Carrying amount		*Fair value*	
	2013	*2012*	***2013***	*2012*
	US $ '000	*US $ '000*	***US $ '000***	*US $ '000*
Financial assets				
Derivative financial assets	**847,389**	3,219,270	**847,389**	3,219,270
Portfolio investments				
Held to maturity investments	**18,318**	-	**18,318**	-
Investments at fair value through profit or loss				
Held for trading	**482,798**	346,134	**482,798**	346,134
Designated on initial recognition	**5,067,979**	3,745,430	**5,067,979**	3,745,430
Available-for-sale investments	**1,818,240**	1,844,802	**1,818,240**	1,844,802
Trade receivables	**7,391,133**	6,623,903	**7,391,133**	6,623,903
Other assets	**5,874,970**	5,921,772	**6,053,289**	6,181,502
Cash and short-term deposits	**6,818,844**	4,912,711	**6,818,844**	4,912,711
	28,319,671	26,614,022	**28,497,990**	26,873,752
Financial liabilities				
Trade payables	**7,430,598**	5,918,143	**7,430,598**	5,918,143
Borrowings	**33,503,914**	36,746,654	**35,097,524**	38,726,609
Derivative financial liabilities	**1,907,595**	855,526	**1,907,595**	855,526
Other liabilities	**2,640,920**	2,458,272	**2,658,518**	2,458,272
	45,483,027	45,978,595	**47,094,235**	47,958,550

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are mainly interest rate swaps, foreign exchange forward contracts and commodity forward contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves of the underlying commodity.

  As at 31 December 2013, the marked to market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value.

- Fair value of portfolio investments is derived from quoted market prices in active markets, if available. Fair value of unquoted portfolio investments is estimated using appropriate valuation techniques specifically discounted cash flow (DCF). In the DCF method, future cash flows are projected for a reasonable forecast period of time and adjusted for their time value.

36 FAIR VALUE MEASUREMENT continued

Fair values continued

- Fair value of cash and short-term deposits, short term trade receivables, other assets and other liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

- Fair value of fixed and variable rate borrowings also approximate their carrying amounts except for listed notes. Listed notes are fair valued at the quoted market price as at 31 December 2013.

- Long-term trade receivables and other assets are valued by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at 31 December 2013, the carrying amounts of such trade receivables and other assets, net of allowances, are not materially different from their calculated fair values.

- The fair value of certain non-current other assets as well as other non-current liabilities are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

Fair value hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of assets and liabilities by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

36 FAIR VALUE MEASUREMENT continued

Fair value hierarchy continued
The following table provides the fair value measurement hierarchy of the Group's assets and liabilities. Below assets and liabilities are valued at 31 December 2013 and 2012.

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 31 December 2013:

	Total US $ '000	*Quoted price in active markets (Level 1) US $ '000*	*Significant observable inputs (Level 2) US $ '000*	*Significant unobservable inputs (Level 3) US $ '000*
Assets measured at fair value				
Derivative financial assets				
Interest rate	**391**	**-**	**391**	**-**
Currency	**25,289**	**-**	**25,289**	**-**
Equity	**761,145**	**-**	**232,770**	**528,375**
Commodity	**15,929**	**-**	**15,929**	**-**
Others	**44,635**	**-**	**44,635**	**-**
Portfolio investments				
Investments at fair value through profit or loss				
Held for trading	**482,798**	**459,552**	**23,246**	**-**
Designated on initial recognition	**5,067,979**	**5,017,669**	**19,100**	**31,210**
Available-for-sale investments				
Quoted equity shares	**1,414,027**	**1,414,027**	**-**	**-**
Unquoted equity shares	**280,634**	**-**	**13,907**	**266,727**
Quoted debt securities	**56,564**	**56,564**	**-**	**-**
Assets for which fair value is disclosed:				
Investment properties	**2,272,349**	**-**	**-**	**2,272,349**
Investments in listed associates	**5,799,139**	**5,799,139**	**-**	**-**
Other assets				
Mandatorily exchangeable bond	**1,465,345**	**-**	**-**	**1,465,345**
Liabilities measured at fair value				
Derivative financial liabilities				
Interest rate	**134,076**	**-**	**134,076**	**-**
Currency	**24,928**	**-**	**24,928**	**-**
Equity	**1,629,683**	**-**	**1,629,683**	**-**
Commodity	**7,686**	**-**	**7,686**	**-**
Others	**111,222**	**-**	**55,964**	**55,258**
Liabilities for which fair values are disclosed:				
Borrowings				
Overdrafts	**231,347**	**-**	**231,347**	**-**
Listed notes and other borrowing instruments	**18,027,199**	**15,805,620**	**2,221,579**	**-**
Unlisted borrowings	**5,242,927**	**25,209**	**1,862,266**	**3,355,452**
Others	**3,183**	**-**	**3,183**	**-**

