International Petroleum Investment Company PJSC and its subsidiaries

CHAIRMAN'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2010

International Petroleum Investment Company PJSC and its subsidiaries

CHAIRMAN'S REPORT

31 DECEMBER 2010

CHAIRMAN'S REPORT TO THE SHAREHOLDER

The success of IPIC as a cornerstone Abu Dhabi institution is due in no small measure to the visionary and dedicated leaders of Abu Dhabi with their clear focus on diversification, wealth creation and preservation, and governance.

We live in changing times, a world wrought with political, economic and social uncertainty. In today's world, economies have become largely interdependent, and no country can claim to be completely shielded. It is in the wise vision of our leaders, initially chartered by the late His Highness Sheikh Zayed bin Sultan Al Nahyan (may Allah bless his soul), and now championed by His Highness Sheikh Khalifa bin Zayed Al Nahyan the President of the UAE and Ruler of Abu Dhabi along with His Highness General Sheikh Mohamed bin Zayed Al Nahyan the Crown Prince of Abu Dhabi and Deputy Supreme Commander of the UAE Armed Forces, that sustainable development and diversification can equip a nation to weather the most turbulent of downturns.

IPIC has led in the forefront of this ethos since 1984 with a focused mandate to invest internationally in the energy sector diversifying Abu Dhabi's core hydrocarbon upstream economy. In doing so, we are enriching the nation with a wealth of technology and skill sets that assist our Government to compete on a global scale. Today, I am pleased to highlight that IPIC operates on 5 different continents, manages nearly US $ 50 billion of highly tangible quality assets, as at 31 December 2010, throughout the hydrocarbon value chain, and has achieved its 27th consecutive year in profit making.

2010 was a year of inward focus after 2009's heightened acquisition activity. 2009 brought unprecedented value propositions and through strategic investments, we grew our balance sheet from US $ 23.3 billion at 31 December 2008 to US $ 47.9 billion at 31 December 2010. As a prudent and forward thinking institution, we had identified the need for 2010 to be a year of further enhancing the relationships already established through our previous investments while establishing a new framework for growth in our newly acquired companies. Furthermore, at both the IPIC parent level and across our subsidiaries, we reinforced our commitment to capital efficiency and long-term financial discipline.

As custodian of Abu Dhabi's endowed natural wealth and as ambassador to the global market place, we will continue to implement the vision of our leadership and enhance our proven partnership based business model. We will ensure that we are innovative and transparent. We will lead by example and set forth a template for value creation that both Emiratis and the world will admire. This is our commitment.

The Energy Sector

2010 in Review

The macroeconomic environment and world energy markets saw growth and increased stability in 2010, a welcome development following the turmoil of the global financial crisis of 2009.

Energy and petrochemicals demand is closely linked to economic activity, and so the return to positive year-over-year GDP growth in the US, EU and Japan in 2010 following negative growth in 2009 was clearly encouraging. Governments around the world spurred economic growth with stimulative fiscal and monetary policies, but growing budget deficits call the sustainability of the stimulus efforts into question.

Crude oil prices recovered in 2010 as well. Brent crude averaged US $ 79.73 per barrel in 2010 compared to. US $ 62.04 in 2009. Additionally, prices were relatively stable, with Brent crude moving within a US $ 70 to US $ 80 band for much of the year. Total world crude oil demand reacted positively to the economic growth noted above,

with average demand of 87.1 million barrels per day in 2010, up 2.7% from 2009. By the end of 2010, average demand was running at almost 90 million barrels per day.

Increased demand for refined products helped boost worldwide refinery utilization in 2010, which positively affected refining margins. Worldwide refining margins averaged US $ 4.44 per barrel, up about 10% from 2009. Improvement was strongest in the Mediterranean region, while Northwest Europe still suffered from excess refining capacity.

Petrochemical markets also recovered from the lows of 2009, due to improved demand and cost-push from increased feedstock prices. Ethylene prices in Northwest Europe rose from a low of US $ 510 per ton in early 2009 to average almost US $ 1,100 per ton for all of 2010. Similarly, US polyethylene prices rose from a low of US $ 638 per ton in 2009 to average US $ 1,243 for all of 2010.

Outlook for 2011

The outlook for 2011 is cautiously optimistic. The global economic recovery is still somewhat tentative, and as noted above, still reliant on unsustainable stimulus spending plans which will have to be withdrawn at some point. If economic growth fully takes hold in 2011, building on the initial gains of 2010, the outlook would be bright.

Oil prices have rallied strongly, beginning in the fourth quarter of 2010 and continuing to date in 2011. Increasing demand from China and India, coupled with slightly constricted supply due to conflict in Libya, have spurred Brent crude to over US $ 120 per barrel. On top of growing demand, a weaker US dollar has had a strong impact on dollar-denominated crude pricing. To illustrate, the cost of a barrel of Brent crude has risen by 36% since the beginning of 2011 in US dollar terms, but has only risen 18% in euro terms.

While the strength in crude prices is welcome news to our upstream businesses, it does increase feedstock costs for our petrochemical businesses and could reduce refining margins for our downstream businesses should input costs rise faster than our ability to pass them through to end customers.

Lastly, rising oil prices have led to a sharp increase in valuations for upstream assets around the world, both conventional and unconventional. While we continue to seek out opportunities to grow our upstream portfolio, we will do so with financial discipline and an eye on long-term value creation.

A Focus on Our Subsidiaries

Aabar Investments

Aabar is a strategic investment vehicle for the Government of Abu Dhabi and plays an ever increasingly important role in the long-term diversification strategy of the Emirate. As a result and at the direction of our shareholder, IPIC decided in 2010 to make a public offer for all its shares and to ultimately delist the company from the Abu Dhabi Stock Exchange with a view of streamlining decision making during the investment process and in light of the strategic nature of its assets.

Aabar's portfolio includes investments in the automotive, aerospace and aviation, banking and real estate sectors. Notably, Aabar is the largest shareholder in Daimler AG and in 2010 it had acquired stakes in UniCredit and Virgin Galactic. As Aabar continues to evaluate investments on behalf of the Government in strategic sectors which are not covered by other institutions, we look forward with excitement in working closely with them through the various stages of the investment process, from origination through to execution.

Further illustrating the importance of Aabar to the Government, during 2010, IPIC utilized its purchase agreement for mandatory convertible bonds signed with Aabar in 2009, to provide the company with further equity injection, increasing IPIC's overall stake. This trend continued into 2011 when we fully subscribed for all remaining convertible bonds, which ultimately raised our stake to 93.1 per cent post conversion.

Ferrostaal

2010 has been a difficult year for Ferrostaal. As a provider of industrial engineering services, Ferrostaal typically feels the effects of economic downturns about 12-18 months following their initial onset. As a result, Ferrostaal has seen significant reduced order intake in the 2010 year. Additionally, throughout 2010, Ferrostaal continued to work closely with the Munich Public Prosecutor in respect to the ongoing compliance investigation relating to Ferrostaal's past business practices, and for which Ferrostaal has incurred significant consultancy costs.

While the business practices under investigation all predate IPIC's involvement with Ferrostaal, IPIC continues to work closely with all parties to try to bring a resolution to this matter as soon as possible. We continue to pursue a settlement with the other shareholder of Ferrostaal.

Our investment into Ferrostaal was made and continues with the view of obtaining critical knowledge and technology in the industrial engineering services sector and for it to play a key role in partnering with IPIC and its projects.

Nova Chemicals

Nova Chemicals, our first fully owned subsidiary added healthily to our bottom line and embodies the turnaround story that illustrates the long-term value we identified in the company. Their EBITDA margin of 17.4% in comparison to 13.2% from the year before shows this best. Despite its healthy profits for 2010, we have looked to maintain cash at the subsidiary level in-line with our long-term objectives for growth and balance sheet optimization.

Nova Chemicals operations are divided principally into two business units: the olefin/polyolefin business unit which produces and markets ethylene, polyethylene, higher-value polyethylene and a variety of chemical and energy products, and the performance styrenic business, which produces and markets expandable polystyrene in North America, as well as higher value styrenic products. Not only does Nova Chemicals add to our petrochemical product line, but it is also an important marketing and production foothold for IPIC in the North American market as feedstock advantage, known as the Alberta Advantage, is key in this business.

We believe Nova Chemicals will continue to deliver to our bottom line in that geographic segment and will soon play an increasing role in the development of Abu Dhabi's long-term petrochemical aspirations as their proven technologies and product lines are brought to bear here in the UAE. Nova Chemicals has a world class propriety technology that fully complements Borealis technology and product range.

Borealis

Borealis is one of the oldest of our subsidiaries and through this investment, acted as the catalyst for the growth of Abu Dhabi's petrochemical industry. Though Borealis is exposed to the cyclicality of the petrochemical industry, we are pleased to highlight that through its proven technologies and prudent management, it had weathered the bottom of the cycle and, in 2010, was in a position to release dividends to its shareholders.

Based in Vienna, Austria, Borealis is a major polyolefin producer, focused on polyethylene and polypropylene materials. They provide solutions for pipe systems, energy and communication cables, and automotive and advanced packaging materials. Borealis, in its European facilities, also produces ethylene and propylene as well as other base chemicals including phenol, acetone and melamine, as well as certain fertilizers. Through our investment with Borealis, IPIC and Abu Dhabi gained access to proprietary BorStar® technology making the group's olefins products lead standards in the market place.

We had acquired our interest in Borealis to garner the technology that would be used to develop Borouge and the plastics industry in Abu Dhabi. It is also important to note that Borealis complements OMV's refining operations, a non-consolidated investment of which we own 20%, which produces the feedstocks, ethylene and propylene.

Borouge is Abu Dhabi's largest and most technologically advanced petrochemicals operation to-date. Through our investment in Borealis and its 40% Joint Venture with ADNOC, we have developed domestic petrochemical production from 0 tonnes of polyolefin in 1997, to 650,000 tonnes in the mid 2000s and currently, a capacity in excess of 2 million tonnes per year. This poignantly highlights IPIC's role in its mandate to diversify the economy, transfer technologies, and develop the industry.

In partnership with Borealis, we look to progress the milestones achieved so far in Abu Dhabi's petrochemical aspirations and look forward in high anticipation to the delivery of Borouge 3 in 2014 that will increase capacity its total capacity to 4.5 million tonnes.

A Note on Divestments

IPIC identifies itself as a long-term investor and in our 27 year history, have only divested four times. In 2010, as a result of an arbitral award, we had divested our 70% stake in Hyundai Oilbank, a subsidiary which had been with us since 1999. Our divestment resulted in a 3x return on our initial investment and added to the buoyant liquidity we enjoyed throughout the year. The resulting gain further reinforces the value of IPIC shareholding and management contributions. We look to continuously provide this value add to our investments.

Liquidity

The most prevalent theme over the past few years in the global economy was and continues to be liquidity. IPIC enjoys multiple sources of capital and is committed to further enhancing and developing its capital structure. Up to 2005, the Government of Abu Dhabi, as sole shareholder, funded all acquisitions and operations. Equity contributions to date are US $ 3.5 billion and in addition, during 2010, a perpetual shareholder loan of US $ 500 million was provided for the Qatar and Abu Dhabi Investment Company (QADIC), a state-to-state relationship held through IPIC and Qatar Investment Authority.

However, in 2005, as part of a wider Abu Dhabi Government initiative, IPIC was directed to develop an enhanced and diversified capital structure which started with our first banking loan. The next process in the evolution was to obtain our ratings (AA/AA/Aa3 by S&P, Fitch, and Moodys respectively), followed then by our 2010 inaugural US $ Debt Capital Market (DCM) bond issuance, and most recently, our hugely successful 2011 Euro/Sterling DCM issuance.

Prior to the year in review, our maturity profile was relatively short in horizon. With our most recent Euro/Sterling trades, we have established a multi-currency yield curve out to 15 years. The issuances in the capital markets and the processes which lead up to it marked a philosophical transition for our organization, and disclosing our financial statements marks an important evolutionary step for our transparency and governance.

Our nearly US $ 7 billion of AA/AA/Aa3 rated IPIC Bonds serve as real-time public markers of our credit quality. These new stakeholders offer a new element of depth and diversity to our capital base. Our desire is to ensure our access is long lived and well received; therefore our commitment to transparency, sound credit fundamentals, and relationship management are paramount.

We ended the year with a flexible net cash position and at the parent level, had a healthy debt coverage ratio of 7.3x.

Looking Forward

The Government has ambitions growth and diversification plans and we expect that our investment strategy will keep pace with these ambitions and that our portfolio will continue to grow in a manner that adds value and balance to our shareholder, the Government, and our existing portfolio. Areas that we have identified are in the upstream, utilities and service segments. Furthermore, we continuously look to undertake critical national security infrastructure projects related to the domestic hydrocarbon industry on behalf of the Government.

As we are mandated to deliver strategic domestic projects for the nation and to expand Abu Dhabi's global footprint through investment internationally, we would like to take a moment and highlight the importance of a few key investments.

Nationally, ADCOP, the crude oil pipeline which will bypass the Straits of Hormuz delivering Abu Dhabi's crude to the deep sea ports on the Indian Ocean and to the rest of the world, is on track for soft commissioning later this year. This project is of strategic importance as it will serve not only as mitigant to potential supply disruptions, but as a cost efficient way to export larger volumes of crude. It is also important to note that there are national benefits by way of further developing the industries in Fujairah related to petroleum processing and shipment. Further, the Government has recently provided the green light for IPIC to develop a 200,000 bpd refinery which complements our pipeline infrastructure. Naturally, through the development of our portfolio group of companies we are well positioned to utilize in-house skills and technologies to deliver upon the Government's request.

Internationally, CEPSA, our oldest of investments, will not only serve as a platform for future growth in all aspects of the hydrocarbon value chain but will also enable IPIC and Abu Dhabi to expand into new jurisdictions. CEPSA, on a pro-forma basis, once fully consolidated as a 100% subsidiary, will increase our asset base to nearly US $ 60 billion. The company has been a consistent dividend provider and as a fairly under-leveraged company, the potential for further value creation is high. CEPSA, as a fully owned addition to our portfolio, is credit positive.

In relation to our role in Abu Dhabi's economic strategy, we at IPIC are committed to developing and maintaining Abu Dhabi's market share in the global hydrocarbon sector, securing and developing end markets for Abu Dhabi's crude, diversifying the domestic economy, transferring knowledge and technologies for the benefit of broader domestic economic and Emiratization goals, and finally in building and solidifying state-to-state relationships. In fulfilling these mandates, we are focused on returns.

Appreciating Our Stakeholders

IPIC benefits from one of the most senior board of directors in Abu Dhabi. Past and present, they continue to guide the strategic direction and vision of IPIC. I thank all of them for their wise counsel and strong support over this year.

I also wish to thank the boards, management and staff of companies in our portfolio for steering their businesses through the global financial crisis. Most of our portfolio companies have delivered strong results despite a tough global environment, particularly in the petrochemicals sectors.

Furthermore, I would also like to take the opportunity to thank our previous, current and new stakeholders in both the banking and capital markets. We view this relationship as a partnership.

Finally, I wish to convey our profound appreciation 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, for their continued support of IPIC's activities.

Abu Dhabi, May 2011

MANSOUR BIN ZAYED AL NAHYAN

CHAIRMAN OF THE BOARD OF DIRECTORS

International Petroleum Investment Company PJSC and its subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2010

ERNST & YOUNG

P.O. Box 136
11th Floor - Al Ghaith Tower
Hamdan Street
Abu Dhabi, United Arab Emirates
Tel: +971 2 417 4400
+971 2 627 7522
Fax: +971 2 627 3383
www.ey.com/me

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 2010 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

ERNST & YOUNG

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2010 and its consolidated financial performance and consolidated 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.

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

12 May 2011
Abu Dhabi

CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2010

	Notes	**2010** **US $ '000**	2009 US $ '000 Reclassified*
CONTINUING OPERATIONS			
Revenues		**15,366,952**	9,917,370
Cost of sales	11	**(12,468,481)**	(8,392,547)
Gross profit		**2,898,471**	1,524,823
Share of post tax profits of associates and jointly controlled entities	5	**704,441**	140,965
Selling and distribution costs	11	**(940,154)**	(810,508)
General and administrative expenses	11	**(916,877)**	(613,260)
Research and development expenses	11	**(149,737)**	(128,276)
Operating profit		**1,596,144**	113,744
Net foreign exchange gain (loss)		**345,663**	(108,971)
Finance income	6	**257,059**	613,984
Finance costs	7	**(833,331)**	(715,610)
Other income		**146,972**	185,007
Other expenses	11	**(692,399)**	(32,272)
Gains on acquisitions and disposals	8	**137,138**	3,119,182
Other (losses) gains on financial instruments	9	**(336,851)**	727,503
Profit before tax from continuing operations		**620,395**	3,902,567
Tax expense	10	**(471,260)**	(37,893)
Profit for the year from continuing operations		**149,135**	3,864,674
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations	12	**1,199,038**	284,592
PROFIT FOR THE YEAR		**1,348,173**	4,149,266
Profit for the year attributable to:			
Equity holder of the parent		**1,245,187**	3,828,797
Non-controlling interests		**102,986**	320,469
		1,348,173	4,149,266
		US $	*US $*
Basic and diluted earnings per share attributable to equity holder of the parent	13	**356**	1,094
Basic and diluted earnings per share from continuing operations attributable to equity holder of the parent	13	**39**	1,037

*Certain amounts shown here do not correspond to the 2009 consolidated financial statements, as disclosed in Note 41.