36 FAIR VALUE MEASUREMENT continued

Fair value hierarchy continued
Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 31 December 2012:

	Total *US $ '000*	*Quoted price in active markets (Level 1)* *US $ '000*	*Significant observable inputs (Level 2)* *US $ '000*	*Significant unobservable inputs (Level 3)* *US $ '000*
Assets measured at fair value				
Derivative financial assets				
Interest rate	100	-	100	-
Currency	35,344	-	35,344	-
Equity	3,130,934	-	2,602,559	528,375
Commodity	24,225	-	24,225	-
Others	28,667	-	5,275	23,392
Portfolio investments				
Investments at fair value through profit or loss				
Held for trading	346,134	332,265	13,869	-
Designated on initial recognition	3,745,430	3,702,689	14,949	27,792
Available-for-sale investments				
Quoted equity shares	1,439,658	1,439,658	-	-
Unquoted equity shares	308,475	-	32,676	275,799
Quoted debt securities	59,564	59,564	-	-
Assets for which fair value is disclosed:				
Investment properties	1,961,430	-	-	1,961,430
Investments in listed associates	4,554,558	4,554,558	-	-
Other assets				
Mandatorily exchangeable bond	1,682,446	-	-	1,682,446
Liabilities measured at fair value				
Derivative financial liabilities				
Interest rate	306,272	-	306,272	-
Currency	188,420	-	188,420	-
Equity	299,154	-	299,154	-
Commodity	12,172	-	12,172	-
Others	49,508	-	49,508	-
Liabilities for which fair values are disclosed:				
Borrowings				
Overdrafts	317,834	-	317,834	-
Listed notes and other borrowing instruments	18,134,095	16,082,061	2,052,034	-
Unlisted borrowings	6,944,707	29,463	1,398,767	5,516,477
Others	1,493	-	1,493	-

36 FAIR VALUE MEASUREMENT continued

Reconciliation of fair value measurements of Level 3 financial instruments
The Group carries unquoted equity shares as available-for-sale financial instruments classified as Level 3 within the fair value hierarchy. For fair value measurements in Level 3 of the fair value hierarchy, reconciliation from beginning balances to ending balances, disclosing separately changes during the year attributable, is as follows:

	Opening balance US $ '000	*Additions US $ '000*	*Disposals US $ '000*	*Fair value gain (loss) US $ '000*	*Exchange difference US $ '000*	*Total US $ '000*
31 December 2013						
Derivative financial instruments						
Equity	**528,375**	**-**	**-**	**-**	**-**	**528,375**
Others	**23,392**	**-**	**-**	**(78,650)**	**-**	**(55,258)**
Portfolio investments						
Investments at FVTPL						
Designated on initial recognition	**27,792**	**3,190**	**-**	**228**	**-**	**31,210**
Available-for-sale investments						
Unquoted equity shares	**275,799**	**-**	**(9,830)**	**33**	**725**	**266,727**
	855,358	**3,190**	**(9,830)**	**(78,389)**	**725**	**771,054**
31 December 2012						
Derivative financial instruments						
Equity	-	356,772	-	171,603	-	528,375
Others	30,581	-	-	(7,189)	-	23,392
Portfolio investments						
Investments at FVTPL						
Designated on initial recognition	13,716	11,960	-	2,116	-	27,792
Available-for-sale investments						
Unquoted equity shares	331,284	-	(6,601)	(86,000)	37,116	275,799
	375,581	368,732	(6,601)	80,530	37,116	855,358

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities, other than derivatives, comprise borrowings, trade and other payables and certain other financial liabilities. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as financial assets at fair value through profit or loss, available-for-sale financial assets, derivative financial assets, trade and other receivables, cash and short-term deposits and certain other financial assets, which arise directly from its operations.

The Group enters into derivative transactions including equity derivatives, interest rate swap and forward currency contracts. The purpose is to manage the equity price, interest rate and currency risks arising from the Group's operations and sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, commodity price risk, equity price risk, liquidity risk and credit risk. The Board of Directors of each company within the Group reviews and agrees policies for managing each of these risks which are summarised below.

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Market risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises: interest rate risk, foreign currency risk, commodity price risk, equity price risk and other price risk. Financial instruments affected by market risk include financial assets at fair value through profit or loss, available-for-sale financial assets, derivative financial instruments, short-term deposits, borrowings and certain other financial instruments.

The sensitivity analyses in the following sections relate to the positions as at 31 December 2013 and 2012.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at 31 December 2013.

The analyses exclude the impact of movements in market variables on the carrying value of pension and other post-retirement obligations, provisions and non-financial assets and liabilities of foreign operations.

Interest rate risk
The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's borrowings with floating interest rates. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts.

To manage this, the Group sometimes enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts, calculated by reference to an agreed upon notional principal amount. These swaps are designated to hedge underlying debt obligations.

With all other variables held constant, a 50 basis points ("bps") decrease in interest rates will increase the Group's profit by US $ 40,248 thousand (2012: US $ 47,964 thousand), through the impact on all floating rate borrowings. There is no material impact on the Group's equity.

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

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Market risk continued
Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

The following table demonstrates the sensitivity to a reasonably possible change in exchange rates, with all other variables held constant, on the Group's profit and equity. The impact of translating the net assets of foreign operations into US $ is excluded from the sensitivity analysis.

	Change %	*Effect on profit before tax US $ '000*	*Effect on equity US $ '000*
2013			
CHF	**+50 bp**	**178**	**38**
EUR	**+50 bp**	**(117,293)**	**(151,476)**
JPY	**+50 bp**	**(4,427)**	**(32)**
CAD	**+50 bp**	**(73,472)**	**(10,910)**
GBP	**+50 bp**	**(13,274)**	**423**
Others	**+50 bp**	**24,541**	**132,971**
		(183,747)	**(28,986)**
2012			
CHF	+50 bp	248	59
EUR	+50 bp	(122,785)	(52,171)
JPY	+50 bp	3,988	(28)
CAD	+50 bp	(68,438)	(28,152)
GBP	+50 bp	(9,973)	475
Others	+50 bp	13,792	148,811
		(183,168)	68,994

The effect of decreases in foreign currency rates is expected to be equal and opposite to the effect of the increases shown.

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Market risk continued

Commodity price risk

The Group is affected by the volatility of certain commodities. Its operating activities require the on-going purchase and manufacturing of mainly petrochemical feedstock. Due to the significant volatility of the price of the underlying, the Group's management has developed and enacted a risk management strategy regarding commodity price risk and its mitigation.

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

		2013		*2012*	
	Change	***Effect on profit before tax US $ '000***	***Effect on equity US $ '000***	*Effect on profit before tax US $ '000*	*Effect on equity US $ '000*
Crude oil	**+10%**	**(56,120)**	**-**	(16,109)	-
Natural gas	**+10%**	**(23,700)**	**2,832**	(16,600)	3,700
Electricity	**+10%**	**-**	**26,719**	-	33,184
Propylene	**+10%**	**35,294**	**-**	32,170	-
Polyethelene	**+10%**	**186,281**	**-**	156,259	-
Other petrochemical feedstock*	**+10%**	**49,405**	**-**	85,455	-

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

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

Equity price risk

Equity price risk is the risk that changes in equity prices will affect future cash flows or the fair values of financial instruments. The Group's exposure to the risk of changes in equity prices relates primarily to the Group's listed and unlisted equity securities. The Group's board of directors reviews and approves all significant investment decisions and the Group's management monitors positions on a regular basis. Economic hedging strategies are sometimes used to ensure positions are maintained within acceptable limits.

The following table demonstrates the sensitivity to reasonably possible changes in equity prices, with all other variables held constant, on the Group's statement of profit or loss and equity:

		2013		*2012*	
	Change	***Effect on profit before tax US $ '000***	***Effect on equity US $ '000***	*Effect on profit before tax US $ '000*	*Effect on equity US $ '000*
Europe	**+10%**	**83,945**	**105,672**	51,888	101,225
Middle East (excluding UAE)	**+10%**	**-**	**25,000**	-	25,000
North America	**+10%**	**-**	**-**	586	-
Asia and Pacific	**+10%**	**3,360**	**35,178**	6,294	42,528
Africa	**+10%**	**-**	**3,671**	-	3,671

A 10% decrease in equity prices would have resulted in equivalent but opposite impact except for the profit or loss effect of the investments in Europe for which a corresponding amount would be a decrease by US $ 80,409 thousand (2012: US $ 43,820 thousand).

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Credit risk
Credit risk is the risk that the Group will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Group's exposure to credit risk relates primarily to its operating and investing activities. The Group companies trade only with recognised, creditworthy third parties. There are no significant concentrations of credit risk within the Group unless otherwise disclosed. The maximum credit risk exposure relating to financial assets is represented by their carrying values as at the reporting date except for loans and other banking receivables due from banking customers.

Trade and other receivables
The Group has established procedures to minimise the risk of default by trade debtors by using credit verification in order to be able to trade on credit terms and set mandatory credit limits for each customer. Furthermore, receivable balances are monitored on an aged basis which helps mitigate the exposure to bad debts.

Financial instruments and cash deposits
The Group's exposure to credit risk arises from defaults of counterparties, with maximum exposure equal to carrying amounts of these instruments. The Group seeks to limit its counterparty credit risk by dealing with only reputable banks and financial institutions.