The attached notes 1 to 41 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2010

	2010 *US $ '000*	*2009* *US $ '000*
PROFIT FOR THE YEAR	**1,348,173**	4,149,266
Exchange (loss) gain on translation of foreign operations	**(162,108)**	261,658
Gains arising during the year on hedge of net investment	**11,459**	18,796
Reclassification during the year to the consolidated income statement	**8,130**	-
Deferred tax expense from hedge of net investment	**(6,780)**	(5,316)
	12,809	13,480
Actuarial losses on defined benefit plans	**(148,557)**	(25,799)
Deferred tax credit from defined benefit plans	**15,457**	12,736
	(133,100)	(13,063)
Gains (losses) arising during the year on cash flow hedges	**492**	(81,513)
Reclassification during the year to the consolidated income statement	**48,142**	64,295
Deferred tax (expense) credit from cash flow hedges	**(19,804)**	509
	28,830	(16,709)
Gains (losses) arising during the year on available-for-sale financial assets	**319,025**	(30,145)
Reclassification during the year to the consolidated income statement	**(93,619)**	-
Deferred tax expense from available-for-sale financial assets	**(114)**	-
	225,292	(30,145)
Share of other comprehensive (loss) income of associates and jointly controlled entities	**(523,775)**	108,987
OTHER COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	**(552,052)**	324,208
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**796,121**	4,473,474
Total comprehensive income for the year attributable to:		
Equity holder of the parent	**727,268**	4,050,239
Non-controlling interests	**68,853**	423,235
	796,121	4,473,474

The attached notes 1 to 41 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

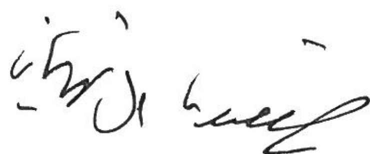
At 31 December 2010

	Notes	***At 31 December 2010 US $ '000***	*At 31 December 2009 US $ '000 Reclassified**	*At 1 January 2009 US $ '000 Reclassified**
ASSETS				
Non-current assets				
Property, plant and equipment	14	**9,842,760**	9,271,973	5,265,478
Intangible assets	15	**1,330,902**	1,548,546	324,523
Investment properties	17	**1,292,574**	18,547	-
Investments in associates and jointly controlled entities	5	**10,922,636**	10,300,463	1,115,351
Deferred tax assets	10	**335,391**	396,103	281,168
Investments in financial instruments	18	**10,819,947**	7,924,380	5,382,811
Trade and other receivables	19	**74,063**	71,429	-
Other non-current assets	20	**3,981,649**	3,992,192	262,777
		38,599,922	33,523,633	12,632,108
Current assets				
Inventories	21	**2,052,522**	2,346,665	1,760,865
Trade and other receivables	19	**2,847,167**	2,219,727	882,421
Investments in financial instruments	18	**425,554**	48,892	5,072,281
Other current assets	20	**743,302**	760,422	940,061
Cash and short-term deposits	22	**3,150,931**	2,533,118	1,957,868
		9,219,476	7,908,824	10,613,496
Assets included in disposal groups held-for-sale	12	**59,179**	4,838,944	22,496
TOTAL ASSETS		**47,878,577**	46,271,401	23,268,100
EQUITY AND LIABILITIES				
Equity attributable to equity holder of the parent				
Share capital	23	**3,500,000**	3,500,000	3,500,000
Shareholder loan	24	**500,000**	-	-
Retained earnings		**7,360,086**	5,935,462	2,122,073
Other reserves	25	**2,973,363**	3,337,834	3,100,984
		14,333,449	12,773,296	8,723,057
Non-controlling interests		**1,672,429**	2,545,085	1,530,673
Total equity		**16,005,878**	15,318,381	10,253,730

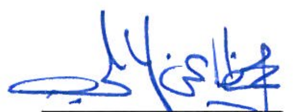
*Certain amounts shown here do not correspond to the 2009 consolidated financial statements, as disclosed in Note 41.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION continued
At 31 December 2010

	Notes	***At 31 December 2010 US $ '000***	*At 31 December 2009 US $ '000 Reclassified**	*At 1 January 2009 US $ '000 Reclassified**
EQUITY AND LIABILITIES continued				
Non-current liabilities				
Borrowings	26	**19,161,098**	10,382,235	2,840,603
Defined benefit plan deficit	27	**723,599**	654,882	264,459
Deferred tax liabilities	10	**1,525,668**	1,398,991	461,441
Derivative financial liabilities	31	**2,377,638**	1,192,325	-
Provisions	28	**321,527**	177,876	104,758
Trade and other payables	29	**48,249**	70,487	-
Other non-current liabilities	30	**148,940**	157,531	89,234
		24,306,719	14,034,327	3,760,495
Current liabilities				
Trade and other payables	29	**3,314,140**	3,025,713	1,088,541
Borrowings	26	**1,880,143**	7,052,681	6,889,000
Other current liabilities	30	**1,720,680**	2,582,353	1,059,435
Derivative financial liabilities	31	**373,446**	393,688	159,914
Provisions	28	**277,571**	395,490	35,895
		7,565,980	13,449,925	9,232,785
Liabilities included in disposal groups held-for-sale	12	**-**	3,468,768	21,090
Total liabilities		**31,872,699**	30,953,020	13,014,370
TOTAL EQUITY AND LIABILITIES		**47,878,577**	46,271,401	23,268,100



CHAIRMAN



DEPUTY CHAIRMAN

MANAGING DIRECTOR

*Certain amounts shown here do not correspond to the 2009 consolidated financial statements, as disclosed in Note 41

The attached notes 1 to 41 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2010

	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* US $ '000
Balance at 1 January 2009	3,500,000	-	2,122,073	3,100,984	8,723,057	1,530,673	10,253,730
Profit for the year	-	-	3,828,797	-	3,828,797	320,469	4,149,266
Other comprehensive income for the year	-	-	-	221,442	221,442	102,766	324,208
Total comprehensive income for the year	-	-	3,828,797	221,442	4,050,239	423,235	4,473,474
Movement in other reserves	-	-	(15,408)	15,408	-	-	-
Share capital increase	-	-	-	-	-	1,848	1,848
Dividends paid to non-controlling shareholders	-	-	-	-	-	(13,977)	(13,977)
Acquisition of interest in a subsidiary	-	-	-	-	-	603,306	603,306
Balance at 31 December 2009	3,500,000	-	5,935,462	3,337,834	12,773,296	2,545,085	15,318,381
Profit for the year	-	-	1,245,187	-	1,245,187	102,986	1,348,173
Other comprehensive loss for the year	-	-	-	(517,919)	(517,919)	(34,133)	(552,052)
Total comprehensive income for the year	-	-	1,245,187	(517,919)	727,268	68,853	796,121
Dividends paid to non-controlling shareholders	-	-	-	-	-	(22,136)	(22,136)
Acquisition of additional interest in a subsidiary	-	-	229,798	-	229,798	(459,571)	(229,773)
Disposal of interest in a subsidiary (Note 38)	-	-	(50,361)	153,448	103,087	(459,802)	(356,715)
Shareholder loan	-	500,000	-	-	500,000	-	500,000
Balance at 31 December 2010	**3,500,000**	**500,000**	**7,360,086**	**2,973,363**	**14,333,449**	**1,672,429**	**16,005,878**

The attached notes 1 to 41 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2010

	Notes	*2010* *US $ '000*	*2009* *US $ '000* *Reclassified**
OPERATING ACTIVITIES			
Profit before tax		**2,094,098**	4,116,714
Adjustments for:			
Depreciation of property, plant and equipment	14	**544,757**	564,272
Depreciation of investment properties	17	**69**	747
Amortisation of intangible assets	15	**160,156**	141,738
Impairment of property, plant and equipment		**37,456**	774
Impairment of investment properties		**514,810**	50
Impairment of intangible assets		**3,978**	7,378
Impairment of goodwill		**97,533**	-
Gains on disposals and acquisitions		**(1,536,032)**	(3,119,182)
Other gains (losses) on financial instruments		**336,851**	(727,503)
Finance income		**(348,663)**	(613,984)
Finance expense		**922,118**	715,610
Unrealised exchange difference		**(478,107)**	17,657
Share of post tax profits of associates and jointly controlled entities		**(743,197)**	(140,965)
Other non-cash adjustments		**136,282**	1,630
		1,742,109	964,936
Working capital changes:			
Inventories		**(187,725)**	(185,389)
Trade and other receivables		**(858,327)**	(401,764)
Accounts payable and accruals		**505,683**	597,787
Other assets and liabilities		**(512,781)**	(489,230)
		688,959	486,340
Income tax paid		**(171,870)**	(10,560)
Net cash from operating activities		**517,089**	475,780
INVESTING ACTIVITIES			
Purchase of subsidiaries, net of cash acquired		**-**	(1,771,758)
Purchase of financial investments		**(2,416,185)**	(1,473,058)
Acquisition of associates and jointly controlled entities		**(392,168)**	(4,865,363)
Purchase of property, plant and equipment		**(1,987,882)**	(2,367,955)
Purchase of intangible assets		**(54,708)**	(56,206)
Purchase of derivative financial instruments		**(550,365)**	(627,701)
Advances on investment properties		**(671,732)**	(1,377,672)
Acquisition of additional interest in a subsidiary		**(229,773)**	-
Proceeds on disposal of a subsidiary		**1,782,318**	-
Proceeds on the sale of property, plant and equipment		**606,764**	58,013
Proceeds on the sale of investment property		**14,563**	-
Proceeds on the sale of financial investments		**969,389**	7,148,994
Proceeds on disposal of and associate		**19,958**	-
Interest received		**124,472**	399,048
Dividend received		**311,832**	278,261
Income tax paid		**(236,443)**	-
Repayment of loan from associates		**93,232**	-
Capital contribution to associates		**(282,756)**	-
Payments on other assets		**(718,172)**	-
Other investing activities		**-**	1,796
Net cash used in investing activities		**(3,617,656)**	(4,653,601)

* Certain amounts shown here do not correspond to the 2009 consolidated financial statements, see Note 41

CONSOLIDATED STATEMENT OF CASH FLOWS continued
Year ended 31 December 2010

	Notes	*2010* *US $ '000*	*2009** *US $ '000* *Reclassified**
FINANCING ACTIVITIES			
Proceeds from borrowings		**15,638,350**	15,361,258
Repayments of borrowings		**(11,976,464)**	(9,775,521)
Interest paid		**(675,812)**	(533,404)
Proceeds from issue of share capital		**-**	1,848
Proceeds from shareholder loan		**500,000**	-
Dividends paid to minority interests		**(22,136)**	(13,977)
Net cash from financing activities		**3,463,938**	5,040,204
INCREASE IN CASH AND CASH EQUIVALENTS		**363,371**	862,383
Net foreign exchange difference		**(102,269)**	68,666
Cash and cash equivalents at 1 January		**2,888,917**	1,957,868
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	22	**3,150,019**	2,888,917
Analysed as follows:			
Bank balances and cash		**3,150,019**	2,533,118
Bank balances and cash from assets held-for-sale		**-**	355,799
		3,150,019	2,888,917

* Certain amounts shown here do not correspond to the 2009 consolidated financial statements.

The attached notes 1 to 41 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 24 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 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 companies concentrating on petroleum refining and related upstream and downstream distribution and service networks. The Company has control over Aabar Investments PJS ("Aabar"), which is engaged in investing activities in various growth industries.

As of 31 December 2010, the Company had control over four significant operating companies either directly or through its special purpose vehicles: Borealis AG ("Borealis") (based in Austria); Aabar (based in UAE); Ferrostaal AG ("Ferrostaal") (based in Germany); and Nova Chemicals Corporation ("Nova") (based in Canada). Further, the Company has minority stakes in two other significant operating companies: OMV AG ("OMV") (based in Austria); and Compañía Española de Petróleos SA ("CEPSA") (based in Spain). On 16 February 2011, the Company made a voluntary offer to acquire the entire share capital of CEPSA not already owned by the Company (see Note 36 for further information).

On 12 August 2010, the Company disposed of its investment in Hyundai Oilbank Company Ltd ("HDO") (based in South Korea) (see Note 38 for further information).

The principal activities of the Company and its subsidiaries (the "Group") are described in Note 4.

The consolidated financial statements for the year ended 31 December 2010 were authorised for issue in accordance with a resolution of the Board of Directors on 12 May 2011.

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 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. The carrying values of recognised assets and liabilities that are 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

Basis of consolidation from 1 January 2010
The consolidated financial statements comprise those of the Company and its subsidiaries as at 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. Control is achieved where the Company has, directly or indirectly through its subsidiaries, the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All significant intra-group balances, income and expenses, unrealised gains and losses and dividends resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

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.

Basis of consolidation prior to 1 January 2010
Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests, prior to 1 January 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the parent shareholders.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments at 1 January 2010 has not been restated.

2.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended IFRS and IFRIC interpretation as of 1 January 2010:

- IFRS 2 *Shared-based Payment: Group Cash-settled Share-based Payment Transactions* effective 1 January 2010
- IFRS 3 *Business Combinations (Revised)* and IAS 27 *Consolidated and Separate Financial Statements (Amended)* effective 1 July 2009 including consequential amendments to IFRS 2, IFRS 5, IFRS 7, IAS 7, IAS 21, IAS 28, IAS 31, and IAS 39
- IAS 24 *Related Party Disclosures (Amendment)* effective 1 January 2011 (early adopted for partial exemption)
- IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* effective 1 July 2009
- IFRIC 17 *Distribution of Non-cash Assets to Owner*s effective 1 July 2009
- Improvements to IFRSs (May 2008)
- Improvements to IFRSs (April 2009)

2.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES continued

The adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group. However, the adoption of certain standards and interpretations resulted in certain disclosures in the consolidated financial statements as described below:

IFRS 2 *Share-based Payment (Revised)*
This amendment clarified the scope and the accounting for group cash-settled share-based payment transactions. The Group adopted this amendment as of 1 January 2010. The adoption of this change had no material impact on the financial position or performance of the Group.

IFRS 3 *Business Combinations (Revised)* and IAS 27 *Consolidated and Separate Financial Statements (Amended)*
IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after 1 January 2010. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by IFRS 3 (Revised) and IAS 27 (Amended) affect acquisitions or loss of control of subsidiaries and transactions with non-controlling interests after 1 January 2010. The adoption of these changes had no material impact on the financial position or performance of the Group.

IAS 24 *Related Party Disclosures (Amendment)*
This amendment clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. The Group does not expect any impact on its financial position or performance. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard. The Group has adopted the amendment in 2010 for the partial exemption for government related entities in advance of its effective date.

IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
This amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.

IFRIC 17 *Distribution of Non-cash Assets to Owners*
This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The adoption of this change had no material impact on the financial position or performance of the Group.

Improvements to IFRS
In May 2008 and April 2009, the IASB issued various amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard

Issued in May 2008:

IFRS 5 *Non-current Assets Held-for-Sale and Discontinued Operations*
The adoption of these changes had no material impact on the financial position or performance of the Group.

2.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES continued

Improvements to IFRS continued
Issued in April 2009:

- IFRS 5 *Non-current Assets Held-for-Sale and Discontinued Operations*
- IFRS 8 *Operating Segments*
- IAS 7 *Statement of Cash Flows*
- IAS 36 *Impairment of Assets*

The adoption of these changes had no material impact on the financial position or performance of the Group.

Other changes, resulting from improvements to IFRS, included:

Issued in April 2009:

- IFRS 2 *Share-based Payment*
- IAS 1 *Presentation of Financial Statements*
- IAS 17 *Leases*
- IAS 34 *Interim Financial Reporting*
- IAS 38 *Intangible Assets*
- IAS 39 *Financial Instruments: Recognition and Measurement*
- IFRIC 9 *Reassessment of Embedded Derivatives*
- IFRIC 16 *Hedge of a Net Investment in a Foreign Operation*

The adoption of these changes had no material impact on the financial position or performance of the Group.

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below.

- IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues (Amendment)* effective 1 February 2010
- IFRS 9 *Financial Instruments* effective 1 January 2013
- IFRIC 14 *Prepayments of a Minimum Funding Requirement* (Amendment) effective 1 January 2011
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* effective 1 July 2010
- Improvements to IFRSs (May 2010)

Management is currently assessing the impact of adoption of the above standards, on the consolidated financial position and performance of the Group, including the following:

IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues (Amendment)* effective 1 February 2010
This amendment changed the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

IFRS 9 *Financial Instruments: Classification and Measurement*
This standard introduces new requirements for the classification and measurement of financial assets and is effective from 1 January 2013, with early adoption permitted. New requirements for classification and measurement of financial liabilities, derecognition of financial instruments, impairment and hedge accounting are to be added to IFRS 9 *Financial Instruments*. The standard retains a mixed-measurement model, with some assets measured at amortised cost and others at fair value. The distinction between the two models is based on the business model of each entity and a requirement to assess whether the cash flows of the instrument are only principal and interest.

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE continued

IFRS 9 *Financial Instruments: Classification and Measurement* continued
All recognised financial assets that are in the scope of IAS 39 *Financial Instruments: Recognition and Measurement* will be measured at either amortised cost or fair value. The standard contains only the two primary measurement categories for financial assets, unlike IAS 39 *Financial Instruments: Recognition and Measurement* where there were multiple measurement categories. Thus the existing IAS 39 *Financial Instruments: Recognition and Measurement* categories of held-to-maturity, loans and receivables and available-for-sale are eliminated, as are the tainting provisions of the standard. IFRS 9 *Financial Instruments* contains an option to classify financial assets that meet the amortised cost criteria as financial assets at fair value through profit or loss if doing so eliminates or reduces an accounting mismatch.

All equity investments within the scope of IFRS 9 *Financial Instruments* are to be measured in the consolidated statement of financial position at fair value with the default recognition of gains and losses in profit or loss. Only if the equity investment is not held for trading can an irrevocable election be made at initial recognition to measure it at fair value through other comprehensive income with only dividend income recognised in profit or loss. The amounts recognised in other comprehensive income are not recycled to profit or loss on disposal of the investment although they may be reclassified in equity.

All derivatives within the scope of IFRS 9 *Financial Instruments* are required to be measured at fair value. IFRS 9 *Financial Instruments* does not retain IAS 39 *Financial Instruments: Recognition and Measurement* approach to accounting for embedded derivatives. Consequently, embedded derivatives that would have been separately accounted for as financial assets at fair value through profit or loss under IAS 39 *Financial Instruments: Recognition and Measurement* because they were not closely related to the financial asset host will no longer be separated. Instead, the contractual cash flows of the financial asset are assessed as a whole and are measured as financial assets at fair value through profit or loss if any of its cash flows do not represent payments of principal and interest. Some financial assets that are currently disaggregated into host financial assets that are not financial assets at fair value through profit or loss will instead be measured as financial assets at fair value through profit or loss in their entirety. Assets that are classified as held-to-maturity are likely to continue to be measured at amortised cost as they are held to collect the contractual cash flows and often give rise to only payments of principal and interest.

IFRIC 14 *Prepayments of a Minimum Funding Requirement (Amendment)*
This amendment is effective for annual periods beginning on or after 1 January 2011 with retrospective application. This amendment provides guidance on assessing the recoverable amount of a net pension asset and permits an entity to treat the prepayment of a minimum funding requirement as an asset.

IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*
This interpretation is effective for annual periods beginning on or after 1 July 2010. This interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case this cannot be reliably measured, the financial instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss.

Improvements to IFRSs
In May 2010, the IASB issued various amendments to its standards. The amendments have not been adopted as they become effective for annual periods on or after either 1 July 2010 or 1 January 2011.

- IFRS 3 *Business Combinations*
- IFRS 7 *Financial Instruments: Disclosures*
- IAS 1 *Presentation of Financial Statements*
- IAS 27 *Consolidated and Separate Financial Statements*
- IFRIC 13 *Customer Loyalty Programmes*

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.

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 10.

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet 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 37.

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. Where 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 determined using valuation techniques including discounted cash flows models. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

2.6 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS continued

Estimates and assumptions continued

Useful lives 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 projected product lifecycles. 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.

Impairment of non financial assets

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. Recoverable amount is most sensitive to the price assumptions, foreign exchange rate assumptions and discount rates used in the cash flow models.

Impairment of goodwill

The Group's impairment test for goodwill is based on 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 and the growth rate used for extrapolation purposes.

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 income statement.

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.

2.6 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS continued

Estimates and assumptions continued
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 the 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.

Percentage of completion
The Group uses the percentage-of-completion method in accounting for its construction contracts to deliver design services. Use of the percentage-of-completion method requires the Group to estimate the services performed to date as a proportion of the total services to be performed.

Pensions and other post employment benefits
The cost of defined benefit pension plans and other post employment medical benefits as well as the present value of pension obligations is determined using actuarial valuations. The actuarial valuations involve making assumptions about discount rates, expected rates of return on plan assets, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuations, significant judgments regarding the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. Further details of key assumptions are given in Note 27.

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 economical 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.

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill
Business combinations from 1 January 2010
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 acquirer 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. This includes the separation of embedded derivatives in host contracts by the acquiree.

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Business combinations and goodwill continued
Business combinations from 1 January 2010 continued
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 through 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.

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.

Business combinations prior to 1 January 2010
In comparison to the above-mentioned requirements, the following differences applied:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

Investments in jointly controlled assets
The Group has interests in jointly controlled assets, whereby the venturers have a contractual arrangement that establishes joint ownership of one or more assets contributed to, or acquired for the purpose of, the joint venture and dedicated to the purposes of the joint venture. The assets are used to obtain benefits for the venturers. The Group recognises its interest in the jointly controlled assets using the proportionate consolidation method.

The Group combines its proportionate share of each of the assets, liabilities, income and expenses of the jointly controlled assets with similar items, line by line, in its consolidated financial statements. Because the assets, liabilities, income and expenses are recognised in the consolidated financial statements of the Group, no adjustments or consolidation procedures are required in respect of these items when the Group presents consolidated financial statements.

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Investment in associates and jointly controlled entities
The Group's investments in its associates and jointly controlled entities are accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture, while a jointly controlled entity is one where there is a contractual arrangement between the Group and the other venturers for joint control over the economic activity of the entity.

Under the equity method, investments in associates and jointly controlled entities are carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associates and jointly controlled entities. Goodwill relating to the associates and jointly controlled entities is included in the carrying amount of the investments and is neither amortised nor individually tested for impairment.

The consolidated income statement reflects the share of the results of operations of the associates and jointly controlled entities. Where there has been a change recognised directly in the equity of the associates and jointly controlled entities, the Group recognises its share of any changes and discloses this, when applicable, in equity. Unrealised gains and losses resulting from transactions between the Group and the associates and jointly controlled entities are eliminated to the extent of the interest in the associates and jointly controlled entities.

The share of profit of associates and jointly controlled entities is shown on the face of the consolidated income statement. This is the profit attributable to the equity holders of the associates and jointly controlled entities and therefore is profit after tax and non-controlling interests in the subsidiaries of the associates and jointly controlled entities.

The financial statements of the associates and the jointly controlled entities are prepared for the same reporting period as the Company, except for MFH Holding GesmbH and MAN Solar Millennium GmbH which are prepared as of 31 October each year, and Coutinho & Ferrostaal GmbH & Co KG which are prepared as of 30 September each year. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence over the associates and jointly controlled entities, the Group measures and recognises any remaining investment at its fair value. Any difference between the carrying amount of the associates and jointly controlled entities upon loss of significant influence, and the fair value of the remaining investment and proceeds from disposal, is recognised in the consolidated income statement.

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 income statement 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 income statement.

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

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. 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 rate of exchange ruling at the reporting date.

All differences are taken to the consolidated income statement with the exception of all monetary items that provide an effective hedge of a net investment in a foreign operation and translation of long-term receivables that are considered part of investments in subsidiaries or associated companies. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are recognised in the consolidated income statement. Tax charges and credits attributable to exchange differences on those borrowings are accounted for in equity.

Non-monetary items that are measured at 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 was determined.

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 income statements 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 income statement.

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.

Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

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.

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Revenue recognition continued
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.

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.

Royalties
Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

Dividend income
Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of 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 or expense is recorded using the effective interest rate, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the consolidated income statement.

Rental income
The Group's policy for recognition of revenue from operating leases is below.

Construction contracts
The Group's policy for recognition of revenue from construction contracts is described below.

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.

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Revenue recognition continued
Construction contracts continued
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.

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, by 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 income statement. 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.

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 venture, 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 venture, 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 profit will allow the deferred tax asset to be recovered.

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Taxes continued
Deferred income tax continued
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.

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 incurred during the measurement period or 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; 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 and equipment and borrowing costs for long-term projects, if the recognition criteria are met. All other repair and maintenance costs are recognised in the consolidated income statement as incurred. The cost of property, plant and equipment acquired in a business combination is 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 28 for further information about the measurement of the decommissioning provision.

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Property, plant and equipment continued
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	15 to 67 years
Machinery, tools, and technical equipment	3 to 15 years
Information system hardware	3 to 15 years
Motor vehicles	3 to 15 years
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, 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 income statement in the year the asset is derecognised.

Assets under construction
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.

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, even if that right is not explicitly specified in an arrangement.

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 reflected in the consolidated income statement.

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 income statement on a straight line basis over the lease term.

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Leases continued
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.

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 capitalised 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 income statement 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

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 income statement 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 recorded as advances on investment properties and the related capital commitments are disclosed in the commitments and contingencies (refer to Note 35). When the investment property recognition criteria are met, advances on investment properties are reclassified to investment properties.

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 income statement in the year in which the expenditure is incurred.

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:

Patents and licences	10 to 20 years
Software	3 to 7 years
Development costs	3 to 10 years
Customer contracts	8 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 income statement in the expense category consistent with the function of the intangible asset.

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.

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 income statement when the asset is derecognised.

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

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

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.

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

- for plastics solutions segment, costs of all inventories are determined on first-in first-out (FIFO) basis, except for spare parts determined based on average cost;
- For petroleum refinery segment, costs of all inventories are determined on average cost; and
- For industrial engineering services, cost of inventories is determined based on FIFO.

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Inventories continued
Cost includes purchase cost, freight, insurance and other related expenses incurred in bringing the goods 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.

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.

Amounts due from and to banks arising from banking activities are not 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.

Provisions
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 income statement 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.

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.

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Pensions and other post employment benefits continued
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. The cost of providing benefits under defined benefit plans is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised in equity.

The past service cost is recognised as an expense on a straight line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a pension plan, past service cost is recognised immediately.

The defined benefit asset or liability comprises the present value of the defined benefit obligation less past service costs not yet recognised and less the fair value of plan assets out of which the obligations are to be settled. The value of any plan asset is restricted to the sum of any past service costs not yet recognised and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Financial assets
Initial recognition and measurement
Financial assets within the scope of IAS 39 *Financial Instruments: Recognition and Measurement (Revised)* 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 investments 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 held-to-maturity financial assets, financial assets at fair value through profit and 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 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 (Revised).* 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 and loss are carried in the consolidated statement of financial position at fair value with gains or losses recognised in the consolidated income statement.

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 income statement. 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.

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Financial assets continued
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 method. Gains and losses are recognised in the consolidated income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

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 effective interest method. 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 income statement 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 income statement, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the consolidated income statement.

Financial liabilities
Initial recognition and measurement
Financial liabilities within the scope of IAS 39 *Financial Instruments: Recognition and Measurement (Revised)* 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 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 (Revised).*

Gains or losses on liabilities held for trading are recognised in the consolidated income statement.

Loans and borrowings
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through the amortisation process.

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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.

Fair value of financial instruments
The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date.

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; discounted cash flow analysis or other valuation models.

Amortised cost of financial instruments
Held-to-maturity investments and loans and receivables are measured at amortised cost. This is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

Impairment of financial assets
The Group assesses at each balance sheet 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 amounts due from loans, receivables and advances to customers carried at amortised cost, the Group first assesses individually whether objective evidence of 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.

If there is objective evidence that an impairment loss has been incurred, the amount of the 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 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 income statement.

Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. The Group suspends accruing interest when banking assets become impaired. 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 recognised in the consolidated income statement.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

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 balance sheet 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 income statement, is removed from equity and recognised in the consolidated income statement. Impairment losses on equity investments are not reversed through the consolidated income statement; 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 the received cash flows 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 and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. 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 income statement.

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 and collar and put options to hedge its foreign exchange risks, interest rate risks and fair value 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 income statement, 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 income statement. 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 income statement.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the consolidated income statement over the remaining term to maturity. Effective interest rate 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 income statement.

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 income statement.

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 in equity, while any ineffective portion is recognised immediately in the consolidated income statement.

Amounts taken to equity are transferred to the consolidated income statement when the hedged transaction affects the consolidated income statement, 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 income statement. 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 equity remain 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 equity while any gains or losses relating to the ineffective portion are recognised in the consolidated income statement. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in equity is transferred to the consolidated income statement.

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 future post tax cash flows are discounted to their present value using a post-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.

Impairment losses on continuing operations are recognised in the consolidated income statement 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 income statement.

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Impairment of non-financial assets continued
The following criteria are also applied in assessing impairment of specific assets:

Goodwill
Goodwill is tested for impairment annually 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 jointly controlled entities
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 jointly controlled entities. The Group determines at each reporting date whether there is any objective evidence that investments in associates and jointly controlled entities 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 jointly controlled entities and their carrying values and recognises the amount in the consolidated income statement.

Client and fiduciary assets
Assets under management comprise assets which are placed with 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 trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity are not reported in the financial statements, as they are not the assets of the Group.

3 INTEREST IN JOINTLY CONTROLLED ASSETS

The Group has a 50% interest in an ethylene plant and a 20% interest in a cogeneration facility located in Alberta, Canada.

The Group's share of the assets and liabilities as at 31 December 2010 and income and expenses of the jointly controlled assets for the period ended 31 December 2010, which are proportionately consolidated in the consolidated financial statements, are as follows:

	2010	*2009*
	US $ '000	*US $ '000*
Share of the jointly controlled assets' assets and liabilities:		
Plant and equipment	**1,018,698**	865,224
Current assets	**68,760**	40,905
Current liabilities	**(13,566)**	(27,731)
Non-current liabilities	**(23,837)**	(19,316)
Net assets	**1,050,055**	859,082

3 INTEREST IN JOINTLY CONTROLLED ASSETS continued

Share of the jointly controlled assets' revenue and profit:

	2010 *US $ '000*	*2009* *US $ '000*
Revenue	**364,142**	154,996
Cost of sales	**(233,675)**	(65,493)
Administrative expenses	**(19,606)**	(33,664)
Profit before income tax	**110,861**	55,839
Income tax expense	**(31,429)**	(16,472)
Profit for the year from continuing operations	**79,432**	39,367

The Group has no share of any contingent liabilities or capital commitments in respect of the jointly controlled assets as at 31 December 2010.

4 OPERATING SEGMENT REPORTING

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

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

Plastic solutions – North America
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.

Petroleum refinery products
This segment is engaged in production and sale of petroleum products.

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

Diversified investments
This segment is engaged in investment advisory and asset management services.

Others
This segment holds investments in various operating entities and segments and provides financing.

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

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

4 OPERATING SEGMENT REPORTING continued

The following table presents revenue, results and certain asset and liability information regarding the Group's business segments:

	Plastic solutions Europe US $ '000	*Plastic solutions North America US $ '000*	*Petroleum refinery products US $ '000*	*Industrial engineering services US $ '000*	*Diversified investments US $ '000*	*Others US $ '000*	*Total US $ '000*
Year ended 31 December 2010							
Results							
Revenue from external customers	**8,324,538**	**4,590,003**	**-**	**2,377,421**	**74,990**	**-**	**15,366,952**
Share of post tax profits of associates and jointly controlled entities	**159,716**	**(507)**	**-**	**45,842**	**(18,473)**	**517,863**	**704,441**
Depreciation for the year	**(292,096)**	**(214,508)**	**-**	**(34,988)**	**(2,839)**	**(395)**	**(544,826)**
Amortisation for the year	**(40,212)**	**(32,388)**	**-**	**(66,912)**	**(20,644)**	**-**	**(160,156)**
Impairment for the year of long lived-assets	**(14,232)**	**(20,300)**	**-**	**(6,812)**	**(514,900)**	**-**	**(556,244)**
Impairment of goodwill	**-**	**-**	**-**	**(97,533)**	**-**	**-**	**(97,533)**
Finance income	**10,733**	**6,059**	**-**	**35,905**	**36,368**	**167,994**	**257,059**
Finance costs	**(75,728)**	**(200,760)**	**-**	**(25,789)**	**(156,649)**	**(374,405)**	**(833,331)**
Gains on acquisitions and disposals	**-**	**(3,544)**	**-**	**4,624**	**122,487**	**13,571**	**137,138**
Other losses on financial instruments	**(15,581)**	**(8,000)**	**-**	**(19,086)**	**(84,574)**	**(209,610)**	**(336,851)**
Tax expense	**(95,706)**	**(123,181)**	**-**	**(62,461)**	**(161,222)**	**(28,690)**	**(471,260)**
Profit for the year from continuing operations	**442,792**	**223,426**	**-**	**30,710**	**(904,385)**	**356,592**	**149,135**
Profit for the year from discontinuing operations	**-**	**38,756**	**1,160,282**	**-**	**-**	**-**	**1,199,038**
Profit for the year	**442,792**	**262,182**	**1,160,282**	**30,710**	**(904,385)**	**356,592**	**1,348,173**
Assets and liabilities							
Investments in associates and jointly controlled entities	**1,340,162**	**3,885**	**-**	**570,902**	**447,393**	**8,560,294**	**10,922,636**
Assets included in disposal groups held-for-sale	**-**	**59,179**	**-**	**-**	**-**	**-**	**59,179**
Other segment assets	**6,220,795**	**5,513,860**	**-**	**2,512,814**	**14,877,946**	**7,771,347**	**36,896,762**
Total assets	**7,560,957**	**5,576,924**	**-**	**3,083,716**	**15,325,339**	**16,331,641**	**47,878,577**
Liabilities included in disposal groups held-for-sale	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Segment liabilities	**3,651,601**	**3,604,074**	**-**	**2,113,903**	**12,167,323**	**10,335,798**	**31,872,699**
Total liabilities	**3,651,601**	**3,604,074**	**-**	**2,113,903**	**12,167,323**	**10,335,798**	**31,872,699**
Other segment information							
Additions during the year*							
Property, plant and equipment	**162,110**	**148,474**	**-**	**23,346**	**2,157**	**980,812**	**1,316,899**
Investment properties**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Intangible assets	**117,730**	**5,072**	**-**	**1,405**	**8,071**	**-**	**132,278**

*Additions during the year include additions from business combinations
**At 31 December 2010 the balance of advances made on investment properties amounted to US $ 1,000,108 thousand (31 December 2009: US $ 2,128,513 thousand) which are reported under other assets as disclosed in Note 20.

4 OPERATING SEGMENT REPORTING continued

	Plastic solutions Europe US $ '000	*Plastic solutions North America US $ '000*	*Petroleum refinery products US $ '000*	*Industrial engineering services US $ '000*	*Diversified investments US $ '000*	*Others US $ '000*	*Total US $ '000*
Year ended 31 December 2009							
Results							
Revenue from external customers	6,574,067	1,639,059	-	1,650,415	53,829	-	9,917,370
Share of post tax profits of associates and jointly controlled entities	60,845	(3,892)	-	18,569	2,741	62,702	140,965
Depreciation for the year	(282,700)	(109,627)	-	(25,884)	(2,894)	(227)	(421,332)
Amortisation for the year	(40,630)	(17,078)	-	(81,314)	(880)	-	(139,902)
Impairment for the year of long-lived assets	(6,280)	-	-	-	(1,922)	-	(8,202)
Finance income	14,412	3,208	-	31,218	34,071	531,075	613,984
Finance costs	(25,237)	(86,174)	-	(22,127)	(77,566)	(504,506)	(715,610)
Gains on acquisitions and disposals	-	925,797	-	-	1,037	2,192,348	3,119,182
Other gains on financial instruments	(39,150)	48,028	-	(133)	951,712	(232,954)	727,503
Tax expense	6,008	(6,658)	-	(27,773)	(9,470)	-	(37,893)
Profit for the year from continuing operations	52,481	923,040	-	20,758	717,433	2,150,962	3,864,674
Profit for the year from discontinuing operations	-	-	284,592	-	-	-	284,592
Profit for the year	52,481	923,040	284,592	20,758	717,433	2,150,962	4,149,266
Assets and liabilities							
Investments in associates and jointly controlled entities	888,876	33,564	-	531,874	144,086	8,702,063	10,300,463
Assets included in disposal groups held-for-sale	-	-	4,735,206	97,350	-	6,388	4,838,944
Other segment assets	6,093,869	5,320,339	-	3,554,164	10,331,438	5,832,184	31,131,994
Total assets	6,982,745	5,353,903	4,735,206	4,183,388	10,475,524	14,540,635	46,271,401
Liabilities included in disposal groups held-for-sale	-	-	3,431,482	37,286	-	-	3,468,768
Segment liabilities	3,492,205	3,560,557	-	3,151,347	6,701,961	10,578,182	27,484,252
Total liabilities	3,492,205	3,560,557	3,431,482	3,188,633	6,701,961	10,578,182	30,953,020
Other segment information							
Additions during the year*:							
Property, plant and equipment	448,485	3,669,380	546,974	276,790	44,616	1,374,165	6,360,410
Investment properties**	-	-	-	9,251	9,549	-	18,800
Intangible assets	99,546	509,378	758	269,840	104,022	425,702	1,409,246

*Additions during the year include additions from business combinations
**At 31 December 2009 the balance of advances made on investment properties amounted to US $ 2,128,513 thousand which were reported under other assets, as disclosed in Note 20.

4 OPERATING SEGMENT REPORTING continued

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

	UAE *US $ '000*	*Europe* *US $ '000*	*North America* *US $ '000*	*Rest of the World* *US $ '000*	*Total* *US $ '000*
*Revenues from external customers**					
Year ended 31 December 2010	**273,568**	**8,049,253**	**4,579,587**	**2,464,544**	**15,366,952**
Year ended 31 December 2009	53,579	6,013,736	1,604,815	2,245,240	9,917,370
2010					
Non-current assets					
Property, plant and equipment	**2,834,558**	**3,460,782**	**3,467,325**	**80,095**	**9,842,760**
Intangible assets	**-**	**895,873**	**434,164**	**865**	**1,330,902**
Investment properties	**1,285,328**	**7,246**	**-**	**-**	**1,292,574**
2009					
Non-current assets					
Property, plant and equipment	1,852,609	3,859,729	3,559,635	-	9,271,973
Intangible assets	-	1,056,246	492,300	-	1,548,546
Investment properties	-	18,547	-	-	18,547

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

5 INVESTMENTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

	2010 ***US $ '000***	*2009* *US $ '000*
Share of net assets:		
Associates	**10,361,587**	9,756,167
Jointly controlled entities	**561,049**	544,296
	10,922,636	10,300,463
Share of post tax profits		
Associates	**657,258**	124,267
Jointly controlled entities	**47,183**	16,698
	704,441	140,965

5 INVESTMENTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES continued

5.1 Investments in associates

The Group has the following significant investments in associates:

Name of company	*Country of incorporation*	*Percentage holding* *2010*	*2009*
Abu Dhabi Polymers Company Limited ("Borouge")	UAE	**40%**	40%
Borouge Pte Ltd	Singapore	**50%**	50%
Speciality Polymers Antwerp NV	Belgium	**33%**	33%
Borealis Financial Services Ltd	Jersey	**25%**	25%
Pak-Arab Refinery Limited ("PARCO")	Pakistan	**40%**	40%
Gulf Energy Maritime PJSC ("GEM")	UAE	**30%**	30%
CEPSA Maghreb SA	Morocco	**50%**	50%
Oasis International Power LLC	UAE	**36%**	36%
Ferro VAZ Gesellsch für Export, Import und Engineering mbH	Germany	**50%**	50%
SCG SILS Centre Gliwice Spzoo	Poland	**50%**	50%
Bank Zweiplus	Switzerland	**42.50%**	42.50%
Mercedes GP Ltd	England	**30%**	30%
Solar Power Group GmbH	Germany	**42.80%**	42.80%
Oman Polypropylene LLC	Oman	**-**	20%
Intermesa Group	Brazil	**42.80%**	42.80%
Abu Dhabi National Chemicals Company ("ChemaWEyaat")	UAE	**40%**	40%
Compañia Española de Petróleoş SA ("CEPSA")	Spain	**47.06%**	47.06%
OMV AG	Austria	**20.01%**	20.01%
Falah Growth Fund (GP) Ltd	British Virgin Islands	**50%**	50%
Falah Growth Fund LP	British Virgin Islands	**50%**	50%
Dead Sea Resorts PSC	Jordan	**45%**	-
Galactic Ventures LLC ("Virgin Galactic")	British Virgin Islands	**31.80%**	-
Qatar and Abu Dhabi Investment Company QSC ("QADIC")	Qatar	**50%**	-

	2010 ***US $ '000***	*2009* *US $ '000*
Shares of the associates' statements of financial position		
Assets	**21,405,523**	17,329,385
Liabilities	**(11,567,280)**	(10,112,287)
	9,838,243	7,217,098
Goodwill*	**529,587**	2,540,942
Impairment	**(6,243)**	(1,873)
Net assets	**10,361,587**	9,756,167
Shares of the associates' revenues and profits		
Revenue	**22,291,939**	7,021,366
Net profit	**662,482**	126,115
Net other comprehensive income	**(523,775)**	108,987
Impairment recognised during the year	**(5,224)**	(1,848)

5 INVESTMENTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES continued

5.1 Investments in associates continued

*In 2009, the Company acquired certain investments in associates, namely in CEPSA and OMV. The allocation of the cost of business combinations to the different assets, liabilities and contingent liabilities was completed after 31 December 2009 but within a period of twelve months of the acquisition date. Accordingly in 2010, following the completion of the purchase price allocation, the purchase price was allocated to the fair value of identifiable assets and liabilities which resulted in a lower residual goodwill amount.