The following tables show the maximum exposure to credit risk for the components of the consolidated statement of financial position, including derivatives, by geography and by industry. Where financial instruments are recorded at fair value, the amounts shown represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

Risk concentrations: maximum exposure to credit risk

	2013		*2012*	
	Carrying value US $ '000	***Maximum credit exposure US $ '000***	*Carrying value US $ '000*	*Maximum credit exposure US $ '000*
On balance sheet				
Derivative financial assets	**847,389**	**847,389**	3,219,270	3,219,270
Held to maturity investments	**18,318**	**18,318**	-	-
Trade and other receivables	**7,391,133**	**9,043,132**	6,623,903	7,582,739
Other assets	**5,874,970**	**5,874,970**	5,921,772	5,922,882
Cash and short-term deposits	**6,818,844**	**6,818,844**	4,912,711	4,912,711
	20,950,654	**22,602,653**	20,677,656	21,637,602

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Credit risk continued
The following table shows concentrations of credit risk by geographical region:

	UAE *US $ '000*	*Austria* *US $ '000*	*Canada* *US $ '000*	*Spain* *US $ '000*	*Others* *US $ '000*	*Total* *US $ '000*
2013						
Derivative financial instruments	**-**	**39,705**	**-**	**6,011**	**801,673**	**847,389**
Trade receivables	**410,144**	**1,611,238**	**243,736**	**3,860,215**	**1,265,800**	**7,391,133**
Other assets	**1,649,633**	**512,134**	**48,085**	**606,198**	**3,058,920**	**5,874,970**
Cash and short-term deposits	**1,349,699**	**13,424**	**-**	**2,912,235**	**2,543,486**	**6,818,844**
	3,409,476	**2,176,501**	**291,821**	**7,384,659**	**7,669,879**	**20,932,336**
2012						
Derivative financial instruments	23,392	38,127	-	7,045	3,150,706	3,219,270
Trade receivables	409,836	1,224,084	223,787	3,383,465	1,382,731	6,623,903
Other assets	1,533,518	585,320	46,242	817,564	2,939,128	5,921,772
Cash and short-term deposits	1,350,435	10,120	-	2,170,113	1,382,043	4,912,711
	3,317,181	1,857,651	270,029	6,378,187	8,854,608	20,677,656

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Credit risk continued
The following table shows concentrations of credit risk by industry sector:

	Energy US $ '000	*Materials US $ '000*	*Banks US $ '000*	*Diversified financial services US $ '000*	*Real estate US $ '000*	*Others US $ '000*	*Total US $ '000*
2013							
Derivative financial instruments	**567,989**	**39,705**	**9,519**	**-**	**-**	**230,176**	**847,389**
Trade receivables	**3,878,293**	**1,551,663**	**940,685**	**325,733**	**805**	**693,954**	**7,391,133**
Other assets	**2,189,157**	**607,291**	**13,271**	**741,688**	**1,830,064**	**493,499**	**5,874,970**
Cash and short-term deposits	**3,137,862**	**955,399**	**1,724,631**	**995,059**	**5,893**	**-**	**6,818,844**
	9,773,301	**3,154,058**	**2,688,106**	**2,062,480**	**1,836,762**	**1,417,629**	**20,932,336**
2012							
Derivative financial instruments	598,357	38,002	2,255,728	21,055	-	306,128	3,219,270
Trade receivables	3,645,535	1,354,649	247,748	-	-	1,375,971	6,623,903
Other assets	2,548,309	501,079	60,025	614,784	1,688,943	508,632	5,921,772
Cash and short-term deposits	2,320,501	738,336	1,847,727	-	-	6,147	4,912,711
	9,112,702	2,632,066	4,411,228	635,839	1,688,943	2,196,878	20,677,656

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Credit risk continued

Credit quality by class of financial assets

The credit quality of financial assets is managed by the Group using internal credit ratings. The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Group's internal credit rating system. The amounts presented are net of impairment allowances:

	High *US $ '000*	*Medium* *US $ '000*	*Low* *US $ '000*	*Non classified* *US $ '000*	*Total* *US $ '000*
31 December 2013					
Derivative financial assets	**774,081**	**-**	**-**	**73,308**	**847,389**
Held to maturity investments	**18,318**	**-**	**-**	**-**	**18,318**
Trade and other receivables	**4,264,348**	**1,040,013**	**515,833**	**1,570,939**	**7,391,133**
Other assets	**3,113,593**	**6,606**	**52,982**	**2,701,789**	**5,874,970**
Cash and short-term deposits	**5,687,288**	**3**	**-**	**1,131,553**	**6,818,844**
	13,857,628	**1,046,622**	**568,815**	**5,477,589**	**20,950,654**
31 December 2012					
Derivative financial assets	3,098,587	-	-	120,683	3,219,270
Trade and other receivables	4,312,190	631,081	491,253	1,189,379	6,623,903
Other assets	3,174,702	114	-	2,746,956	5,921,772
Cash and short-term deposits	4,894,092	583	-	18,036	4,912,711
	15,479,571	631,778	491,253	4,075,054	20,677,656

Credit quality levels are defined based on estimated default probabilities.