5.2 Investments in jointly controlled entities

The Group has the following significant investments in jointly controlled entities:

Name of company	*Country of incorporation*	*Percentage holding*	
		2010	*2009*
INEOS Nova Joint Venture*	North America/Europe	**50%***	50%
NOVIDESA Joint Venture	Mexico	**50%**	50%
Consolidated Energy Limited	Trinidad and Tobago	**45%**	45%
Coutinho & Ferrostaal GmbH & Co KG	Germany	**33%**	33%
MAN Solar Millennium GmbH	Germany	**25%**	25%
MAN Solar Millennium LLC	United States of America	**50%**	50%
Solar Trust of America LLC	United States of America	**30%**	30%
ABAG Aktiengesellschaft	Germany	**66.7%**	-

* INEOS Nova Joint Venture has been classified as a disposal group held-for-sale at 31 December 2010.

	2010	*2009*
	US $ '000	*US $ '000*
Share of the jointly controlled entities' statements of financial position		
Current assets	**311,419**	758,116
Non-current assets	**492,698**	36,748
Current liabilities	**(214,425)**	(137,877)
Non-current liabilities	**(23,773)**	(106,243)
	565,919	550,744
Accumulated impairment	**(4,870)**	(6,448)
	561,049	544,296
Share of the jointly controlled entities' revenues and profits		
Revenue	**519,609**	1,568,645
Cost of sales	**(440,311)**	(617,515)
	79,298	951,130
Operating expenses	**(25,892)**	(933,985)
Other (expense) income	**(5,659)**	-
Impairment recognised during the year	**-**	-
Income tax (expense) credit	**(564)**	(447)
Net profit	**47,183**	16,698

6 FINANCE INCOME

	2010 US $ '000	2009 US $ '000
Dividend income	**81,948**	201,509
Interest income	**175,111**	412,475
	257,059	613,984

7 FINANCE COSTS

	2010 US $ '000	2009 US $ '000
Interest expense	**(739,004)**	(567,521)
Amortisation of arrangement fees on financing	**(94,327)**	(148,089)
	(833,331)	(715,610)

8 GAINS ON ACQUISITIONS AND DISPOSALS

	2010 US $ '000	2009 US $ '000
Gain on disposal of associates	**13,571**	-
Gain on disposal of property, plant and equipment	**3,087**	-
Gain on disposal of investment property	**1,590**	-
Gain (loss) on disposal of available-for-sale financial instruments (i)	**100,538**	(4,689)
Gain on disposal of financial instruments at fair value through profit or loss (ii)	**21,061**	2,198,074
Excess of fair value over cost of business combinations (iii)	**-**	925,797
Other losses	**(2,709)**	-
	137,138	3,119,182

(i) In 2010, gain on disposal of available-for-sale financial instruments mainly relates to gain on disposal of financial instruments of Atlantia SpA by Aabar amounting to US $ 93,549 thousand.

(ii) In 2010, gain on disposal of financial instruments at fair value through profit or loss amounting to US $ 21,061 thousand relates to gain on disposal of financial instruments of Banco Santander by Aabar. In 2009 gain on disposal includes gain on disposal of the Company's investment in certain financial instruments of Barclays PLC amounting to US $ 2,192,348 thousand.

(iii) In 2009, the Group recorded a negative goodwill on the acquisition of Nova amounting to US $ 925,797 thousand.

9 OTHER (LOSSES) GAINS ON FINANCIAL INSTRUMENTS

	2010	*2009*
	US $ '000	*US $ '000*
Fair value gain on non-derivative financial instruments at fair value through profit or loss (i)	**1,339,648**	2,804,171
Fair value loss on non-derivative financial instruments at fair value through profit or loss (ii)	**(241,924)**	-
Gain on hedged instruments in fair value hedges	**1,169**	3,874
Loss on hedging instruments in fair value hedges	**(8,436)**	-
Loss on ineffective portion of cash flow hedges	**-**	(13,513)
Gain on ineffective portion of cash flow hedges	**-**	25,561
Fair value gain on derivative financial instruments (iii)	**290,679**	65,074
Fair value loss on derivative financial instruments (iii)	**(1,447,504)**	(1,973,810)
Impairment loss on financial instruments at amortised cost	**(8,000)**	(7,578)
Impairment loss on available-for-sale financial instruments	**(262,518)**	(163,066)
Others	**35**	(13,210)
	(336,851)	727,503

(i) Included in fair value gain on non-derivative financial instruments at fair value through profit or loss is an amount of US $ 1,338,954 thousand (2009: US $ 2,790,820 thousand) relating to revaluation gain on investment in Daimler AG shares.

(ii) Fair value loss on non-derivative financial instruments at fair value through profit or loss includes revaluation loss on Unicredit SpA shares amounting US $ 239,315 thousand (2009: US $ nil).

(iii) The Group entered into funded collar transactions upon purchase of equity shares in both Daimler AG and Unicredit SpA. The rationale for entering into such funded collar transactions was to raise long 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. However, the Group still maintains significant exposure to the share price on both the investments. See Note 31 for the Group position at 31 December 2010. The analysis of the fair value gain and losses during the year is as follows:

(a) Included in fair value gain on derivative financial instruments are:

	2010	*2009*
	US $ '000	*US $ '000*
Call and put options on Unicredit SpA	**199,384**	-
Call and put options on Atlantia SpA shares	**12,643**	-
CASHES of Unicredit SpA	**-**	11,119

(b) Included in fair value loss on derivative financial instruments are:

	2010	*2009*
Call and put options on Atlantia SpA shares	**-**	(42,112)
Collars and put options on Daimler AG shares	**(1,371,646)**	(1,803,165)
CASHES of Unicredit SpA	**(33,228)**	-

10 TAX EXPENSE

The major components of tax expense for the years ended 31 December 2010 and 2009 are:

	2010 *US $ '000*	*2009* *US $ '000*
Consolidated income statement		
Current income tax expense:		
Corporation tax	**(271,179)**	(101,616)
Prior year charges	**(26,123)**	(16,204)
Total current income tax expense	**(297,302)**	(117,820)
Deferred tax (charge) credit:		
Origination and reversal of temporary differences*	**(178,717)**	58,338
Impact of change in tax laws	**4,759**	21,589
Total deferred tax (charge) credit	**(173,958)**	79,927
Tax expense reported in the consolidated income statement relating to continuing operations	**(471,260)**	(37,893)

*Included in deferred tax charge for the year is an amount of US $ 163,720 thousand relating to deferred tax liabilities on the capital gains relating to its net investment gains on Daimler AG shares, after considering the offsetting impact of the collar arrangements, which economically hedge a portion of the investment, in accordance with the requirements of IAS 12 Income Taxes. The recognition of such deferred tax liabilities are highly judgmental because they depend on the manner in which the management expects, at the end of the reporting period, to recover or settle the carrying amounts of the financial instruments. No such deferred tax liability was recognised in the prior year based on management's expectations for recovering or settling the carrying amounts of the financial instruments at that time. The impact of the change in management's estimates was recognised prospectively. It is not practicable to estimate the impact on future periods because it will be affected by movements in the Daimler AG share price, in addition to management's future expectations and actions.

	2010 *US $ '000*	*2009* *US $ '000*
Accounting profit before tax from continuing operations	**620,395**	3,902,567
At average income tax rate of 28%	**(173,711)**	(1,092,719)
Expenses not deductible for tax purposes	**(24,954)**	(12,490)
Effect of share from the profit of investment accounted under equity method	**197,243**	39,470
Non-taxable net (loss) income	**(391,416)**	1,055,636
Higher taxes on overseas earnings	**(5,545)**	(792)
Unrecognised tax losses	**(6,118)**	(20,318)
Tax credit previously not recognised	**1,744**	-
Prior year charges	**(26,123)**	(16,201)
Unrecognised deferred tax assets	**8,555**	27,687
Uncertain tax positions	**-**	(22,480)
Difference in tax rates	**(29,701)**	23,861
Others	**(21,234)**	(19,547)
Income tax charge for the year	**(471,260)**	(37,893)
Consolidated statement of other comprehensive income		
Deferred tax related to items charged or credited directly to equity during the year:		
Cash flow hedges	**(19,804)**	509
Defined benefit pension scheme	**15,457**	12,736
Available-for-sale investments	**(114)**	-
Net gains on hedge of net investments	**(6,780)**	(5,316)
Income tax charged directly to equity	**(11,241)**	7,929

10 TAX EXPENSE continued

Deferred tax

Deferred tax assets from continuing operations relate to the following:

	1 January 2009 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 2009 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 2010 US $ '000***
Derivative contracts	18,045	5,236	(824)	1,644	(18,045)	157	6,213	**(9,825)**	**(20,431)**	**-**	**-**	**(647)**	**(24,690)**
Impairment	-	(1,926)	-	7,005	-	392	5,471	**11,492**	**-**	**-**	**-**	**(320)**	**16,643**
Other timing differences	31,791	12,873	13,740	-	-	(55,375)	3,029	**(12,333)**	**(6,142)**	**-**	**(2,092)**	**2,961**	**(14,577)**
Pension and post-employment medical benefits	26,947	(1,825)	13,235	11,611	-	5,218	55,186	**(2,004)**	**15,331**	**-**	**495**	**(2,635)**	**66,373**
Tax losses carried forward	135,128	122,258	-	31,768	(57,740)	6,305	237,719	**5,501**	**-**	**-**	**-**	**(16,496)**	**226,724**
Temporary differences on accrued expenses	-	(15,593)	-	55,393	(39,800)	-	-	**-**	**-**	**-**	**-**	**-**	**-**
Others	69,257	(15,676)	-	132,685	(99,292)	1,511	88,485	**(16,396)**	**1**	**-**	**(962)**	**(6,210)**	**64,918**
	281,168	105,347	26,151	240,106	(214,877)	(41,792)	396,103	**(23,565)**	**(11,241)**	**-**	**(2,559)**	**(23,347)**	**335,391**

Deferred tax liabilities from continuing operations relate to the following:

	1 January 2009 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 2009 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 2010 US $ '000***
Accelerated capital allowances	(296,244)	(23,815)	-	(900,010)	-	(15,059)	(1,235,128)	**114,564**	**-**	**-**	**-**	**(2,731)**	**(1,123,295)**
Acquisition fair value adjustment on intangibles	-	25,918	-	(84,419)	-	(4,684)	(63,185)	**(81,623)**	**-**	**(8,301)**	**-**	**4,037**	**(149,072)**
Gain (loss) on revaluation of other assets	-	738	-	(11,138)	-	(654)	(11,054)	**(2,163)**	**-**	**-**	**-**	**783**	**(12,434)**
Gain (loss) on revaluation of non-derivative financial instruments	-	-	-	-	-	-	-	**(156,245)**	**-**	**-**	**-**	**-**	**(156,245)**
Inventories	-	(14,724)	-	(29,864)	-	(1,980)	(46,568)	**28,457**	**-**	**-**	**(4,946)**	**3,512**	**(19,545)**
Other timing differences	(15,219)	(9,389)	(17,723)	(12,075)	8,882	4,268	(41,256)	**2,746**	**-**	**-**	**-**	**1,828**	**(36,682)**
Temporary differences on accrued expenses	-	-	-	-	39,800	-	39,800	**29,658**	**-**	**-**	**-**	**-**	**69,458**
Uncertain tax provisions	-	22,480	-	-	-	-	22,480	**(63,323)**	**-**	**-**	**-**	**-**	**(40,843)**
Others	(149,978)	(26,630)	(499)	(80,070)	196,513	(3,416)	(64,080)	**(22,464)**	**-**	**-**	**25,759**	**3,775**	**(57,010)**
	(461,441)	(25,422)	(18,222)	(1,117,576)	245,195	(21,525)	(1,398,991)	**(150,393)**	**-**	**(8,301)**	**20,813**	**11,204**	**(1,525,668)**

*Transfers include deferred tax from discontinued operations of HDO.

10 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 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 tax losses in some jurisdictions amounting to US $ 206,134 thousand (31 December 2009: US $ 229,813 thousand). However, these losses relate to subsidiaries that have history of losses, do not expire and may not be used to offset taxable income elsewhere in the Group.

Unrecognised deferred liabilities
The temporary differences associated with investments in associates and subsidiaries, for which a deferred tax liability has not been recognised, aggregate to US $ 900,868 thousand (31 December 2009: US $ 724,572 thousand).

11 PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

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

	2010	*2009*
	US $ '000	*US $ '000*
Included in cost of sales		
Costs of inventories recognised as an expense	**10,446,764**	6,674,606
Staff costs	**633,561**	538,641
Depreciation of property, plant and equipment	**478,966**	348,573
Impairment of property, plant and equipment	**27,773**	-
Amortisation of intangible assets	**105,551**	106,004
Included in selling and distribution costs		
Staff costs	**278,112**	206,140
Distribution and transportation costs	**402,876**	368,406
Depreciation of property, plant and equipment	**19,519**	22,611
Impairment of property, plant and equipment	**20**	-
Amortisation of intangible assets	**70**	40
Included in general and administrative expenses		
Staff costs	**413,802**	328,420
Consultancy and advisory costs	**166,131**	89,723
Depreciation of property, plant and equipment	**31,804**	37,050
Amortisation of intangible assets	**40,471**	18,923
Impairment of property, plant and equipment	**9,663**	774
Impairment of intangible assets	**3,978**	7,378
Included in research and development expenses		
Staff costs	**88,528**	67,029
Depreciation of property, plant and equipment	**14,468**	12,351
Amortisation of intangible assets	**14,064**	14,935
Included in other expenses		
Impairment of investment properties	**514,810**	50
Impairment of goodwill	**97,533**	-
Net provisions	**70,241**	22,853

12 DISCONTINUED OPERATIONS

	2010 *US $ '000*	*2009* *US $ '000*
Included in the consolidated statement of financial position:		
Certain discontinued operations of Ferrostaal:		
Total assets	**-**	97,350
Total liabilities	**-**	(37,286)
HDO (Note 38)		
Total assets	**-**	4,735,206
Total liabilities	**-**	(3,431,482)
INEOS Nova Joint Venture*	**59,179**	-
Classified as:		
Assets included in disposal groups held-for-sale	**59,179**	4,838,944
Liabilities included in disposal groups held-for-sale	**-**	(3,468,768)
Included in the consolidated income statement:		
Profit from HDO operations	**388,298**	284,592
Profit on disposal of HDO	**771,984**	-
	1,160,282	284,592
Share of profit of INEOS Nova Joint Venture*	**38,756**	-
	1,199,038	284,592

*On February 28, 2011, the Group completed the sale of its 50% interest in the INEOS Nova Joint Venture to INEOS itself.

13 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:

	2010 *US $ '000*	*2009* *US $ '000*
Net profit attributable to ordinary equity holders of the parent from continuing operations	**135,578**	3,629,583
Profit attributable to ordinary equity holders of the parent from discontinued operations	**1,109,609**	199,214
Net profit attributable to ordinary equity holders of the parent for basic earnings	**1,245,187**	3,828,797
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	**356**	1,094
Basic and diluted earnings per share from continuing operations	**39**	1,037

14 PROPERTY, PLANT AND EQUIPMENT

	Land and land improvements US $ '000	*Buildings, structures and production plants US $ '000*	*Machinery, tools and technical equipment US $ '000*	*Information system hardware US $ '000*	*Motor vehicles US $ '000*	*Office furniture and fittings US $ '000*	*Assets under construction US $ '000*	*Total US $ '000*
2010								
Cost:								
At 1 January 2010	514,579	9,515,969	261,850	38,145	17,958	56,441	2,658,271	13,063,213
Additions	211	104,547	11,956	3,799	3,135	6,898	1,186,353	1,316,899
Disposals	(13,307)	(77,558)	(12,803)	(71)	(918)	(4,583)	(494)	(109,734)
Transfers	80,985	753,383	8,192	761	35	1,242	(801,793)	42,805
Exchange adjustments	20,380	(41,631)	(21,643)	(24)	(1,081)	(5,867)	16,752	(33,114)
At 31 December 2010	**602,848**	**10,254,710**	**247,552**	**42,610**	**19,129**	**54,131**	**3,059,089**	**14,280,069**
Depreciation:								
At 1 January 2010	149,542	3,478,612	144,135	6,589	1,857	10,505	-	3,791,240
Charge for the year	13,496	487,898	25,449	5,170	2,553	10,191	-	544,757
Impairment	709	36,672	-	68	-	7	-	37,456
Reversal of impairment	-	(918)	-	-	-	-	-	(918)
Disposals	(741)	(38,575)	(10,096)	(53)	(682)	(3,835)	-	(53,982)
Transfers	(717)	39,010	2,334	3	(3)	185	-	40,812
Exchange adjustments	26,591	66,910	(13,832)	109	(236)	(1,598)	-	77,944
At 31 December 2010	**188,880**	**4,069,609**	**147,990**	**11,886**	**3,489**	**15,455**	**-**	**4,437,309**
Net carrying amount:								
At 31 December 2010	**413,968**	**6,185,101**	**99,562**	**30,724**	**15,640**	**38,676**	**3,059,089**	**9,842,760**

14 **PROPERTY, PLANT AND EQUIPMENT** continued

	Land and land improvements US $ '000	*Buildings, structures and production plants US $ '000*	*Machinery, tools and technical equipment US $ '000*	*Information system hardware US $ '000*	*Motor vehicles US $ '000*	*Office furniture and fittings US $ '000*	*Assets under construction US $ '000*	*Total US $ '000*
2009								
Cost:								
At 1 January 2009	731,866	6,251,878	1,606,272	-	11,871	122,562	1,179,319	9,903,768
Additions	7,401	45,182	10,222	3,995	4,905	12,719	2,381,992	2,466,416
Acquisition through business combinations	115,323	3,568,663	54,074	33,345	12,690	38,368	71,531	3,893,994
Disposals	(869)	(41,167)	(16,576)	(1,315)	(3,281)	(6,846)	(89)	(70,143)
Held for sale	(429,457)	(751,097)	(1,544,694)	-	(11,440)	(126,603)	(732,345)	(3,595,636)
Transfers	51,767	231,921	49,239	310	926	2,871	(337,034)	-
Exchange adjustments	38,548	210,589	103,313	1,810	2,287	13,370	94,897	464,814
At 31 December 2009	514,579	9,515,969	261,850	38,145	17,958	56,441	2,658,271	13,063,213
Depreciation:								
At 1 January 2009	143,491	3,325,800	1,081,285	-	10,166	77,548	-	4,638,290
Charge for the year	11,958	387,034	130,802	6,649	2,457	25,372	-	564,272
Impairment	-	680	-	25	-	69	-	774
Disposals	-	(33,329)	(14,338)	(1,315)	(2,589)	(6,576)	-	(58,147)
Held for sale	-	(277,677)	(1,125,023)	-	(9,758)	(95,440)	-	(1,507,898)
Transfers	-	(6)	(999)	11	440	555	-	1
Exchange adjustments	(5,907)	76,110	72,408	1,219	1,141	8,977	-	153,948
At 31 December 2009	149,542	3,478,612	144,135	6,589	1,857	10,505	-	3,791,240
Net carrying amount								
At 31 December 2009	365,037	6,037,357	117,715	31,556	16,101	45,936	2,658,271	9,271,973

14 PROPERTY, PLANT AND EQUIPMENT continued

a) Additions in assets under construction include an amount of US $ 910,686 thousand (2009: US $ 1,319,136 thousand) relating to the construction of an oil pipeline (ADCOP project).

b) The amount of borrowing costs capitalised during the year ended 31 December 2010 was US $ 72,455 thousand (2009: US $ 51,557 thousand). The rate used to determine the amount of borrowing costs eligible for capitalisation was 2.1% (2009: 2.1%) which is the effective interest rate of the specific borrowing.

c) The carrying value of plant and equipment held under finance leases at 31 December 2010 was US $ 4,588 thousand (31 December 2009: US $ 928 thousand). Leased assets are pledged as security for the related finance lease liabilities.

d) Land includes a plot received in 2008 from the Municipality of Abu Dhabi at no cost. The Group has recorded this parcel at the nominal value of US $ 1.

e) Property, plant and equipment with a book value of US $ 2,358,924 thousand (31 December 2009: US $ 2,479,764 thousand) have been pledged as security for related borrowings and mortgages.

f) Depreciation charge for the year is reflected in the consolidated income statement as follows:

	2010	*2009*
	US $ '000	*US $ '000*
Continuing operations	**544,757**	420,585
Discontinued operations	**-**	143,687
	544,757	564,272

15 INTANGIBLE ASSETS

	Software	*Patents and licences*	*Development costs*	*Customer contracts*	*Customer lists*	*Goodwill*	*Others*	*Total*
	US $ '000	*US $ '000*	*US $ '000*	*US $ '000*	*US $ '000*	*US $ '000*	*US $ '000*	*US $ '000*
2010								
Cost:								
At 1 January 2010	98,973	309,620	225,056	60,393	1,000	613,380	568,488	1,876,910
Additions	12,673	50,188	61,116	-	-	-	-	123,977
Acquisition through business combinations	-	-	-	-	-	8,301	-	8,301
Disposals	(10,686)	(40,212)	(4,612)	-	(1,000)	-	-	(56,510)
Transfers	253	24,793	(25,544)	30,004	-	(39,526)	9,522	(498)
Exchange adjustments	(4,751)	(10,969)	(11,810)	(13,158)	-	(20,398)	575	(60,511)
At 31 December 2010	**96,462**	**333,420**	**244,206**	**77,239**	**-**	**561,757**	**578,585**	**1,891,669**
Accumulated amortisation:								
At 1 January 2010	55,567	100,676	77,065	11,490	1,000	-	82,566	328,364
Charge	17,310	15,780	21,820	22,778	-	-	82,468	160,156
Impairment	15	1,591	2,372	-	-	97,533	-	101,511
Disposal	(9,311)	-	(4,195)	-	(1,000)	-	-	(14,506)
Transfers	11	-	(11)	-	-	-	-	-
Exchange adjustments	(2,755)	(6,955)	(2,803)	1,201	-	-	(3,446)	(14,758)
At 31 December 2010	**60,837**	**111,092**	**94,248**	**35,469**	**-**	**97,533**	**161,588**	**560,767**
Net carrying amount:								
At 31 December 2010	**35,625**	**222,328**	**149,958**	**41,770**	**-**	**464,224**	**416,997**	**1,330,902**
2009								
Cost:								
At 1 January 2009	65,550	162,552	190,067	-	-	78,736	15,727	512,632
Additions	9,732	50,565	15,546	-	-	-	-	75,843
Internal development	-	-	34,077	-	-	-	-	34,077
Acquisitions through business combinations	20,751	145,817	440	55,799	1,000	518,667	556,852	1,299,326
Disposals	9	(56,360)	(10,280)	-	-	-	-	(66,631)
Held for sale	-	-	(12,574)	-	-	-	(19,610)	(32,184)
Exchange adjustments	2,931	7,046	7,780	4,594	-	15,977	15,519	53,847
At 31 December 2009	98,973	309,620	225,056	60,393	1,000	613,380	568,488	1,876,910
Accumulated amortisation:								
At 1 January 2009	38,390	87,253	52,492	-	-	-	9,974	188,109
Charge	15,171	11,027	22,723	8,400	1,000	-	83,417	141,738
Impairment	67	-	6,306	1,005	-	-	-	7,378
Disposal	-	-	(4,038)	-	-	-	-	(4,038)
Held for sale	-	-	(4,515)	-	-	-	(9,442)	(13,957)
Exchange adjustments	1,939	2,396	4,097	2,085	-	-	(1,383)	9,134
At 31 December 2009	55,567	100,676	77,065	11,490	1,000	-	82,566	328,364
Net carrying amount:								
At 31 December 2009	43,406	208,944	147,991	48,903	-	613,380	485,922	1,548,546

a) Amortisation charge for the year is reflected in the consolidated income statement as follows:

	2010	*2009*
	US $ '000	*US $ '000*
Continuing operations	**160,156**	139,902
Discontinued operations	**-**	1,836
	160,156	141,738

16 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:

	Plastics solutions Europe	*Diversified investments*	*Private banking*	*Total*
	US $ '000	*US $ '000*	*US $ '000*	*US $ '000*
Carrying amount at 31 December 2010	**74,850**	**326,554**	**62,820**	**464,224**

Plastics solutions - Europe
Goodwill within the plastics solutions operating segment has been allocated to Borealis, which constitutes the lowest aggregation of assets that generate largely independent cash inflows.

The recoverable amount of Borealis has been determined based on a value in use calculation derived from financial budgets approved by senior management covering a 5-year period. The pre-tax discount rate applied to cash flow projections is 10% (2009: 9%) and cash flows beyond the 5-year period are extrapolated using an average growth rate of 2% (2009: 2%).

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

- Gross margin
- Discount rates
- Raw materials price inflation
- Market share during the budget period

Gross margins: These are increased over the budget period for anticipated efficiency improvements. Gross margins beyond the 5-year period are extrapolated using an average growth rate of 1%.

Discount rates: Discount rates reflect management's estimate of the risks. The discount rate is derived from the Group's post-tax weighted average cost of capital.

Raw materials price inflation: Estimates are obtained from published indices for the countries from which materials are sourced, as well as data relating to specific commodities. Forecast figures are used if data is publicly available (principally for olefins and feedstock); otherwise past actual raw material price movements have been used as an indicator of future price movements.

Market share assumptions: These assumptions are important because, as well as using industry data for growth rates, management assesses how the unit's position, relative to its competitors, might change over the budget period. Management expects the Group's share of the plastic solutions market to be stable over the budget period.

16 IMPAIRMENT TESTING OF GOODWILL continued

Private banking
Goodwill acquired through business combinations of US $ 62,820 thousand (31 December 2009: US $ 101,840 thousand based on provisional purchase price allocation) has been allocated to Falcon Bank (private banking cash generating unit which constitutes the lowest aggregation of assets that generate largely independent cash inflows).

The Group performed its annual impairment test as at 31 December 2010. The recoverable amount of Falcon Bank has been determined based on a value in use calculation derived from financial budgets covering a 5-year period. The pre-tax discount rate applied to cash flow projections is 10% and cash flows beyond the 5-year period are extrapolated using an average growth rate of 2%.

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

- Discount rate: The discount rate represents the current market assessment of the risks specific to Falcon Bank.
- Growth rate to determine increase in assets under management: Assets under management increases were assumed at 8% for the years 2011 to 2015 and are based on management expectations and industry research.

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.

The Group performed its annual impairment test as at 31 December 2010. As with any holding company valuation, the recoverable amount of Aabar has been determined as the sum of the values of the respective assets and liabilities. The value in use of the respective assets has been estimated based on the future cash flows expected to arise from the continuing use of the asset, and the estimated cash flows on potential disposal.

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

- Estimates used in the value in use calculation of investment properties as disclosed in Note 17.
- Fluctuations in the market price of quoted investments of Aabar, and the degree to which those will vary within the current hedging strategy.
- Discount rate: The discount rate represents the current market assessment of the risks specific to Aabar.
- Growth rate to determine increase in assets under management: Assets under management increase was assumed at 8% for the years 2011 to 2015 and is based on management expectations and industry research.

17 INVESTMENT PROPERTIES

	Land *US $ '000*	*Commercial* *US $ '000*	*Total* *US $ '000*
2010			
Cost:			
At 1 January 2010	4,614	14,355	18,969
Transfers	1,804,444	(2,313)	1,802,131
Disposals	(5,122)	(5,511)	(10,633)
Exchange adjustments	536	(296)	240
At 31 December 2010	**1,804,472**	**6,235**	**1,810,707**
Accumulated depreciation:			
At 1 January 2010	-	422	422
Charge for the year	-	69	69
Transfers		3,747	3,747
Impairment	514,810	-	514,810
Disposals		(265)	(265)
Exchange adjustments	-	(650)	(650)
At 31 December 2010	**514,810**	**3,323**	**518,133**
Net carrying amount:			
At 31 December 2010	**1,289,662**	**2,912**	**1,292,574**
2009			
Cost:			
At 1 January 2009	-	-	-
Additions	432	457	889
Acquisition through business combinations	4,182	13,729	17,911
Disposals	-	(378)	(378)
Exchange adjustments	-	547	547
At 31 December 2009	4,614	14,355	18,969
Accumulated depreciation:			
At 1 January 2009	-	-	-
Charge for the year	-	747	747
Impairment	-	50	50
Disposals	-	(378)	(378)
Exchange adjustments	-	3	3
At 31 December 2009	-	422	422
Net carrying amount:			
At 31 December 2009	4,614	13,933	18,547

Investment properties with a book value of US $ 204,221 thousand (31 December 2009: US $ 9,353 thousand) have been pledged as security for related borrowings and mortgages.

During the year ended 31 December 2010, plots of land with a carrying amount of US $ 1,804,444 thousand, prior to impairment charges, have been transferred from advances made on investment properties under other assets to investment properties.

17 INVESTMENT PROPERTIES continued

In reviewing investment properties, the Group has considered whether the value of any of its investment properties is impaired. The recoverable amounts have been determined as the higher of the fair value less costs to sell, and value in use. The Group recognised an impairment loss of US $ 514,810 thousand on its investment properties during the year (2009: US $ Nil).

Value in use assessments have been performed based on valuation models.

Fair value assessments have been performed based on transactions observable in the market or based on valuation models. The combined fair value of investment properties at 31 December 2010 amounted to US $ 941,548 thousand (31 December 2009: carrying amounts approximated fair values).

The determination of the value in use or the fair value of investment property requires the use of estimates such as future cash flows from assets (such as lettings, tenant's profiles, future revenue streams, capital values of fixtures and fittings, plant and machinery, any environment matters and the overall repair and condition of the property) and discount rates applicable to those assets. In addition, development risks (such as construction and letting risks) are also taken into consideration when determining the fair value of investment properties under construction. These estimates are based on local market condition existing at reporting date.

Volatility in the global financial system is reflected in commercial real estate markets. There was a significant reduction in transaction volumes in 2009, and to a lesser extent, in 2010. In these circumstances, there was a greater degree of uncertainty than that which exists in a more active market in estimating the market values of investment property. Therefore, in arriving at estimates of market values as at 31 December 2010, management used their market knowledge and professional judgment and did not rely solely on historical transaction comparables.

The significant assumptions used were:

Key assumptions used for value in use assessments:

- Inflation during the development period: Assumed as running at 5% per annum during the development period
- Lease capitalization multiples: Assumed an average multiple of 9 (determined by reference to current expectations in the market)
- Construction costs: Based upon management's estimations for the development of the projects
- Rental incomes: Based upon current rental rates being experienced for properties of a similar nature within the local market

Key assumptions used for fair value assessments:

- Inflation during the development period: Assumed as running at 5% per annum during the development period
- Lease capitalization multiples: Assumed an average multiple of 9 (determined by reference to current expectations in the market)
- Construction costs: Based upon management's estimations for the development of the projects
- Developers profit margin: Assumed as 15%
- Rental incomes: Based upon current rental rates being experienced for properties of a similar nature within the local market

18 INVESTMENTS IN FINANCIAL INTRUMENTS

	2010	*2009*	*2008*
	US $ '000	*US $ '000*	*US $ '000*
Non-derivative financial instruments:			
Held-to-maturity financial assets (Note 18.1)	**240,256**	275,575	2,812
Financial assets at fair value through profit or loss (Note 18.2)	**8,673,887**	5,617,250	5,021,833
Available-for-sale financial assets (Note 18.3)	**1,526,183**	1,944,576	5,288,007
	10,440,326	7,837,401	10,312,652
Derivative financial instruments (Note 31)	**805,175**	135,871	142,440
	11,245,501	7,973,272	10,455,092
Non-current	**10,819,947**	7,924,380	5,382,811
Current	**425,554**	48,892	5,072,281
	11,245,501	7,973,272	10,455,092

18.1 HELD-TO-MATURITY FINANCIAL ASSETS

The balance represents mainly investments in government treasury securities and corporate bonds. They are predominantly denominated in CHF and are investment grade assets.

18.2 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2010	*2009*	*2008*
	US $ '000	*US $ '000*	*US $ '000*
Daimler AG shares (i)	**6,483,793**	5,144,838	-
CASHES of Unicredit SpA. (ii)	**40,581**	73,810	-
Banco Santander (Brasil) ADSs (iii)	**-**	341,632	-
Unicredit SpA (iv)	**1,974,228**	-	-
Instruments of Barclays Plc (v)	**-**	-	5,021,833
Others (vi)	**175,285**	56,970	-
	8,673,887	5,617,250	5,021,833
Non-current	**8,517,201**	5,617,250	-
Current	**156,686**	-	5,021,833
	8,673,887	5,617,250	5,021,833

i) This represents an equity investment in Daimler AG shares. In June 2010, Aabar terminated one of the two collar and put option agreements and replaced it with another agreement that fixes the floor and cap price for movements in the share price of Daimler AG that expires between 1 October 2012 and 19 November 2012. The other collar and put option agreement which is scheduled to expire on 24 September 2012 remains unchanged. Shares in Daimler AG are pledged as collateral against certain term loans of Aabar.

ii) This represents an investment in the Convertible and Subordinated Hybrid Equity-Linked Securities ("CASHES") of Unicredit SpA. These convertible bonds, due on 15 December 2050 are exchangeable into ordinary shares of Unicredit SpA. If at any time, between 23 February 2016 and 15 December 2050, the exchange security price of Unicredit SpA shares, for 20 out of 30 consecutive trading days, exceeds 150% of the exchange price (Euro 3.83), the bonds will be automatically redeemed.

18 INVESTMENTS IN FINANCIAL INTRUMENTS continued

18.2 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS continued

iii) This represents an investment in 24,500,000 American Depositary Shares ("ADS") of Banco Santander (Brasil) SA (a subsidiary of Banco Santander SA headquartered in Spain), which was sold in 2010. As a result, the Group recorded a gain of US $ 21,061 thousand during the year (see Note 8).

iv) This represents an equity investment in Unicredit SpA. The Group acquired a 4.99% stake in Unicredit SpA in 2010. The Group has taken collar and put options to fix the floor and cap price for movements in the share price of Unicredit SpA that expire between 3 April 2013 and 12 June 2013. Shares in Unicredit SpA are pledged as collateral against certain term loans of Aabar.

v) The Group purchased certain investments in mandatory convertible notes, reserve capital investments and warrants of Barclays Plc in 2008. During 2009, the Group disposed of these instruments for total net proceeds of approximately GBP 4.7 billion (US $ 7 billion) and realised a net gain of approximately US $ 2.2 billion.

vi) This balance includes an investment made in July 2010 of US $ 18.9 million into two investment funds: Blue Orchard Private Equity Funds SCA and Oasis Fund SCA with a commitment to invest a further US $ 35.3 million at a later date. The remaining balance represents mainly investments in government treasury securities and corporate bonds. These are investment grade assets predominantly denominated in CHF.

18.3 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2010	*2009*	*2008*
	US $ '000	*US $ '000*	*US $ '000*
Quoted investments	**1,163,503**	1,535,704	5,028,435
Unquoted investments	**362,680**	408,872	259,572
	1,526,183	1,944,576	5,288,007

Quoted investments
The fair value of the quoted investments is determined by reference to published price quotations in an active market. During 2009, investments in CEPSA and OMV were increased to 47.06% and 20.01% respectively, and accordingly reclassified to investments in associates from the dates significant influence was obtained.

Unquoted investments
The fair value of the majority 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 32 for the Group's valuation hierarchy.

19 TRADE AND OTHER RECEIVABLES

	2010	*2009*	*2008*
	US $ '000	*US $ '000*	*US $ '000*
Trade receivables	**1,206,983**	1,049,509	831,840
Loans and other amounts due from banking customers	**1,083,184**	621,084	-
Due from banks	**161,636**	183,158	-
Balance due from related parties	**360,659**	279,190	50,581
Receivable from construction contracts	**102,786**	157,818	-
Other receivables	**5,982**	397	-
	2,921,230	2,291,156	882,421
Non-current	**74,063**	71,429	-
Current	**2,847,167**	2,219,727	882,421
	2,921,230	2,291,156	882,421

At 31 December 2010, trade and other receivables amounting to US $ 147,075 thousand (31 December 2009: US $ 134,989 thousand) were impaired and fully provided for.

See Note 33 for ageing analysis and movements in the provision for impairment of trade and other receivables.

20 OTHER ASSETS

	2010	*2009*	*2008*
	US $ '000	*US $ '000*	*US $ '000*
Long term receivable (i)	**1,858,432**	1,495,045	-
Taxes receivable	**279,516**	56,443	55,886
Loans from related parties	**48,963**	150,711	480,885
Loans and notes receivable	**529,409**	313,439	112,455
Advances made on investment properties	**1,000,108**	2,128,513	-
Advances made on investments	**516,497**	8,006	55,859
Prepaid expense	**35,011**	18,561	73,488
Accrued interest receivable	**29,523**	25,477	-
Other assets and receivables	**427,492**	556,419	424,265
	4,724,951	4,752,614	1,202,838
Non-current	**3,981,649**	3,992,192	262,777
Current	**743,302**	760,422	940,061
	4,724,951	4,752,614	1,202,838

(i) In 2009, the Company acquired an investment in mandatorily exchangeable bonds (the "Bonds") of Independent Public Business Corporation of Papua New Guinea. Upon maturity in March 2014, the Bonds will be converted into 196,604,177 shares of Oil Search Limited, a company listed on the Australian Stock Exchange. The Company has determined that the Bonds contain embedded derivatives and accordingly, the derivative components, amounting to US $ 106,059 thousand (31 December 2009: US $ 75,281 thousand), have been separated from the host contract and disclosed as derivative financial instruments in the consolidated financial statements (see Note 31). The long term receivable represents the carrying value of the host contract at 31 December 2010, and is carried at amortised cost.

21 INVENTORIES

	2010 US $ '000	2009 US $ '000
Raw materials	**437,045**	535,134
Spare parts	**57,065**	56,624
Work in progress	**403,835**	896,450
Finished goods	**1,152,796**	882,211
In transit	**25,371**	13,874
	2,076,112	2,384,293
Allowance for obsolescence	**(23,590)**	(37,628)
	2,052,522	2,346,665

22 CASH AND CASH EQUIVALENTS

	2010 US $ '000	2009 US $ '000
Cash and short term deposits	**3,150,931**	2,533,118
Bank overdrafts	**(912)**	-
	3,150,019	2,533,118

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. Bank overdrafts carried interest at floating rates and were unsecured.

23 SHARE CAPITAL

	Authorised		*Issued and fully paid*	
	2010 **US $ '000**	2009 US $ '000	**2010** **US $ '000**	2009 US $ '000
Ordinary shares of US $ 1,000 each	**5,000,000**	5,000,000	**3,500,000**	3,500,000

24 SHAREHOLDER LOAN

During the year ended 31 December 2010, the Company received US $ 500 million from the Department of Finance of Abu Dhabi on behalf of the Government of Abu Dhabi. The funds are to be used to meet the Company's obligations in the investment in Qatar and Abu Dhabi Investment Company QSC. An amount of US $ 50 million was injected in Qatar and Abu Dhabi Investment Company QSC in July 2010.