As at 31 December, the ageing of unimpaired financial assets is as follows:

	Neither past due nor impaired *US $ '000*	*Past due up to 1 month* *US $ '000*	*Past due 1-3 months* *US $ '000*	*Past due 3-6 months* *US $ '000*	*Past due longer than 6 months* *US $ '000*	*Total* *US $ '000*
31 December 2013						
Derivative financial assets	**847,389**	**-**	**-**	**-**	**-**	**847,389**
Held to maturity investments	**18,318**	**-**	**-**	**-**	**-**	**18,318**
Trade and other receivables	**6,866,872**	**357,382**	**82,801**	**46,763**	**37,315**	**7,391,133**
Other assets	**5,873,391**	**870**	**-**	**26**	**683**	**5,874,970**
Cash and short-term deposits	**6,818,844**	**-**	**-**	**-**	**-**	**6,818,844**
	20,424,814	**358,252**	**82,801**	**46,789**	**37,998**	**20,950,654**
31 December 2012						
Derivative financial assets	3,219,270	-	-	-	-	3,219,270
Trade and other receivables	6,171,545	325,848	61,444	23,875	41,191	6,623,903
Other assets	5,920,729	26	-	-	1,017	5,921,772
Cash and short-term deposits	4,912,711	-	-	-	-	4,912,711
	20,224,255	325,874	61,444	23,875	42,208	20,677,656

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Credit risk continued
Movements in allowance for impairment are as follows:

	Opening US $ '000	*Additions/ acquired US $ '000*	*Interest US $ '000*	*Written-off US $ '000*	*Recoveries US $ '000*	*Exchange difference US $ '000*	*Total US $ '000*
On balance sheet							
2013							
Held to maturity investments	**392,053**	**30,229**	**-**	**-**	**-**	**-**	**422,282**
Trade and other receivables	**263,938**	**4,186**	**2,222**	**10,766**	**1,080**	**(3,520)**	**278,672**
Other assets	**27,514**	**48,638**	**-**	**(841)**	**82**	**2,337**	**77,730**
	683,505	**83,053**	**2,222**	**9,925**	**1,162**	**(1,183)**	**778,684**
2012							
Held to maturity investments	-	392,053	-	-	-	-	**392,053**
Trade and other receivables	250,242	46,951	2,356	(4,588)	(25,202)	(5,821)	**263,938**
Other assets	27,438	423	-	-	(513)	166	**27,514**
	277,680	439,427	2,356	(4,588)	(25,715)	(5,655)	**683,505**

Collateral and other credit enhancements
Falcon Bank, the Groups' private banking subsidiary, actively uses collateral to reduce its credit risk.

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters. The main types of collateral obtained include cash, securities, mortgages over real estate and other. Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

Liquidity risk
The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and other borrowings. The Group's policy is that the amount of borrowings that mature in the next 12 month period should not result in the current ratio falling below 100%.

The table below summarises the maturity profile of the Group's financial liabilities excluding derivative financial instruments at 31 December, on a contractual undiscounted basis. The maturity profile of derivatives financial instruments are disclosed in note 35. In the table below, interest rates on variable rate loans have been based on rates prevailing at the reporting dates.

Undiscounted contractual basis	***On demand US $ '000***	***0 - 3 months US $ '000***	***3 - 12 months US $ '000***	***1 - 3 years US $ '000***	***3 - 5 years US $ '000***	***>5 years US $ '000***	***Total US $ '000***
2013							
Other liabilities	**435,438**	**4,374,700**	**1,078,660**	**2,653,982**	**665,764**	**266,828**	**9,475,372**
Trade and other payables	**321,508**	**1,673,594**	**750,872**	**2,513,052**	**638,367**	**152,894**	**6,050,287**
Borrowings	**237,086**	**3,066,819**	**4,023,258**	**9,979,185**	**6,050,457**	**12,252,313**	**35,609,118**
Customer deposits and other amounts due to banking customers	**2,285,965**	**137,465**	**127,977**	**-**	**-**	**-**	**2,551,407**
Due to banks	**166,081**	**715,235**	**303,052**	**47,154**	**18,222**	**71,392**	**1,321,136**
Derivative financial liabilities (assets)	**-**	**(1,259,326)**	**(239,935)**	**(34,120)**	**-**	**473,117**	**(1,060,264)**
	3,446,078	**8,708,487**	**6,043,884**	**15,159,253**	**7,372,810**	**13,216,544**	**53,947,056**
2012							
Other liabilities	41,461	1,072,900	729,059	177,984	19,125	448,567	2,489,096
Trade and other payables	238,041	3,959,622	11,640	4,188	952	14,268	4,228,711
Borrowings	90,318	2,551,062	9,876,645	9,846,705	8,132,241	12,742,907	43,239,878
Customer deposits and other amounts due to banking customers	1,090,184	350,039	118,793	-	-	-	1,559,016
Due to banks	74,171	10,962	-	45,283	-	-	130,416
Derivative financial liabilities (assets)	-	-	62,936	-	-	23,392	86,328
	1,534,175	7,944,585	10,799,073	10,074,160	8,152,318	13,229,134	51,733,445