The funds received are interest-free with no repayment terms. Accordingly management has classified the funds as a shareholder loan within equity.

25 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 2009	3,183,667	(193,101)	18,352	6,421	-	-	85,645	3,100,984
Other comprehensive profit (loss) for the year	(85,700)	219,111	(11,669)	(9,287)	-	104,138	4,849	221,442
Movement in other reserves	-	-	-	-	-	-	15,408	15,408
Reserves for disposal group held-for-sale	-	112,186	(28,313)	-	(81,580)	-	(2,293)	-
Balance at 31 December 2009	3,097,967	138,196	(21,630)	(2,866)	(81,580)	104,138	103,609	3,337,834
Other comprehensive profit (loss) for the year	244,029	(134,140)	18,983	(121,746)	-	(520,196)	(4,849)	(517,919)
Disposal of interest in a subsidiary	-	167,038	(11,297)	-	(2,293)	-	-	153,448
Reserves for disposal group held-for-sale	-	(112,186)	28,313	-	83,873	-	-	-
Balance at 31 December 2010	**3,341,996**	**58,908**	**14,369**	**(124,612)**	**-**	**(416,058)**	**98,760**	**2,973,363**

26 BORROWINGS

	***2010* US $ '000**	*2009 US $ '000*	*2008 US $ '000*
Overdrafts	**39,941**	63,121	50,544
Obligations under finance leases and hire purchase contracts	**11,435**	14,547	4,308
Listed notes and other borrowing instruments	**4,241,470**	1,709,156	936,608
Unlisted borrowings	**16,748,395**	15,648,092	8,738,143
	21,041,241	17,434,916	9,729,603
Non-current	**19,161,098**	10,382,235	2,840,603
Current	**1,880,143**	7,052,681	6,889,000
	21,041,241	17,434,916	9,729,603

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

	2010	2009	2008
The Company	**10,040,024**	10,040,544	6,680,180
Aabar	**7,772,109**	4,110,630	-
Nova	**1,695,277**	1,823,991	-
Borealis	**1,497,186**	1,435,716	1,569,033
Ferrostaal	**36,645**	24,035	-
HDO	**-**	-	1,480,390
	21,041,241	17,434,916	9,729,603

As of 31 December 2010, the Company has not guaranteed the borrowings of any of the Group companies.

26 BORROWINGS continued

See Note 33 for the maturity analysis of borrowings (under liquidity risk disclosure).

Included in borrowings are obligations under finance leases as follows:

	2010	*2009*	*2008*
	US $ '000	*US $ '000*	*US $ '000*
Payable in one year	**10,224**	3,349	978
Payable between 1 to 5 years	**1,346**	10,584	3,338
Payable beyond 5 years	**21**	994	33
	11,591	14,927	4,349
Amounts representing finance charges	**(156)**	(380)	(41)
	11,435	14,547	4,308

27 EMPLOYEES' BENEFIT LIABILITIES

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

	2010	*2009*
	US $ '000	*US $ '000*
Wages and salaries	**1,124,147**	1,066,898
Defined contribution plans	**32,255**	5,200
Defined benefit plans	**60,728**	35,365
Bonuses	**102,469**	9,483
Others	**94,404**	23,284
	1,414,003	1,140,230

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

	2010	*2009*
	US $ '000	*US $ '000*
Employee end of service benefits	**2,084**	3,189
Pensions	**721,515**	651,693
	723,599	654,882

Most group companies 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.

27 EMPLOYEES' BENEFIT LIABILITIES continued

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

	2010 *US $ '000*	*2009* *US $ '000*
Current service cost	**41,125**	33,011
Interest cost on benefit obligation	**82,759**	56,707
Expected return on plan assets	**(60,559)**	(54,586)
Past service cost	**1,307**	2,680
Others	**(3,904)**	(2,447)
Net defined benefit expense	**60,728**	35,365

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

	2010 *US $ '000*	*2009* *US $ '000*
Defined benefit obligation	**(1,812,568)**	(1,628,107)
Fair value of plan assets	**1,042,620**	986,139
	(769,948)	(641,968)
Unrecognised past service cost	**48,433**	(9,725)
Benefit liability	**(721,515)**	(651,693)

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

	2010 *US $ '000*	*2009* *US $ '000*
Benefit obligation at beginning of year	**(1,628,107)**	(353,062)
Current service costs	**(41,125)**	(33,011)
Current interest costs	**(82,759)**	(56,707)
Contributions by employees	**(3,300)**	(6,128)
Past service cost-vested immediately	**1,392**	(6,656)
Actuarial gains on obligation	**(185,013)**	(36,159)
Acquisition of businesses	**-**	(1,162,395)
Disposal of business	**114**	15,430
Reduction in liabilities resulting from curtailments	**208**	5,683
Benefits paid from plan	**118,039**	53,295
Liabilities extinguished on settlements	**9,148**	34,386
Foreign exchange differences	**(1,165)**	(82,783)
Benefit obligation at end of the year	**(1,812,568)**	(1,628,107)

27 EMPLOYEES' BENEFIT LIABILITIES continued

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

	2010 *US $ '000*	*2009* *US $ '000*
Fair value of plan assets at beginning of year	**986,139**	121,589
Expected return on plan assets	**60,559**	54,586
Contributions by employees	**7,945**	6,128
Employer contribution	**84,916**	42,001
Actuarial (losses) gains	**25,623**	(4,817)
Acquisition of business	**-**	805,089
Disposal of business	**-**	(11,186)
Benefits paid from plan	**(118,039)**	(53,295)
Assets distributed on settlement	**(6,211)**	(26,900)
Foreign exchange differences	**1,688**	52,944
Fair value of plan assets at end of year	**1,042,620**	986,139

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	2010 *%*	*2009* *%*
Equities	**41.0%**	39.7%
Bonds	**52.0%**	57.4%
Insurance contracts	**7.0%**	2.2%
Others	**0.0%**	0.7%

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 are shown below:

	2010 *%*	*2009* *%*
Rate of salary increases	**2.5% - 3.5%**	2.5% - 4.0%
Rate of increase in pensions payments	**0.3% - 2.1%**	0.3% - 2.2%
Discount rate	**3.3% - 5.1%**	3.3% - 6.0%

Amounts for the current and previous periods are as follows:

	2010 *US $ '000*	*2009* *US $ '000*	*2008* *US $ '000*	*2007* *US $ '000*	*2006* *US $ '000*
Fair value of scheme assets	**1,042,620**	986,139	121,589	110,349	139,076
Present value of defined benefit obligation	**(1,812,568)**	(1,628,107)	(353,062)	(381,720)	(345,701)
Deficit in the scheme	**(769,948)**	(641,968)	(231,473)	(271,371)	(206,625)
Experience adjustments arising on plan liabilities	**(136,547)**	(6,488)	581	12,190	(1,320)
Experience adjustments arising on plan assets	**23,578**	(10,141)	6,014	(13,394)	6,601

28 PROVISIONS

	Restructuring US $ '000	Decommissioning US $ '000	Legal disputes US $ '000	Environmental US $ '000	Other US $ '000	Total US $ '000
At 1 January 2010	69,248	62,653	224,845	7,686	208,934	573,366
Additions	27,163	10,981	195,379	500	190,304	424,327
Through business combinations	-	227	-	505	15,466	16,198
Interest expenses	-	4,241	38	-	-	4,279
Utilised	(33,895)	(153)	(66,760)	(2,004)	(65,934)	(168,746)
Reversed	(988)	-	(169,529)	(33)	(40,475)	(211,025)
Exchange adjustments	(5,989)	831	(15,928)	(242)	(17,973)	(39,301)
Balance at 31 December 2010	**55,539**	**78,780**	**168,045**	**6,412**	**290,322**	**599,098**

	2010 US $ '000	*2009 US $ '000*
Classified as:		
Non-current	**321,527**	177,876
Current	**277,571**	395,490
	599,098	573,366

(i) Provision for restructuring relates mainly to ongoing restructuring programmes of companies of Borealis.

(ii) Provision for decommissioning mainly relates to asset retirement obligations of Borealis and Nova.

(iii) Provision for legal disputes includes:

a. Provision related to Ferrostaal in respect of an investigation relating to transactions concluded prior to the Company owning any interest in Ferrostaal. At this time the outcome of the investigation is highly uncertain.

b. Provision related to Nova in respect to the patent infringement lawsuit filed by Dow Chemical Company ("DOW") in 2005. On 15 June 2010, the court has assessed that Nova has infringed DOW patents and awarded the latter certain amounts for damages including interest and related costs. Nova is currently in the process of making an appeal for certain grounds and posted a security in an amount equivalent to the jury verdict plus interest and costs.

(iv) Other provisions mainly cover risk and warranty provisions under construction contracts.

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

29 TRADE AND OTHER PAYABLES

	2010	2009	2008
	US $ '000	*US $ '000*	*US $ '000*
Trade payables	**1,676,006**	1,776,385	1,088,541
Customers deposit and other amounts due to banking customers	**1,201,420**	892,139	-
Balance due to related parties	**184,027**	2,129	-
Due to banks	**258,616**	203,644	-
Other payables	**42,320**	221,903	-
	3,362,389	3,096,200	1,088,541
Non-current	**48,249**	70,487	-
Current	**3,314,140**	3,025,713	1,088,541
	3,362,389	3,096,200	1,088,541

30 OTHER LIABILITIES

	2010	2009	2008
	US $ '000	*US $ '000*	*US $ '000*
Advances received (i)	**507,972**	1,376,966	42,543
Advances due on investment properties	**118,695**	118,695	-
Income tax and other taxes payable	**256,694**	92,057	27,025
Interest and other accruals	**615,489**	735,825	326,319
Loan from related parties	**70,290**	51,822	-
Government grant (ii)	**46,399**	42,586	47,579
Payables on investments	**140,745**	43,958	-
Other liabilities and payables	**113,336**	277,975	705,203
	1,869,620	2,739,884	1,148,669
Classified as:			
Non- current	**148,940**	157,531	89,234
Current	**1,720,680**	2,582,353	1,059,435
	1,869,620	2,739,884	1,148,669

(i) Advances received mainly relate to advances received on construction contracts.

(ii) The Group received government grants for the investment in new production plants, CO_2 emission allowances and research and development which were recognised in the consolidated income statement.

31 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 very 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, 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 2010 US $'000	***Liabilities 2010 US $'000***	*Assets 2009 US $'000*	*Liabilities 2009 US $'000*
Derivatives held-for-trading				
Interest rate swaps	**-**	**3,104**	-	4,807
Currency forwards	**68,668**	**70,053**	31,228	19,399
Currency futures	**65**	**68**	741	742
Currency options	**421**	**421**	371	271
Equity forwards	**-**	**-**	44	44
Equity futures	**-**	**-**	1,574	1,574
Equity options (see Note 9 (iii))	**547,346**	**2,605,099**	-	1,482,764
Commodity swaps	**19,214**	**26,210**	18,234	11,719
Commodity futures	**-**	**-**	108	108
Embedded derivative (see Note 20 (i))	**106,059**	**-**	75,281	-
	741,773	**2,704,955**	127,581	1,521,428
Derivatives used as fair value hedges				
Currency forwards	**544**	**10,732**	-	-
Commodity swaps	**-**	**3,837**	-	3,973
	544	**14,569**	-	3,973
Derivatives used as cash flow hedges				
Interest rate swaps	**-**	**25,856**	-	36,276
Currency forwards	**6,199**	**-**	7,164	7,990
Commodity swaps	**1,257**	**5,451**	1,126	-
Other swap arrangements	**55,402**	**253**	-	16,346
	62,858	**31,560**	8,290	60,612
	805,175	**2,751,084**	135,871	1,586,013
Non-current	**653,079**	**2,377,638**	86,979	1,192,325
Current	**152,096**	**373,446**	48,892	393,688
	805,175	**2,751,084**	135,871	1,586,013

31 DERIVATIVE FINANCIAL INSTRUMENTS continued

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.

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.

31 DERIVATIVE FINANCIAL INSTRUMENTS continued

The table below summarises the maturity profile of the Group's derivatives based on contractual undiscounted payments.

	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*
2010						
Cash outflow						
Trading derivatives and economic hedges	**(596,428)**	**(278,339)**	**(2,380,227)**	**(54,350)**	**-**	**(3,309,344)**
Derivatives for cash flow hedges	**(96,102)**	**(386,195)**	**(660,316)**	**(423,330)**	**(54,832)**	**(1,620,775)**
Derivatives for fair value hedges	**(13,770)**	**(17,726)**	**(50,927)**	**(6,941)**	**(883)**	**(90,247)**
	(706,300)	**(682,260)**	**(3,091,470)**	**(484,621)**	**(55,715)**	**(5,020,366)**
Cash inflow						
Trading derivatives and economic hedges	**569,676**	**24,880**	**546,997**	**159,578**	**-**	**1,301,131**
Derivatives for cash flow hedges	**113,980**	**397,474**	**651,519**	**421,540**	**51,650**	**1,636,163**
Derivatives for fair value hedges	**6,229**	**2,596**	**4,574**	**-**	**-**	**13,399**
	689,885	**424,950**	**1,203,090**	**581,118**	**51,650**	**2,950,693**
	(16,415)	**(257,310)**	**(1,888,380)**	**96,497**	**(4,065)**	**(2,069,673)**
2009						
Cash outflow						
Trading derivatives and economic hedges	(197,068)	(121,379)	(243,117)	-	-	(561,564)
Derivatives for cash flow hedges	(111,160)	(347,057)	(48,011)	(16,819)	(56,904)	(579,951)
Derivatives for fair value hedges	(6,367)	(89)	(540)	-	-	(6,996)
	(314,595)	(468,525)	(291,668)	(16,819)	(56,904)	(1,148,511)
Cash inflow						
Trading derivatives and economic hedges	183,968	125,336	1,204,024	75,281	-	1,588,609
Derivatives for cash flow hedges	101,206	321,753	26,952	16,542	57,449	523,902
Derivatives for fair value hedges	26,054	50,034	787	-	-	76,875
	311,228	497,123	1,231,763	91,823	57,449	2,189,386
	(3,367)	28,598	940,095	75,004	545	1,040,875

32 FINANCIAL INSTRUMENTS

Fair values

The fair values of the financial assets and liabilities of the Group are not materially different from their carrying amounts at the reporting date. Borrowings had a fair value of US $ 20,913,746 compared to a carrying amount of US $ 21,041,241 as 31 December 2010 (31 December 2009: carrying amounts approximated fair values).

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments 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.

As at 31 December 2010, the Group held the following financial instruments measured at fair value:

	31 December 2010 US $ '000	*Level 1 US $ '000*	*Level 2 US $ '000*	*Level 3 US $ '000*
Assets measured at fair value				
Available-for-sale financial assets	**1,526,183**	1,163,503	19,978	342,702
Derivative financial assets	**805,175**	-	805,175	-
Financial assets at fair value through profit or loss	**8,673,887**	8,614,707	59,180	-
	11,005,245	9,778,210	884,333	342,702
Liabilities measured at fair value				
Derivative financial liabilities	**2,751,084**	-	2,751,084	-
	2,751,084	-	2,751,084	-

	31 December 2009 US $ '000	*Level 1 US $ '000*	*Level 2 US $ '000*	*Level 3 US $ '000*
Assets measured at fair value				
Available-for-sale financial assets	1,944,576	1,535,704	-	408,872
Derivative financial assets	135,871	75,281	60,590	-
Financial assets at fair value through profit or loss	5,617,250	5,543,440	73,810	-
	7,697,697	7,154,425	134,400	408,872
Liabilities measured at fair value				
Derivative financial liabilities	1,586,013	-	1,586,013	-
	1,586,013	-	1,586,013	-

There have been no significant transfers between level 1 and 2 or movements within level 3 of fair value hierarchy.

33 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 held-to-maturity financial assets, 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, equity price 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.

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 held-to-maturity financial assets, 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 2010 and 2009.

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 2010.

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.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit (through the impact on all floating rate borrowings).

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Market risk continued
Interest rate risk continued
The sensitivity analysis excludes all fixed rate financial instruments carried at amortised cost. Currency and commodity based derivatives have not been included in the sensitivity analysis below as they are not considered to be exposed to interest rate risk.

	Decrease in basis points	***Effect on profit before tax US $ '000***	*Effect on equity US $ '000*
2010			
USD	50 bps	**28,863**	**340**
AED	50 bps	**8,663**	**-**
EUR	50 bps	**123**	**2,214**
JPY	50 bps	**4,157**	**-**
Other	50 bps	**2,774**	**-**
		44,580	**2,554**
2009			
USD	50 bps	15,082	-
AED	50 bps	6,648	-
EUR	50 bps	14,861	-
JPY	50 bps	3,653	-
Other	50 bps	1,078	-
		41,322	-

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

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*
2010			
CHF	**+10%**	**(5,890)**	**-**
EUR	**+10%**	**112,866**	**49,420**
JPY	**+10%**	**(83,367)**	**(52,420)**
CAD	**+10%**	**(53,111)**	**(16,125)**
Other	**+10%**	**119,205**	**(7)**
		89,703	**(19,132)**
2009			
CHF	+10%	55,688	-
EUR	+10%	54,272	83,623
JPY	+10%	(34,604)	(18,575)
CAD	+10%	(98,064)	-
Other	+10%	87,073	(7)
		64,365	65,041

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

33 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 ongoing 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:

		2010		*2009*	
	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%**	**(59,824)**	**-**	(29,624)	-
Natural gas	**+10%**	**(22,190)**	**(1,334)**	(27,500)	-
Electricity	**+10%**	**(2,330)**	**(15,103)**	(8,647)	-
Propylene	**+10%**	**(119,038)**	**-**	(95,672)	-
Polyethelene	**+10%**	**687,289**	**-**	558,728	-
Other petrochemical feedstock*	**+10%**	**(294,240)**	**-**	(200,242)	-

*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 income statement and equity:

		2010		*2009*	
	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%**	**162,058**	**49,435**	176,159	116,419
Middle East (excluding UAE)	**+10%**	**-**	**30,000**	-	30,000
North America	**+10%**	**-**	**7,964**	34,163	-
Asia and Pacific and others	**+10%**	**17,726**	**57,662**	13,502	37,151

		2010		*2009*	
	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%**	**(7,030)**	**(49,435)**	(183,987)	(116,419)
Middle East (excluding UAE)	**-10%**	**-**	**(30,000)**	-	(30,000)
North America	**-10%**	**-**	**(7,964)**	(34,163)	-
Asia and Pacific and others	**-10%**	**(17,726)**	**(57,662)**	(13,502)	(37,151)

33 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.

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

	2010		*2009*	
	Carrying value US $ '000	***Maximum credit exposure US $ '000***	*Carrying value US $ '000*	*Maximum credit exposure US $ '000*
On balance sheet				
Held-to-maturity financial assets	**240,256**	**240,256**	275,575	275,575
Loans and other amounts due from banking customers	**1,083,184**	**1,887,341**	621,084	621,084
Derivative financial assets	**805,175**	**805,175**	135,871	135,871
Trade and other receivables	**1,676,410**	**1,676,410**	1,486,914	1,486,914
Other assets	**4,724,951**	**4,724,951**	4,752,614	4,752,614
Due from banks	**161,636**	**252,075**	183,158	183,158
Cash and short-term deposits	**3,150,931**	**3,150,931**	2,533,118	2,533,118
	11,842,543	**12,737,139**	9,988,334	9,988,334

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

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

	UAE *US $ '000*	*Europe* *US $ '000*	*North America* *US $ '000*	*South America* *US $ '000*	*Asia* *US $ '000*	*Australia New Zealand* *US $ '000*	*Others* *US $ '000*	*Total* *US $ '000*
2010								
Held-to-maturity financial assets	**-**	**174,002**	**-**	**-**	**66,254**	**-**	**-**	**240,256**
Loans and other amounts due from banking customers	**278,367**	**340,244**	**175,687**	**3,043**	**276,836**	**-**	**9,007**	**1,083,184**
Derivative financial instruments	**-**	**692,348**	**6,768**	**-**	**-**	**106,059**	**-**	**805,175**
Trade and other receivables	**1,068**	**1,077,937**	**475,997**	**99,321**	**9,551**	**8,511**	**4,025**	**1,676,410**
Other assets	**1,098,606**	**1,040,972**	**734,207**	**54,517**	**18,232**	**1,726,940**	**51,477**	**4,724,951**
Due from banks	**2,707**	**120,988**	**34,222**	**-**	**-**	**3,625**	**94**	**161,636**
Cash and short-term deposits	**484,026**	**1,779,381**	**298,058**	**103,413**	**478,197**	**3,189**	**4,667**	**3,150,931**
	1,864,774	**5,225,872**	**1,724,939**	**260,294**	**849,070**	**1,848,324**	**69,270**	**11,842,543**
2009								
Held-to-maturity financial assets	-	247,232	-	-	28,343	-	-	275,575
Loans and other amounts due from banking customers	-	570,490	-	-	50,594	-	-	621,084
Derivative financial instruments	75,281	42,381	18,209	-	-	-	-	135,871
Trade and other receivables	397	1,142,424	215,343	107,334	8,918	8,041	4,457	1,486,914
Other assets	2,147,368	693,743	322,774	60,910	7,488	1,517,652	2,679	4,752,614
Due from banks	67,741	94,737	-	-	20,680	-	-	183,158
Cash and short-term deposits	1,176,378	1,034,147	232,633	64,680	18,335	2,744	4,201	2,533,118
	3,467,165	3,825,154	788,959	232,924	134,358	1,528,437	11,337	9,988,334

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Credit risk continued

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

	Consumer US $ '000	*Government US $ '000*	*Banking US $ '000*	*Energy US $ '000*	*Chemicals US $ '000*	*Real Estate US $ '000*	*Other US $ '000*	*Total US $ '000*
2010								
Held-to-maturity financial assets	**23,756**	**64,036**	**115,759**	**-**	**24,733**	**-**	**11,972**	**240,256**
Loans and other amounts due from banking customers	**1,083,184**	**-**	**-**	**-**	**-**	**-**	**-**	**1,083,184**
Derivative financial instruments	**-**	**106,059**	**615,896**	**-**	**82,072**	**-**	**1,148**	**805,175**
Trade and other receivables	**-**	**-**	**-**	**59,945**	**1,292,552**	**-**	**323,913**	**1,676,410**
Other assets	**-**	**1,726,359**	**-**	**32,709**	**721,946**	**1,649,585**	**594,352**	**4,724,951**
Due from banks	**-**	**-**	**161,636**	**-**	**-**	**-**	**-**	**161,636**
Cash and short-term deposits	**-**	**91,028**	**1,894,503**	**50,360**	**515,722**	**-**	**599,318**	**3,150,931**
	1,106,940	**1,987,482**	**2,787,794**	**143,014**	**2,637,025**	**1,649,585**	**1,530,703**	**11,842,543**
2009								
Held-to-maturity financial assets	-	59,669	142,839	-	2,881	-	70,186	275,575
Loans and other amounts due from banking customers	621,084	-	-	-	-	-	-	621,084
Derivative financial instruments	-	-	60,590	-	-	-	75,281	135,871
Trade and other receivables	-	-	-	92,892	972,332	-	421,690	1,486,914
Other assets	-	1,030,948	-	71,323	643,685	2,295,489	711,169	4,752,614
Due from banks	-	-	183,158	-	-	-	-	183,158
Cash and short-term deposits	-	78,393	1,138,107	84,292	286,655	-	945,671	2,533,118
	621,084	1,169,010	1,524,694	248,507	1,905,553	2,295,489	2,223,997	9,988,334

33 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 2010					
Held-to-maturity financial assets	**237,583**	**-**	**-**	**2,673**	**240,256**
Loans and other amounts due from banking customers	**1,079,471**	**-**	**3,713**	**-**	**1,083,184**
Trade and other receivables	**452,947**	**333,464**	**260,537**	**629,462**	**1,676,410**
Other assets	**1,903,378**	**-**	**-**	**2,821,573**	**4,724,951**
Due from banks	**161,542**	**94**	**-**	**-**	**161,636**
Cash and short-term deposits	**703,768**	**-**	**-**	**2,447,163**	**3,150,931**
	4,538,689	**333,558**	**264,250**	**5,900,871**	**11,037,368**
31 December 2009					
Held-to-maturity financial assets	-	-	-	275,575	275,575
Loans and other amounts due from banking customers	4,660	-	616,424	-	621,084
Trade and other receivables	381,070	250,340	268,859	586,645	1,486,914
Other assets	2,128,513	-	194,590	2,429,511	4,752,614
Due from banks	-	2,191	180,967	-	183,158
Cash and short-term deposits	-	-	-	2,533,118	2,533,118
	2,514,243	252,531	1,260,840	5,824,849	9,852,463

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*
2010						
Held-to-maturity financial assets	**240,256**	**-**	**-**	**-**	**-**	**240,256**
Loans and other amounts due from banking customers	**1,083,184**	**-**	**-**	**-**	**-**	**1,083,184**
Trade and other receivables	**1,371,540**	**109,985**	**29,418**	**19,554**	**145,913**	**1,676,410**
Other assets	**4,449,425**	**153,729**	**160**	**143**	**121,494**	**4,724,951**
Due from banks	**161,636**	**-**	**-**	**-**	**-**	**161,636**
Cash and short-term deposits	**3,150,931**	**-**	**-**	**-**	**-**	**3,150,931**
	10,456,972	**263,714**	**29,578**	**19,697**	**267,407**	**11,037,368**
2009						
Held-to-maturity financial assets	275,575	-	-	-	-	275,575
Loans and other amounts due from banking customers	620,904	-	-	180	-	621,084
Trade and other receivables	1,216,186	154,611	62,268	20,589	33,260	1,486,914
Other assets	4,681,905	2,040	572	190	67,907	4,752,614
Due from banks	183,158	-	-	-	-	183,158
Cash and short-term deposits	2,533,118	-	-	-	-	2,533,118
	9,510,846	156,651	62,840	20,959	101,167	9,852,463

33 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*	*Transfers* *US $ '000*	*Interest* *US $ '000*	*Written-off* *US $ '000*	*Recoveries* *US $ '000*	*Exchange difference* *US $ '000*	*Total* *US $ '000*
On balance sheet								
2010								
Loans and other banking receivables	**129**	**10,193**	**3,939**	**-**	**(1,001)**	**-**	**645**	**13,905**
Trade and other receivables	**14,497**	**35,562**	**116,424**	**-**	**(20,851)**	**(4,916)**	**(7,546)**	**133,170**
Other assets	**-**	**9,534**	**111,305**	**-**	**(6,232)**	**(2,138)**	**(4,592)**	**107,877**
	14,626	**55,289**	**231,668**	**-**	**(28,084)**	**(7,054)**	**(11,493)**	**254,952**
2009								
Loans and other banking receivables	-	-	-	202	-	**(207)**	134	129
Trade and other receivables	79	19,160	-	-	-	(5,291)	549	14,497
Other assets	-	-	-	-	-	-	-	-
	79	19,160	-	202	-	(5,498)	683	14,626

Collateral and other credit enhancements

Falcon Bank, the Company's 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 31. 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***
2010							
Other liabilities	**170,842**	**966,874**	**537,291**	**78,643**	**253**	**115,717**	**1,869,620**
Trade and other payables	**192,584**	**1,383,108**	**336,017**	**22,590**	**-**	**4,368**	**1,938,667**
Borrowings	**1,416,140**	**98,121**	**752,612**	**15,344,329**	**1,969,633**	**3,661,661**	**23,242,496**
Customer deposits and other amounts due to banking customers	**736,982**	**286,163**	**277,858**	**459**	**-**	**-**	**1,301,462**
Due to banks	**79,150**	**111,678**	**19,998**	**-**	**43,013**	**-**	**253,839**
	2,595,698	**2,845,944**	**1,923,776**	**15,446,021**	**2,012,899**	**3,781,746**	**28,606,084**
Off balance sheet items	**-**	**9,141**	**28,608**	**35,790**	**-**	**-**	**73,809**
2009							
Other liabilities	41,418	1,674,089	880,171	27,501	3,004	23,903	2,650,086
Trade and other payables	316,576	1,706,463	3,738	909	418	859	2,028,963
Borrowings	533	790,163	6,654,776	8,929,056	803,668	1,424,379	18,602,575
Customer deposits and other amounts due to banking customers	524,173	255,923	83,049	28,994	-	-	892,139
Due to banks	42,705	57,774	60,151	-	43,014	-	203,644
	925,405	4,484,412	7,681,885	8,986,460	850,104	1,449,141	24,377,407
Off balance sheet items	-	-	-	34,686	-	-	34,686

33 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 2010 and 2009.

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.

	2010	*2009*
	US $ '000	*US $ '000*
Interest bearing loans and borrowings (Note 26)	**21,041,241**	17,434,916
Less cash and cash equivalents	**(3,150,931)**	(2,533,118)
Net debt	**17,890,310**	14,901,798
Total capital	**16,005,578**	15,318,381
Capital and net debt	**33,895,888**	30,220,179
Gearing ratio	**53%**	49%

34 ASSETS UNDER MANAGEMENT

	2010	*2009*
	US $ '000	*US $ '000*
Real estate (including mutual funds)	**2,840,760**	2,153,302
Cash and cash equivalents	**2,113,153**	1,605,500
Fixed income instruments (bonds, loans and mutual funds)	**1,094,987**	1,577,471
Equities (stocks and mutual funds)	**3,597,425**	2,196,133
Assets under management and custody by the Group	**9,646,325**	7,532,406
Assets not in the custody of the Group	**3,076,185**	3,226,372
	12,722,510	10,758,778

These amounts are not reported in the consolidated financial statements, as they are not the 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 $ 2,605 million (31 December 2009: US $ 2,548 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% (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 income statement.

35 COMMITMENTS AND CONTINGENCIES

	2010 *US $ '000*	*2009* *US $ '000*
Guarantees		
Guarantees and letter of credit	**357,701**	232,128
Guarantees in favour of associated companies	**88,379**	11,573
	446,080	243,701
Feedstock purchase commitments		
Up to 1 year	**1,294,000**	1,262,000
1 to 5 years	**2,242,000**	2,314,000
Beyond 5 years	**1,669,992**	1,729,000
	5,205,992	5,305,000
Operating lease commitments		
Up to 1 year	**74,513**	81,718
1 to 5 years	**201,195**	229,890
Beyond 5 years	**177,107**	214,461
	452,815	526,069
Capital commitments		
Property, plant and equipment	**1,262,478**	2,155,749
Investments in financial instruments	**138,948**	-
Investment property	**1,907,297**	1,705,982
	3,308,723	3,861,731

Investment commitments

a) On 7 October 2010, Aabar acquired a 31.8% stake in Galactic Ventures LLC for a consideration of US $ 280.2 million. It has also committed to invest a further US $ 98 million in Galactic Ventures LLC to develop the small spacecraft business. Galactic Ventures LLC intends to be a pioneer in space tourism, transporting people, and later small satellites, safely into space and back down to earth.

b) In July 2010, Aabar committed to invest US$ 54.2 million into two global base pyramid investment funds, Blue Orchard Private Equity Funds SCA and Oasis Fund SCA. As of 30 September 2010, Aabar has contributed US $ 18.9 million. The remaining US $ 35 million will be paid upon subsequent capital calls.

c) Aabar intends to invest US$ 20 million (out of which US$ 5 million was paid as an advance prior to 31 December 2009) to acquire a 40% stake in XOJET Inc, a US private airline company. Aabar also has plans to create a joint venture with XOJET Inc to provide first class private aviation services to various destinations in the Middle East and North Africa regions.

d) On 3 March 2010, pursuant to an announcement on 10 August 2009, Aabar signed a shareholders' agreement and articles of association in relation to the creation of a joint venture with the Government of Algeria and others to build the first of three vehicle and engine manufacturing plants in Algeria, in cooperation with Ferrostaal AG and Daimler AG. Aabar's stake in the joint venture is 24.5% of the share capital for which it plans to make an initial capital contribution of approximately EUR 4 million.

35 COMMITMENTS AND CONTINGENCIES continued

Legal proceedings
In July 2009, Ferrostaal's offices in Essen, Germany were searched by the Munich public prosecution authorities based on suspicion of criminal conduct and corrupt practices of Ferrostaal during a period prior to the Company's acquisition of its 70% stake in Ferrostaal. As at 31 December 2010, the investigations of the Munich public prosecutor were ongoing.

The Company is also actively seeking a settlement with the other shareholder of Ferrostaal in respect of the arbitration filed by the Company. However, the Company remains prepared to enforce its legal rights through arbitration if an acceptable settlement cannot be reached.

36 EVENTS AFTER THE REPORTING PERIOD

i) A shareholder loan amounting to US $ 350,000 thousand provided to Aabar by the Company has been converted into equity through the Company's subscription for mandatory convertible bonds issued by Aabar, increasing the ownership of the Company from 86.17% to 88.65%.

ii) Aabar entered into a loan agreement for EUR 200,000 thousand on 28 January 2011. The loan carries an interest of EURIBOR plus a margin and is to be repaid in full at the end of three years from the date of signing. The loan has been drawn on 31 January 2011.

iii) Aabar and Daimler AG acquired the remaining 24.9% stake in Mercedes GP Ltd. Accordingly, Aabar increased its stake from 30.04% to 40% and Daimler AG increased its stake from 45.60% to 60%. The acquisition is subject to clearance from the German Bundeskartellamt.

iv) On 1 February 2011, the Company entered into an AED 1.0 billion unsecured conventional loan, with an interest rate at a margin over EIBOR, amortising over fifteen years.

v) On 16 February 2011, the Company announced a voluntary offer to acquire the entire issued share capital of CEPSA not already owned by the Company, amounting to 141,648,565 shares, or 52.9 % of the share capital of CEPSA (the "Offer"). The Offer is subject to the prior approval of the Spanish Securities Commission as CEPSA is listed on the principal stock exchanges of the Kingdom of Spain. The Company has confirmed that it will offer €28 per share to all CEPSA shareholders. This Offer price assumes that CEPSA will pay a dividend of €0.50 per share to its shareholders prior to the date on which the result of the Offer is announced (and, if such dividend is not paid, the Company will increase the Offer price by €0.50 per share). In the context of the Offer, the French oil and gas company, Total SA, has irrevocably agreed to sell its 48.8 % share in CEPSA to the Company. The Offer is conditional upon merger control approvals by the European Commission and, to the extent applicable, the competition authorities in Canada and the United States.

vi) On 9 March 2011, the Company issued: EUR 1,250,000 thousand of fixed rate notes maturing on 14 May 2016 with a coupon of 4.875%, EUR 1,250,000 thousand of fixed rate notes maturing on 14 March 2021 with a coupon of 5.875%, and GBP 550,000 thousand of fixed rate notes maturing on 14 March 2026 with a coupon of 6.875%. The proceeds of the issuance are to be used for the financing of the shares in CEPSA.

vii) On 9 March 2011, the Company entered into a cross currency swap transaction exchanging both coupon and principal into EUR in relation to its issued 2026 GBP 550,000 thousand fixed rate notes.

viii) In March 2011, Aabar acquired 100% of the share capital of Oxygen Capital Limited, a company incorporated in the British Virgin Island for a consideration of US $ 5 million. The acquiree is involved in the provision of aviation services.

ix) On 25 March 2011, the Company negotiated a reduction in its margin over LIBOR in respect of its GBP 150,000 thousand facility dated 25 November 2008.

36 EVENTS AFTER THE REPORTING PERIOD continued

x) On 5 April 2011, the Company entered into a US $ 1.4 billion unsecured conventional loan, with an interest rate at a margin over LIBOR, maturing on 5 April 2014.

xi) On 18 April 2011, the Company had subscribed and paid for the remaining mandatory convertible bonds available under the purchase agreement previously entered into with Aabar. Upon completion of the conversion mechanics, the Company's stake in Aabar will increase to 93.1%.

xii) On 4 May 2011, Aabar signed a cornerstone investment agreement with Glencore International plc and, inter alia, Citigroup Global Markets U.K. Equity Limited, Credit Suisse Securities (Europe) Limited, Morgan Stanley & Co. International plc, the Joint Global Coordinators of the initial public offering of Glencore International plc, pursuant to which it has agreed to commit US$850,000 thousand as cornerstone investor in the initial public offering.

37 2009 BUSINESS COMBINATIONS

The Group made several acquisitions during the year ended 31 December 2009, which are further described below.

37.1 Acquisition of Aabar

On 23 March 2009, the Group acquired 71.23% (2,228,000,000 ordinary shares) of Aabar through the conversion of mandatory convertible bonds, for an aggregate amount of US $ 1,820,872 thousand. Aabar operates as an investment company which has interest in equity and debt instruments of companies from different industries.

	Fair value amounts US $ '000
Advances on investment properties	**601,166**
Financial assets at fair value through profit and loss	**2,419,818**
Derivatives	**21,815**
Available-for-sale financial assets	**287,118**
Other assets	**35,966**
Cash and short term deposits	**125,634**
Total assets	**3,491,517**
Borrowings	**(1,385,368)**
Other liabilities	**(8,271)**
Total liabilities	**(1,393,639)**
Net assets acquired	**2,097,878**
71.23% share acquired by the Group	**1,494,318**
Goodwill	**326,554**
Total acquisition costs	**1,820,872**

The total acquisition costs of US $ 1,820,872 thousand comprised of a cash payment of US $ 1,820,757 thousand and costs of US $ 115 thousand directly attributable to the acquisition.

The Company has performed a purchase price allocation exercise, and determined that the carrying values approximate the fair values at the date of acquisition. No significant intangible assets have been identified at the acquisition date.

37 2009 BUSINESS COMBINATIONS continued

37.1 Acquisition of Aabar continued

Cash outflow on the acquisition of Aabar was as follows:

	US $ '000
Consideration paid	**1,820,872**
Cash acquired with Aabar	**(125,634)**
Net cash outflow	**1,695,238**

From the date of acquisition until 31 December 2009, Aabar has contributed US $ 53,813 thousand to revenue and US $ 717,433 thousand to profit from continuing operations of the Group. If the combination had taken place at the beginning of 2009, the contribution by Aabar to the profit for 2009 from continuing operations for the Group would have been US $ 432,636 thousand and the revenue would have been US $ 53,813 thousand.

The above goodwill is attributable to Aabar's strong position and projected investment mandate in advanced technologies.

37.2 Acquisition of Ferrostaal

On 25 March 2009, the Group completed the acquisition of 70% interest in Ferrostaal, with a put and call arrangement with the minority shareholder for the acquisition of the remaining 30%. Ferrostaal is a global provider of industrial services through a worldwide presence with subsidiaries in 60 countries. The company focuses on being present in growth regions and the key markets of its operation include South America, Europe, South East Asia and the Middle East.