In 2012, the Company agreed to guarantee the obligations of certain subsidiaries of 1MDB in respect of two financings amounting to US $ 3.5 billion in total (see note 34(i)). The obligations to which these guarantees relate mature in 2022.

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Capital management
The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. There are no regulatory imposed requirements on the level of share capital which the Group has not met. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2013 and 2012.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio within a range to meet the business needs of the Group. The Group includes within net debt, interest bearing loans and borrowings, less cash and cash equivalents. Capital includes total equity including non-controlling interest.

	2013	*2012*
	US $ '000	*US $ '000*
Interest bearing loans and borrowings (note 30)	**33,503,914**	36,746,654
Less cash and short term deposits	**(6,818,844)**	(4,912,711)
Net debt	**26,685,070**	31,833,943
Total equity	**17,537,011**	15,564,011
Equity and net debt	**44,222,081**	47,397,954
Gearing ratio	**60%**	67%

38 OTHER RISK MANAGEMENT OBJECTIVES AND POLICIES

Risks relating to changes in the legislation applicable to activities and/or the industry
The activities carried on by the Group are subject to various legislations. The changes that might arise could affect the structure under which activities are performed and the results generated by operations.

Industrial risks, prevention and safety
The Group ensures that the safety control system applied is in accordance with international specifications. Also in place are action procedures that reflect the standards developed in accordance with best practices, which ensure the maximum possible level of safety, paying special attention to the elimination of risk at source. The objective of this system is ongoing improvement in risk reduction, focused on various activities, such as work planning, the analysis and monitoring of corrective actions derived from incidents and accidents, internal audits, periodic inspections of the facilities and supervision of maintenance work and operations.

38 OTHER RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Environmental risks
Certain activities of companies within the Group, for instance CEPSA, may give rise to an impact on the environment through emissions into the air, water, soil and ground water and also through the handling and treatment of waste. In this connection, the Group ensures that all its industrial plants are awarded their integrated environmental permits, which involve rigorous control over their processes with the aim of minimizing impact on the environment. Further, the Group's objective is to minimize the impact of its activities on the environment where it operates its industrial plants, which is reflected in internal environmental protection policies of the group companies and is regulated by the relevant authorities.

39 ASSETS UNDER MANAGEMENT

	2013	*2012*
	US $ '000	*US $ '000*
Real estate (including mutual funds)	**504,815**	1,827,694
Cash and cash equivalents	**2,454,271**	2,413,933
Fixed income instruments (bonds, loans and mutual funds)	**1,633,118**	1,865,686
Equities (stocks and mutual funds)	**10,678,272**	4,913,534
Assets under management and custody by the Group	**15,270,476**	11,020,847
Assets not in the custody of the Group	**2,581,913**	2,251,446
	17,852,389	13,272,293

These amounts are not reported in the consolidated financial statements, as they are not assets of the Group. The Group has no client assets which are held for custody only. For all of the assets listed above, additional services are provided, which go beyond pure custody services.

Of the assets not within the custody of the Group, US $ 2,444 million (31 December 2012: US $ 2,141 million) are related to client assets held by Bank Zweiplus, which is an associate of the Group. The client assets considered in this note equal 42.5% (2012: 42.5%) (the Group's share) of the total client assets reported by Bank Zweiplus. Earnings from managing or custody services with respect to these client assets are not included in the revenue of the Group but are captured in the share of profit of associate in the consolidated statement of profit or loss.

40 COMMITMENTS AND CONTINGENCIES

	2013	*2012*
	US $ '000	*US $ '000*
Guarantees		
Financial guarantees (see note 34(i))	**3,500,000**	3,500,000
Guarantees and letters of credit	**2,137,054**	2,108,734
Guarantees in favor of associated companies	**2,976**	27,248
	5,640,030	5,635,982
Feedstock purchase commitments		
Up to 1 year	**2,062,215**	2,139,627
1 to 5 years	**6,516,775**	6,628,547
Beyond 5 years	**13,728,975**	10,500,556
	22,307,965	19,268,730
Operating lease commitments		
Up to 1 year	**250,474**	247,504
1 to 5 years	**746,304**	565,144
Beyond 5 years	**528,142**	510,144
	1,524,920	1,322,792
Capital commitments		
Property, plant and equipment	**1,918,686**	1,156,776
Investment property	**752,714**	786,427
Investments in equity instruments	**240,906**	119,428
Intangible assets	**7,795**	4,482
Fiduciary assets*	**837,195**	993,629
	3,757,296	3,060,742

* A fiduciary asset is a placement made with another bank or loan granted to an institution in the name of Falcon Bank, but for the account and the risk of customer of the bank. Assets held in fiduciary capacity are reported as off balance sheet items in the consolidated financial statements, as they are not the assets of the Group.

41 LITIGATION

A claim was filed against NOVA in the Court of Queen's Bench of Alberta by Dow Chemical Canada ULC and its European affiliate (collectively, "Dow Canada") concerning the third ethylene plant at NOVA's Joffre site. Dow Canada has amended its initial statement of claim and has claimed for further losses and damages in an amount to be proven at trial of this action. In its most recent amendment, Dow Canada estimates its claim at an amount exceeding $400 million. NOVA initially counterclaimed in the same action. NOVA also amended its statement of defence and counterclaim. The amount of the counterclaim is estimated in NOVA's most recent amendment at approximately $350 million. A trial is currently scheduled to commence in September 2014.

In 2005, The Dow Chemical Company ("Dow Chemical") filed suit against NOVA in the Federal District Court in Delaware alleging that certain grades of NOVA's SURPASS® polyethylene film resins infringe two Dow Chemical patents. In 2010, a jury trial took place and a judgment of infringement against NOVA was entered on June 18, 2010. Dow Chemical was awarded certain amounts for damages and pre-judgment interest. In 2012, after unsuccessful appeals, NOVA paid Dow Chemical approximately $77 million. A Supplemental Damages Bench Trial was held on April 30, 2013 and May 1, 2013 to determine any additional damages that should be awarded to Dow Chemical based on sales of certain grades of NOVA's SURPASS resin in the United States from January 1, 2010 through the expiration of the patents on October 15, 2011. The court issued a decision in March 2014. Approximately $30 million was awarded to Dow Chemical for supplemental damages. NOVA is assessing its options with regards to the court's decision.

In December 2010, Dow Chemical filed a Statement of Claim against NOVA in Federal Court in Canada alleging that certain grades of NOVA's SURPASS polyethylene film resins infringe a Dow Chemical Canadian patent, and in March 2011, NOVA filed its statement of defences and counterclaim. A trial on the infringement issue commenced in September 2013 and concluded in November 2013. A decision is expected in 2014. If necessary, a subsequent trial to determine damages will be held at a future date. It is too early for NOVA to assess the potential outcome of this litigation, including any financial impact.

42 EVENTS AFTER THE REPORTING PERIOD

(i) In January 2014, Aabar entered into a series of transactions relating to the Daimler AG shares and the related derivatives. This has led to the derecognition of the derivatives and the shares upon consolidation within the Group.

(ii) In January 2014, Aabar has signed a term facility agreement for a total amount of US$ 178 million. The loan carries an interest of LIBOR plus a margin. The loan is repayable in semi-annual instalments after the expiry of a grace period and the expected final maturity in 2028. The loan is guaranteed by a European export credit agency.

(iii) In January 2014, CEPSA completed the merger of Coastal Energy Company ("Coastal") with Condor Acquisition (Cayman) Limited, a newly-incorporated entity controlled by CEPSA for CAD 2.3 billion (US $ 2.2 billion). Coastal is an international exploration and production company with its principal assets in Thailand and Malaysia. The initial accounting for the business combination is incomplete at the time these consolidated financial statements were authorised for issue; therefore the required disclosure for business combination could not be made.

(iv) In January 2014, Aabar repaid in full a term loan amounting to EUR 200 million. The loan carried an interest rate of EURIBOR plus a margin.

(v) In February 2014, Aabar entered into rolling credit facility for US$ 100 million. The loan carries an interest rate of LIBOR plus a margin and is renewable every three months. The loan has been fully drawn.

42 EVENTS AFTER THE REPORTING PERIOD continued

(vi) On 27 February 2014, the Company refinanced its EUR 505 million and US $ 170 million facility dated 1 March 2012 through its revolving credit facility dated 19 December 2013 with an interest rate of margin plus LIBOR for a three year tenor.