	Carrying amount US $ '000	***Fair value US $ '000***
Property, plant and equipment	146,883	**253,597**
Intangible assets	3,191	**268,943**
Investment properties	8,708	**9,252**
Investments in associates and jointly controlled entities	435,960	**561,026**
Deferred tax assets	68,339	**68,339**
Inventories	866,406	**866,406**
Other assets	765,192	**765,192**
Bank balances and cash	1,051,342	**1,051,342**
Total assets	3,346,021	**3,844,097**
Trade payables	(544,102)	**(544,102)**
Deferred tax liability	(76,460)	**(196,224)**
Provisions	(197,936)	**(361,065)**
Other liabilities	(1,917,033)	**(1,917,033)**
Total liabilities	(2,735,531)	**(3,018,424)**
Net assets before minority interest		**825,673**
Minority interest		**253**
Net assets acquired		**825,926**
100% effective share acquired by the Group		**825,926**
Goodwill		**99,193**
Total acquisition costs		**925,119**

37 2009 BUSINESS COMBINATIONS continued

37.2 Acquisition of Ferrostaal continued

The total acquisition costs of US $ 925,119 thousand comprised of a cash payment of US $ 685,851 thousand and costs of US $ 12,122 thousand directly attributable to the acquisition. The remaining amount US $ 227,146 thousand relates to the present value of the put and call arrangement over the 30% of Ferrostaal, which has been recognised as a financial liability at amortised cost. An amount of US $ 67,971 thousand (EUR 50,000 thousand), included in the cash payment, was payable at 31 December 2009.

Cash outflow on the acquisition of Ferrostaal was as follows:

	US $ '000
Consideration paid	**630,002**
Cash acquired with Ferrostaal	**(1,051,342)**
Net cash inflow	**(421,340)**

Assets acquired and liabilities assumed
Property, plant and equipment
Property, plant and equipment was valued based on current market prices, specific units and yield for each property and replacement cost model as appropriate. The fair value adjustment amounted to US $ 78.9 million.

Intangible assets
The Company conducted a thorough review of the business documentation in order to identify potential intangible assets in accordance with IFRS 3 and IAS 38. A summary of the identified intangible assets are as follows:

Order backlog
The total fair value of the relevant order backlog amounted to EUR 116.8 million at the date of acquisition, with approximately 80% of the value being amortised over a 2 year period.

Customer and supplier relationships
The customer and supplier relationships were valued using the MEEM approach. The resulting fair values were EUR 31.1 million for customer relationships and EUR 26.6 million for supplier relationships.

Trademarks
The Company employed the relief from royalty method of the income approach to value the subject trademark. Based on the analysis and assumptions, the Company estimated the value of the acquired material trademark was EUR 20.9 million at the acquisition date. The trademark is estimated to have an indefinite useful life.

Deferred taxes
Deferred taxes have been recorded based on the statutory tax rate of the various tax jurisdictions to which temporary differences are attributable.

From the date of acquisition to 31 December 2009, Ferrostaal has contributed US $ 1,650,415 thousand to revenue and US $ 85,069 thousand to profit from continuing operations of the Group. If the combination had taken place at the beginning of 2009, the contribution by Ferrostaal to the profit for 2009 from continuing operations for the Group would have been US $ 91,771 thousand and the revenue would have been US $ 2,225,810 thousand.

37 2009 BUSINESS COMBINATIONS continued

37.3 Acquisition of Falcon Bank

On 16 April 2009, the Group acquired 100% of the net assets and the related business of Falcon Private Bank Limited (renamed from AIG Private Bank Limited) ("Falcon Bank") registered in Switzerland and headquartered in Zurich. Falcon Bank primarily provides investment advisory and asset management services and has branches and representative offices in Geneva, Hong Kong, Singapore and Dubai. In addition, Falcon Bank has subsidiaries operating in Switzerland and Luxembourg.

The fair value of the identifiable assets and liabilities of Falcon Bank as at the date of acquisition were as follows:

	Carrying amounts and provisional fair values US $ '000	***Fair values after purchase price allocation US $ '000***
Property and equipment	43,264	**43,264**
Intangible assets	2,442	**41,968**
Investment properties	8,659	**8,659**
Investments in associates	66,406	**66,406**
Deferred tax asset	5,909	**5,909**
Held-to-maturity financial assets	312,371	**312,371**
Other non-current assets	25,764	**25,764**
Loans and other banking receivables due from banking customers	561,678	**561,678**
Due from banks	356,123	**356,123**
Other current assets	108,292	**108,292**
Total assets	1,490,908	**1,530,434**
Employees' end of service benefits	(11,219)	**(11,219)**
Deferred tax liability	(9,267)	**(17,568)**
Customer deposits and other amounts due to banking customers	(989,103)	**(989,103)**
Due to banks	(195,583)	**(195,583)**
Other current liabilities	(68,266)	**(68,266)**
Total liabilities	(1,273,438)	**(1,281,739)**
Net assets before non-controlling interest		**248,695**
Non-controlling interest		**(784)**
Net assets acquired		**247,911**
100% shareholding acquired by the Group		**247,911**
Goodwill arising on acquisition		**61,694**
Total acquisition cost		**309,605**

The total acquisition cost of US $ 309,605 thousand comprised of a cash payment of US $ 294,717 thousand and costs of US $ 8,496 thousand directly attributable to the acquisition. Furthermore, a payable of US $ 6,392 thousand was recorded at 31 December 2009 which was settled in 2010.

37 2009 BUSINESS COMBINATIONS continued

37.3 Acquisition of Falcon Bank continued

Cash outflow on acquisitions was as follows:

	US $ '000
Consideration paid	**303,213**
Cash acquired with Falcon Bank	**(64,114)**
Net cash outflow	**239,099**

The Group had not finalised the purchase price allocation in relation to this acquisition before the 2009 consolidated financial statements were issued due to the timing of the transaction. Consequently, the fair values of acquired assets and liabilities disclosed in the 2009 consolidated financial statements represented provisional amounts that represented carrying values determined in accordance with IFRS and the Group accounting policies at the date of the acquisition.

The purchase price allocation was completed in 2010 and showed that no material adjustments were required to 2009 consolidated financial statements. Consequently, management recorded these adjustments in 2010.

From the date of acquisition to 31 December 2009, Falcon Bank contributed a loss of US $ 9 million to the results of the Group. If the combination had taken place at the beginning of the year, the consolidated profit of the Group would have been lower by US $ 10 million and revenue from continuing operations would have been higher by US $ 2 million.

The goodwill of US $ 61,694 thousand is attributable to the expected synergies and expected growth in revenues from the private banking customers.

37.4 Acquisition of Nova

On 6 July 2009, the Group acquired 100% of Nova. Nova's principal business is the production and marketing of plastics and chemicals. Nova is registered in Canada, and operates in North America.

	Carrying amount US $ '000	***Fair value amount US $ '000***
Property, plant and equipment	2,415,529	**3,597,133**
Intangible assets	152,698	**509,274**
Inventories	383,461	**374,183**
Trade and accounts receivables	172,281	**173,296**
Other assets	555,518	**315,812**
Cash and short-term deposits	243,792	**243,792**
	3,923,279	**5,213,490**

37 2009 BUSINESS COMBINATIONS continued

37.4 Acquisition of Nova continued

	Carrying amount US $ '000	***Fair value amount US $ '000***
Borrowings	(2,108,902)	**(2,002,886)**
Deferred benefit plant deficit	(100,722)	**(320,942)**
Deferred tax liabilities	(330,581)	**(806,227)**
Trade and other payables	(320,952)	**(327,712)**
Other liabilities	(387,225)	**(327,373)**
Total liabilities	(3,248,382)	**(3,785,140)**
Net assets acquired		**1,428,350**
100% share acquired by the Group		**1,428,350**
Negative goodwill arising on acquisition		**(925,797)**
Total acquisition costs		**502,553**

Due to the unique circumstances specific to Nova's liquidity, a significant drop in commodity prices during the fourth quarter of 2008, and the global credit crisis, IPIC acquired Nova at a bargain purchase price, which resulted in negative goodwill of US $ 926 million.

The total acquisition costs of US $ 502,553 thousand comprised of a cash payment of US $ 499,200 thousand and costs of US $ 3,353 thousand directly attributable to the acquisition.

Cash outflow on acquisitions is as follows:

	US $ '000
Consideration paid	**502,553**
Cash acquired with Nova	**(243,792)**
Net cash outflow	**258,761**

Assets acquired and liabilities assumed

Property, plant and equipment

Most of the property, plant and equipment were valued using depreciated replacement cost, however some of the property, plant and equipment were valued using the income approach.

Intangible assets

The Company identified intangible assets of US $ 510 million which consisted mainly of licenses and technology of US $ 117 million, contracts of US $ 376 million and software of US $ 17 million. All identified intangible assets were determined by management to have finite lives.

Trade receivables

The fair value of trade receivables acquired by the Company on 6 July 2009 was US $ 316 million (US $ 332 million of gross contractual amounts receivable less US $ 16 million estimated contractual cash flows not expected to be collected).

37 2009 BUSINESS COMBINATIONS continued

Assets acquired and liabilities assumed continued

Pension plans

Accrued pension benefit assets and obligations were calculated using best estimate assumptions and all plan assets were valued at fair value. Any existing unamortised net actuarial gain (loss), unamortised past service cost, unamortised transitional obligation or unamortised transitional asset were eliminated, resulting in the accrued benefit asset or liability being the difference between the accrued benefit obligation and the fair value of plan assets.

Deferred taxes

Deferred taxes have been recorded based on the statutory tax rate of the various tax jurisdictions to which temporary differences are attributable.

From the date of acquisition to 31 December 2009, Nova has contributed US $ 1,639,059 thousand to revenue and a loss of US $ 2,757 thousand to profit from continuing operations of the Group. If the combination had taken place at the beginning of 2009, the contribution by Nova to the profit for 2009 from continuing operations for the Group would have been a loss of US $ 241,298 thousand and the revenue would have been US $ 3,046,874 thousand.

38 DISPOSAL OF SUBSIDIARY

Pursuant to an arbitration award dated 12 November 2009, each of Hanocal Holding BV and IPIC International BV (which together held a 70% interest in HDO) were directed to sell their respective interests in HDO to the claimants of the arbitration for a fixed amount of KRW 15,000 per share (number of shares: 171,557,696). The sale was concluded on 12 August 2010, for KRW 2,314 billion (net of taxes and charges). The Group realised a net profit of US $ 771,986 thousand on the sale.

The results from HDO for the period ended 12 August 2010 and year ended 31 December 2009 are presented below:

	Period from 1 January 2010 to 12 August 2010 US $ '000	*Year ended 31 December 2009 US $ '000*
Revenue	**6,255,969**	8,591,046
Cost of sales of goods and services	**(5,968,925)**	(8,170,573)
Gross profit	**287,044**	420,473
Other income	**436,754**	15,707
Sales and marketing expenses	**(90,039)**	(192,997)
General administrative expenses	**(48,867)**	(52,814)
Other expense	**(114,668)**	(50,452)
Foreign exchange (loss) gain	**(17,831)**	38,623
Finance income	**91,604**	204,420
Finance costs	**(88,787)**	(168,813)
Profit before tax	**455,210**	214,147
Gain on disposal of the discontinued operation	**979,737**	-
Tax (charge) credit	**(274,665)**	70,445
Profit for the year from a discontinued operation	**1,160,282**	284,592

38 DISPOSAL OF SUBSIDIARY continued

	Period from 1 January 2010 to 12 August 2010 US $ '000	*Year ended 31 December 2009 US $ '000*
Profit for the year attributable to:		
Equity holder of the parent	**1,070,853**	199,214
Non-controlling interest	**89,429**	85,378
	1,160,282	284,592
	US $	*US $*
Basic and diluted earnings per share from a discontinued operation attributable to equity holder of the parent	**306**	57

Cash inflow on sale:

	US $ '000
Total consideration received	**2,158,970**
Less: bank balances and cash disposed of	**(376,652)**
	1,782,318

The major classes of assets and liabilities of HDO classified as held-for-sale are as follows:

	12 August 2010 US $ '000	*31 December 2009 US $ '000*
Assets		
Property, plant and equipment	**2,395,343**	2,087,738
Inventories	**1,160,337**	1,127,085
Trade and accounts receivables	**1,049,814**	685,296
Other assets	**345,101**	479,288
Cash and short-term deposits	**376,652**	355,799
Assets classified as held-for-sale	**5,327,247**	4,735,206
Liabilities		
Borrowings	**2,143,669**	2,074,739
Trade and accounts payables	**828,619**	626,256
Other current liabilities	**915,649**	730,487
Liabilities directly associated with assets classified as held-for-sale	**3,887,937**	3,431,482
Net assets directly associated with disposal group	**1,439,310**	1,303,724

38 DISPOSAL OF SUBSIDIARY continued

Included in other comprehensive income

	Period from 1 January 2010 to 12 August 2010 US $ '000	*Year ended 31 December 2009 US $ '000*
Foreign currency translation reserve	**(54,852)**	81,274
Reserve for cash flow hedge	**(17,014)**	(30,124)
Reserve of disposal group classified as held-for-sale	**(71,866)**	51,150

The net cash flows incurred by HDO are as follows:

	Period from 1 January 2010 to 12 August 2010 US $ '000	*Year ended 31 December 2009 US $ '000*
Operating	**114,498**	175,562
Investing	**(165,298)**	(568,217)
Financing	**90,155**	482,908
Net cash inflow	**39,355**	90,253

39 RELATED PARTY TRANSACTIONS

Compensation of key management personnel
The remuneration of senior key management personnel of the Group during the year was as follows:

	2010	*2009*
	US $ '000	*US $ '000*
Short-term benefits	**5,938**	4,594
Board of directors' remuneration	**1,471**	20,348
	7,409	24,942

	Goods and services				*Financing*			
Business relationship	*Purchases from*	*Sales to*	*Receivables from*	*Payables to*	*Loans*	*Borrowings*	*Interest received*	*Interest paid*
	US $ '000	*US $ '000*	*US $ '000*	*US $ '000*	*US $ '000*	*US $ '000*	*US $ '000*	*US $ '000*
2010								
Jointly controlled entities	**140,190**	**356,005**	**48,905**	**2,076**	**48,963**	**22,028**	**2,481**	**-**
Associates	**1,981,150**	**861,698**	**311,754**	**181,951**	**-**	**48,262**	**-**	**789**
	2,121,340	**1,217,703**	**360,659**	**184,027**	**48,963**	**70,290**	**2,481**	**789**
2009								
Jointly controlled entities	55,846	141,156	43,537	1,812	58,328	-	881	-
Associates	1,663,757	4,035,858	235,653	317	92,383	51,822	-	-
	1,719,603	4,177,014	279,190	2,129	150,711	51,822	881	-

Terms and conditions of transactions with related parties
Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2010, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2009: 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.

40 SUBSIDIARIES

The consolidated financial statements include financial statements of the Company and each of its subsidiaries as at 31 December 2010. The significant subsidiaries are listed in the following table:

	Country of registration	*Percentage holding*	
		31 December 2010	*31 December 2009*
Borealis	Austria	**64%**	64%
Nova	New Brunswick Canada	**100%**	100%
Ferrostaal (i)	Germany	**70%**	70%
Aabar	UAE	**86.17%**	71.23%
HDO (ii)	South Korea	**-**	70%

(i) At acquisition a put and call arrangement with the minority shareholder was entered into for the acquisition of the remaining 30%.

(ii) The Group sold its interest in HDO during the year (see Note 38).

41 CORRESPONDING FIGURES

Certain comparative figures were reclassified to conform to the current year presentation. These reclassifications had no effect on the reported profit or the equity of the Group and are not deemed material to these consolidated financial statements.

(i) Reclassifications made to the 2009 consolidated income statement were as follows:

	2009 As previously reported US $ '000	*Reclassified US $ '000*	*Reclassified US $ '000*	*Reclassified US $ '000*	*2009 As reclassified US $ '000*
Selling and distribution costs	(789,314)	(21,194)	-	-	(810,508)
General and administrative expenses	(666,726)	53,466	-	-	(613,260)
Other expenses	-	(32,272)	-	-	(32,272)
Finance income	5,715,039	-	(5,101,055)	-	613,984
Finance costs	(2,895,777)	-	-	2,180,167	(715,610)
Excess of fair value over cost of business combinations	925,797	-	(925,797)	-	-
Gains on acquisitions and disposals	-	-	3,125,746	(6,564)	3,119,182
Other (losses) gains on financial instruments	-	-	2,901,106	(2,173,603)	727,503
		-	-	-	

41 CORRESPONDING FIGURES continued

(ii) Reclassifications made to the 2009 consolidated statement of financial position were as follows:

	At 31 December 2009	*Reclassifications*						*At 31 December 2009*
	US $ '000 As previously reported	*US $ '000*	*US $ '000*	*US $ '000*	*US $ '000*	*US $ '000*	*US $ '000*	*US $ '000 As reclassified*
ASSETS								
Non-current assets								
Loans and other amounts due from banking customers	71,429	(71,429)	-	-	-	-	-	-
Trade and other receivables	-	71,429	-	-	-	-	-	71,429
Held-to-maturity financial assets	275,575	-	(275,575)	-	-	-	-	-
Financial assets at fair value through profit or loss	5,617,250	-	(5,617,250)	-	-	-	-	-
Available-for-sale financial assets	1,944,576	-	(1,944,576)	-	-	-	-	-
Derivative financial instruments	86,979	-	(86,979)	-	-	-	-	-
Investments in financial instruments	-	-	7,924,380	-	-	-	-	7,924,380
		-	-	-	-	-	-	
Current assets								
Loans and other amounts due from banking customers	549,655	(549,655)	-	-	-	-	-	-
Trade and other receivables	1,256,072	549,655	-	414,000	-	-	-	2,219,727
Derivative financial instruments	48,892	-	(48,892)	-	-	-	-	-
Due from banks	183,158	-	-	(183,158)	-	-	-	-
Investments in financial instruments	-	-	48,892	-	-	-	-	48,892
Other current assets	991,264	-	-	(230,842)	-	-	-	760,422
		-	-	-	-	-	-	
EQUITY AND LIABILITIES								
Equity attributable to equity holder of the parent								
Cumulative changes in fair value of available-for-sale investments	3,097,967	-	-	-	(3,097,967)	-	-	-
Foreign currency translation reserve	138,196	-	-	-	(138,196)	-	-	-
Reserve for cash flow hedges	(21,630)	-	-	-	21,630	-	-	-
Reserve for actuarial gain and losses	(2,866)	-	-	-	2,866	-		-
Other reserves	207,747	-	-	-	(207,747)	-	-	-
Reserves of disposal groups classified as held-for-sale	(81,580)	-	-	-	81,580	-	-	-
Other reserves	-	-	-	-	3,337,834	-	-	3,337,834
		-	-	-	-	-	-	

41 CORRESPONDING FIGURES continued

	At 31 December 2009 US $ '000 As previously reported	*Reclassifications US $ '000*	*US $ '000*	*US $ '000*	*US $ '000*	*US $ '000*	*US $ '000*	*At 31 December 2009 US $ '000 As reclassified*
Non-current liabilities								
Borrowings	10,434,057	-	-	-	-	-	(51,822)	10,382,235
Government grants	42,586	-	-	-	-	-	(42,586)	-
Customer deposits and other amounts due to banking customers	25,905	-	-	-	-	(25,905)	-	-
Due to banks	44,582	-	-	-	-	(44,582)	-	-
Trade and other payables	-	-	-	-	-	70,487	-	70,487
Other non-current liabilities	63,123	-	-	-	-	-	94,408	157,531
		-	-	-	-	-	-	
Current liabilities								
Trade payables	2,382,590	-	-	-	-	1,025,296	(382,173)	3,025,713
Other current liabilities	2,119,737	-	-	-	-	-	462,616	2,582,353
Income tax payable	80,443	-	-	-	-	-	(80,443)	-
Customer deposits and other amounts due to banking customers	866,234	-	-	-	-	(866,234)	-	-
Due to banks	159,062	-	-	-	-	(159,062)	-	-
		-	-	-	-	-	-	