(vii) On 5 March 2014, the Company converted the IPBC exchangeable bonds into shares of Oil Search Limited (note 24).

(vii) On 11 March 2014, CEPSA signed a Multicurrency Term and Revolving Facilities Agreement amounting to EUR 1.5 billion. The financing is available as a term loan of EUR 500 million with a 3-year tenor and a revolving credit facility of EUR 1 billion with a 5-year tenor. The rate of interest is the aggregate of the applicable margin over EURIBOR (or in relation to any loan in USD, LIBOR). On 20 March 2014, CEPSA has drawn down EUR 500 million.

(viii) On 7 April 2014, the Company partially paid down and refinanced its US $ 1.4 billion facility dated 5 April 2011 by utilizing cash and drawing US $ 1.0 billion on its over draft facility with an interest rate of margin plus LIBOR.

(ix) On 17 April 2014, the Company received a second advance payment of US $ 2.0 billion for the ADCOP. In early 2014, the parties agreed on the pricing, timeline and other aspects of the transfer of ADCOP to ADNOC (note 16).

(x) On 17 April 2014, the Company paid down US $ 1.3 billion on its overdraft facility.

43 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Related parties comprise major shareholders, directors and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties. The terms of these transactions are approved by each Company's management and are made on the terms agreed by the Board of Directors or management.

Compensation of the Company's key management personnel and Board of Directors
The remuneration of senior key management personnel and the Board of Directors of the Company during the year was as follows:

	2013	*2012*
	US $ '000	*US $ '000*
Short-term benefits	**5,905**	5,630
Board of directors' remuneration	**1,144**	1,144
	7,049	6,774

43 RELATED PARTY TRANSACTIONS continued

	Goods and services				*Financing*			
Business relationship	*Purchases from US $ '000*	*Sales to US $ '000*	*Receivables from US $ '000*	*Payables to US $ '000*	*Others payables US $ '000*	*Other assets US $ '000*	*Interest received US $ '000*	*Interest paid US $ '000*
2013								
Associates	**2,790,847**	**1,849,442**	**318,314**	**569,199**	**-**	**536,987**	**59,018**	**188**
Joint ventures	**414,244**	**1,093,132**	**79,970**	**53,647**	**41,410**	**233,822**	**6,937**	**142**
Others	-	-	**33,862**	**1,547**	**4,138**	-	-	-
Entities under common management of key management personnel of the Company	**15,150**	**-**	**-**	**-**	**68,201**	**1,222,640**	**115,762**	**-**
	3,220,241	**2,942,574**	**432,146**	**624,393**	**113,749**	**1,993,449**	**181,717**	**330**

Business relationship	*Purchases from US $ '000*	*Sales to US $ '000*	*Receivables from US $ '000*	*Payables to US $ '000*	*Others payables US $ '000*	*Loans US $ '000*	*Interest received US $ '000*	*Interest paid US $ '000*
2012								
Associates	2,757,228	2,684,692	364,498	461,799	35,339	515,213	23,712	15
Joint ventures	375,030	1,144,614	115,398	36,741	52,618	269,540	5,490	393
Others	-	-	22,385	2,445	-	9,487	-	-
Entities under common management of key management personnel of the Company	22,158	-	-	-	150,122	1,021,127	97,245	-
	3,154,416	3,829,306	502,281	500,985	238,079	1,815,367	126,447	408

Terms and conditions of transactions with related parties

Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash or in shares. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2013, the Group has not recorded any impairment of receivables relating to amounts owed by related parties except for an amount of US $ 50 million on loan provided to an associate (2012: US $ nil). This assessment is undertaken at the end of each financial year through examining the financial position of the related party and the market in which the related party operates.

43 RELATED PARTY TRANSACTIONS continued

Pursuant to the 29 May 1984 by Emiri Decree No 3/1984 (subsequently replaced by Emiri Decree No 2/1986), the Company is wholly owned by the Government of Abu Dhabi.

The Group, in the ordinary course of business, enter into various transactions including borrowings and bank deposits with financial institutions which may be majority-owned or significantly influenced by the Government of Emirate of Abu Dhabi. The effect of these transactions is included in the consolidated financial statements. These transactions are made at terms equivalent to those that prevail in arm's length transactions. There are no collaterals provided against borrowings from related parties.

	2013				*2012*			
Business relationship	***Cash and cash equivalents US $ '000***	***Borrowings US $ '000***	***Interest income US $ '000***	***Interest expense US $ '000***	*Cash and cash equivalents US $ '000*	*Borrowings US $ '000*	*Interest income US $ '000*	*Interest expense US $ '000*
Financing:								
Entities under common shareholder - the Government of Emirate of Abu Dhabi	**610,678**	**2,485,528**	**5,178**	**105,590**	622,231	4,352,324	9,745	124,498